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# **Vibrent Health Claimed Unallowable Costs Under a National Institutes of Health Other Transaction Award**



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### Why OIG Did This Audit

- The National Institutes of Health is one of a small number of Federal agencies with authority to use other transactions (OTs), which is a special award instrument not generally subject to Federal laws and regulations that apply to traditional awards. Between 2016 and 2023, NIH awarded more than \$5.3 billion in OTs. Although OTs are subject to fewer restrictions than contracts, grants, or cooperative agreements, they must be awarded and administered in a way that ensures proper stewardship of Federal funds.
- Prior OIG work identified weaknesses in NIH's processes for determining whether costs incurred under OT awards were allowable.
- This audit examined the allowability of costs that Vibrent Health claimed for information technology services provided through NIH's *All of Us* Research Program.

### What OIG Found

- From August 2020 through December 2023, Vibrent Health claimed \$161.2 million for reimbursement under the OT award, of which no more than \$144.7 million was allowable.
- The remaining \$16.5 million included \$1.9 million of unapproved fringe benefit and indirect costs and at least \$14.6 million of unreasonable subcontract costs.

### What OIG Recommends

We recommend that Vibrent Health work with NIH to determine the allowability of the at least \$16.5 million in unapproved and unreasonable costs and refund costs deemed unallowable. We also recommend that Vibrent Health create an oversight function to ensure compliance with the terms and conditions of future Federal awards.

Vibrent Health did not indicate concurrence or nonconcurrence with our recommendations; however, it disagreed with our findings.

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## INTRODUCTION

### WHY WE DID THIS AUDIT

The National Institutes of Health (NIH) is one of a small number of Federal agencies with authority to fund programs through instruments known as other transactions (OTs). Between 2016 and 2023, NIH awarded more than \$5.3 billion in OTs to fund public health initiatives and biomedical research programs. OTs are a more flexible type of award instrument in part because they are not subject to the Federal Acquisition Regulation (FAR), the Uniform Guidance (45 CFR Part 75), or other regulations unless specified in the award conditions. This flexibility makes them inherently higher risk than traditional awards. Prior OIG work identified weaknesses in NIH's processes for determining whether costs incurred under OT awards were allowable.<sup>1</sup>

### OBJECTIVE

Our audit objective was to determine if Vignet, Inc., doing business as Vibrent Health, claimed costs that were allowable in accordance with the terms and conditions of its NIH OT award.

### BACKGROUND

#### National Institutes of Health

NIH is the largest public funder of biomedical research in the world and invests in medical research seeking to enhance life and reduce illness and disability. NIH's mission is to seek fundamental knowledge about the nature and behavior of living systems and the application of that knowledge to enhance health, lengthen life, and reduce illness and disability.

#### Precision Medicine Initiative and *All of Us* Research Program

In 2015, NIH launched an initiative called the Precision Medicine Initiative (PMI) that sought to collect and study the health data of more than 1 million U.S. volunteers in a longitudinal, long-term effort to better understand the factors contributing to individual health and disease. Program participants were intended to be the primary source of research observations, contribute to research questions, donate data from mobile and wearable devices, and provide other shared health information. NIH initially used cooperative agreements to fund most of the PMI program but later began using OTs to gain greater flexibility in meeting the program's rapidly evolving needs and to attract non-traditional partners.

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<sup>1</sup> OIG, [The National Heart, Lung, and Blood Institute Did Not Fully Comply With Federal Requirements for Other Transactions \(A-04-20-04078\)](#), Apr. 23, 2021.

In 2018, NIH formally launched national enrollment in the *All of Us* Research Program (AoURP) to further the initial goals of the PMI and ensure the program included people across all demographics.

## **Vibrent Health**

Vignet, Inc., doing business as Vibrent Health (Vibrent), is a small information technology (IT) business located in Fairfax, Virginia. In August 2020, Vibrent received an OT award to support operations for the Participant Technology Systems Center (PTSC) for the AoURP. Under this award, called PTSC 2.0, Vibrent was to develop IT platforms, such as web-based and mobile apps, to help participants enroll in the AoURP, share their health information, and receive program updates. The PTSC 2.0 award had a period of performance from August 14, 2020, through February 28, 2025.<sup>2</sup>

Vibrent used many subcontractors to accomplish the objectives of the PTSC 2.0 award. On August 14, 2020 (the start date of the PTSC 2.0 award), Vibrent subcontracted with a related party based in Pune, India, and owned by Vibrent's CEO. Two years later, on October 1, 2022, Vibrent ended its subcontract with this related party and began subcontracting with a second related party, a company registered in Delaware that was also owned by Vibrent's CEO. This second subcontract generally contained the same terms and conditions as the first related-party subcontract. Because these subcontracts were with companies owned by Vibrent's CEO and Vibrent was owned by the CEO's spouse, these subcontracts were not "arm's length" transactions. This created a risk that the services provided by the subcontractors may not have been provided at "fair market value." NIH approved both related-party subcontracts.

## **NIH's Use of Other Transactions**

NIH is responsible for ensuring that OT recipients comply with the policy requirements discussed throughout the OT award, as appropriate. OTs provide NIH with the flexibility to negotiate terms and conditions appropriate for the award without requiring adherence to the mandatory requirements of the FAR, Uniform Guidance, or other contracts and grants policies or procedures. NIH can include some or all of the cost requirements contained in the Cost Principles (48 CFR Part 31) or Uniform Guidance in the OT award terms and conditions. NIH is required to ensure that the amount of the award is fair and reasonable and that Federal funds are used only for costs that a reasonable and prudent person would incur in carrying out the project.

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<sup>2</sup> From 2017 to 2020, Vibrent began the development, launch, and initial operation of the PTSC under an NIH cooperative agreement called the "Adaptive Platform for Personalized Engagement." (NIH, "[Adaptive Platform for Personalized Engagement](#)." Accessed on Jan. 14, 2026.) The PTSC 2.0 award commenced immediately after that cooperative agreement ended on Aug. 13, 2020.

## HOW WE CONDUCTED THIS AUDIT

We reviewed approximately \$173 million that NIH awarded to Vibrent for its PTSC 2.0 award during the period August 14, 2020, through December 31, 2023 (the audit period). The \$173 million included a base award (the first year of the award) and 15 supplemental awards. See Appendix A for a list of the NIH OT awards made to Vibrent.

Of this \$173 million, Vibrent claimed \$161.2 million in costs and fees.<sup>3</sup> We obtained and reviewed Vibrent's general ledger transactions charged to the PTSC 2.0 award for the audit period, which consisted of 11,717 transactions totaling \$107,659,777 of direct labor and other direct costs.<sup>4</sup> Within these two cost categories, we calculated the ratio of each expenditure type (such as labor, travel, production development tools, etc.) to the total of all direct expenditures. To identify areas for further review, we selected a nonstatistical sample of 58 transactions within the expenditure types that comprised the highest percentage of all expenditures and performed detailed audit procedures. As a result of our review of these 58 transactions, we then performed detailed audit procedures for all related-party subcontract payments, totaling \$28,397,374, and all fringe benefits and indirect costs, totaling \$48,879,413.

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.

Appendix A describes our audit scope and methodology.

## FINDINGS

Vibrent claimed some costs on the PTSC 2.0 award that were either unallowable or potentially unallowable. Specifically, Vibrent applied fringe benefit and indirect cost rates that exceeded those approved by NIH, resulting in \$1.9 million in unallowable costs. For the potentially unallowable costs, our analysis found that Vibrent paid related-party subcontractors at least 2.05 times more for each position type compared to similar positions at other India-based companies, leading to at least \$14.6 million in potentially unallowable costs. By not adhering to the award's terms and conditions, Vibrent risked jeopardizing the success of the project's goals and objectives. These issues occurred because Vibrent lacked sufficient internal controls to ensure that only reasonable and approved costs were charged to the PTSC 2.0 award.

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<sup>3</sup> Since our audit period, NIH awarded, in total, \$191 million to Vibrent for its PTSC 2.0 award through Feb. 28, 2025, and reported it had disbursed these award funds to Vibrent.

<sup>4</sup> This \$108 million (rounded) represents direct costs only. NIH approved specific rates for Vibrent to claim fringe benefits and indirect costs by project year. We discuss these rates in more detail later in this report.

## VIBRENT CLAIMED SOME COSTS THAT WERE UNALLOWABLE OR POTENTIALLY UNALLOWABLE

### Federal Requirements

NIH incorporated into the terms and conditions of Vibrent’s PTSC 2.0 award an NIH document entitled *Other Transaction Award Policy Guide for the NIH Precision Medicine Initiative Research Programs* (PMI Policy Guide). This document described the policies to be used for implementing OT awards under NIH’s PMI research programs. Section 4.1 of the policy guide states that OT awards under this program provide for reimbursement of actual, allowable costs incurred and are subject to applicable Federal cost principles.

