

**Summary of Audits, Settlements and Investigations Related to Sponsored Programs
For Educational Purposes Only**

Release Date	Audit/Review/Newspaper Report	Costs w/o benefit to program	Cost Share	Cost Transfer	Documentation	Expenditures/Costs	Subaward/surawardee	Compensation/Effort	Participant Support	Policy & Procedure	Investigation/DOJ	Other
07/05/10	South Carolina State University					X						
03/22/10	Cal Tech Follow Audit							E				NSF
03/17/10	University of Delaware							E				NSF
03/03/10	University of Missouri - Columbia						X	X				
02/16/10	University of Buffalo											Fraud
02/16/10	Washington University in St. Louis							E				NSF
01/14/10	University of Nevada - Reno							E				NSF
11/09/09	Stony Brook University							E				NSF
11/02/09	University of Wisconsin-Madison							E				NSF
08/10/09	University of Michigan							E				NSF
07/30/09	Purdue University							E				NSF
06/30/09	Cornell University							E				NSF
06/30/09	Georgia Institute of Technology			X				E				NSF
05/01/09	Southern Illinois at Edwardville	X			X						X	Theft
03/25/09	University of Arizona							E				NSF
03/10/09	UC San Francisco					X						NF
02/27/09	University of Maryland Baltimore										X	Theft
02/26/09	University of Florida										PI	Theft
02/02/09	UCLA										X	Theft
01/31/09	University of Central Florida										X	Theft
01/16/09	Duke University Review of Admn & Clerical Costs					X						
12/23/08	Yale University Settlement (ref 02.03.06)			X				X			X	
10/24/08	University of Louisville										PI	Theft
	05/17/10 Former U. of Louisville Dean Is Sentenced to More Than 5 Years											
09/24/08	Vanderbilt University							E				NSF
07/08/08	St. Louis University							X			X	
06/18/08	Florida Agricultural and Mechanical University (FAMU)										PI	Theft
05/02/08	University of California, San Diego							E				NSF
03/27/08	University of Illinois Urbana							E				NSF
03/10/08	University of California, San Francisco					X						NF
01/22/08	Georgia Tech										X	Theft
11/15/07	University of Utah							E				NSF
09/28/07	University of Maryland Baltimore County		X			X	X			X		
09/06/07	Brandeis University					X						
06/26/07	NIH review of Graduate Student Compensation Costs							X				NF
05/15/07	University of Iowa Hospitals & Clinics (vendor rebates)					X						
04/05/07	Thomas Jefferson University			X								NF

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03/31/07	California Institute of Technology			X				E				NSF
03/12/07	Georgia State University		X		X		X	E		X		CA
02/12/07	New Mexico Title IV-E Contracted University Training Costs (A-06-06-0004)											S/U
11/15/06	NSF September 06 Report to Congress		X						X		X	
09/28/06	Boston University			X						X		
09/26/06	University of Hawaii		X		X		X	E				CA
09/26/06	New Mexico Highlands University	X	X			X	X					CA,P
09/07/06	Tennessee State University	X									PI	Theft
	05/01/07 Barbara Nye, Tennessee State PI Enters Guilty Plea											
06/30/06	15 University Select Agent Audit				X							X
06/16/06	University of Chicago			X						X		
06/06/06	University of Pennsylvania							E		X		NSF
05/24/06	University of Arizona Sahra Center					X	X	E				CA, RC
05/04/06	North Shore University Hospital											X
04/10/06	University of Maryland				X							AC
04/06/06	Eastern Kentucky University contract with Kentucky					X						S/U
03/31/06	Howard University		X		X		X	C				
03/31/06	Stephen Raper, MD, University of Pennsylvania											IRB
03/23/06	University of Massachusetts (UMMS) contract with Commonwealth of Massachusetts					X		C				S/U
03/03/06	Columbia University		X									NF
02/27/06	Roger Williams Hospital (UMMS)			X		X	X					
02/03/06	Yale University (UMMS)	X		X		X	X				X	AC
	07/21/06 Princeton Memo											
	07/03/06 Yale Memo on Agency Subpoenas											
	06/30/06 Yale Internal Memo on Scope of Information											
01/20/06	Georgetown University										X	
01/09/06	University of Connecticut		X					C			FC	2.5M RC
01/06/06	Indiana State University				X				X	X		
12/28/05	University of Nevada Reno	X								X		CA,AC
11/21/05	University of Miami Rosenstiel School											NF
09/29/05	Dartmouth College					X	X	E				
09/21/05	University of Rochester		X	X								NF
08/23/05	University of Massachusetts Medical School	X		X	X	X				X		RC
08/16/05	UC Berkley		X		X		X	E				
06/23/05	Cornell's Weill Medical College	X						C			X	4.4M
	08/16/05 Wall Street Journal Article											
06/05	Florida Agricultural & Mechanical		X		X							1.4 M Admn
05/26/05	Mayo Clinic	X		X	X						FC	6.5M
04/26/05	UTMB Galveston							C				X
04/14/05	University of Alabama-Birmingham	X						E			X	3.4 M
04/13/05	George Washington University	X							X		FC	1.8M

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NF No Findings

NSF NSF Effort Reporting Audit

RC Recharge Centers

P Purchases at end of Grant Period

Summary of Audits:

Issue Date	University/ Gov't	Funding Agency	Audit Agency (source)	Audit Finding
07/05/10 06/30/10	South Carolina State University	Earmarked Funds US Dept of Transportation	Washington Examiner Commentary & The Herald	<p>Newspaper Headline: S.C. State University can't account for \$25 million in federal earmarks</p> <p>The paper reported that the University's board voted to conduct an external audit on the James E. Clyburn University Transportation Center to find out how millions of state and federal dollars have been spent. More than \$50 million flowed through the center since 1998. The University had about half that on hand for the building's first phase but were unable to explain where the rest of the money went. A June 14 report in the (Charleston) Post and Courier revealed that 12 years after the center was launched, the site for a new building sits vacant, no transportation research is under way and the program lost its designation as a federal transportation center. A previous federal audit on one of the center's programs, the National Summer Transportation Institute, found the university's financial records in such disarray accountants couldn't figure out where millions of dollars went.</p> <p>John Smalls, the university's senior vice president of finance and facilities, estimated the report would cost about \$100,000 and said the university might be able to get approval from the U.S. Department of Transportation to use grant money to pay for the audit. Smalls disagreed that the university hasn't been accountable for grant money. He said grant money is reviewed every year but conceded the review doesn't provide specific details on where the money went.</p> <p><i>Washington Examiner Commentary by Mark Hemingway</i> <i>The Herald newspaper in Rock Hill, S.C.</i></p>
03/22/10	California Institute of Technology	NSF	NSF OIG 10-1-009	<p>Follow up to Effort Audit</p> <p>In a follow up audit of its effort reporting system, the audit found that Caltech had fully implemented all 7 audit recommendations. Caltech established a new robust system for tracking effort and a new</p>

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				<p>policy was issued by the Provost to all Caltech faculty and required the new process for all grant proposals. A new Effort Commitment module was established in the grants accounting system to track and report PI effort commitments. This module included companion cost sharing accounts.</p>
03/15/10	University of Delaware	NSF	NSF OIG 10-1-008 Withum Smith +Brown	<p>Audits found that Internal Controls over Effort Reporting System Need Improvement – Audit stated that the sample size used was small in proportion to the population.</p> <p>1. Salaries and Wages charged to the NSF did not always benefit grants or were incorrectly charged to NSF grants.</p> <p>Administrative time was charged directly; time spent preparing proposals for 2 graduate students and 2 professionals and time spent serving on a university hiring committee.</p> <p>Excess salary was paid without adequate documentation. Documentation simply stated that full time researcher performed additional research.</p> <p>2. Employees were not sufficiently educated on the salary distribution and effort reporting processes.</p> <p>Interviews noted a lack of understanding by employees on certification process, including their responsibilities. One employee stated he did not realize he was working on a NSF grant. Another employee stated that half the time charged to NSF was for research for another agency. Subsequent documentation provided supported work performed by the employees on NSF grants.</p> <p>Department effort administrators were expected to make themselves aware of the requirements and process and were responsible for providing assistance and training to their employees.</p> <p>3. System weaknesses were not identified and corrected in a timely manner</p> <p>Audit identified several system weaknesses that resulted in a number of reporting errors on reports. Auditors found that the system was not programmed to adjust for 9 month salary being paid over 12 months, and journal entries and some contracts for summary salary were not included in the system. Developers did not fully coordinate programming with grants management individuals.</p> <p>4. Effort reports were not certified within the established turnaround period.</p>

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				<p>Certified after mandatory 60 day period.</p> <p>5. Independent Comprehensive Evaluations University believed that A-133 audit met the requirement for independent evaluation. Subsequently internal auditors developed an audit approach to evaluate system but did not interview employees to corroborate information on effort report.</p>
03/03/10	University of Missouri - Columbia	NSF	NSF OIG 10-1-006 McBride, Lock & Associates	<p>Audit of internal control over financial reporting and monitoring of subawardees. Audit identified significant compliance and internal control deficiencies in financial management of subaward and payroll costs.</p> <p>Overall the auditors determined that the costs appear fairly stated and are allowable, allocable and reasonable and the majority of the recommendations made in prior A-133 and the NSF desk review had been addressed. (Previous A-133 identified significant material non-compliance and internal control. An NSF desk review identified a lack of documenting policies and procedures.) University did not concur with all of the findings related to Subawardee monitoring. The Universities external auditor had stated that the subrecipient monitoring process was adequate and in compliance with A-133.</p> <p>Primary Findings for Subaward Monitoring</p> <ul style="list-style-type: none"> • The University did not always adhere to its policy by consistently sending monitoring letters and Subawardee risk assessment questionnaires to the subawardees. • Subawardees OMB Circular A-133 audit reports were not regularly obtained and reviewed, as required, leading to the potential for inaccurate risk assessment results. • Variations from policy were based on staff's opinion that sufficient information for risk assessment and monitoring was obtained without performing the above procedures and reflect a lack of review and oversight by the University <p>Auditors Position</p> <ul style="list-style-type: none"> • Sole use of an online audit clearing house is not adequate to assess the risks of the subawardees. • The risk assessment process is critical to subaward monitoring

