

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE UNIVERSITY OF
WISCONSIN–MADISON CLAIMED
ALLOWABLE EQUIPMENT COSTS
UNDER NATIONAL INSTITUTES
OF HEALTH GRANTS**

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Office of Inspector General

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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

The University of Wisconsin claimed \$6,597,237 in allowable equipment costs under the terms of its NIH grants and complied with all applicable Federal regulations.

WHY WE DID THIS REVIEW

During a prior audit of the University of Wisconsin–Madison we found that the University claimed Federal reimbursement for equipment costs exceeding \$25,000 that were significantly rebudgeted and did not receive prior approval from the National Institutes of Health (NIH). As a result of that audit, *University of Wisconsin–Madison Claimed Allowable Costs Under Recovery Act Grants (A-05-11-00102, Issued September 27, 2012)*, we conducted an audit of equipment purchases exceeding \$25,000.

OBJECTIVE

The objective of this review 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.

BACKGROUND

The 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.

The University of Wisconsin–Madison (the grantee), founded in 1848, is Wisconsin's comprehensive teaching and research university with a statewide, national, and international mission. The grantee made 44 equipment purchases, exceeding \$25,000, with NIH funds in the amount of \$6,597,237. The purchase period was January 1, 2011, through December 31, 2011.

HOW WE CONDUCTED THIS REVIEW

We limited our review to 44 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 \$6,597,237 for the 44 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 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 contains details of our audit scope and methodology. Appendix B contains details on the Federal requirements related to NIH grantees.

We conducted field work at the grantee's administrative office in Madison, Wisconsin during August and October 2012.

RESULTS OF REVIEW

The \$6,597,237 in costs covered by our review were allowable under the terms of the grants and applicable Federal regulations. Accordingly, this report contains no recommendations.

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

We limited our review to 44 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 \$6,597,237 for the 44 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 conducted field work at the grantee's administrative office in Madison, Wisconsin during August and October 2012.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and program guidance;
- 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;
- held discussions with university staff to determine whether equipment costs were reasonable;
- 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.

APPENDIX B: FEDERAL REQUIREMENTS FOR NATIONAL INSTITUTES OF HEALTH GRANTEES

Federal Regulations and National Institutes of Health Policies

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.