NIH also incorporated a portion of the FAR cost principles located at 48 CFR § 31.2 into the terms and conditions of the PTSC 2.0 award. The FAR states that a cost is allowable only when it is reasonable and within the terms of the OT award.<sup>5</sup>

### Vibrent Claimed Unallowable Fringe Benefits and Indirect Costs

Vibrent claimed fringe benefits and indirect costs that were not allowable. Vibrent used a higher fringe benefit and indirect cost rate than what NIH approved in Vibrent’s budget proposals. The PTSC 2.0 award included specific approved rates for both fringe benefits and indirect costs within the terms and conditions of the award.<sup>6</sup> However, Vibrent calculated fringe benefit and indirect cost rates that, in general, were more than what NIH approved (see Table 1).

**Table 1: OIG-Calculated Variances Between Vibrent’s Claimed Rates and NIH-Approved Rates**

Calendar Year	Claimed Fringe Benefit Rate	Approved Fringe Benefit Rate	OIG-Calculated Fringe Benefit Variance	Claimed Indirect Cost Rate	Approved Indirect Cost Rate	OIG-Calculated Indirect Cost Variance
2020	37.01%	33.00%	4.01%	50.09%	41.0%	9.09%
2021	38.89%	37.00%	1.89%	55.81%	52.0%	3.81%
2022	39.64%	38.60%	1.04%	57.90%	68.0%	-10.10%
2023	37.71%	38.60%	-0.89%	80.57%	63.5%	17.07%

Vibrent officials stated that they calculated indirect costs (including fringe benefits) based on actual monthly costs and unrecorded estimates—rather than approved rates—so that they could withdraw funds from HHS’s Payment Management System that more closely matched their actual expenditures. However, the PTSC 2.0 award terms and conditions required that Vibrent claim indirect costs based on the rates NIH approved in Vibrent’s budget proposals.

<sup>5</sup> 48 CFR § 31.201-2(a).

<sup>6</sup> Each notice of award for the project contained a provision stating that the award is based on the application submitted to, and as approved by, NIH.

As a result of Vibrent’s use of these unapproved rates, Vibrent recorded \$1.9 million more fringe benefits and indirect costs than what NIH allowed.<sup>7</sup>

### **Vibrent Claimed Unreasonable Subcontractor Costs**

Vibrent claimed at least \$14.6 million in unreasonable subcontractor costs. According to the general ledger data provided by Vibrent for the audit period, Vibrent paid \$28.4 million to two related-party subcontractors.<sup>8</sup> Of this \$28.4 million, Vibrent supported that, at most, \$13.8 million was reasonable and allowable.

The FAR states that costs must be reasonable to be allowable.<sup>9</sup> A cost is considered reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.<sup>10</sup> In accordance with the PMI Policy Guide, Vibrent must follow its procurement policies and procedures when purchasing goods or services.<sup>11</sup> Vibrent’s procurement policies stated that officials must use budget justifications and price analyses to document why a vendor was chosen. In addition, Vibrent employees were to ensure that they do not have any real or perceived conflicts of interest with any supplier.<sup>12</sup>

Our analysis showed that Vibrent paid the related-party subcontractors at least 2.05 times more for each position type than other India-based companies would have paid for those same or similar positions. For example, Vibrent paid the related-party subcontractors approximately \$131,000 for a “QA Lead” position, whereas the highest average salary for this position in India was approximately \$51,000. See Appendix B for Vibrent’s position type, associated salaries, and comparison to other market data used to assess whether subcontractor costs were reasonable.

With the execution of the related-party subcontracts, Vibrent did not follow its policies and procedures for selecting vendors, including maintaining documentation for budget justification, price analysis, the reason for final selection, a clear and accurate description of the technical

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<sup>7</sup> To calculate fringe benefit costs, the applicable fringe benefit rate is multiplied by direct labor costs. To calculate indirect costs, the applicable indirect cost rate is multiplied by direct labor costs plus fringe benefits.

<sup>8</sup> Vibrent worked with approximately 30 different subcontractors under the PTSC 2.0 award during the audit period. The \$28.4 million that Vibrent paid these two related-party subcontractors was substantially more than it paid any of its other subcontractors. Vibrent’s next highest-paid subcontractor received \$6.8 million during the same period.

<sup>9</sup> 48 CFR § 31.201-2 (a)(1).

<sup>10</sup> 48 CFR § 31.202-1(a).

<sup>11</sup> *Other Transaction Award Policy Guide for the NIH Precision Medicine Initiative Research Programs*, 7.3 Procurement System Standards and Requirements.

<sup>12</sup> Vibrent Procurement and Purchase Policy and Procedures, Revision No. VH-Fin-03, 5.

requirements, and the absence of conflicts of interest. Vibrent’s documentation on its selection of the related-party subcontractors was limited to a single “vendor justification form,” which showed that Vibrent invited only four vendors to provide presentations on their capabilities rather than soliciting competitive bids.<sup>13</sup> This justification form showed that one vendor had considerably lower rates than all the others, but no rationale was given to explain why this vendor was not selected. In addition, Vibrent did not have a board of directors or any other independent oversight function within the company that could ensure award requirements were met.

Based on our analysis, we concluded that Vibrent paid unreasonable, and thus unallowable, costs to related-party subcontractors totaling at least \$14.6 million (see Table 2).

**Table 2: Calculation of Unreasonable Subcontract Costs**

<b>Reasonable Costs</b>	\$28.4 million / 2.05 = \$13.8 million
<b>Unreasonable Costs</b>	\$28.4 million - \$13.8 million = \$14.6 million

### RECOMMENDATIONS

We recommend that Vibrent Health take the following steps:

- Work with NIH to: (1) refund the \$1.9 million of unapproved fringe benefits and indirect costs and (2) determine the allowability of costs associated with the at least \$14.6 million of unreasonable costs that Vibrent paid to related-party subcontractors, and refund any costs that NIH deems to be unallowable.
- Create an oversight function to independently ensure it complies with applicable terms and conditions of future Federal awards.

### VIBRENT HEALTH COMMENTS AND OIG RESPONSE

In written comments on our draft report, Vibrent did not indicate concurrence or nonconcurrence with our recommendations. However, Vibrent strongly disagreed with our findings related to unallowable fringe benefits and indirect costs and unreasonable subcontractor costs. We maintain that our findings and recommendations are valid.

In addition, Vibrent indicated that our report did not address the innovation and national impact of its work on the AoURP. However, we do not provide a response to this comment as it is outside the scope of our audit.

We provided our audit report to NIH, and it provided technical comments, which we addressed as appropriate.

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<sup>13</sup> This form was also not signed or dated so we could not determine who prepared it or when the document had been approved.

Vibrent's comments are included in their entirety as Appendix C.

## **VIBRENT HEALTH DENIED CLAIMING UNALLOWABLE FRINGE BENEFITS AND INDIRECT COSTS**

In response to our first finding, Vibrent did not agree that it claimed unallowable fringe benefits and indirect costs under the PTSC 2.0 award for the reasons listed below.

### **The OT Terms and Conditions Did Not Contain Any Approved Indirect Rates**

#### *Vibrent's Comments*

Vibrent stated that the PTSC 2.0 award did not identify any "approved" indirect cost rates nor did it establish a process for approving indirect rates. The award documents only included a budgeted amount for facilities and administrative costs, which was updated annually with NIH during each year's budgeting process.

Vibrent stated that NIH had the authority to directly negotiate fringe and indirect cost rates in any given year of the OT award. For 2020, Vibrent said that NIH's Division of Financial Advisory Services negotiated its Federal indirect cost rate and that in subsequent years NIH's OT Agreements Officer negotiated and approved Vibrent's rates based on detailed documentation submissions. Vibrent asserted that it only used NIH's approved fringe and indirect rates for reimbursements.

#### *OIG Response*

As stated in our report, the PTSC 2.0 award terms required Vibrent to use fringe benefit and indirect cost rates contained in its budget proposals. Specifically, the notices of award state that the project "is based on the application submitted to, and as approved by, NIH." These applications contained budget proposals that included the fringe benefit and indirect cost rates that NIH approved. While we agree that the PTSC 2.0 award did not directly establish fringe benefit or indirect cost rates, it incorporated, by reference, the NIH-approved budgets into its terms and conditions. Those budgets reflected the actual rates that Vibrent proposed and that NIH approved for recovering fringe benefit and indirect costs. We confirmed with NIH that this was the correct interpretation of the terms and conditions of the award, and we thus refer to these rates as "approved rates" in this report.