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				<ul style="list-style-type: none"> • The A-133 audit reports should be obtained and reviewed to affirm the information obtained on the Subrecipient Confirmation Letter • The Policy should require consideration of the audit reports of other regulatory agencies and internal auditors. <p>Finding 1: Subawardee Monitoring Recommendations</p> <ul style="list-style-type: none"> • Send out Subrecipient Confirmation Letter and Questionnaire, if applicable, to all subawardees as part of the risk assessment and monitoring process. <p>The University sends out the letter and questionnaire to only those subawardees where it is unable to obtain sufficient documentation to complete the risk assessment. The University reviews the Harvester Report or A-133 report. If there are no findings the date and results are documented and the risk assessment is completed. If there are findings and the University has not obtained a copy of the A-133, the University sends out the Confirmation Letter. The University did agree that the policy pertaining to subrecipient Confirmation letter was not always followed.</p> <ul style="list-style-type: none"> • Request and thoroughly review A-133 audit reports and reports from other regulatory agencies and internal auditors for all subawardees. <p>UM did not concur that a review of reports for other regulatory agencies and internal auditors for all subawardees was required. The NSF auditors did not agree and noted that these audits had disclosed significant internal control weaknesses at 2 subawardees that could affect the subawardees ability to report accurate cost information.</p> <ul style="list-style-type: none"> • Designate supervisory personnel to perform a review of risk assessment. • Follow up to determine if weaknesses in this report that were identified in the subawardees audit reports were adequately resolved. <p>Finding 2: University does not have adequate internal controls and safeguards in place to</p>
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				<p>adequately process all labor cost transfers to ensure that labor effort certifications are properly recertified.</p> <p>Auditors recommended revision of policies regarding adequate explanations and documentation to justify need for payroll adjustments and to require a secondary independent review and approval. Develop internal controls and implement to ensure adherence to approved cost transfer policies. Provide training to all staff involved in processing labor cost transfers.</p> <p>The University has adequate policies and procedures for processing payroll corrections made <u>more than 2</u> accounting periods after the accounting period in which the original entry was made, however, internal controls to ensure adherence to these policies and procedures are inadequate. Further, the policies and procedures for labor cost transfers made to or between sponsored awards <u>within 2</u> accounting periods of their effective date are inadequate.</p>
02/16/10	University of Buffalo		<p>Attorney General New York Buffalo Regional Office</p> <p>& The Buffalo News</p>	<p>A former University of Buffalo Researcher, William Fals-Stewart, was arrested Feb. 16 on multiple charges of attempted grand larceny, perjury, identity theft, offering a false instrument and falsifying business records. Authorities claimed that Fals-Stewart engaged in the fraudulent conduct in an attempt to rescue his reputation after leaving his UB job, under pressure, in 2005. Officials have said he had been accused of scientific misconduct by fabricating data in a federally funded study.</p> <p><i>The Buffalo News February 25, 2010</i></p> <p>Attorney General announced criminal charges against a former University at Buffalo researcher, who allegedly hired professional actors to testify on his behalf during a formal misconduct hearing and then attempted to seek \$4 million from the state for monetary damages. In September 2004, Fals-Stewart was accused of scientific misconduct for allegedly fabricating data in federally funded studies at the University at Buffalo and Research Institute on Addictions. Allegations were based upon discrepancies between the number of volunteers he reported to the National Institute for Drug and the</p>

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				<p>actual number of volunteers who participated in his studies. Fals-Stewart paid the actors to testify and provided them with scripts to use during the proceedings that were riddled with inaccuracies regarding his research. Fals-Stewart told the three actors that they would be performing in a mock trial training exercise. They were not aware that they were testifying at a real administrative hearing, nor did they know they were impersonating real people. Because of these false testimonies, Fals-Stewart was exonerated at the administrative hearing. Claiming that the misconduct allegations tarnished his reputation, Fals-Stewart sued the University, seeking \$4 million from the state in damages. Cuomo's office discovered the alleged fraud, forced Fals-Stewart to withdraw his lawsuit and initiated a criminal investigation.</p> <p><i>Attorney General of New York Press Release</i></p> <p>A week after he was charged in an elaborate scheme to defraud state taxpayers, a former University at Buffalo researcher was found dead Tuesday afternoon in his home.</p>
02/16/10	Washington University St. Louis	NSF	NSF OIG 10-1-005 Williams Adley & Company	<p>Audit recognized notable accomplishments of timely certifications of labor effort reports and strong support by management and those involved to develop accurate effort reports. The audit did not identify any specific deficiencies concerning labor effort reporting.</p> <p>The audit did identify the following areas of concern:</p> <ol style="list-style-type: none"> 1. University did not require effort training for all campuses. <p>Auditors acknowledged that A-21 and related circulars do not specifically require mandatory training. The auditors' position is that that the circulars are meant to provide overarching guidance and are not intended to provide specific requirements. Institutions are expected to identify and employ necessary controls. They believe that mandatory training for key personnel is critical to the reliability of the effort reporting program. They recognized that WUSTL had developed excellent training material.</p> <ol style="list-style-type: none"> 2. Effort system not fully integrated for all personnel to include academic,

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				<p>administrative, and research effort.</p> <p>Prior to Jan 2009 effort reports were paper based. Effort reports covered months in which some salary was charged to a sponsored project. Effort expended on non-sponsored activities was not always reflected on the effort report thus effort did not reflect 100% of employees activity during the full effort reporting period. New system implemented appears to have resolved the identified issues.</p> <p>3. Provide clearer guidance on how to process significant prospective changes to salary distribution.</p> <p>University relied on Departments to make their own determinations and entries regarding significant changes. In some cases, departments relied on informal e-mails to document the request for a change. University did not provide detailed written guidance about the process or written justification for changes and the approval required for entering those changes.</p> <p>4. Lack of Comprehensive Internal Evaluation of Effort Reporting</p> <p>Audit process identified through its Compliance office was not fully comprehensive.</p>
01/14/10	University of Nevada - Reno	NSF	NSF OIG 10-1-003 Williams Adley & Company	<p>Audit noted that the University made significant improvements in its effort system by establishing a new web-based system, issuing new policies and procedures and hiring a full time Effort Reporting Specialist. However, the audit stated that the new system did not appropriately provide reports that consistently reflected all compensated work on an integrated basis. Summarized Audit findings:</p> <p>1. Salaries Exceed Two-Month Salary Limitation</p> <p>Lack of policy implementing limitation on 2 month salary charges. Summer salary was paid via overload which was not integrated into the effort system. Clear timeliness standards were not established for the payment of overload salaries and overload salaries paid after the effort reports were certified did not require re-certification of effort reports.</p> <p>2. Cost Transfers without Adequate Justification Cost Transfers Processed during Last Month of Grant</p>

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				<p>Manual provides guidelines for when cost transfer may be appropriate but does not establish procedures for documenting reasons and/or justifications. No office was tasked with responsibility for adequacy of justifications. Did not properly require additional senior management review for transfers made during last 45 days of project.</p> <p>3. Salary Charges for Employees that did not Benefit the Projects Tuition Remission Costs Did not have sufficient procedures to ensure that graduate student tuition remission costs were proportionately charged to research projects directly benefiting from the actual work. No procedure for reallocation of tuition costs and associated fees if there are subsequent changes to a students work activity.</p> <p>4. Cost Share Effort Not Reflected on Report Did not report committed cost sharing when NSF funded PI effort was replaced with cost shared effort. Contrary to OMB Clarification Memo, did not have an established methodology for imputing amount of donated effort to include in research base when projects do not contain any paid faculty or senior researcher salaries. Policy did not provide guidance on how to address situations when federally funded effort was replaced with cost share effort. If University cannot document committed effort was provided, federal regulations require advance agency approval when there is more than a 25% reduction in effort.</p> <p>5. Did not Perform Independent Internal Evaluation Internal audit only performed a review for control weaknesses. Report also cited lack of formal backing for internal audit department.</p> <p>6. Employee Training for Key Officials Not Mandatory Employee participation in effort reporting was mandatory. One graduate student interviewed who certified her own effort stated that she was unaware of the specific names of the research projects or the PI's for the 6 research projects she was being paid</p>
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11/09/09	Stony Brook University Research Foundation	NSF	NSF OIG 10-01-001 McBride Lock & Associates	<p>Stony brook uses an after the fact paper system. Reports are approved within 90 days of the ending date of Spring, Summer and Fall Session. The Foundation is the legal grant recipient and the research projects are performed at Stony Brook.</p> <p>1. Effort Reports Not Certified by Person with Suitable Means of Verification</p> <p>One departmental staff member used a transparency to mass produce a signature without anyone evaluating employee effort. Reviewers compared percentages to payroll reports due to a misunderstanding of the purpose of the effort report. Evaluating the percentages was unusually difficult due to semester periods that were for different periods of time (3, 4 or 5 months), the effort reports presented effort on a granular level for periods of time, (days or weeks) within the period forcing the employee to certify effort occurring on a specific day or days and effort reporting periods overlapped semesters.</p> <p>2. State funded activities were not ways included on a integrated basis as required by federal regulations</p> <p>SUNY University and the Foundation have separate payroll systems. The Foundation’s payroll system processes salary for full-time researchers, faculty on summer research appointments post doc scholars research support and project assistants and graduate research assistants. SUNY processes salary for state employees including faculty, administrative and support staff and graduate teaching assistants. Graduate student activities for state-funded teaching assistantships were not captured by effort system. The Foundation took the position that because SUNY is a separate employer, graduate teaching assistance ships were not required to be included. The auditors disagreed based on OMB recognition that in an academic setting, teaching, research, service and administration are often inextricably intermingled. The auditor’ position was that the unique relationship with SUNY did not relieve it from complying with the A-21 requirement. Auditors stated that Foundation procedures for included state-funded work activities for faculty, staff and graduate students should be consistently</p>

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			<p>applied.</p> <p>3. Lack of Written Justifications and Explanations on Labor Cost Transfer The Foundation provided policy and procedure guidance and both the Foundation and SUNY had prescribed forms. Stony Brook’s practice was to not require justifications for transfers within 30 days of the original transaction date but Foundation policies and procedures did not disclose support for the practice. SUNY did not always utilize the prescribed forms which contained a field requiring an explanation. When the prescribed form was used full justifications were not always provided. The Foundation implemented new cost transfer policy and guidance but Stony Brook employees responsible for federal grants management were not provided formal training of the procedures and generally continued to use the prior cost transfer process.</p> <p>4. Unallowable Costs Incorrectly Charged Administrative employee charged salary directly without provided justification in the NSF budget proposals for direct charging as required by OMB and NSF regulations (F.6.b.(2))(NSF grant policy requires direct charging of administrative salaries by clearly described in the budget justification). Employee charged absence to grant in excess of number of days allowed in Stony Brook policy and Disclosure Statement.</p> <p>5. Lack of Independent Evaluation Foundation and Stony Brook believed A-133 met A-21 requirement. Auditor stated that A-133 audit was not, nor was it intended to be a comprehensive review of the effort reporting system.</p>
11/02/09	University of Wisconsin	NSF	<p>Wisconsin is one of the top five universities in the country in terms of research expenditures, and in 2007 reached over \$1billion in new awards. NSF conducted a review in 2006 and 2007 both prior after the implementation of a new effort reporting system. The new system corrected many of the weaknesses identified in the 2006 reviews. Wisconsin generally had a well established and sound grants management program. In 2006, as part of the implementation process for the new web-based ECRT system, Wisconsin’s consulting group conducted a “snapshot review” of the current state of its effort reporting system and found:</p>

