

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**THE UNIVERSITY OF MINNESOTA  
CLAIMED ALLOWABLE EQUIPMENT  
COSTS UNDER NATIONAL INSTITUTES OF  
HEALTH GRANTS**

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**February 2013  
A-05-12-00077**

# *Office of Inspector General*

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## INTRODUCTION

### BACKGROUND

The National Institutes of Health (NIH) is the steward of medical and behavioral research for the nation. Its mission is science in pursuit of fundamental knowledge about the nature and behavior of living systems and the application of that knowledge to extend healthy life and reduce the burdens of illness and disability. Research supported through the issuance of grants and cooperative agreements enable NIH to fulfill its mission to make medical discoveries that improve health and save lives.

NIH grants and cooperative agreements are awarded as discretionary grants. NIH has the authority to determine the recipient of the grant and/or cooperative agreement and the amount awarded. NIH programs are legislatively authorized by Congress, which also defines the purpose and policy, authorization of appropriations, allotment of funds, limitation on assistance, and other things, for the programs. Furthermore, each Institute and Center establishes specific goals for the unit, grant programs and activities.

#### **Federal Requirements for National Institutes of Health Grantees**

The allowability of costs incurred by institutions of higher education are determined in accordance with the cost principles contained in 2 CFR pt. 220 (Office of Management and Budget (OMB) Circular A-21), *Cost Principles for Educational Institutions*, as required by 45 CFR § 74.27.

NIH provides additional guidance through the *National Institutes of Health Grants Policy Statement* (NIH Grants Policy Statement). The Grants Policy Statement provides NIH grantees, in a single document, the policy requirements that serve as the terms and conditions of NIH grant awards. The Grants Policy Statement provides general information, application information, and specifies the terms and conditions that apply to particular types of grants, grantees, and activities that differ from, supplement, or elaborate on the standard terms and conditions.

#### **The University of Minnesota**

The University of Minnesota (the grantee) is a public research university founded in 1851. The grantee made 27 equipment purchases, exceeding \$25,000, with NIH funds in the amount of \$6,300,860. The purchase period was January 1, 2011, through December 31, 2011.

### OBJECTIVE, SCOPE, AND METHODOLOGY

#### **Objective**

Our objective was to determine whether equipment purchases exceeding \$25,000 funded through NIH grants were allowable under the terms and conditions of the grants and applicable Federal regulations.

## **Scope**

We limited our review to 27 pieces of equipment exceeding \$25,000 in cost that were purchased with NIH grant funds during the period January 1, 2011, through December 31, 2011. The grantee claimed \$6,300,860 for the 27 pieces of equipment. We did not perform an overall assessment of the grantee's internal control structure. Rather, we limited our evaluation of the grantee's procurement process to obtaining an understanding of internal control as it relates to the specific objective and scope of the audit.

We performed field work at the grantee's administrative office in Minneapolis, Minnesota in September 2012.

## **Methodology**

To accomplish our objective, we:

- requested a listing of equipment purchases for all NIH grants for the audit period;
- summarized equipment purchases that exceeded \$25,000;
- interviewed grantee officials;
- determined if the purchase of any particular unit of equipment was split across different grants;
- determined whether duplicate purchases of equipment were improperly charged to the same grant or different grants;
- reviewed the timing of equipment purchases and any unusually large purchases at the end of the grant period;
- held discussions with university staff to determine whether equipment costs were reasonable and whether anyone certified that the equipment was not available prior to the purchase;
- determined whether competitive bids were obtained when necessary;
- determined whether equipment was placed in the inventory records and noted as being purchased with Federal funds; and
- determined if prior approval was sought from NIH for equipment purchases in excess of \$25,000 if the equipment was not included in the approved grant award budget.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **RESULTS OF AUDIT**

The \$6,300,860 in costs covered by our review were allowable under the terms of the grants and applicable Federal regulations.