### **OIG's "Approved" Rates Were Incorrect**

#### *Vibrent's Comments*

Vibrent stated that OIG's "approved" fringe benefit and indirect cost rates for each year in Table 1 of this report were incorrect. Specifically, Vibrent stated that the "approved" rates were those initially agreed to by NIH in Vibrent's application to the Notice of Funding Opportunity but maintained that this interpretation ignored the NIH OT Policy Guide and the annual budget

approval process. As a result, the NIH OT Agreements Officer and Vibrent worked together to determine Vibrent's allowable indirect costs in any given year of the PTSC 2.0 award. Vibrent also stated that OIG refused to consider the budgets and incurred cost submissions for subsequent years that NIH approved.

#### *OIG Response*

NIH provided us with a written statement that the only fringe benefit and indirect cost rates that Vibrent was supposed to use for the PTSC 2.0 award were those that Vibrent had proposed in its annual application budgets. Thus, the approved rates shown in Table 1 of the report represented these NIH-approved rates. We did not receive or identify documentation that superseded these approved rates. We analyzed every budget that Vibrent submitted to NIH when applying for the PTSC 2.0 award funds, noting the rates included. The rates proposed in Vibrent's incurred cost submissions were generally higher than the rates NIH approved in Vibrent's application budget. The difference in these rates resulted in the unallowable fringe benefit and indirect costs we identified.

#### **OIG Improperly Calculated Claimed Rates**

##### *Vibrent's Comments*

Vibrent stated that OIG's calculated claimed rates were based on Vibrent's general ledger data and that the ledger did not reflect costs claimed under the PTSC 2.0 award. Vibrent stated that the OIG should have used actual payment requests to NIH, which would show the company only charged NIH-approved rates. Vibrent asserted that OIG refused to correct a number of errors in its calculations. Vibrent also stated that its incurred cost proposals submitted to NIH demonstrated its actual fringe benefit and indirect cost rates each year of the PTSC 2.0 award.

##### *OIG Response*

During our audit fieldwork, Vibrent informed us and provided documentation to support that it calculated actual fringe benefit and indirect cost rates both monthly and annually.

Our methodology reconciled Vibrent's monthly accumulation of fringe benefits and indirect costs to (1) the annual incurred cost proposals that Vibrent submitted to NIH and (2) costs recorded in Vibrent's general ledger. We used Vibrent's annual incurred cost proposals to determine the claimed rates because the proposals reflected rates and costs that Vibrent submitted to NIH and we reconciled these amounts to Vibrent's general ledger. These rates that Vibrent calculated, and we verified, represented the "claimed" fringe benefit and indirect cost rates referenced in our report (Table 1). Vibrent alleges that we made calculation errors and did not use information it provided to correct these errors. During our reconciliation process, Vibrent identified an error in our data, and we identified errors in some of Vibrent's

data. We incorporated all applicable corrections into our reconciliation. The claimed fringe benefit and indirect cost rates presented in this report reflect those corrections.

### **No Overpayment or Refund Basis**

#### *Vibrent's Comments*

Vibrent stated that OIG has no authority to set indirect rates or to assert that Vibrent was overpaid based on the use of incorrect rates. Vibrent said that NIH approved all budgets and incurred cost proposals and that there was no contractual or legal provision allowing NIH to seek repayment for amounts paid based on NIH-approved rates.

#### *OIG Response*

Our audit procedures did not establish Vibrent's fringe benefit and indirect cost rates. Instead, we compared rates that Vibrent claimed for fringe benefits and indirect costs to the rates in the budget proposals that NIH had approved for the PTSC 2.0 award. The claimed rates generally exceeded the approved rates, which resulted in our finding that Vibrent was paid \$1.9 million more than what NIH allowed. We also note that because the PTSC 2.0 award reimbursed only actual, allowable costs, NIH has authority during post-award administration to determine allowability and recover any amounts associated with unapproved rates.

### **VIBRENT HEALTH DENIED CLAIMING UNREASONABLE SUBCONTRACTOR COSTS**

In response to our second finding, Vibrent did not agree that it claimed unreasonable subcontractor costs for the reasons listed below.

### **NIH Approved Subcontractor Costs and Labor Rates**

#### *Vibrent's Comments*

Vibrent stated that NIH fully approved the subcontractor costs and labor rates for Vignet India under the prior cooperative agreement with Vibrent before awarding the OT and during subsequent budget submissions. Vibrent stated that NIH reviewed its proposal, including foreign labor components, and determined that the costs complied with governing cost principles. Vibrent said that each year NIH reported the budget for the foreign component in the Foreign Award Component Tracking System.

#### *OIG Response*

NIH's acceptance of related-party subcontractor costs does not waive compliance with Federal cost principles. The PTSC 2.0 award incorporated Federal cost principles that require costs charged to the award to be reasonable. As discussed in the Other Matters section of this report, NIH only provided evidence that it performed budget analyses for 2 of the 11 application

budgets that included related-party subcontractor costs. In those two instances, NIH compared rates to the U.S. labor market instead of the India labor market where the work was to be performed.

## **Vibrent Followed Its Procurement Policies**

### *Vibrent's Comments*

Vibrent stated that its procurement policies did not require a new competitive process for a follow-on subcontract with Vignet India for the following reasons:

- PTSC 2.0 was a continuation of a prior award where Vignet India had been an approved subcontractor for 4 years.
- In its Notice of Funding Opportunity, NIH prioritized program continuity and required that the awardee demonstrate expertise in building the platforms participants would use to engage with AoURP.
- Vibrent documented vendor selection through its proposal and budget justification that it submitted to NIH, which met Vibrent's procurement policy requirements.

Vibrent acknowledged the subcontractors were related parties but asserted the following:

- The PMI Policy Guide, the FAR, and the Uniform Guidance have no rules that make related-party costs unallowable.
- Vibrent fully disclosed the relationship to NIH, which satisfied regulatory requirements.
- NIH made an informed decision to approve the subcontractors and their rates.

### *OIG Response*

Vibrent did not document required price analyses, selection rationale, or conflict-of-interest mitigation when subcontracting with Vignet India, falling short of the PMI Policy Guide requirements and the company's own procurement policy. Vibrent's policy also did not allow the PMI requirements to be set aside because the same vendor was used across multiple Federal awards. In addition, Vibrent's policy did not treat proposals or budget justifications submitted to NIH as acceptable procurement documentation. Instead, it required complete records—including analyses, justifications, and approvals—which were missing for the related-party subcontractors under the PTSC 2.0 award.<sup>14</sup> In addition, NIH's acceptance and

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<sup>14</sup> Vibrent had a vendor justification form for Vignet India that was unsigned and undated, did not provide an adequate rationale for subcontractor selection, and did not reflect that any price analyses had been performed.

tracking of foreign awards was not a substitute for a reasonableness determination under applicable cost principles.

## **OIG's Comparison Was Flawed**

### *Vibrent's Comments*

Vibrent stated that OIG's comparison of its related-party subcontractor labor rates to job postings for India-based companies from the three websites was unscientific, incomplete, arbitrary, and unreasonable for the following reasons:

- The websites OIG used for comparison were not reputable salary survey sources.
- Job titles and posted average salaries vary widely.
- The proper benchmark should have been the global market, not just India-based companies.
- Vibrent demonstrated cost savings by outsourcing select work that would typically be performed by U.S. labor.
- Vibrent stated that OIG has not demonstrated that any of the companies represented by the OIG's conservative benchmark calculation could have performed the work Vignet India performed.

### *OIG Response*

Cost principles require considering market prices in the geographic area where services are performed.<sup>15</sup> Our use of India-based benchmarks aligns with this requirement, despite Vibrent's claim that global benchmarks should apply. As discussed in our report, we used the highest of the three averages for our analysis as the most conservative benchmark (see Appendix B for more detail.) This approach showed Vibrent paid at least 2.05 times more per position than comparable India-based market rates, resulting in the estimated \$14.6 million in potentially unallowable costs.

Federal regulations define a cost as reasonable when it is consistent with market prices for comparable services within the same geographic area. To their own point, had Vibrent provided any information related to its determination of the labor rates paid for the related-party subcontractors (for example, a salary survey), we would have taken that into consideration.

Further, Vibrent did not provide documentation that supported that other vendors were unable to perform the work Vignet India performed, which could have justified the higher rates. Had

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<sup>15</sup> 45 CFR §75.404 (c)

Vibrent documented its analysis, we would have reviewed that analysis and taken those factors into consideration when determining reasonableness.