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				<ul style="list-style-type: none"> • All effort reports not adding up to 100 percent and encompassing all professional effort. • Improvements in training needed. • No formal procedures for tracking and monitoring effort commitments. • PARs not timely received. • Procedures for tracking cost sharing make it difficult to determine if key personnel are meeting their cost commitments. • Delays in processing cost transfers. <p>The review of the new system by the NSF auditors identified concerns over oversight of the effort reporting process; calculations for NSF summer salary limitations; the effort reporting training program, independent internal evaluation, and NSF's salary limitations for faculty research.</p> <p>Effort reports are produced bi-annually for faculty and academic staff and quarterly for classified staff. Wisconsin's structure is decentralized in which each school or college is partially responsible for the management of its Federal grants including certification of effort reports. The Office of Research and Sponsored Programs has overall responsibility for effort certification and reporting.</p> <p>With the implementation of the new system, Wisconsin implemented significantly revamped policies and procedures and mandatory training. In response to the audit the University</p> <ul style="list-style-type: none"> • Created a schedule of Internal Audit reviews of the effort reporting system. • Wrote a definition of "suitable means of verification." • Reviewed practices for application of the NSF Two-ninths rule regarding salary payments to faculty and is working with the Council on Governmental Relations and NSF on a clarification to the application of the current NSF policy on the Two-ninths Rule. • Continued training programs and created a refresher course that will be available for all certifiers. • Agreed to resolve \$2,941 (out of \$31 M in FY 07 salary charges) in disputed salary payments.
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08/19/09	University of Michigan	NSF	NSF OIG 09-1-014 Withum, Smith & Brown	<p>U-M was chosen for an audit because of the high dollar value, number and collaborative nature of many of their awards. The large Center awards chosen by the NSF-OIG for audit continued over an extensive period of time and had significant cost sharing, and substantial subaward, consultant, equipment and participant support costs. Overall, the auditors determined that except for approximately 3% of total claimed costs and less than 1% of cost sharing, the costs claimed appear fairly stated. The questioned costs included salaries, travel, internal service charges, participant support, and other direct costs for lack of adequate documentation.</p> <p>Auditor Findings</p> <p>1. Lack of Effective Record Retention System for Maintaining Source Documentation.</p> <p>The auditors selected 657 cost transactions for audit testing, 300 remained unsupported at the time the field work concluded. The auditors extended the deadline and 69 unsupported transactions were noted in the audit report. UM officials indicated that it required over 10 people more than 250 hours to assemble the documentation.</p> <p>69 transactions noted were broken down as follows:</p> <ul style="list-style-type: none"> • 25 time and effort reports concentrated primarily in one grant, • 29 inadequately supported journal entries • 1 lump sum journal entry to move equipment fabrication charges from one project to cost sharing. • 8 cost sharing transactions where the auditors could not determine the relationship to the NSF grant. • 5 direct cost transactions for an internal copier recharge, dental insurance payment, administrative and research salaries and a health insurance subsidy cost • 1 purchase card transaction for laboratory supplies. <p>The auditors attributed this to policies and procedures which did not clearly identify the types of documentation to be maintained and reviewed in order to comply with Federal requirements and costs that were recorded into the general ledger in a way</p>
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				<p>that did not match the document storage and retrieval system coding making it difficult to retrieve information.</p> <p>2. Lack of Adequate Centralized Monitoring Control.</p> <p>The OSP (central office) reviews and approves transactions on a risk assessment basis (equipment purchases, foreign travel, consulting, cost transfers, budget creation/modification). The university felt that the number of instances of identified unallowable costs was infrequent and immaterial. The auditors noted that OSP performs its monitoring control at award closeout, which is usually years after a cost is incurred.</p> <p>Questioned Costs:</p> <ul style="list-style-type: none"> • Alcohol charges on a hotel bill for \$637 • Salaries of \$21,083 for two months for an employee who was no longer employed by the University • Payments totaling \$3,200 for a foreign visitor to Ann Arbor at \$100/day for meals with no receipts. The charges were in violation of University policy and in excess of the Federal Travel Regulation. <p>3. Lack of Procedures for Monitoring and Enforcing Labor Certification and Effort</p> <p>The finding relates to 37 employees who certified their labor effort reports prior to the end of the certification period, which was not in accordance with either U-M’s own policy or OMB Circular A-21. The auditors did not take exception to the University policy as stated.</p> <p>The University used the Plan Confirmation where at least annually the employee must certify that work was performed. University Policy required; “At the end of each certification period, the distribution is confirmed when the employee signs the Effort Certification Report” and “The Cost Reimbursement Office of Financial Operations will initiate an email to all employees required certifying in early July of each year.”</p> <p>4. Lack of Written Job Description for a Key Position Related to an NSF Program</p> <p>This was significant because of the large dollar value of the awards. The auditors did not feel that the description in the proposal was sufficient since it did</p>
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				not describe the actual responsibilities over the day-to-day operations of the Director. U-M responded that the faculty member appointed to the director position was fully aware of the responsibilities of the position, however when the auditors requested that the Director provide a description of what the responsibilities entailed, he could not provide a written job description describing his responsibilities.
07/30/09	Purdue University	NSF	NSF OIG 09-1-013	<p>The audit found that Purdue generally has a well established and sound system with the exception of internal controls over PIs charging proposal writing and graduate students charging teaching activities as direct costs to NSF grants. The auditors found a lack of a periodic independent internal evaluation of the effort reporting system and adequate training of individuals certifying their labor efforts. The internal control weaknesses were considered significant.</p> <p>1. Internal Controls over Purdue University’s Labor Effort Charging Can be Strengthened</p> <p>Of the 30 sampled employees, 3 of 9 Principal Investigators (PIs) charged proposal writing, and 2 of 12 graduate students charged teaching activities as direct costs to NSF grants in violation of both Federal and University policy. Although the mischarged amounts for the sample are not material individually it constitutes an internal control weakness that could result in more substantive errors. These internal control weaknesses occurred, in part, due to a lack of adequate training of individuals certifying their labor efforts, with respect to proposal writing and teaching activities, and the lack of a periodic independent internal evaluation of the effort reporting system. There was no mandatory requirement for PIs, who certify the labor efforts, to attend. In addition, management believed the A-133 audit and other reviews by the costing office provided the OMB circular A-21 required independent evaluation of the labor effort system. However, these reviews only addressed limited aspects of the system.</p> <p>These incorrect charges amounted to about 20 percent of the graduate students ‘effort during a four-month period. Teaching activities do not directly benefit the NSF and accordingly should be</p>

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				<p>charged to non-sponsored university activities.</p> <p>2. Additional Concerns for the New On-line System</p> <p>While we consider Purdue's effort report certification process one of the better ones audited to date, we noted that Purdue had not developed written policies and procedures for the new system capability to ensure the continued timeliness of the certification process.</p>
06/30/09	Cornell University	NSF	OIG 09-1-008 Withum Smith+ Brown	<p>Cornell generally has a well established and sound Federal grants management system. Our review of 30 sampled employees found no specific misstatements of effort, but the University allowed labor costs charged to NSF awards be certified by employees without firsthand knowledge or a suitable means of verification. Auditors commented on what they felt was a delay in action on a prior internal audit on effort reporting. They also noted that although OMB allows annual certification they believed that Cornell could enhance the reliability of its effort reporting system by certifying effort more often than once a year and that NSF-OIG may address this again in their capstone report after completion of the individual university audits.</p> <p>1. Labor Effort Certification System Not in Compliance with OMB Circular A-21 <u>Suitable Means of Verification.</u> Specifically, Department and unit administrative officials certified 8 of the 30 sampled employees even though they were not in a position to know whether the work was actually performed as shown on the effort reports. This same weakness was found by Cornell's internal audit group. Cornell did not define in its policies what constituted a suitable means of verifying labor effort or establish adequate internal controls to provide for effective management and oversight of its labor effort reporting system. For example, Cornell did not train its PIs in effort certification policies and procedures and does not require their involvement in the certification process.</p> <p><u>Group Certifications.</u> Department administrative officials routinely certified effort reports using group certifications, in which all employees in a division were certified with a single signature. Group</p>

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				<p>certifications certified effort of between 31 to 249 employees at the end of the annual certification period. Officials relied on informal discussions with the PI as a suitable means to validate the actual effort performed. The University Audit Office noted that several departments utilize a group certification process instead of having each individual self certify, although University Policy No. 3.11, Effort Planning and Confirmation, states that certification should preferably be performed by the employee being certified.</p> <p><u>Auditors Comment on Management Response to Internal Audit on Effort</u></p> <p>Cornell management’s response to each issue was brief and essentially noncommittal. The responses indicated a certain degree of “tone at the top” indifference. Auditors noted that Cornell officials provided some documentation of “behind the scenes” actions it had taken to address some of the report findings. Therefore, while the official management response lacked a definite commitment to change, some officials did begin developing plans for corrective actions during FY 2007.</p> <p><u>Documentation of Discussions to Validate Effort Performed</u></p> <p>Officials stated they relied on discussions with the PI as a suitable means to validate the actual effort performed. However, the discussions were not documented and therefore could not be used as a suitable means to validate effort performed.</p> <p><u>Some of the more significant improvements notes by the auditors :</u></p> <ul style="list-style-type: none"> • Require training of all employees involved in the effort reporting process, including PIs. • Develop a detailed definition of “suitable means” and include that definition in the effort reporting policies. • Require that anyone certifying an employee’s time <i>document</i> how they obtained “suitable means” and maintain that documentation. In addition, no matter who signs a certification form the PIs need to be aware of and understand the effort certification process. • Verify the salary charges of sampled individuals
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				<p>that have 95 percent effort or more charged to Federal awards.</p> <ul style="list-style-type: none"> • Verify the salary charges of all PIs that exceed 98 percent effort charged to sponsored awards and that submitted a proposal within the same year. • Implement a quality assurance program that will annually test whether certifiers using group certifications followed Cornell’s effort certification procedures. <p>2. Other Matters to be Reported</p> <p><u>Certification Frequency</u></p> <p>NSF OIG noted:</p> <ol style="list-style-type: none"> 1) Almost all universities have multiple certification periods during a fiscal year and that Cornell only requires certification of effort once a year. 2) Cornell’s certification period is five months longer than the average of other major universities included in the NSF-OIG’s overall labor effort report up to this point and that while this was not in conflict with Federal regulations it does increase the risk that effort could be certified erroneously as the certifier needs to recall actual effort more than a year after it was incurred. 3) They did not making a recommendation but stated that NSF-OIG may address this again in their capstone report after completion of the individual university audits. <p><u>Recommendations</u></p> <p>Cornell revise its policies and procedures to</p> <ol style="list-style-type: none"> 1) define what constitutes <i>suitable means of verification</i> 2) require certification by employees with firsthand knowledge or certifiers with documented suitable means of verification, 3) train all employees involved in the effort reporting process on a periodic basis, 4) involve PIs directly in the effort certification process, 5) hold certifying officials accountable for following certification policies and procedures, and 6) Develop a process to adequately address
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				<p>recommendations by the internal audit group in a timely manner.</p> <p>7) Eliminating group certifications and by certifying effort more often than once a year.</p>
06/30/09	Georgia Institute of Technology	NSF	NSF OIG 09-1-009 McBride Lock and Associates	<p>Our audit disclosed that Georgia Tech generally has a well established labor effort reporting system with the exception of internal controls over prospective workload allocation changes (prospective changes), labor cost transfers, uncharged but committed labor effort and NSF reimbursement limitations to principal investigators. Identified as Significant Internal Control Weakness.</p> <p>Prospective Changes</p> <ol style="list-style-type: none"> 1. Insufficient controls over changes to the data underlying the effort reports could allow improper charges to Federal awards to remain undetected, thus jeopardizing the reliability of not just effort reports, but also Federal award financial reports. This is critical since labor charges to NSF awards totaled \$16 million in FY 2007. The amount of labor effort charges to other Federal agencies by Georgia Tech, totaled \$49 million. 2. The lack of adequate controls over prospective changes and labor cost transfers serves to lessen the reliability of the labor effort reporting process at Georgia Tech. 3. For example: Policies and practices allow prospective changes to labor effort allocations to be made without documentation of justification or independent approval. <p>Cost Transfers</p> <ol style="list-style-type: none"> 1. Cost transfers within 60 days of posting to the payroll system can be made without documentation of justification or approval. Those beyond 60 days require justification. However, many justifications were inadequate, with little or no follow-up to ensure they were valid. 2. Departmental financial managers had the ability, by independently processing labor allocation adjustments and cost transfers, to make changes to the labor effort system without adequate checks and balances. 3. The University has not established policies and procedures to provide for accurate reporting of

