

Partial List of Recent Audits with Effort Reporting Findings

■ 12/09 Purdue University	NSF
■ 12/09 Arizona State University	NSF
■ 05/09 University of Delaware	NSF
■ 04/09 Georgia Tech	NSF
■ 04/09 University of Michigan	NSF
■ 03/09 University of Arizona	NSF
■ 03/07 University of Maryland-Baltimore	OIG
■ 03/07 Caltech	NSF
■ 03/07 Georgia State University	NSF
■ 09/06 University of Hawaii	NSF
■ 05/06 University of Arizona	NSF
■ 02/06 Yale	HHS
■ 1/06 University of Connecticut	OIG
■ 09/05 Dartmouth Center	HHS
■ 08/05 UC Berkley	NSF
■ 04/05 University of Alabama-Birmingham	DOJ
■ 02/05 Florida International University	DOJ
■ 08/04 East Carolina University	HHS
■ 06/04 Harvard	DOJ
■ 03/04 John Hopkins	DOJ
■ 06/03 Northeastern	HHS
■ 02/03 Northwestern	DOJ

Acronym Key:

DOJ: Department of Justice

HHS: Health & Human Services

NSF: National Science Foundation

OIG: Office of Inspector General

Effort Audits & Summaries

Harvard University (\$2.4 Million Settlement)

- Auditors investigated 4 projects that included expenses for staff members who did not work on the projects. \$2.4 Million Settlement
- Findings
 - Faculty time was also found to be overstated.
 - Government was billed for salaries and expenses unrelated to federal grants.
 - Harvard agreed to pay \$3.3 million over charges a researcher spent fewer hours than promised on a research study.

Johns Hopkins University (\$2.6 DOJ Million Settlement)

- Auditors investigated physicians who received salaries from the university as well as from another medical practice group.
- Findings
 - Faculty time and effort devoted to NIH grants was overstated.
 - Knowingly overstated time worked
 - Charged more than 100% of salary
 - Promised grant would support work by other employees (but, the work was never performed)

Northwestern University (\$5.5 million, DOJ Settlement)

Included time they spend treating patients.

- Auditors investigated physicians who charged grants for time they spent treating patients.
- Findings:
 - Researchers spent less time on NIH-sponsored projects than they reported.
 - Misrepresentation of time spent

- Failed to comply with effort reporting standards

University of Connecticut (\$2.5 Million settlement)

- Auditors investigated false claims in specialized service centers.
- Findings:
 - Specialized Service Centers overstated anticipated expenses, overcharged the government and billed for items not covered by the grants.
 - Billing Rates – Failure to revise and appropriately set its rate structure resulted in submission of numerous false claims.
 - Excessive Compensation – Allowed PI's to charge a grant for the portion of summer salary that was in excess of the PI's annualized salary.
 - Cost Sharing/Matching – Amounts appropriated for cost sharing were not representative of the amounts actually paid by UConn.

Mayo Clinic (\$6.5 Million DOJ Settlement)

- Auditors investigated research accounting and that the Government was charged for research unrelated to the NIH grants that Mayo received.
- Findings:
 - Over expenditures were made.
 - Improper Transfers – costs from overspent grants and internal Mayo cost centers included on under spent grants.
 - Accounting system unable to monitor and manage charges

Cornell University (\$4.4 Million DOJ Settlement for Effort; \$2.6 million for False Claims Act Violation)

- Auditors investigated a physician over billing an NIH grant. DOJ said Weill Medical College, part of Cornell, 'defrauded the government and made false statements' when a principal investigator on the grants in question 'failed to disclose to the government the full extent of her various active research projects' and that 'Weill Medical College knew, or should have known, that its employee failed to fully disclose her active research projects in the grant applications submitted to the government such that her research commitments exceeded 100% of her available time'.
- Findings:
 - Several research projects Cornell had said it would carry out existed only on paper. The money for the children's center was being used to treat many adults, and the center enrolled people as study subjects who didn't have the diseases being studied.

- Cornell was billing the NIH for nurses who were supposed to focus exclusively on pediatric research. Yet they were routinely pulled out to treat regular patients.
- PI did not fully disclose, that all her active research projects exceeded 100%, in grant applications submitted to NIH and DOD
- Cornell has admitted no wrongdoing, insisting it had broad discretion on how it spent the money but agreed to pay a \$4.4 million DOJ settlement to the government.

Yale University

- Auditors reviewed documentation to support salary cost transfers & reviewed emails stating “transfers were necessary to spend down funds”.
- Findings:
 - PI failed to provide the 25% level of effort proposed in subaward application, PI did not submit effort reports for lab technician, two effort reports not confirmed.
 - University does not have procedures for monitoring the budgeted or minimum level of effort for key personnel.
 - \$151,000 transferred from other grants or from general funds.
 - In some cases, it was because the grant award was approved late (a common occurrence), but the documentation was missing that was required by the University's own procedure manual to verify that the transferred charges were appropriate to the grant.
 - But in other cases, funds were transferred to spend down the subgrant award, which is not allowed. A footnote tells us that initially an email provided to the auditors had been altered to omit the explanation of why the transfer had occurred.

Dartmouth

- Auditors reviewed 100% PI effort and proposal activity.
- Findings:
 - Overstated Salaries (Labor Distribution).
 - 18 months effort charged (100% of 4 PI’s salaries) to NIH grants, but PI’s taught a course. PI’s verbally estimated to auditors that they spent 20% of their time on proposal activity.
 - The College charged salaries that were not consistent with the PI’s actual activity and used an overstated labor distribution percentage.