## **NIH Has No Legal Basis to Demand Repayment**

### *Vibrent's Comments*

Vibrent stated that NIH has no legal authority to revoke its acceptance of related-party subcontractor rates or to demand repayment of any amounts already paid to the subcontractors simply because OIG thinks NIH should not have granted those approvals.

### *OIG Response*

The OIG performs independent reviews of HHS programs pursuant to the Inspector General Act of 1978 (the Act). As a recipient of HHS funds Vibrent is subject to OIG audits. As a result of these audits, NIH has the authority to disallow payments based on OIG audit findings and recommendations.

As previously noted in this report, because the PTSC 2.0 award reimbursed only actual, allowable costs per Federal cost principles, NIH also has authority—during post-award administration—to determine allowability and seek refunds of amounts deemed unallowable.<sup>16</sup>

## **OTHER MATTERS**

Several issues outside the scope of our audit came to our attention during our fieldwork. They include the following:

- NIH's and Vibrent's administration of this OT award
- Vibrent's noncompliance with Federal requirements in its 2021 and 2022 financial statement audits

### **Issues Identified with the Administration of the PTSC 2.0 Award**

We identified issues with NIH's and Vibrent's administration of the PTSC 2.0 award. Specifically:

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<sup>16</sup> NIH may identify and administratively recover funds paid to an awardee at any time during the lifecycle of an OT award, and awardees must retain records until all litigation, claims, or audit findings have been resolved and final action taken (PMI Policy Guide, Part II, Section 11, Recovery of Funds and Section 8, Record Retention and Access).

- Vibrent did not always submit monthly expenditure reports to NIH (specifically, the first 12 months of the award) and NIH did not otherwise enforce those requirements during the first year of the award.<sup>17</sup>
- NIH budget analyses were missing for 9 of the 11 funding actions that included related-party subcontract costs, and the analyses for the remaining 2 actions compared rates to the U.S. labor market instead of the India labor market.<sup>18</sup>
- NIH paid Vibrent a fee calculated as 5 percent of total costs—a cost-plus-a-percentage-of-cost method—which generally lacks cost controls found in other award types, such as fixed-price contracts that limit overhead and administrative costs.<sup>19</sup>

### **Vibrent’s Audits Were Not Always Compliant with Award Terms and Conditions**

The PTSC 2.0 award terms and conditions required that recipients of OT awards under the AoURP have annual audits performed in accordance with 45 CFR Part 75, Subpart F. However, the audits performed during our audit period were not always compliant with those requirements. Specifically, Vibrent’s independent auditors’ reports did not include the Schedules of Expenditures of Federal Awards for its fiscal years ending December 31, 2021, and December 31, 2022.<sup>20</sup> In addition, when we inquired about the extent of testing conducted to produce the audited financial statements, the auditors confirmed that their procedures were confined to the financial statements and stated that they did not test the allowability of costs or evaluate compliance with Federal cost principles.

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<sup>17</sup> According to the PMI Policy Guide (Part II, Section 4, Cost Considerations), NIH’s monitoring of OT awards includes reviewing progress reports, audit reports, and other periodic reports. The PTSC 2.0 award’s terms and conditions required Vibrent to report monthly expenditures to NIH.

<sup>18</sup> The PMI Policy Guide states that PMI OT awards will use the cost principles of the Uniform Guidance (45 CFR Part 75, Subpart E) as a guide for negotiating award amounts and that any resulting award will include a budget that meets those requirements. The Uniform Guidance states that the question of cost reasonableness is particularly important when an entity is predominantly federally funded and that, in determining reasonableness of a given cost, consideration must be given to market prices for comparable goods or services for the geographic area (45 CFR 75.404).

<sup>19</sup> The amount of the chargeable fee was limited by the total allowable costs charged to the OT award.

<sup>20</sup> An auditee must prepare financial statements that reflect its financial position, among other things, and the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements (45 CFR § 75.510 (a) & (b)).

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit included costs Vibrent claimed for reimbursement under its AoURP OT award during the period of August 14, 2020, through December 31, 2023. During this timeframe, NIH awarded Vibrent \$172,545,933 for the PTSC 2.0 award (see Table 3 for the list of NIH OT awards made to Vibrent). Of that amount, Vibrent recorded \$153,533,832 in costs and \$7,617,305 in fees totaling \$161,151,137. Vibrent drew funds from the HHS Payment Management System totaling \$159,745,933 of that money during our audit period.

**Table 3: PTSC 2.0 Award Amounts**

AWARD NUMBER	PERIOD OF PERFORMANCE START DATE	PERIOD OF PERFORMANCE END DATE	FISCAL YEAR	AUTHORIZED AMOUNT
Base Award	8/14/2020	7/31/2021	2020	\$39,063,007
Supplement-01S1	9/24/2020	7/31/2021	2020	1,000,000
Supplement-01S2	8/20/2020	7/31/2021	2021	1,280,958
Supplement-01S3	8/14/2020	7/31/2021	2021	4,166,064
Supplement-01S4	8/14/2020	7/31/2021	2021	2,645,217
Supplement-01S5	8/1/2021	7/31/2022	2021	31,078,193
Supplement-01S6	8/1/2021	7/31/2022	2021	2,549,098
Supplement-01S7	8/1/2021	4/30/2022	2022	4,850,000
Supplement-01S8	12/1/2021	11/30/2022	2022	1,990,662
Supplement-01S9	8/14/2020	7/31/2022	2022	4,516,054
Supplement-01SA	5/1/2022	4/30/2023	2022	10,069,899
Supplement-01SB	8/1/2022	7/31/2023	2022	25,464,516
Supplement-01SC	5/1/2022	13/31/2022	2023	2,479,799
Supplement-01SD	8/1/2022	7/31/2023	2023	10,045,596
Supplement-01SE	5/1/2023	12/31/2023	2023	5,268,448
Supplement-01SF	8/1/2023	5/31/2024	2023	26,078,422
<b>Total</b>				<b>\$172,545,933</b>

We obtained and reviewed Vibrent’s general ledger transactions charged to the OT award for the audit period, which consisted of 11,717 transactions totaling \$107,659,777, for direct labor

and other direct costs. Within these two cost categories, we calculated the ratio of each expenditure type (such as labor, travel, production development tools, etc.) to the total of all expenditures. To identify areas for further review, we selected a nonstatistical sample of 58 transactions within the expenditure types that comprised the highest percentage of all expenditures. As a result of our review of these 58 transactions, we performed additional, detailed audit procedures for related-party subcontract payments totaling \$28,397,374 and associated fringe benefits and indirect costs totaling \$48,879,413.

We did not assess Vibrent’s overall internal control structure. Rather, we limited our assessment of internal controls to those applicable to our audit objective. Specifically, we assessed Vibrent’s policies, procedures, and practices applicable to claiming costs under the PTSC 2.0 award.

## **METHODOLOGY**

To accomplish our objective, we took the following steps:

- Reviewed the PTSC 2.0 award terms and conditions including requirements incorporated by reference, such as the PMI Policy Guide, the FAR, and other Federal
- Examined Vibrent’s policies and procedures relevant to its financial management system
- Evaluated Vibrent’s audited financial statements for its fiscal years ending 2020, 2021, and 2022<sup>21</sup>
- Interviewed Vibrent personnel responsible for the administration of the PTSC 2.0 award
- Interviewed NIH personnel about applicable terms and conditions and related requirements of the PTSC 2.0 award
- Reconciled monthly OT award expenditures and drawdowns with costs recorded in Vibrent’s accounting system
- Reviewed the terms and conditions of Vibrent’s subcontracts for PTSC 2.0 award services
- Analyzed general ledger transaction data for completeness, calculated the ratios of expenditure categories to the total, and selected a nonstatistical sample of 58 transactions for review based on the size of the computed ratio

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<sup>21</sup> Vibrent’s fiscal year 2023 financial statement audit was not yet complete at the time of our fieldwork in 2024. Vibrent’s fiscal year ends December 31st.

- Tested the allowability for each of the 58 transactions in our nonstatistical sample by reviewing and analyzing documentation, including but not limited to the following:
  - Invoices
  - Subcontract terms and conditions
  - Timekeeping and payroll records
  - Banking/wire transfers
  - Emails
- Reviewed Vibrent’s indirect cost rate calculations
- Discussed the results of our audit with Vibrent management

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.