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				<p>uncharged but committed labor effort requested for the PI, and to ensure compliance with NSF's rule limiting PI's summer salary to two months.</p> <p><u>Auditors Recommendations</u></p> <p>The recommendations were primarily directed toward enhancing the University's oversight of the labor effort reporting system by</p> <ol style="list-style-type: none"> 1. addressing policies concerning these issues, 2. requiring documentation of justification and approval of changes to monthly workload allocation reports and cost transfers, 3. Requiring follow-up on inadequately justified labor cost transfers, and ensuring proper training and oversight of these activities.
05/19/09	Southern Illinois University Edwardsville (SIUE)	ED Talent Search Program	US Attorney for the Southern District of Illinois News Release	<p>Assistant Program Director in the federally funded "Talent Search" program indicted for wire fraud, misapplication of funds from programs receiving federal funds, and obstructing justice.</p> <p>Kory L. Rush was indicted for wire fraud, misapplication of funds from programs receiving federal funds, and obstructing justice by tampering with a witness by a federal grand jury. Rush is alleged to have misapplied, and permitted others to misapply, federal grant funds for his own personal use and the personal use of others. The indictment charges that federal grant funds were used to purchase gift cards, electronics, alcoholic beverages, groceries, and other consumer goods in violation of the rules and regulations limiting the expenditure of federal grant funds. Rush is further charged with encouraging a witness to provide false information to investigators in order to conceal the fact that Rush authorized \$8,000 in payments to the witness for services that were never performed.</p>
04/30/09	SIUE	ED Talent Search Program	ED-OIG/A05I0013	<p>SIUE was not entitled to receive \$720,522 in Talent Search funds. University uncovered irregularities in an Internal Audit and Self Reported.</p> <p>Audit Findings:</p> <ol style="list-style-type: none"> 1. Did not serve the required minimum number of Talent Search (TS) participants; <p>The auditors conducted a Physical file inventory of the participant files. The University could not locate participant files for all participant reported in the Annual Progress Report (APR's). Of the 603 participants reported in 05-06, 219 files were</p>

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				<p>located; in 06-07, 529 participants were reported and 323 files were located. In accordance with 34 C.F.R. § 643.32(b), 5 600 participants are required in each budget period. The auditors recommend that SIUE return on grants funds since it did not serve the minimum 600 participants. The auditor’s position was that the TS grant is a competitive grant and inaccurate information on grant proposals could result in the Department denying other institutions funding and awarding grants to institutions that are not able to meet the objectives stated in their grant proposals. Inaccurate information in APRs also could result in the Department continuing funding to institutions that are not meeting objectives as stated in their grant proposals.</p> <p>2. Failed to provide adequate documentation for TRIO personnel costs; The Research Office maintains a database and generates after the fact activity reports. In the sample, 2 reports were not signed and 10 were signed by the Director who was not the direct supervisor. Some reports were signed 18 months to 3 years after the pay period in question. The written policies for the completion of activity reports did not state specifically that the activity reports should be signed only after the work has been completed.</p> <p>3. Unallowable and inadequately documented non-personnel costs; <u>Unallowable Costs – Field Trips</u> Field trips to Six Flags, Speed Parks, St. Louis Gateway Sport, Raging Rivers, a St. Louis Blues’ hockey game, and a haunted theme park that had as their primary purpose the entertainment of participants. SIUE provided general summer activity schedules to show that educational activities were scheduled along with recreational activities. The auditors stated the schedules, as stand-alone documents, were not adequate to refute that the trips had as their primary purpose the entertainment of participants. The schedules did not include itineraries, indicating that field trips also included visits to education venues, such as colleges or universities.</p> <p><u>Unallowable Costs – Gift Cards or Other Gifts</u> Against SIUE policy, TRIO employees were permitted to use their purchase cards to obtain gift</p>
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				<p>cards. In addition, employees did not always maintain records of who received gift cards or require recipients to sign for gift cards.</p> <p><u>Other Unallowable Costs</u> Charges occurred in prior or subsequent grant years.</p> <p><u>Inadequately Documented Costs</u> Costs that lacked evidence of the participants who attended the trip or how the cost was related to the project, or the list of participants attending the field trip did not agree with the list of participants SIUE provided the auditors.</p> <p>4. Failed to maintain adequate TRIO participant records The CFR requires that grantees must have evidence showing</p> <ul style="list-style-type: none"> (1) the basis for the grantee's determination that the participant is eligible to participate in the project; documentation of an individual's low-income status evidenced by a signed statement from the individual's parent or legal guardian or verification from another governmental source, such as a signed financial aid application or a signed income tax return. (2) the grantee's needs assessment for the participant; (3) the services that are provided to the participant; and (4) The specific educational progress made by the participant as a result of the services. <p>The auditors founds in some cases files were missing or incomplete. Some files were missing the participant applications, contained unsigned applications or applications signed by a TS employee if the parent or guardian's signature could not be obtained.</p>
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03/25/09	University of Arizona	NSF	NSF OIG Report Number 09-1-006 Williams, Adley & Company LLP (NSF Effort Audit)	<p>The review disclosed that Arizona generally has a well established Federal grants management program. However, the audit disclosed several internal control weaknesses that Arizona needs to correct to ensure proper implementation and oversight of its effort reporting system.</p> <p>Internal control procedural weaknesses identified in the audit findings to be significant</p> <p>1) Arizona did not meet Federal requirements for providing a suitable means of verification that the work was actually performed when certifying labor effort reports for NSF grants.</p> <p>Labor effort reports were certified by departmental administrative officials without a suitable means of validating the effort. Officials stated they relied on employee time sheets as a suitable means to validate the actual effort performed. However in most cases the time sheets did not assign the employee’s hours to specific projects or activities.</p> <p>PIs and department administrative officials were not required to take the online labor effort training program.</p> <p>2) Identified system weaknesses that allowed faculty to exceed NSF summer salary limitations.</p> <p>One of five sampled faculty members improperly charged salary to sponsored projects by exceeding NSF’s summer salary limitations on faculty members</p> <p>Arizona did not have a policy that fully explained and implemented NSF’s two-ninths rule on faculty summer pay</p> <p>3) Lack of independent internal evaluation of the effort reporting system.</p> <p>University officials believed they met the A-21 requirement with their annual OMB Circular A-133 audit. Auditors could not find any evidence that a comprehensive independent review had been performed since the effort reporting system was changed to an electronic format in 1992</p> <p>4) Identified several other system weaknesses over cost sharing, faculty effort estimation when no faculty commitments were made to a sponsored project, and the establishment of a precision range for correction of labor effort</p>
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				<p>variances.</p> <p><u>Cost Share Data</u> Review indicated Arizona had not established policies to ensure compliance with these Federal requirements and its current management systems did not have the capabilities to record, track and report cost sharing data. This occurred because Arizona’s current financial management system did not have the capability to establish cost sharing account numbers relating to specific sponsored projects.</p> <p><u>Labor Effort Commitments Not Tracked.</u> Arizona did not have the capability to track PI committed effort to the actual effort performed on the grant.</p> <p><u>Precision Range for Correction of Labor Effort Variances</u> Arizona defined a significant change to an employees work activity as 5 percent or greater. Therefore, an employee’s payroll distribution will not need to be changed until the work activity changes 5 percent. Changing an employee’s payroll distribution affects future pay periods from the time the change is made. However, Arizona did not establish a tolerance level for certifying effort reports that would result in a one-time labor cost transfer made in the current pay period. Without quantifiable measures, Arizona certifying officials lack a basis to determine how much an employee’s actual effort can differ from certified effort before the effort report must be changed. For example, 10 of the 30 sampled employees (33 percent) had 1 to 10 percent variances between actual effort, as provided by employee and/or PI in interview, and certified effort. Five of the 10 sampled employees had variances of 5 percent or greater. If Arizona used the same “tolerance level” as they used defining significant changes, then 17 percent of the sampled employees (5 of 30) had variances of at least 5 percent. Yet no effort reports were modified to reflect the change in labor distribution for the period under review.</p>
03/10/09	UC San Francisco	NIH	DHHS	Review of Admn and Clerical Costs Substantially complied. Minor clerical errors.

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02/27/09	University of Maryland Baltimore		Maryland Attorney General	Theft of \$469,000 from University Visa Card Division Manager pled guilty to using a UMN Visa used for grant allocations and office supplies and to making unauthorized purchases. Green was informed that her job would be eliminated due to reorganization. 3 days before her last day, green deposited a check made payable to UMB for \$137,736.33 into her personal bank account. More than 200 credit card transactions were fraudulent.
02/26/09	University of Florida	NASA	Houston Chronicle	Fraudulent Invoices Federal investigations allege that a Florida Engineering professor and three other members of his family fraudulently received millions of dollars from NASA by submitted fraudulent invoices and then funneled money to their personal bank accounts. FBI agents raided the university's Innovative Nuclear Space Power and Propulsion Institute. Anghaie and family members set up a company where his wife was the president of the company. Agnhaie and his wife were accused of diverting hundreds of thousands of dollars of illegally obtained government funds from their corporate bank account to their personal account. <i>Houston Chronicle 02.26.09</i>
02/02/09	UCLA School of Medicine		UCLA Faculty & Staff News	Former Head of Willed Body Program sentenced to jail. Director of Willed Body Program sentenced to 4 yrs 4 months for profiting from the sale of body parts donated to UCLA for medical research and education.
01/31/09	University of Central Florida		South Florida Sun Sentinel	Theft using Purchasing Card Engineering Associate Dean accused of using a University Credit card to purchase a home entertainment system and LCD tvs. Provided an altered receipt to internal auditors to make it appear that business like items were purchased. <i>South Florida Sun Sentinel 01.31.09</i>
01/16/09	Duke University	NIH, CDC, FCA, HRSA	HHS OIG	Review of Administrative Costs – Pilot Audit Auditors claimed unallowable claims occurred because the University had not established adequate controls to ensure consistent compliance with the Federal requirements. University had largely left it to the discretion of its individual colleges, departments, and principal investigators to interpret University Policy and to comply with the Federal requirements. University asserted that in all cases the sponsoring agency approved the administrative costs

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				<p>in the budget.</p> <p>Salary Costs University was asked to adequately document to show the questioned projects qualified as a major project and that the level of support was beyond the level normally required.</p> <p>Admin Costs Considered Unallowable</p> <ul style="list-style-type: none"> • Laptop computer for employee with 5% of time budgeted to project. Lap top was used solely for project. • Swivel Chair • Two Letter Tray <p>Use of Extrapolation Auditors recommended recoveries based on statistical sampling.</p> <p>Report stated that the Office of Sponsored Research did not provide adequate scrutiny for charges. Policies describe major project requirements and incorporated relevant working from regulations but did not provide further guidance to help PI's determine whether a particular project falls within definition of major project.</p>
12/23/08	Yale University	NSF, DHHS, NASA, Army, Energy, DCAA, FBI	US Attorney Office	<p>\$7.6 Million Settlement, False Claims & Common Law Allegations in Management of Federally Funded Research Grants (3.8 Actual and 3.8 Punitive)</p> <p>Settlement focused on the following two types of mischarges:</p> <ul style="list-style-type: none"> • Cost Transfers not adequately explained and documented (e-mail stated salary cost transfers made to spend down funds) altered documentation given to auditors. • Time & Effort Summer Salary 100 percent of PI summer effort was wrongly charged to federal grants when the researchers expended significant effort on unrelated work. The only salary received by the researchers during the summer was the result of the effort they charged to federal grants. Absent the alleged grant mischarges, the researchers would not have been paid. <p>Note: in press release the acting US Attorney stated</p>

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				<p>that the settlement sent a clear message that the regulations applicable to federally-funded research grants must be strictly adhered to. Yale cooperated fully. The period covered Jan 2000 to Dec 2006. The grant awards were made by 30 federal agencies entities.</p> <p>Ref: Yale Audit 02/03/06</p>
05/17/10	University of Louisville		<i>Chronicle of Higher Education</i>	<p>Former U. of Louisville Dean Is Sentenced to More Than 5 Years</p> <p>“In the agreement, Mr. Felner pleads guilty to nine counts of mail fraud and tax evasion. Along with imposing the 63-month prison term, the deal requires Mr. Felner to make restitution of \$510,000 to the University of Louisville and more than \$1.6-million to the University of Rhode Island.</p> <p>Mr. Felner's alleged co-conspirator, Thomas Schroeder, has not entered a plea agreement. He is scheduled to go on trial in August. Prosecutors charged that Mr. Schroeder and Mr. Felner also defrauded an addiction center in Illinois where Mr. Schroeder previously worked. That allegation was not part of the original set of charges against Mr. Felner, but he admitted to that fraud in the plea deal.”</p> <p><i>The Chronicle of Higher Education</i></p>
10/24/08	University of Louisville		<i>Courier-Journal.com</i>	<p>Indictment U of L Education Dean UofL lost \$576,000.</p> <p>A federal grand jury in Louisville indicted the Dean on 10 counts of mail fraud, money-laundering conspiracy and income-tax evasion. Felner is charged with fraudulently obtaining nearly \$2.3 million in grant and contract money from U of L and the University of Rhode Island. The 45-page indictment says that Felner and a colleague from Illinois, Thomas Schroeder, 58, took \$1.7 million from the Rhode Island school and about \$576,000 from U of L, and attempted to embezzle another \$240,000 from U of L.</p> <p>The indictment charges that from 2001 to 2008, Felner solicited survey business from school districts across the United States. The money from those contracts was supposed to go to the National Center on Public Education and Social Policy, which Felner founded at the University of Rhode Island.</p> <p>Instead, Felner and Schroeder allegedly diverted</p>