- Need to establish procedures to account for grant application activity.
- Adopt HHS certification language.

UC Berkeley

Reconcile center records with accounting system.

- Auditors reviewed documentation of CS effort on 10 cooperative agreements. UC Berkeley recorded cost share in their accounting system. One center used its own records to report cost share which did not agree with the University's accounting system. Center could not provide documentation to support their records.
- Findings:
 - Cost shared effort not reported accurately
 - Unable to support salary costs claimed by center staff – actual percentage of time spent on project was not documented.

Georgia State University

- Cooperative Agreements were reviewed.
- Findings:
 - Payroll Expenses - Center charged for work done on another grant, GSU did not take adequate care in maintaining required documentation, and did not always follow its policies and procedures.
 - Transfers made without explanation or source documentation.
 - Could not locate personal action forms.

University of Pennsylvania

- Findings:
 - Weaknesses in the effort reporting system.
 - The audit disclosed two major systemic internal control 1) UPENN's business managers were certifying labor effort reports, though they were not in a position to know whether work was performed, and 2) effort reports were not certified in a timely manner as specified by UPENN policy.
 - No guidance regarding suitable means of verification. (Auditors looked for specific procedures explaining the types of documentation that was acceptable as support for information reflected on the effort reports'.)

- Specific procedures to help business managers understand the types of documents that were necessary to support the effort reports.
- Department Chairs were not held accountable for ensuring effort reports were completed within the 45-day turnaround period.
- The auditors disagree with UPENN's assessment that its annual A-133 audits and internal audits met the requirement of an independent evaluation of the payroll distribution system. Looked at specific sponsored programs not entire system.

Cal Tech

■ Auditors reviews transfers of graduate student salary from a federal award

■ Findings

- Cost Transferred to NSF Grant From An Overspent Federal Award.
- Establish a formal requirement for an independent evaluation of the PDC system to ensure its effectiveness and full compliance with OMB, NSF, and Caltech standards.
- Establish a methodology for reasonably estimating and calculating an amount of "committed cost-shared" PI effort to be reported in the PDC system for sponsored projects with no PI salary reimbursements.

Cost Share Audits & Summaries

Howard University

March 2006

Funding Source: National Science Foundation

Description: NSF OIG was unable to verify \$12.3 million in claimed cost sharing; no supporting documentation for faculty salary charges of \$187,000; failure to monitor sub-recipients and failure to flow-down required clauses into subagreements; duplicate stipend payments made to non-Howard trainees and no documentation to support over \$109,000 in stipend payments and travel allowances

Compliance Issues

- Cost sharing
- Accounting system
- Effort reporting

- Monitoring sub-recipients

Settlement/Enforcement Actions

- Develop written policies and procedures manual for administering NSF grants
- Establish a Research Compliance Officer and a Compliance Officer to oversee all sponsored research
- Update and revise financial management and accounting system software (cost-sharing, effort reporting)
- Modify subagreement terms and conditions
- Recover duplicate payments
- Establish PI certification program and training program for faculty members
- Require independent auditors to assess implementation of corrective actions

Texas State Technical College

June 2003

Funding Source: National Science Foundation

Description: Auditors tested for compliance with cost sharing obligations under a \$1.5M technology training grant. The College had proposed to incur \$5.7M of cost sharing, but failed to meet its obligation. The College also failed to certify effort reports on a timely basis, and did not adequately monitor subawardees.

Compliance Issues

- Cost sharing
- Effort reporting
- Subrecipient monitoring

Settlement/Enforcement Actions

- The College concurred with the auditor's findings and instituted a corrective action plan

University of South Dakota

March 2005

Funding Source: National Science Foundation

Description: NSF OIG reviewed costs claimed on three awards (totaling \$2M) for compliance with award terms and conditions, and for allocability and allowability of cost sharing and other costs. Audit questioned \$142,593 and concluded that USD did not have a formalized system of determining which costs were direct and indirect. Audit also found the following: incorrect claims of cost sharing; subawards and subcontracts that were not adequately managed; improper augmentation of faculty salaries after receipt of the award; and payments to consultants for proposal preparation charged to the award.

Compliance Issues

- Direct costs vs. Indirect costs
- Institutional base salary
- Cost sharing
- Subrecipient monitoring

Settlement/Enforcement Actions

- USD reimbursed NSF for proposal preparation costs
- USD conceded that faculty salaries were improperly augmented
- USD revised its subcontract documents and increased sponsored research staffing

Audit findings of fraud & false claims against University personnel

- 05/01/07 Barbara Nye, Tennessee State University federal felony charge of making false statements to NSF
- 03/31/06 NIH & FDA Civil Complaint against PI, Steven Raper, M.D.

- 01/20/06 Georgetown University Medical Center departmental Administrator Adriana Santamaria & Sister- Incarceration and Restitution
- 10/04/2005 GWU \$1,825,000 False Claims Settlement 3 year Prison Sentence for PI
- 10/24/05 George Washington University Adjunct Professor – 5 Month Prison Sentence
- 10/22/06 University of Vermont – Poehlman (one of the most expansive cases of scientific fraud & first PI to serve jail time for fabricating data)
- 12/16/97 Medical College of Georgia - \$10,000,000 stolen, 5 year prison sentence for PI