**APPENDIX B: OIG METHODOLOGY TO ASSESS WHETHER SUBCONTRACTOR COSTS WERE REASONABLE**

To determine whether the costs Vibrent paid to its related-party subcontractors were reasonable and allowable, we first compared the amounts Vibrent charged to the PTSC 2.0 award to the NIH-approved budget. We then researched the average salaries of IT workers in India using three job recruiting websites as data sources. Next, we matched the positions listed in the related-party subcontracts to comparable positions from these three data sources (see Table 4). We refer to the base salary amounts from these sources as unloaded salaries. Loaded salaries include a 40-percent fringe benefit rate, a 60 percent indirect cost rate, and a 5 percent fee.

**Table 4: Comparison of Related-Party Subcontractors Salaries to Other Market Data**

<b>Position</b>	<b>Related-Party Subcontractors Salary (Loaded)</b>	<b>Job Recruiting Website 1 (Unloaded)</b>	<b>Job Recruiting Website 2 (Unloaded)</b>	<b>Job Recruiting Website 3 (Unloaded)</b>
Agile/Scrum Master	\$122,408	\$23,808	\$20,414	\$29,040
Analyst	114,400	38,016	9,839	6,000
Automation Engineer	81,120	8,064	7,713	13,200
DevOps Engineer	81,120	18,432	9,415	14,400
Project Coordinator	79,040	39,552	3,573	9,600
QA Engineer	79,040	8,960	7,854	12,000
QA Lead	131,040	16,384	10,189	21,600
Software Engineer	79,040	9,216	8,943	14,400
Sr. Web Developer	137,987	9,216	4,571	16,560
System Admin	84,573	14,464	5,429	8,400
Technical Lead	131,040	28,032	16,585	22,800
....	....	....	....	....
<b>Total Salaries for all Positions</b>	<b>\$8,396,086.40</b>	<b>\$1,740,160.00</b>	<b>\$962,018.05</b>	<b>\$1,563,960.00</b>

We then calculated the average unloaded salary rates for each of the three job recruiting websites and applied the fringe benefit, indirect cost, and fee rates to derive the loaded salaries

(see Table 5).<sup>22, 23, 24</sup> We also averaged the related-party subcontractors' loaded salary rates (as shown in Table 4) and then calculated their unloaded rates by removing the same fringe benefit, indirect cost, and fee components (as shown in Table 5).

All three calculated average salary rates for the three data sources were substantially lower than what Vibrent paid its related-party subcontractors, even when using the highest possible average salaries.

**Table 5: OIG-Calculated Average Salaries**

<b>Average Salary</b>	<b>Related-Party Subcontractors</b>	<b>Job Recruiting Website 1</b>	<b>Job Recruiting Website 2</b>	<b>Job Recruiting Website 3</b>
Unloaded Salary	\$49,580	\$24,168	\$13,361	\$21,722
Loaded Salary	116,612	56,845	31,426	51,089

<sup>22</sup> Website 2 and Website 3 showed that average salaries for IT professionals in Pune, India were lower than the job recruiting Website 1 data, which had the highest overall salary rates. To be conservative, we used website 1 as a reasonable baseline for comparison.

<sup>23</sup> The fringe benefit and indirect cost rates we used were slightly higher than the average rates NIH had approved for Vibrent's use during the audit period to provide a more conservative analysis. The fee rate was the same as the NIH-approved rate for the period.

<sup>24</sup> To calculate fringe benefit costs, the applicable fringe benefit rate is multiplied by direct labor costs. To calculate indirect costs, the applicable indirect cost rate is multiplied by direct labor costs plus fringe benefits. To calculate the fee, the applicable fee is multiplied by the total of all costs (direct, indirect, and fringe benefit costs).

## APPENDIX C: VIBRENT HEALTH COMMENTS

January 2, 2026

By Email and secure portal submission

Truman M. Mayfield  
Regional Inspector General for Audit Services  
U.S. Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region IV  
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Re: Draft Report No. A-04-24-02049

Mr. Mayfield,

Vignet, Inc. (d/b/a Vibrent Health) appreciates the opportunity to provide the following comments on Draft Report No. A-04-24-02049, Vibrent Health Claimed Unallowable Costs Under a National Institutes of Health Other Transaction Award. The Draft Report involves the Other Transactions Award No. 1OT2OD030043-01, dated August 10, 2020, for the Participant Technology Systems Center 2.0 for the All of Us Research Program (the "PTSC 2.0 OT").

As discussed below, HHS OIG's finding that Vibrent claimed unallowable fringe benefits and indirect costs is incorrect as a matter of fact and law. HHS OIG's findings are based on "Claimed" rates that Vibrent never "claimed," measured against "Approved" rates that are not the rates that NIH "approved." Similarly, HHS OIG's finding that Vibrent claimed unreasonable subcontractor costs ignores that the National Institutes of Health ("NIH") expressly approved the subcontractor costs at issue, before issuing the OT award to Vibrent, and is based on an arbitrary, unscientific, and unreliable review of internet job postings. HHS OIG's Draft Report also ignores the innovation delivered by Vibrent through the PTSC 2.0 OT, which continues to strengthen U.S. leadership in precision medicine, genomics, and artificial intelligence ("AI").

HHS OIG's Draft Report also does not identify any provision of the PTSC 2.0 OT contract that would allow NIH to claim a refund for any amounts paid to Vibrent. Because Vibrent only claimed amounts, whether for indirect costs, subcontractor costs, or otherwise, that NIH had approved, NIH has no contractual right to seek any repayment from Vibrent.

### **1. HHS OIG's Finding that Vibrent Claimed Unallowable Fringe Benefits and Indirect Costs Is Incorrect as a Matter of Fact and Law.**

HHS OIG's first finding is that "Vibrent applied fringe benefit and indirect cost rates that exceeded those approved by NIH, resulting in \$1.9 million in unallowable costs." Draft Rep. at 3. HHS OIG further states that "The PTSC 2.0 award included specific approved rates for both fringe

benefit and indirect costs within the terms and conditions of the award.” *Id.* at 4. The PTSC 2.0 OT, however, does no such thing. PTSC 2.0 OT does not identify any indirect rates, let alone any “approved” indirect rates, nor does the OT establish a process for approving indirect rates. The PTSC 2.0 OT identifies a budget, which includes an amount for facilities and administrative (F&A) costs, which amount was updated each year when the NIH Agreements Officer approved budgets for subsequent years. HHS OIG makes no assertion that Vibrent claimed indirect costs that exceeded the budgets approved by NIH.

The PTSC 2.0 OT incorporates NIH’s Other Transactions Award Policy Guide (the “OT Policy Guide”), which states: “As a general policy, NIH will reimburse F&A [facilities and administrative] costs under OT awards using the applicants’ federal negotiated indirect cost rate.” OT Policy Guide at 10. For the year 2020, NIH’s Division of Financial Advisory Services (“DFAS”) provided federal negotiated indirect cost rate to Vibrent. The incorporation of the OT Policy Guide left it to the NIH Agreements Officer and Vibrent to determine Vibrent’s allowable indirect costs in any given year. HHS OIG’s Draft Report provides no explanation why the NIH OT Agreements Officer would not have the authority to negotiate new rates for each budget period as part of the annual budgeting process.

That is exactly what NIH did. NIH instructed Vibrent that its OT authority allowed the NIH All of Us program to directly negotiate fringe and indirect cost rates with Vibrent, and that DFAS would no longer be determining these rates for Vibrent after the year 2020. For years 2021 and beyond, to determine fringe and indirect cost rates for each calendar year, Vibrent submitted extensive document packages to the NIH All of Us program, and the NIH OT Agreements Officer negotiated and approved Vibrent’s fringe and indirect cost rates for each year. Vibrent only used NIH’s approved fringe and indirect rates for reimbursements.

HHS OIG’s position seems to be that, because Section III of the PTSC 2.0 OT states, “This award is based on the application submitted to, and as approved by, NIH on the above-titled project,” the only approved indirect rates were those contained in Vibrent’s application in response to NIH’s Notice of Funding Opportunity (“NOFO”) for PTSC 2.0. Draft Rep. at 4 n.6. This is an absurd reading of the PTSC 2.0 OT that completely ignores the process established by the OT Guide for establishing budgets for subsequent years. See OT Policy Guide at 6-7. Consistent with the OT Policy Guide, Vibrent submitted proposed budgets each year, which NIH approved. Vibrent also submitted incurred cost proposals demonstrating its actual indirect rates each year. HHS OIG does not, and cannot, assert that Vibrent exceeded its budget in any given year, whether as a result of indirect costs or otherwise.