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				<p>about \$1 million from the Atlanta school district, \$326,000 from Buffalo, N.Y., and \$375,000 from Santa Monica, Calif., into another center that Schroeder founded in Illinois -- and eventually, into three bank accounts he and Felner controlled. The alleged scheme began two years before Felner came to Louisville, and officials said it was his former employer -- the University of Rhode Island, not U of L -- that was the bigger victim. Huber said several police agencies, including the Secret Service Financial Frauds Task Force, and the U.S. Postal Inspection Service, contributed to the investigation, which Huber said was expedited because of "great community concern" about the allegations. If convicted, Felner faces a maximum of 75 years in prison and Schroeder up to 45 years.</p> <p><i>Courier-Journal .com</i></p>
09/24/08	Vanderbilt	NSF	NSF OIG 08-1-014 Regis & Associates (NSF Effort Audit)	<p>Our audit found that Vanderbilt generally has a well established and sound Federal grants management system. Vanderbilt needs to improve its internal controls for managing and administering its payroll distribution and effort reporting system to ensure after-the-fact labor certifications are timely and reliable. Significant Internal Control Finding</p> <ul style="list-style-type: none"> • Effort Certified. Five of 30 sampled employees reported 10 to 50 percent less actual effort worked on NSF grants than certified on their labor effort reports. • Approval Time. Certifying officials did not timely approve 12 of the 68 effort reports reviewed within six months after the end of the reporting period, ranging from 21 to 174 days late. • Certification Date. 41 of the effort reports reviewed lacked documented certification dates. (signature dates were not documented) • Tolerance Range. Vanderbilt did not establish any specific time frames for review and approval of either of the two effort certification reports. Although Federal regulations do not specify when labor effort reports should be reviewed and certified, sound internal control dictates that University officials should provide the after the-fact confirmation as close to the end of the reporting period as possible to ensure its

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				<p>reliability.</p> <ul style="list-style-type: none"> <p>Salary Charges to NSF. While charging their salaries to NSF projects, (i) two employee were inappropriately working on other sponsored research projects and (ii) three employees were devoting time and effort to grant proposal writing and other administrative activities, which cannot be directly charged to Federal grants. For the nine-month academic year a graduate student divided his research effort equally between a NSF project and a related privately-funded project. According to the student, the NSF-funded portion of the project was for the theoretical side of the research, while the privately-funded portion was for the practical application aspect of the research. However, the graduate student improperly charged 100 percent of his salary to the NSF grant.</p> <p>Summer Salary. During three summer months in 2005, a PI spent approximately 66 percent of her research effort working on three NSF projects and 22 percent on a Vanderbilt project. However, the PI improperly charged two-thirds (67 percent) of her total summer salary to two NSF grants even though she had only devoted 44 percent actual effort. During an interview, a PI stated he spent approximately 80 percent of his time on NSF research activities and 20 percent writing grant proposals during the summer months. However, he improperly charged 100 percent of his summer salary to the NSF project.</p> <p>Hold Senior Management Accountable. We do not see the issue being resolved until Vanderbilt holds senior management officials, such as Department Chairs, accountable for timely labor effort report certification. Such senior officials have more leverage than Department grant administrative staff in ensuring employees or project PIs review and certify effort reports timely.</p>
07/08/08	St. Louis University		DOJ (press release)	St. Louis University Agrees to Pay \$1 Million to Settle Federal False Claims Act Allegations Settlement Resolves Allegations that the

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			Northern District of Georgia)	<p>University's School of Public Health Fraudulently Charged Faculty Members' Additive Pay to Federally Funded Grants, Contracts and Cooperative Agreements</p> <p>A former Dean in the School for Public Health alleged that the University's School of Public Health overstating the time certain faculty members were spending on grants received from the Centers for Disease Control and Prevention (CDC) in Atlanta, Georgia, thereby inflating supplemental income received by those faculty members through those grants. Grants received by the School of Public Health from the National Institutes of Health (NIH) and from the Department of Housing and Urban Development (HUD) also were impacted by the University's actions, with similar improper inflation of hours worked and increases in the supplemental income received by faculty members. It was further determined that the School of Public Health failed to comply with federal requirements to maintain a system that accurately tracked hours worked on federal grants.</p>
06/18/08	Florida Agricultural and Mechanical University (FAMU)	Dept of Ed	DOJ (press release) FBI, OIG Department of Ed & Florida Dept of Financial Services	<p>Former FAMU Director pleads guilt to conspiracy and theft from federal programs charges.</p> <p>McGill used education monies to pay employees for work unrelated to the grants, including overtime and bonuses. McGill required certain recipients to kick back portions of the grant monies to her and to disguise these monies as consulting monies to the grants. To conceal the fraud, McGill caused fraudulent invoices to be submitted to grant recipients. Defendant faces a term of imprisonment of 75 years and fines totaling \$1,750,000.</p> <p><i>US. Department of Justice Press Release</i></p>
05/02/08	University of California, San Diego (UCSD)	NSF	McBride Lock & Associates (NSF Audit)	<p>Significant Internal Control Procedural Cited</p> <p>1) Late Effort Reports and Timeliness 59% of sample not submitted within due date. Limiting the review to the shortest amount of time possible helps ensure a more reliable certification of labor costs.</p> <p>2) Lack of Formal Written Timeliness Standards & Accountability by Senior Managers Out of date and ineffective timeliness policy, 15-day turnaround time viewed as unreasonable & thus not</p>

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				<p>enforceable. Establish formal monitoring processes and procedures; include periodic reminder notices with increasingly graduated scale to higher levels of management.</p> <p>3) Independent Internal Evaluations University wide assessment not sufficiently comprehensive nor performed frequently enough.</p> <p>4) Administrative Time Charged to NSF Awards Need to define activities associated with institutional base salary. PI & staff members charged 100% to award reported time spent on writing grant proposal or participating in University committees. Employees from 3 departments stated problem occurred because UCSD did not establish accounts for use when performing administrative type work.</p> <p>5) Salary Exceeding NSF Faculty Salary Limitations or UCSD's Incentive Award Policies Summer salary. PI charged 2 months of summer salary to one NSF grant and 1 month to another NSF grant in violation of NSF Two-Ninths Rule. Incentive Award. Employee's incentive award based on extra effort made to a specific research project allocated to benefiting projects and not on pro rata basis to compensation from all funding sources. Inconsistent with UCSD policy and not specifically disclosed to NSF and approved through the proposal process for the subject grants.</p> <p>6) Voluntary Committed Labor Effort PI's which do not request salary support not reporting level of effort. Contrary to OMB Clarification Memo UCSD did not have formal policy or process for imputing PI effort to include in its organized research base.</p> <p>University decentralized many of its grant management functions to the Academic Departments</p>
03/27/08	University of Illinois Urbana (IL)	NSF	NSF OIG Report Number 08-1 -005 Mayer Hoffman McCann, P.C. (NSF Audit)	<p>The audit found that UI generally has a well established Federal grants management program. However, the University needs to improve its internal controls over the labor effort certification process to ensure the reliability of the after-the-fact confirmation of actual salary charges to Federal awards. Significant Internal Control Procedural Cited</p> <p>1) Certification does not include total employee workload. Reports are available online but not specifically provided to PI's during certification</p>

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				<p>process. PI certifies a report of cumulative effort of individuals who work on their projects. UI Officials position: Regulations do not explicitly require certifying officials to provide after the fact confirmation to non-sponsored activities. Auditor's position: Certification process cannot be relied upon to meet the Federal requirement for accurate labor charges if a PI lacks sufficient information.</p> <p>2) Late Effort Reports and Timeliness Late certification of Labor Reports diminishes reliability as time increases. Certifying officials rely primarily on memory since they are not required to track and maintain records of an employee's activities.</p> <p>3) Lack of Formal Written Timeliness Standards & Accountability by Senior Managers Establish procedures effort certification compilation & distribution, PI review and approval and follow up notices. Clear accountability needs to be assigned to senior managers. Average of 64 days to generate and distribute the report reasonable compared to established time frames at other universities. .</p> <p>4) Independent Internal Evaluations UI relied on A-133 audit.</p> <p>5) Establish a Level of Tolerance Range of accuracy for how much an employee's actual effort can differ from certified effort before a cost transfer is required. Noted 5% used as some Universities.</p>
03/10/08	University of California, San Francisco	NIH	HHS OIG	<p>Audit of Administrative and clerical expenses as direct costs to National Institutes of Health grants. No Recommendations. University substantially complied with Federal regulations for claiming reimbursement for administrative and clerical expenses.</p>
01/22/08	Georgia Tech	NSF	FBI (Newspaper Story)	<p>\$316,000 Personal Pro-Card Expenditures on Grant An administrative coordinator used five purchasing cards that were billed to a grant funded by the National Science Foundation to buy more than 3,800 items. Purchases included season tickets to Auburn University football games in Alabama, a \$1,900 frozen drink machine, holographic lighted palm trees, a Wave runner, wide-screen television, electric</p>

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				<p>double wall oven, dishwasher, and air conditioning units for her RV according to an affidavit signed by FBI special agent William Share.</p> <p>The purchases went unnoticed until August 2007, when a tipster contacted the Georgia Tech Department of Internal Auditing, according to the search warrant.</p> <p><i>The Atlanta Journal-Constitution 02/12/08</i></p>
11/15/07	University of Utah	NSF	NSF OIG Report Number 08-0 1-002 Williams Adley & Company (NSF Audit)	<p>The audit found that while the University of Utah's payroll distribution and labor effort reporting system generally supports the salary costs directly charged to NSF grants, the University needs to enhance its written policies and procedures to provide clear and comprehensive guidance for a labor effort reporting system that is fully compliant with federal regulations. Significant Internal Control Weakness Cited</p> <p>1) Lack of Formal Written Timeliness Standards & Accountability by Senior Managers Establish formal procedures and processes to promote timely certifications. Control weakness attributed to lack of clear, concise and well-documented policies and procedures. Cited A-110 .21(b) (1) University was issuing one reminder letter per quarter. Recommended periodic reminders at more frequent intervals, using an increasingly graduated scale to a higher-level management official.</p> <p>2) Establish a Level of Tolerance The effort system was used to re-allocate substantial labor costs because these changes were not entered into the payroll distribution system when known in advance. Mentioned that some universities use 5% as the acceptable variance between actual and certified effort. Cited COGR March 2007 report which gave 5% as a general rule of thumb.</p> <p>3) Suitable Means of Verification Define what is acceptable as suitable means of verification to support labor charges. One PI certified for a graduate student who devoted 28% of work to his the project but who also was working on another sponsored award for a different PI (72%). The PI did not speak with the graduate student or other PI to validate reasonableness.</p> <p>4) Independent Internal Evaluation Perform a comprehensive evaluation of the system</p>