Table 1 of the Draft Report is wrong and therefore meaningless. The rates listed as the “Approved Fringe Benefit Rate” or “Approved Indirect Cost Rate” for each year were not the approved rates. As discussed above, Vibrent had federally negotiated indirect rates for 2020; NIH approved budgets each year that reflected updated federal negotiated indirect cost rates; and NIH further approved the final rates set forth in Vibrent’s incurred cost proposals. Vibrent has twice provided HHS OIG with a copy of the final indirect rates for 2020 that NIH’s DFAS negotiated with Vibrent, which reflects an indirect rate of 47.84%. Inexplicably, HHS OIG continues to wrongly assert that the “approved” indirect rate under the OT was 41.0%. Similarly,

HHS OIG refuses to consider the budgets and incurred cost submissions for subsequent years that NIH approved.

The rates listed in Table 1 as Vibrent’s “Claimed Fringe Benefit Rate” or “Claimed Indirect Cost Rate” for each year are also incorrect. HHS OIG has attempted to calculate Vibrent’s actual indirect rates based on values in Vibrent’s general ledger. Although HHS OIG’s calculations include a number of errors that Vibrent has repeatedly pointed out but which HHS OIG has refused to correct, the fact is that Vibrent’s general ledger does not reflect costs actually claimed by Vibrent under the PTSC 2.0 OT. Vibrent provided HHS OIG with a reconciliation of payments to Vibrent’s (correct) approved rates, demonstrating that Vibrent has not charged indirect costs in excess of the NIH-approved rates. If HHS OIG would only review Vibrent’s actual payment requests to NIH, HHS OIG would see this. Instead, HHS OIG’s findings are based on “Claimed” rates that Vibrent never “claimed,” measured against “Approved” rates that are not the rates that NIH “approved.”

HHS OIG has no authority to determine Vibrent’s provisional or final indirect rates, and therefore has no basis on which to assert that NIH has reimbursed Vibrent for more fringe or indirect costs than Vibrent was entitled to. Vibrent negotiated indirect rates with DFAS for 2020 and with the OT awarding agency for other years. HHS OIG has not, and cannot, demonstrate that Vibrent was paid more than was allowable under these approved rates. And HHS OIG has not, and cannot, identify any provision of the PTSC 2.0 OT or applicable law that would allow NIH to claim a refund for any amounts paid to Vibrent pursuant to these approved rates.

## **2. HHS OIG’s Finding that Vibrent Claimed Unreasonable Subcontractor Costs Ignores the Critical Facts—Including that NIH Expressly Approved the Subcontractor Costs at Issue (Before Awarding the OT)—and Is Based on an Arbitrary, Unscientific, and Unreliable Review of Internet Job Postings.**

HHS OIG’s second finding questions \$14.6 million of the \$28.4 million paid to two “related-party subcontractors.” Draft Rep. at 5. HHS OIG questions these costs on three grounds: (1) that Vibrent allegedly failed to follow its procurement policies before selecting the related-party subcontractors; (2) that Vibrent has a conflict of interest because of Vibrent’s affiliation with these subcontractors; and (3) that the costs paid to the related-party subcontractors exceed what HHS OIG believes “other India-based companies would have paid for those same or similar positions.” *Id.* None of these grounds have merit.

### **A. Vibrent’s Procurement Policies and Procedures Did Not Require Anything More than What Vibrent Did.**

With respect to HHS OIG’s assertion that Vibrent failed to follow its procurement policies and procedures, HHS OIG continues to ignore that PTSC 2.0 OT was assigned the version number 2.0 for a reason—it was the continuation of a prior award, under which one of the related-party

subcontractors, Vignet India, had been an approved subcontractor for four years.<sup>1</sup> This subcontractor was fully approved by the NIH, along with individual personnel of the subcontractor who were explicitly listed in the budgets submitted and approved by NIH. Vignet India therefore possessed experienced professional engineers with many years of experience delivering complex system-level software for multiple products defined by the NIH All of Us Research Program. Vibrent was not required to conduct and document a new procurement for a follow-on subcontract to support a follow-on award by NIH. No such requirement exists in the NOFO, the OT Policy Guide, or the FAR and HHS Uniform Guidance cost principles referenced in the Policy Guide.

HHS OIG also continues to ignore that the NOFO for PTSC 2.0 emphasized that applications would be “evaluated for programmatic priority as well as technical and scientific merit.” NOFO No. OTA-20-001 at 5. The NOFO emphasized that “programmatic priority” would be given to applicants with:

- Demonstrated evidence of successful support of complex multi-stakeholder collaborations associated with software development and services delivery.
- Expertise in user experience design and user interface/user experience (UI/UX) design research methods.
- Demonstrated expertise in supporting scalable software solutions supporting 100,000 to 1 million users or more.
- Demonstrated expertise in cloud systems security and privacy implementation and compliance with NIST standards to a Federal Information Security Management Act (FISMA) Moderate requirement.
- Demonstrated expertise in the implementation and maintenance of multiple third-party systems integrations.
- Demonstrated expertise in management of multi-channel communications platforms for multi-centered organizations and/or tiered communications audiences.
- Experience working collaboratively to deliver and support software services for multiple organizations.
- Experience in research data collection using web-based and native mobile clients.
- Expertise in user data analytics, including integration of technology, to assess the effectiveness of marketing campaigns and overall user experience.

Vibrent selected Vignet India because the NOFO stated that evaluation credit would be given for “demonstrated evidence of successful support,” “demonstrated expertise,” and “experience.” Vignet India provided all of those qualities based on its many years of work under the predecessor cooperative agreement. Moreover, Vignet India’s labor rates were never questioned by NIH and in fact, they were reviewed and approved by NIH.

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<sup>1</sup> HHS OIG’s Draft Report refers to two related-party subcontractors, however, the finding appears to refer to the same personnel. In 2022, Vignet India became a lower-tier subcontractor to the second subcontractor referenced by HHS OIG. At all times, Vibrent employed the same expert and experienced staff from the predecessor award.

It therefore makes no sense for HHS OIG to complain that Vibrent did not prepare an internal “budget justification” or “price analysis” documenting why Vibrent selected Vignet India. Draft Rep. at 2, 5. The NOFO did not solicit applications on a lowest-price, technically acceptable basis. Instead, the NOFO solicited applications on a best value basis and repeatedly emphasized the importance to NIH of demonstrated success, expertise, and experience. Vibrent selected Vignet India, along with all other members of its team, in an attempt to respond to the specific priorities identified by NIH in the NOFO. Because the NOFO emphasized program continuity, Vibrent emphasized program continuity and the past performance and experience of its team at the time. Vibrent and NIH specifically discussed the budget justification for the foreign components of Vibrent’s team, and Vibrent provided that justification, noting the significant cost savings relative to US labor.<sup>2</sup> In fact, each year NIH fully disclosed the budget for the foreign component and reported it to the Foreign Award Component Tracking System (FACTS).

To the extent that OIG reads Vibrent’s procurement policy as requiring Vibrent to ignore Vignet India’s successful performance under the prior cooperative agreement and conduct an entirely new procurement from scratch, OIG not only misreads Vibrent’s procurement policy, but it also adds requirements that have no basis in applicable law or common sense. Similarly, to the extent that OIG believes that Vibrent’s policy required Vibrent to create documentation that was separate from the proposal and budget justification that Vibrent submitted to NIH, no such requirement exists. Where, as here, a contractor or a recipient selects a vendor in connection with a competitive solicitation, the rationale for that selection is usually explained in the response to that solicitation, as it was here. Vibrent made clear in its application why Vibrent selected Vignet India, and why Vibrent concluded that Vignet India provided the best value to NIH from both a technical and cost perspective. Vibrent’s proposal and communications with NIH therefore do exactly what Vibrent’s procurement policy requires—they “clearly document the vendor selection process,” including “budget justification, price analysis, and the reason for final selection.” Whether OIG agrees with Vibrent’s selection has no bearing on whether the selection process was properly documented.

HHS OIG’s draft report concedes that “NIH approved both related-party subcontracts,” but this is an oversimplification. Draft Rep. at 2. Vibrent fully and transparently disclosed both the role of Vignet India in performance of the award and the rates that would be paid to Vignet India, in its proposal in response to the NOFO and in discussions with NIH prior to award. Vibrent and NIH specifically discussed Vibrent’s use of foreign labor and the costs associated with that labor. See Vibrent Response to Budget Question No. 3, Award No. 1OT2OD030043-01. NIH accepted Vibrent’s proposed use of foreign labor, and the Notice of Award expressly states, “The scope of work as defined in the application to be conducted by sub-contracts outside the United

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<sup>2</sup> In addition, NIH awarded the PTSC 2.0 OT on August 10, 2020, three days before the prior cooperative agreement was set to expire, and four days prior to the start of performance under the PTSC 2.0 award. Even if NIH had objected to Vibrent’s use of Vignet India, Vibrent could not possibly have replaced Vignet India with another subcontractor with all of the expertise outlined above, and commenced performance on August 14, 2020.