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				<p>as well as establish formal policy for such required evaluations in the future. University relied on A-133 as Independent Internal Evaluation</p> <p>5) Policies & Procedures Policies and procedures not updated. Auditor recommendations to improve internal control structure.</p> <p>Recommended that NSF work with the cognizant audit agency to develop a corrective action plan.</p>
09/28/07	University of Maryland Baltimore County	NSF	Mayer Hoffman McCann (NSF Audit)	<p>Four Compliance & Internal Control Deficiencies in Fiscal Management Practice</p> <p>Monthly Review of Expenditures</p> <ul style="list-style-type: none"> • Audit identified a material weakness that UMBC personnel did not always follow the cost accounting procedures in place to ensure that the costs charged to NSF awards were accurate, allowable and allocable. Revolving account not established timely to separately record non-reimbursable costs. Monthly review of expenditures not performed timely. (Change in reporting structure and new business manager on maternity leave) <p>Monitor Subaward Costs</p> <ul style="list-style-type: none"> • UMBC did not always monitor subaward costs it charged to NSF awards. Reliance on A-133 audit report does not constitute adequate fiscal monitoring of its subawardees .Recommended UMBC develop a comprehensive Subawardee fiscal monitoring plan which defines staff responsibilities. • Did not have adequate procedures to monitor the cost sharing expenditures claimed by its subawardees. UMBC never requested cost sharing data or cost sharing supporting documentation from its subawardees. Claimed cost share based solely on the cost sharing budgets. Recommended UMBC develop and implement written policies and procedures to obtain and review cost sharing data and related supporting documentation from its subawardees on a regular basis. <p>Monitor Indirect Costs Claimed</p> <ul style="list-style-type: none"> • Did not have adequate procedures in place to detect errors in the amount of indirect costs it claimed to NSF. Relied on accounting system to

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				calculate and record indirect cost to charge its NSF awards. If direct cost removed from an award the accounting system did not remove the associated indirect cost.
09/06/07	Brandeis University	NIH	HHS OIG	Administrative & Clerical Expense The University misclassified a total of \$31,303 to NIH. Specifically, the audit identified the following charges \$13,400 for text and reference books, \$14,107 for subscriptions to trade journals, and \$3,797 for other supplies used for two open house parties to thank current volunteers and recruit new volunteers for University research projects (deemed public relations costs) that should have been included in its F&A Costs. Appendix A list specific costs. Books include course text books in excess of number of students under the grant, research article reprints, lab manuals and reimbursement of students and trainees for course textbooks.
06/26/07	Select Grants – Review of Graduate Student Compensation	NIH	HHS OIG	Review conducted at the request of two Members of Congress. No finding. University and colleges limited graduate student compensation charges to the amount paid to a first-year, post doctoral scientist performing comparable work at the same institution. Report contained no recommendations. Prior Audit 10/26/94
05/15/07	University of Iowa Hospitals & Clinics	CMS	HHS OIG	Review of Vendor Rebate Paid to Hospitals The University Medical Center received a rebate in the form of a credit memo, which could only be applied against the purchase of additional equipment. The University Medical Center used the credit memo to purchase new equipment and reflected the related annual depreciation expense on its Medicare cost report. The CMS OIG identified the rebate through a national statistical sample of rebates. The audit found that the provider did not reduce costs reported on its fiscal year Medicare cost report contrary to Federal regulations and CMS guidelines. The auditors recommended that the University revise and resubmit its Medicare cost report to reflect the rebate as a credit reducing its health care costs, Federal regulation 42 CFR 413.98 states that rebates are reductions in the cost of goods or services purchased and are not income. The CMS Provider Reimbursement Manual (part 1, chapter 8) requires providers to report all discounts on their Medicare

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				cost reports.
04/05/07	Thomas Jefferson University	HHS	HHS OIG	<p>University generally documented cost transfers to federally funded grants in accordance with Federal requirements.</p> <p>Since 1996, NIH had designated the University as high risk because of questionable accounting for grant fund expenditures, specifically cost transfers. In 2000, the University entered into an institutional integrity agreement with HHS. The agreement stated that the University adopted new policy and procedures for cost transfers.</p>
03/30/07	California Institute of Technology (Caltech)	NSF	NSF OIG OIG Report 07-01-013	<p>Our review disclosed that Caltech generally has a well established and sound Federal grants management enterprise program. Caltech needs to enhance its PDC system to provide for accurate reporting of voluntary committed labor effort devoted by faculty members on Federal projects.</p> <p>Voluntary Committed Labor Effort Include voluntary committed labor devoted by faculty members on Federal Projects. Payroll distribution system does not track and report actual employee activity/effort devoted to sponsored projects. Rather, the system is only required to validate salaries and wages directly charged to Federal grants. Salary costs associated with such unreported faculty effort does not properly get included in Caltech’s organized research base, thereby resulting in greater indirect costs paid by the Federal Government.</p> <p>Caltech has not established clear guidance and procedures to ensure that PIs properly identify and track effort voluntarily pledged as cost sharing in its Federal grant proposals. (In accordance with OMB’s January 2001 Clarification Memorandum.) Caltech should 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 and ensure such calculated amounts are supported by adequate documentation and included in the organized research base for computing the Federal indirect cost rate</p> <p>Late Effort Reports and Timeliness Effort Not Submitted within Policy Time Frame Caltech needs to improve the timeliness of PDC</p>

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				<p>report distribution and certification. Of the 63 PDC reports reviewed for the 32 sampled employees, all of the reports were certified late beyond the 150-day timeframe established by Caltech policy.</p> <p>Committed PI Effort Reported on Grant Proposals Caltech did not always properly report effort that the PI had actually committed to research projects and activities in the Current and Pending Support information required to be submitted with NSF grant proposals. Establish procedures and guidance to ensure that PI committed person-months is accurately reported for all projects and activities, including the currently proposed grant, in the Current and Pending Support information submitted in NSF grant proposals as required by Chapter II, Paragraph C.2.h. of the Foundation's <i>Grant Proposal Guide</i>.</p> <p>Independent Internal Evaluation 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. Such a requirement should include procedures to ensure a systematic review of the payroll distribution system is performed to identify reasons for any deficiencies and to make appropriate recommendations, identify the specific office responsible for performing the evaluation, and how often such an evaluation should be conducted.</p> <p>Cost Transferred to NSF Grant From An Overspent Federal Award We found a lack of monthly PI monitoring of Federal grant expenditures, an excessive number of cost transfers involving 8 of the 12 months of one individual's annual salary, and a cost overrun situation with the Air Force grant. Establish procedures that require that transfers of costs from overspent Federal grants to other sponsored projects require formal written justification and certification by the PI, the Division Chair, and the Associate Director of Project Accounting that the transfer of cost is proper and benefits the receiving award.</p>
03/12/07	Georgia	NSF	NSF OIG	Cooperative agreement which brings together 8

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	<p>State University Research Foundation Cooperative Agreement</p>		<p>(Conrad and Associates LLP)</p>	<p>academic “partner” institutions from Atlanta Universities transferred from Emory University</p> <p>Inadequate Subawardee Monitoring-Audit identified a significant weakness in GSU’s monitoring of Subawardee costs and cost sharing. Questioned costs include costs for which there was documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award. Costs without adequate support by the awardee and costs that require interpretation of allowability by the NSF. Recommended that GSU establish a risk-based monitoring program to ensure that costs were compliant.</p> <p>Inadequate Documentation 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. Non-Payroll – Unable to provide documentation to substantiate that international travel expense related to this award or the travel was properly approved. Unable to provide documentation that purchases were properly authorized, supplies were received or that charges were incurred on behalf of the grant. Unable to provide the contract for consulting services for an invoice.</p> <p>Inadequate Documentation of Non-Payroll Expense and Cost Sharing -For cost sharing contributions, the Center relied on the subawardees annual certifications of the amounts claimed, without requesting or maintaining additional documentation to prove the accuracy or validity of the claimed amounts.</p> <p>Preaward Charges in Advance of 90 day Limitation</p>
<p>02/12/07</p>	<p>New Mexico Title IV-E Contracted University</p>	<p>ACF (Administration for Children</p>	<p>HHS OIG</p>	<p>Training Contacts with New Mexico Highland University, Western New Mexico University, and New Mexico State University The state agency contracted with State Universities</p>

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	<p>Training Costs (A-06-06-0004)</p>	<p>and Families)</p>		<p>to fulfill a portion of its training needs. The contracts required the universities to provide the State match and provided for reimbursing the universities for their expenditures up to the yearly budgeted amounts which included direct training costs, administrative costs, and funding reimbursement rates. The contracts allowed the indirect cost rate to be applied to total direct costs. During audits and site visits, the State agency provided Administration for Children and Families (ACF) with copies of university contracts and approved budgets in which ACF approved the contractual and payment process to the universities at the enhanced 75-percent training rate.</p> <p>In compliance with contract language, Highlands University applied its indirect cost to a cost base, which included equipment and stipends (determined incorrect by the OIG). . The state argued that the universities had complied with the terms of their subcontracts, which stated that the indirect cost rate could be applied to total direct costs. The OIG agreed that the state could reimburse the university using the terms it negotiates but the costs were not reimbursable to the state under IV-E program.</p> <p>Reimbursement to the Universities for Unallowable Costs. Reimbursed costs were not supported by ledgers or invoices, expressly unallowable (such as donations and entertainment), or not reasonable and necessary for operating the program (such as candles, corsages, boutonnieres, food, and T-shirts), as well as the indirect costs associated with these unallowable amounts.</p>
<p>11/15/06</p>	<p>Not specified in Report to Congress</p>	<p>NSF</p>	<p>NSF OIG September 06 Report to Congress</p>	<p>An accounting assistant at a grantee institution responsible for processing payments for federal and non-federal awards was debarred from NSF after conviction of embezzling non-federal funds.</p> <p>A Utah university failed to provide guidance to the PI or exercise proper oversight of two NSF awards, with the result that participant support funds were not used for the stated purpose. University reimbursed \$19,000.</p>

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				An OIG investigation involved a university employee who was subsequently convicted of embezzling more than \$487,000, including \$415,000 in NSF funds. In addition investigators discovered that the university certified to inaccurate cost-sharing contributions each year of the award, and could not support a number of expenses charged to the NSF grant.
09/28/06	Boston University	NIH	HHS OIG	<p>Cost Transfer Policy not Followed. Questioned \$11,234 on subaward from Harvard University. Payroll cost transfer was unallowable in accordance with the University's procedures, which state that salary adjustments that increase the level of effort beyond the level certified on the time and effort report will not be accepted.</p> <p>Late submission of final invoice to prime.</p>
09/26/06	University of Hawaii	NSF	NSF OIG (M.D. Oppenheim & Company)	<p>Cooperative Agreement five-year funding of \$9,852,441 with a required cost-sharing match of \$3,228,256. The original intent of NSF was to fund this marine biotechnology research for a period of ten years however, based upon an NSF site review the program was terminated after the initial five-year funding.</p> <p>Unrealistic Percentages for Allocating Labor Costs Related to Cost Sharing Contributions \$1,741,879 of inadequately supported UH labor cost sharing. The grantee's allocated labor costs for cost-sharing contributions were based on estimated and not actual costs. This practice is contrary to OMB Circular A-21, Section J, item 8 (c) (1)</p> <p>Inadequate Supporting Documentation for Subcontract Costs questioned \$305,706 of cost sharing and \$265,449 of direct NSF funded costs claimed by the subcontractor, UCAL, Berkeley, because of inadequate supporting documentation.</p>
09/26/06	New Mexico Highlands University	NSF	NSF OIG (M.D. Oppenheim & Company)	<p>5 year Cooperative agreement of \$9,500,000 Questioned Costs \$ 165,472</p> <p>Lack of System to Identify, Account for, Monitor and Report Cost Sharing Questioned \$1,959,263 of cost share due to a lack of adequate supporting documentation. NMHU could not readily identify in its accounting records the cost sharing amounts it had claimed to NSF.</p>