States has been accepted by NIH.” As Section 4 of the Policy Guide makes clear, “An applicant’s budget request is reviewed using the governing cost principles and other requirements and policies applicable to the type of awardee as a guide.” NIH therefore determined, when it awarded PTSC 2.0 to Vibrent, that Vibrent’s proposal complied with “governing cost principles.” OIG is free to disagree with NIH’s determination, but NIH has no legal authority whatsoever to revoke its acceptance of Vibrent’s proposed subcontractors or NIH’s determination that those subcontractors’ rates are fair and reasonable. NIH therefore, has no right to demand repayment of any amount paid to subcontractors that were already approved by NIH.

### **B. The Affiliation Between Vibrent and the Related-Party Subcontractors Provides No Basis on which to Question Those Subcontractor’s Labor Rates.**

The Draft Report suggests that Vibrent had a “conflict of interest” with respect to the selection of the related-party subcontractors because those subcontractors were, in fact, related parties. Draft Rep. at 5. HHS OIG can point to no provision in the OT, the OT Policy Guide, or the FAR and HHS Uniform Guidance cost principles referenced in the OT Policy Guide that makes costs paid to related parties unallowable or presumptively unreasonable. Regardless, as HHS OIG recognizes, “NIH approved both related-party subcontracts.” *Id.* at 2. And, as discussed above, NIH approved the rates paid to those subcontractors as fair and reasonable. Accordingly, the affiliation between Vibrent and the related-party subcontractors provides no basis on which NIH could disallow any portion of the rates paid to those subcontractors.

The FAR and HHS’s Uniform Guidance require contractors and recipients to disclose potential conflicts of interest to an HHS awarding agency. *E.g.*, 45 C.F.R. § 75.112. Because Vibrent fully disclosed its relationship with Vignet India, Vibrent complied with its obligations under applicable regulations. NIH made an informed decision to allow Vibrent to continue to subcontract work to Vignet India, which was entirely within NIH’s discretion and NIH’s program priorities.

To the extent that OIG believes that there was some other subcontractor who could have performed the role that Vignet India performed, but that Vibrent selected Vignet India over that other subcontractor for improper reasons, OIG’s belief is pure speculation. OIG has not, and cannot, identify any other subcontractor with Vignet India’s track record of successful performance under the prior program and ability to advance NIH’s programmatic priorities and deliver the technical and scientific merit that NIH identified in the NOFO.

### **C. The Amounts Paid to the Related-Party Subcontractors Were Approved by NIH as Fair and Reasonable, and HHS OIG’s Unscientific and Incomplete Survey of Job Postings Provides No Basis to Conclude Otherwise.**

As discussed above, Vibrent’s response to the NOFO identified the rates that it planned to pay to subcontractors, and NIH and Vibrent specifically discussed and approved Vibrent’s subcontractors and their labor rates during the negotiations that led up to the PTSC 2.0 OT award.

In accordance with Section 4 of NIH’s OT Award Policy Guide, NIH reviewed Vibrent’s budget request “using the governing cost principles and other requirements and policies applicable to the type of awardee as a guide.” NIH therefore accepted Vibrent’s proposed labor mix and Vibrent’s proposed labor rates as fair and reasonable before it awarded the OT to Vibrent. OIG has not identified, and cannot identify, any legal authority on which NIH, after explicitly approving, could revoke its acceptance of Vignet India’s rates as fair and reasonable.

NIH followed the same process with each subsequent budget submission, in which Vibrent listed the rates for each foreign labor category. NIH also diligently reported payments to Vignet India under the award in the Foreign Award Component Tracking System (FACTS), just as NIH had reported payments to Vignet India under the prior cooperative agreement. Having repeatedly and consistently approved Vignet India’s rates as reasonable, NIH has no legal right to disallow any payments simply because OIG now thinks—years after the fact—that NIH should not have granted those approvals.

Regardless, HHS OIG’s objection to the rates paid to the related-party subcontractors is based entirely on the incorrect premise that those rates should be compared to the rates of other Indian companies. The market for personnel such as those provided by Vignet India is worldwide, and therefore, the appropriate comparison for reasonableness purposes is worldwide. In response to NIH’s request for a budget justification for Vibrent’s foreign labor, Vibrent cited Bureau of Labor Statistics reporting regarding the low unemployment rate for technology labor and the fact that many US companies obtain such labor overseas. Vibrent therefore compared the amounts paid for foreign labor to the amounts paid for comparable US labor, demonstrating that Vibrent’s “[a]verage fully loaded cost annually for foreign component direct labor is \$93,836 compared to \$225,403 for US based direct labor.” NIH accepted that explanation, and the Notice of Award expressly states, “The scope of work as defined in the application to be conducted by sub-contracts outside the United States has been accepted by NIH.”

OIG does not dispute that there is a global market for technology labor, but provides no explanation, let alone justification, for focusing solely on rates paid by “India-based companies” in evaluating the reasonableness of Vignet India’s labor rates. As Vibrent’s proposal demonstrates, and as NIH correctly recognized, Vignet India’s rates are unquestionably reasonable when considered in the context of the global market for such labor.

Beyond OIG’s incorrect premise that Vignet India’s rates should only be compared with the rates paid by India-based companies, OIG’s assessment of what Indian-based companies actually pay their employees is arbitrary and unreasonable. HHS OIG’s Draft Report states that it is based on “three job recruiting websites as data sources,” but HHS OIG has refused to provide the actual job postings that it considered. HHS OIG stated during discussions of HHS OIG’s preliminary findings that HHS OIG relied on job postings from Indeed.com, Glassdoor.com, and AmbitionBox.com. These websites are not reputable salary surveying companies. They are online job markets, and the “average salaries” they report are based on job postings they receive, informal polls, and unsolicited input from (usually disgruntled) third parties. Moreover, the average salaries are based on job titles, which vary significantly from employer to employer. A rigorous salary survey involves verifying actual compensation from employers and requires

surveying a statistically valid sample of employers and positions, as well as a meaningful attempt to ensure that positions are compared based on experience and qualification and not simply job title. Indeed.com, Glassdoor.com, and AmbitionBox.com do not remotely qualify as rigorous salary surveys.

For example, AmbitionBox.com indicates that the average salary for the “Agile Scrum Master” is 650,000 to 3,000,000 rupees, a range of 362%. See <https://www.ambitionbox.com/profile/agile-scrum-master-salary>. The ridiculous size of that range is an obvious red flag that these figures are not reliable. That red flag is confirmed by AmbitionBox.com’s acknowledgement that the range is based on a statistically insignificant 305 salaries, in addition to the lack of any information on how salaries were verified, and what effort was made to reconcile experience and qualifications for different positions. Moreover, it does not appear that HHS OIG subscribes to any of these websites and therefore, it does not appear that HHS OIG ever considered the data that is available to subscribers that underlies the average salaries that these websites report.

Finally, if HHS OIG needed any further information about why Vignet India’s labor rates were higher than the labor rates of other Indian companies, Vibrent provided that information in response to HHS OIG’s earlier questions. HHS OIG’s Draft Report does not acknowledge any of the information provided by Vibrent, let alone explain why that information does not demonstrate the reasonableness of Vignet India’s labor rates.

HHS OIG’s preliminary findings are based on unscientific and unreliable averages reported by job posting companies for jobs with the same title. HHS OIG has not, and cannot, demonstrate that any of the companies included in the AmbitionBox.com averages could have performed the work that Vignet India performed. Unquestionably, only Vignet India had the past performance and experience on the prior PTSC project that NIH’s NOFO stated was a priority. Unlike HHS OIG’s analysis, Vibrent’s selection of subcontractors was based on a detailed analysis of the capabilities, qualifications, and experience of particular subcontractors, according to the priorities identified in the NOFO. No reasonable contractor or recipient would employ HHS OIG’s methodology in selecting subcontractors or negotiating labor rates. HHS OIG’s methodology therefore provides no basis to question Vignet India’s labor rates. Vibrent saved NIH millions of dollars by outsourcing select work that would typically be performed by US labor to a trusted foreign company with a demonstrated track record of successfully performing that work for many years.