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				<p>Lack of Adequate Fiscal Monitoring of Subawardee Costs. Questioned of \$81,787 due to lack of supporting documentation.</p> <p>Inaccurate and Unallowable Expenditure Reporting Costs reported to NSF did not agree with official accounting records. Auditors questioned costs due to lack of documentation; purchase of materials and supplies at the very end of the grant period with no explained benefit to NSF program; salaries and wages charged to the award for a professor who did not work on the NSF program; and scholarship costs paid for students who were not eligible to participate in the program.</p> <p>Lack of Conflict of Interest Disclosures</p>
09/07/06	Tennessee State University	NSF	DOJ (Press Release)	<p>A former professor at Tennessee State University indicted on one count of wire fraud and one count of mail fraud as a result of misrepresentations allegedly made in connection with administration of a grant from NSF. The professor used employees funded by NSF grant dollars in furtherance of private consulting performed on behalf of a company organized by a subordinate.</p>
	05/01/07 Barbara Nye, Tennessee State PI Enters Guilty Plea	NSF	DOJ	<p>Former Tennessee State Professor enters guilty Plea. Nye was the director of the Center of Excellence at Tennessee State University (“TSU”). As part of her work at TSU, she was the Principal Investigator of a multimillion dollar grant from NSF. The TSU grant included funds to hire employees known as “Teachers In Residence” (“TIRs”), who were expected to spend all of their time working on the TSU grant.</p> <p>At the same time, Nye was the lead evaluator for a different NSF grant at the University of Alabama-Huntsville (“UAH”). This evaluation project was separate from her work at TSU and she was paid consulting fees from UAH for her work. Nye sent two employees of the TSU grant to UAH to work on her evaluation of the UAH grant and submitted the travel claims to TSU, knowing that it was for travel that was not related to the NSF grant and that it would be paid with NSF funds.</p> <p>Nye admitted that her false statements and other conduct caused a loss to the government of more than \$10,000. Moreover, Nye further admitted that she abused positions of trust, specifically her job as</p>

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				director of the Center of Excellence and her position as Principal Investigator on the TSU LSC grant, in committing the offense to which she pled guilty. 09/07/06 Audit of Tennessee State Resulted in Indictment
06/30/06	15 Universities	CDC	HHS OIG	Audit objective was to determine if the universities had established control over select agents in compliance with federal regulations. Eight universities had weaknesses in their inventory and/or access records. Records did not always identify individuals who had entered select agent areas or the dates and times of access. Six universities had weaknesses in access controls including procedures for issuing electronic access keys to select agent areas. Six universities had weaknesses in their security plans. In four cases, the universities had not used a systematic approach to identify threats or had not identified all relevant threats. Three universities had not provided training to all individuals with access to select agents or had not documented the means used to verify that individuals understood the training.
06/16/06	University of Chicago	NIH	HHS OIG	Cost Transfer Policies not always Followed The University had extensive cost transfer policies and procedures, which closely follow the NIH Grants Policy Statement and OMB Circular No. A-21 requirements but staff did not always follow those procedures and cost transfers were not always documented and authorized as required. Background section provides a good summary of Federal Cost Transfer Requirements along with the type of transfers which would raise serious questions.
06/08/06	University of Pennsylvania	NSF	NSF OIG OIG No 06-1010	NSF Audit of Payroll Distribution Weaknesses in the effort reporting system Auditor's position: based on our statistical sampling results, we are 95 percent confident UPENN could not Demonstrate that at least \$9.2 million or 37 percent of the \$24.9 million of labor costs charged to NSF in fiscal years 2002 through 2004, actually benefited NSF awards as opposed to other Federal or university activities. 1) Suitable Means of Verification UPENN's business managers were certifying labor effort reports, though they were not in a

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				<p>position to know whether work was performed, and UPENN did not have specific procedures to help business managers understand the types of documents that were necessary to support the effort reports.</p> <p>2) Timeliness & Accountability by Senior Managers Effort reports were not certified in a timely manner as specified by UPENN policy. Department Chairs were not held accountable for ensuring effort reports were completed within the 45-day turnaround period.</p> <p>3) Independent Internal Evaluations The auditors disagree with UPENN’s assessment that its annual A-133 audits and internal audits of individual sponsored projects meet the Federal grant requirement because both types of audits did not provide for a systemic review of the payroll Distribution system.</p>
05/24/06	University of Arizona	NSF	NSF OIG (Conrad & Associates, LLP)	<p>Cooperative agreement of \$16.992M</p> <p>Lack of controls over Subawardee Cost sharing expenditures. University certifications were the only source documentation maintained by the University to support the Subawardee amounts claimed as cost share.</p> <p>Lack of controls over Subawardee costs funded by NSF. University relied on clean A-133 report and certified invoices signed by a responsible fiscal person at the Subawardee to support costs claimed by subawardees.</p> <p>Inadequate retention of electronic payment approvals. Electronic signatures of non-payroll items retained for 90 days.</p> <p>Inadequate review of consulting expenses. Business manager not required to verify that actual consulting services were rendered.</p> <p>Inadequate documentation of payroll expenses. Could not locate signed time sheets for 18 out of 1132 transactions.</p> <p>Overcharging of Publication Costs Unclear from documentation how university calculated 2 % administrative fee for print shop service unit. (note b-7 of audit)</p>
05/04/06	North Shore University	Medicare	HHS OIG	<p>The hospital did not fully comply with Medicare requirements for reporting wage data in its FY</p>

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				<p>2003 Medicare cost report.</p> <p>*Hospital overstated its wage data by \$3,119,582 and 1,567 hours. The hospital used GAAP to include postretirement benefit and pension costs on Schedule S-3, part II, of the FY 2003 Medicare cost report but did not liquidate the entire amounts associated with these costs within 1 year of the FY 2003 cost reporting period.</p> <p>OIG: While we agree that the hospital computed these costs in accordance with GAAP, the costs were not reported in accordance with Medicare requirements.</p>
04/10/06	University of Maryland	Medicare	HHS OIG	<p>Allocation of Costs, Insufficient Documentation</p> <p>The Medical Center did not always comply with Medicare laws, regulations, and guidelines for reporting its costs, including organ acquisition costs, to the Commission. Specifically, the Medical Center did not have systems that could allocate organ acquisition costs separately from non-organ acquisition costs and other hospital activities. Insufficient documentation and therefore unallowable.</p>
04/06/06	Eastern Kentucky University	Title IV-E	HHS OIG	<p>EKU did not maintain accounting records in such a manner that the cost of individual training projects could be determined.</p> <p>Sixty-three percent of the costs of training charged to Title IV-E in Kentucky were paid under contract with Eastern Kentucky University (EKU) through the University Training Consortium. Of the \$28.5 million in training costs, the State agency claimed \$18.1 million (\$13.5 million Federal share) through its contract with EKU. Issues arose on \$7.2 million (\$5.4 million Federal share) related to the balance of 566 courses.</p> <ul style="list-style-type: none"> • Two hundred and forty-five courses related to general subject matter were claimed at the enhanced 75-percent rate instead of the required 50-percent rate. • Twenty courses did not meet the definition of allowable activities. • Three hundred and one courses may have been inappropriately allocated to Title IV-E. <p>EKU did not maintain accounting records in such a manner that the cost of individual training projects could be determined. Instead, EKU accumulated the costs in the accounting records by funding source.</p>

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				While the detailed supporting records identified the funding source, in most cases, they could not be traced to a particular course.
03/31/06	Howard University	NSF	NSF OIG	<p>Lack of comprehensive policies, procedures, techniques, and mechanisms to effectively manage, account for, and monitor NSF grant funds.</p> <ul style="list-style-type: none"> • Lack of written policies and procedures. While Howard had issued some policies and procedures pertaining to some key aspects of Federal grants management over the years, an internal control process was not established for monitoring and/or evaluating administrative actions to ensure that established procedures were being implemented and effectively achieving sound Federal grants management objectives. • Unable to verify whether the \$12.3 million of cost sharing benefited the intended NSF projects. • The University did not separately track, and therefore, could not support \$6.9 million of matching funds. • Lack of adequate documentation to support \$5.4 million of claimed cost sharing provided by seven Subawardee organizations. • Lack of adequate documentation to support the faculty salary computations. • Insufficient documentation in accounting records.
03/31/06	Steven Raper, M.D. University of Pennsylvania	NIH & FDA's Office of Criminal Investigations (OCI)	HHS OIG	<p>Civil Complaint Filed Against University of Pennsylvania</p> <p>Investigation based on allegation that physicians withheld information and provided false information to FDA and the University of Pennsylvania's Investigational Review Board (IRB) regarding the gene therapy trial.</p> <p>When patients experienced significant liver toxicities from the transfusion, the physicians amended the study protocol to remove the stopping rules which required that the trial be halted if patients experienced such toxicity. An 18-year old patient in the trial died.</p> <p>The investigation pieced together the chain of non-communications and miscommunications that effectively kept the University's IRB, FDA and the</p>

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				<p>National Institutes of Health (NIH) all unaware that the patients were being exposed to greater and greater risk. Three documents were never sent to FDA because the Quality Assurance Director failed to submit them and two annual reports hand-carried to the local IRB contained understated toxicities. The father of the deceased, who initially stood by IHGT and the physicians after his son died, filed suit against the University of Pennsylvania and the three physicians.</p> <p>The complaint was immediately settled. In the settlement, the University of Pennsylvania and CNMC each agreed to pay grant restitution and fines. Both institutions agreed to increase research subject protection and spend millions of dollars increasing the size of their IRBs, revamping their review procedures, initiating and mandating training for clinical investigators and upgrading their adverse event reporting.</p>
03/23/06	University of Massachusetts	NIH	HHS OIG	<p>Administrative Costs Unallowable The State agency entered into an administrative services contract with the University of Massachusetts Medical School (the University) under which the University agreed to provide support services to the Medicaid State agency.</p> <p>The State agency claimed administrative costs that were unallowable because they did not adhere to Federal regulations. Specifically, the State agency claimed reimbursement for:</p> <ul style="list-style-type: none"> • unsupported contingency fee payments, • excessive payments to a subcontractor, and • employee salaries that had already been reimbursed through indirect cost rates. • University did not prepare timesheets or obtain supervisor certifications for most employees whose salaries were claimed for Federal reimbursement.
03/03/06	Columbia University	NIH	HHS OIG	<p>Cost Sharing – No Finding University had procedures in place to document. This final report states that Columbia University had procedures in place to document mandatory cost sharing; removed salary above the cap when submitting grant application and claims for Federal reimbursement for NIH projects and properly included salary above the cap in the calculation of the Facilities and Administrative cost rate. The</p>

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				report contained no recommendations.
02/27/06	Roger Williams Hospital Subawardee University of Massachusetts Medical School	NIH	HHS OIG	<p>Subawardee Unallowable Costs Audit of Roger Williams Hospital a Subawardee of the University of Massachusetts Medical School **Recommended that UMMS reimburse NIH for unallowable costs of Subawardee</p> <ul style="list-style-type: none"> • Unallowable cost transfers and related fringe and indirect costs • Unsupported animal care charges and indirect
02/03/06	Yale University Subawardee University of Massachusetts Medical School	NIH	HHS OIG	<p>Subawardee Unallowable Costs **Expanded into Investigation Audit of Yale University a Subawardee of the University of Massachusetts Medical School **Recommended that UMMS reimburse NIH for unallowable costs of Subawardee</p> <ul style="list-style-type: none"> • Cost Transfers not adequately explained and documented (e-mail stated salary cost transfers made to spend down funds) altered documentation given to auditors. • PI moved subaward funds to other projects that were over budget. • Types of direct charges questioned: laboratory stockroom supplies, (no evidence supplies used on subaward), charges for DNA Sequencing services requested by researchers not documented as working on subaward, charges for maintenance of equipment purchased under another sponsored grant. • University did not have cost accounting procedures that address the direct allocation of fungible goods. Method used was unallowable because it is not a recognized method, consistently applied. (3 active projects in lab at same time) • Memo did not provide any supporting evidence that the various projects would consume the same level of supplies and materials, nor did it adequately account for smaller projects. • 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.