### **3. HHS OIG’s Draft Report Ignores the Innovation Delivered by Vibrent Through the PTSC 2.0 OT, which Continues to Strengthen U.S. Leadership in Precision Medicine, Genomics, and AI.**

The United States has been a beacon of innovation and economic value creation for the world. AI, Genomics technology, life-saving medicines, cloud and data centers, wireless technologies, among many others, were invented in the U.S. Across generations, American

innovation has driven job creation, economic growth, and global influence by setting the standards that the rest of the World follows.

Each major wave of U.S.-driven innovation has been powered not only by public investment but also by the emergence of new American companies capable of executing what had never been done before anywhere else in the world. As AI, genomics, and health converged into the next strategic frontier, existing systems and incumbents were not sufficient on their own to uncover new medical treatments. New data from large populations and novel discovery models were required for precision medicine to treat chronic diseases like Cancer, Autism, Aging, Alzheimer's, lupus, and many others. The HHS NIH All of Us Program was launched to meet this moment, and Vibrent, a U.S.-based small business, was competitively selected as a key innovator collaborating closely with the NIH to deliver this next wave. In doing so, it supported high-skill American jobs, strengthened capability, and demonstrated the speed and adaptability required for national-scale innovation.

Health innovation is not only a scientific priority, but an economic and industrial one. The convergence of AI and genomics represents one of the most significant engines of future U.S. economic growth. Leadership in this domain determines where value is created, and which nations define the rules of the global market. Understanding biology, behavior, and environment together allows chronic disease to be addressed earlier, more effectively, and at lower long-term cost. The United States has already demonstrated that this future is achievable.

Through the All of Us Program, the nation established a national resource that enables learning from health at an unprecedented scale. All of Us Program required new technology and operating models to function as a living, durable capability rather than a one-time study. That capability was delivered through partnerships with American innovators, including Vibrent Health, translating federal vision into operational reality.

This national resource now underpins the next generation of medical artificial intelligence (AI). Future breakthroughs in medical AI will depend on foundational datasets like this. Globally, other nations are racing to replicate this model. Programs across Europe, the Middle East, and Asia are investing heavily in national genomics and precision medicine initiatives. The United States has set the global standard first.

NIH asked Vibrent to design, build, and operate a new Real-World Data Platform and operating models that did not previously exist in an integrated, production-ready form. In close collaboration with the NIH All of Us Program, Vibrent built tremendous national digital health capacity to securely enroll 1 million or more patients across all 50 states, to collect genomics data, to drive healthcare interoperability using HHS ASTP HL7 FHIR standards, to collect real-world data from wearables, and to govern that data for using AI and dashboards.

#### **A. Vibrent's Work Directly Supports NIH's Current and Future Priorities.**

By building the technology and operating models behind the All of Us Program, Vibrent helped create a national resource for training future biomedical scientists by giving them access to modern, real-world data and tools, thus promoting research focused on scientifically valid, measurable health outcomes. Vibrent's work strengthens replication and reproducibility by enabling researchers to study health patterns across large, diverse populations using consistent

methods rather than one-off datasets. It provides a foundation for AI by making it possible to safely and responsibly apply new training models to health data over time. And by bringing together genetics, health records, and real-world experience, the work directly advances understanding of complex conditions such as autism, where no single factor explains outcomes on its own.

#### **B. National-Scale Patient Enrollment and Sustained Engagement.**

Through the infrastructure delivered by Vibrent, the All of Us program enrolled over 630,000 patients nationwide who contributed health data across multiple years. These patients are represented across all U.S. states and territories, demonstrating that large-scale, patient-directed healthcare and trials can be conducted beyond a small number of academic medical centers. Vibrent's data platform supported continuous engagement rather than one-time data collection, enabling longitudinal follow-up and repeated contributions over time. This established a durable precision medicine cohort suitable for studying health trajectories, treatment outcomes, and disease progression at a large scale.

#### **C. Integration of Clinical, Genomic, and Real-World Health Data.**

Vibrent enabled the operational integration of multiple data domains within a single governed framework. As reflected in the All of Us Data Browser, the resulting national resource includes:

- Genomic data on an unprecedented scale, including:
  - 414,840 patients with whole genome sequencing
  - Over 1.3 billion single-nucleotide variants and indels represented in aggregate
- Real-World data / Electronic health record data from more than 350,000 patients
- Physical measurements from more than 500,000 patients, collected using standardized protocols
- Wearable device data from over 59,000 patients
- Longitudinal survey data, including:
  - Total survey responses of 325,000,000
  - Core health and lifestyle surveys completed by over 575,000 patients
  - Detailed personal and family health history questionnaires from 300,000 patients

This scale of integrated, longitudinal data collection was achieved using the Vibrent Health-provided Real-World Data Platform for the All of Us Program. These capabilities would not have been possible to achieve through any other legacy tools.

#### **D. Establishing Patient-Directed Digital Consent at a Large Scale.**

Vibrent designed and implemented a digital consent framework capable of operating across jurisdictions and study modules, supporting millions of consent events. The platform had supported over two million electronic consent modules, enabling patients to understand the

precision medicine program to voluntarily participate. This demonstrated that ethically governed, patient-directed choices can operate reliably at a national scale.

**E. Creating a Reusable and Efficient Federal Data Infrastructure.**

Vibrent built unified data platform was intentionally designed as a reusable Real-World Data Platform. New surveys, data types, and study workflows were added over time without rebuilding core technology. This design enabled rapid deployment of new clinical trial modules when national priorities shifted, including during the COVID-19 pandemic, when additional data collection instruments were introduced and updated iteratively. This reusability reduces duplication, reduces cost, and shortens launch timelines for future federally sponsored research initiatives.

**F. Preparing the United States for AI-Enabled Health Research.**

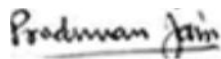
Modern AI and analytics methods depend on large-scale, long-term, and well-governed data sets. Vibrent’s work enabled the U.S. Government to create such data assets that are suitable for advanced analytics without locking the government into proprietary analytic tools. By prioritizing data integrations and standards-based interoperability, the infrastructure preserves public-sector oversight and flexibility as analytic technologies evolve. This ensures that future medical AI development can proceed on infrastructure that the U.S. Government understands and can trust.

**G. Strengthening National Security through U.S. Innovation.**

Vibrent Health’s work for the All of Us demonstrates the role that U.S.-based technology companies can play in delivering mission-critical national capabilities. The platform operated continuously at a national scale, supported thousands of research users, and enabled tens of millions of secure patient interactions.

The infrastructure and operating models established through Vibrent Health’s work are now informing federal and global research priorities, including cancer, aging, autism, neurodegenerative, and many other chronic conditions. The original investment continues to compound in value beyond the scope of a single program.

Sincerely,



Praduman Jain  
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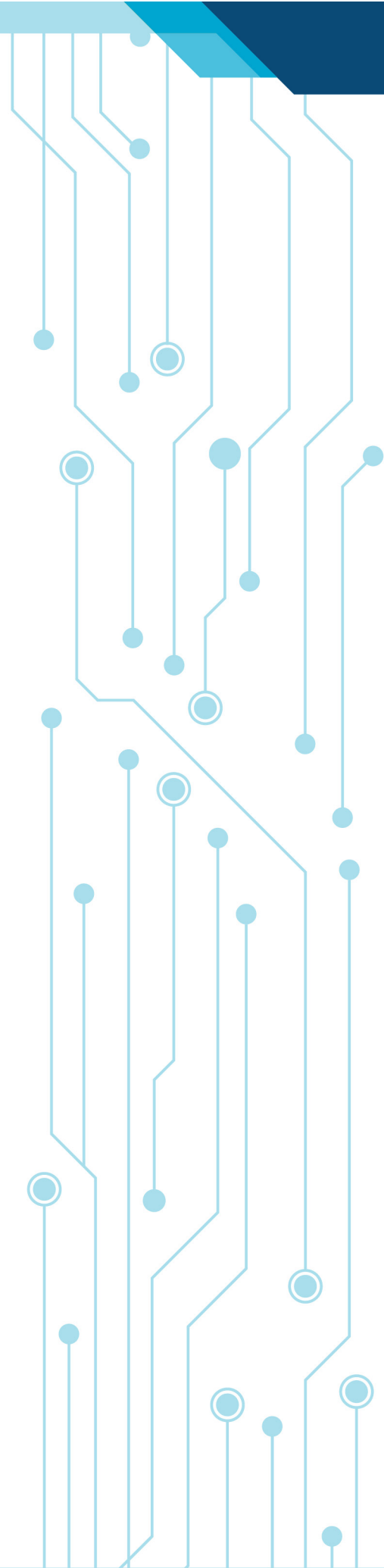
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