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07/03/06	Yale University	Federal Investigation	Portion of Press Release	Three federal agencies served subpoenas on Yale University late last week, seeking documents relating to the management of research grants. The Department of Health and Human Services, the Department of Defense, and the National Science Foundation each requested documents concerning the allocation of research expenses, the reporting of faculty effort devoted to grants, and numerous other matters relating to grant administration. Each of the three agencies involved issued a subpoena relating to a number of grants and/or contracts it had awarded to Yale over a period of years that varies from one subpoena to another, up to ten years.
07/21/06	Yale University	Investigation	Portion of Princeton Internal Memo	The audit findings concerned cost transfers and effort reporting among multiple projects. They are by no means unusual as recent audits at other institutions have yielded similar findings resulting in large amounts of disallowed costs. <i>Office of Research And Project Administration</i>
06/30/06	Yale University	Federal Investigation	Portion of Internal Memo from General Council	Scope: As of now, the investigations cover all aspects of federally sponsored research agreements where the sponsor is the Department of Defense, the Department of Health & Human Services, the National Science Foundation, or any component of any of those agencies. We do not yet know how far back the investigations will go. One of the subpoenas calls for documents going back to 1997. What counts as a document or record? Documents and records that must be preserved include anything with words or numbers or data pertaining to federally sponsored research. That includes all letters, emails, research notebooks, voicemails, memoranda, notes, instructions, reports, analyses, telegrams, facsimiles, diaries, calendars, studies, logs, journals, books, plans, records, forms, charts, graphs, audio, visual and digital recordings, photographs (positive prints and negatives), slides, worksheets, checks, credit card charge slips, expense records, computation sheets, computer printouts and programs, tapes, videotapes, diskettes, CD-ROMS, DVDs, microfilm, microfiche, and handwritten comments on any of the above. It includes all copies of documents which are not identical, due to highlighting, handwritten notes, corrections, revisions, or other differences, no matter how minor.

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				All versions of each document must be preserved.
01/20/06	Georgetown University Medical Center	NIH	DOJ Press Release	<p>Departmental Administrator embezzled funds which included allocated research grant money. Administrator and her sister received prison time and ordered to pay restitution. GWU reimbursed NIH for direct amount of embezzlement and indirect costs.</p> <p>The Administrator submitted authorization for payment of honoraria in the names of her sister and her brother in law for scientific lectures they never gave or had any capacity to give. She also submitted fraudulent requests for payment of casual labor by various relatives, including her sister and submitted fraudulent reimbursement for business expense primarily for restaurants near her residence.</p>
01/09/06	University of Connecticut		DOJ Newspaper	<p>\$2.5 Million Whistleblower; False Claims Investigation Settlement</p> <p>Specialized Service Centers: Overstated anticipated expenses, overcharged the government and billed for items not covered by the grants.</p> <ul style="list-style-type: none"> • 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. <p><i>Newsday, January 9, 2006 (Associated Press); Hartford Current, January 10, 2006</i></p>
01/06/06	Indiana State University	Dept of Ed	Dept of Ed OIG	<p>Project Services and Equipment Provided to Ineligible Students on McNair Program</p> <p>McNair guideline required summer research internships to be given to students who had completed sophomore year of student. Deviated from the University’s definition of junior-year-status which required 63 semester hours of credit and accepted students enrolled for two years regardless of number of credits.</p> <p>Did not maintain documentation to support its determination that the students were members of groups underrepresented in their academic</p>

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				<p>disciplines.</p> <p>Inappropriately paid McNair funds to individual not enrolled at ISU. Student was finishing incomplete classes from previous terms but was not registered for classes. Deviated from ISU standard for enrollment was that a student be registered for a class.</p> <p>Allowed non-McNair participants to use project laptops. Laptops purchased with grant funds were checked out to students who were not participating in the project at the time. Allowed two scholars to retain the computers after leaving the project.</p>
12/28/05	University of Nevada Reno	EPA	EPA OIG	<p>Allocation of Costs, Reporting, Policies & Practices</p> <p>Audit initiated from Anonymous Compliant Review of complaint on the Regional Environmental Monitoring and Assessment Research Program Cooperative Agreement</p> <ul style="list-style-type: none"> • Recipient personnel were working on other Federal grants projects while being paid from CPA funds. (Practice of charging another grant that had funding while waiting for grant funds to begin.) • Recipient did not allocate expenses to the appropriate Federal grant or cooperative agreement. (Employees not working on the EPA agreement charged travel costs to the EPA agreement and used EPA funds to pay tuition for 3 employees that should have been charged to other grants) • Project officer did not require the recipient to complete work plans, progress reports, and status reports. (Officer accepted an incomplete report nearly 3 years late) • The University, in its fiduciary role, did not make sure the Center followed established policies and practices.
11/21/05	University of Miami Rosenstiel School	NSF	DCAA	<p>Examination on Contract</p> <p>Exempt from 48 CFR 9903.201-1(b)(7) practices required by CASB because coverage threshold is not met. Costs claimed are reimbursable.</p>
09/29/05	Dartmouth College	NIH	HHS OIG	<p>Overstated Salaries (Labor Distribution)</p> <ul style="list-style-type: none"> • The College claimed salaries that were not consistent with the PI's actual activity and used

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				<p>an overstated labor distribution percentage.</p> <p>Proposal Costs Charged to NIH Grants</p> <ul style="list-style-type: none"> Grant application activity charged to NIH Grants. Proposal costs should be treated as F&A. <p>Inadequate Monitoring of Subrecipient Costs</p> <ul style="list-style-type: none"> College did not have adequate procedures for monitoring subrecipient costs. No documented evidence that the College reviewed audit report to validate the results claimed in the subrecipient letter. Invoices did not contain information showing current and cumulative expense. Invoices did not contain dates of service. Invoices did not contain required signature of subrecipient administrator or evidence of PI's approval. Invoices did not contain required approval of sponsored programs manager.
09/21/05	University of Rochester	NIH	HHS OIG	<p>Review of Cost Sharing and Cost Transfers at the University of Rochester (No Findings)</p> <p>Cost Sharing Cost sharing was not required on the grants reviewed and University did not voluntarily commit to cost share on these grants. Audit noted that written cost sharing procedures appeared to meet the requirements but could not access the adequacy of the procedures.</p> <p>Removal of Salary Above Cap Removed salary above cap when submitting grant applications and claims for reimbursement. Properly recorded salary above cap in calculation of F&A cost rate.</p> <p>Cost Transfers Developed and implemented written cost transfer procedures and controls in accordance with OMB Circular No A-110.</p>
08/23/05	University of Massachusetts Medical School	NIH	HHS OIG	<p>Recharge & Laboratory Supply Center Charges</p> <ul style="list-style-type: none"> OIG could not determine who requested the recharge center services or laboratory supply charges and whether these costs were allocable to the NIH Grant. Records were not retained (Records should be retained for 3 years after the dated of the final financial status report). <p>Cost Transfers</p>

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				<ul style="list-style-type: none"> Transfers were made without detailed explanation. The University used these journal entries to transfer significant costs to this grant from another NIH grant. The cost transfers were not accomplished within 90 days of the original transaction. The journal entries did not explain any unusual or exceptional circumstances that would allow these transfers to exceed the 90 day limit. --NIH policy states that grantees who transfer costs from other projects to NIH grants must provide and maintain documentation that fully explains why the transfer was necessary. University policy states that cost transfers must be accomplished within 90 days.
08/16/05	UC Berkley	NSF	NSF OIG (M.D. Oppenheim & Company) OIG Report Number 08- 1-004	<p>The audit found that UCB generally has a well established Federal grants management program. However, because the University has decentralized many of its grants management functions to the Academic Departments, UCB needs to improve its internal controls to ensure proper implementation and oversight of its labor effort reporting system.</p> <p>Inadequate Monitoring of Subcontract Costs</p> <ul style="list-style-type: none"> Subcontractor costs recorded in the progress logs in the center did not reconcile with those reported in the accounting system and reported to NSF. <p>Cost Sharing Reporting Deficiencies</p> <ul style="list-style-type: none"> Cost sharing reported to NSF did not reconcile with cost sharing reflected in the accounting system. Unable to support salary costs claimed by center staff – actual percentage of time spent on project was not documented. <p>Inadequate Travel Documentation & Use of Non-Flag Carrier</p> <ul style="list-style-type: none"> Lack of supporting documentation.
06/23/05	Cornell's Weill Medical College	NIH	DOJ Press	<p>\$4.4 Million Settlement; DOJ (US Attorney in Manhattan) Whistleblower - Physician</p> <ul style="list-style-type: none"> Over billing NIH grant Grant money diverted to pay salaries of employees not associated with grant research. <p><i>Chronicle of Higher Education, June 23, 2005</i></p>

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	08/16/2005 Cornell's Weill Medical College	NIH		<p>\$4.4 Million Settlement; DOJ (US Attorney in Manhattan) Whistleblower - Physician In October 2003 2 FBI agents delivered subpoenas to officials as 4 armed U.S. Marshals waited in the car outside. Prosecutor Allegations:</p> <ul style="list-style-type: none"> • Cornell falsely projected use of clinical research center in routine applications to keep five year grant going. • Medical school massaged reports of research activity to conceal that 2 faculty members controlled most of grant money. • Corroborated allegations about phantom nurses. • Cornell enrolled adults in programs designed for kids. • Fraudulently double-billed government in 37 cases between Medicaid and NIH. <p><i>The Wall Street Journal; August 16, 2005</i></p>
06/05	Florida Agricultural & Mechanical University (FAMU)	NSF	OIG	<p>Settlement and Compliance Agreement \$1.4 Million Settlement – Cost Share, Financial Administration OIG received allegation university was not providing agreed upon cost-share and to NSF and was misrepresenting the amount of cost-share funds provided.</p> <p>University documentation failed to account for \$1.4 million of award funds received. Uncovered significant issues with university's financial administration of award. University required to set up compliance program and repay NSF.</p>
05/26/05	Mayo Clinic	NIH	DOJ	<p>\$6.5 Million DOJ Settlement; Whistleblower from Research Accounting Allegations: Government was charged for research unrelated to the NIH grants it received. Over expenditures due to:</p> <ol style="list-style-type: none"> 1. Improper Transfers – costs from overspent grants and internal Mayo cost centers included on under spent grants. 2. Accounting system unable to monitor and manage charges <p><i>DOJ Statement, 05/26/05</i></p>
04/26/05	UTMB Galveston		HHS OIG	<p>Institutional Compliance Agreement Calculation of Salary above Cap</p>
04/14/05	University of Alabama- Birmingham	Medicare & NIH	DOJ, FBI,	<p>\$3.4 Million DOJ Settlement Two separate lawsuits under false claims act. Whistleblowers: Research Compliance Officer and</p>

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				<p>Physician Allegations: Research work overstated; Medicare billed for research funded elsewhere</p> <ul style="list-style-type: none"> • In grant applications overstated percentage of work effort the researchers were able to devote to the grant. • Billed Medicare for clinical research trials that were billed to the sponsor of research grants. • Focus on allegations involving the manner in which UAB investigators accounted for their overall effort. <p><i>HHS OIG Audit</i></p>
04/13/05	George Washington University	Department of Transportation	OIG, FBI, US Attorney	<p>Settlement \$1,828,000 with University – False Claims GWU internal investigation Allegation: Theft of Federal Funds; 3 year Prison Sentence for PI Professor embezzling more than \$900,000</p> <ul style="list-style-type: none"> • Invoices contained fictitious labor, equipment and consulting equipment. • False representations to establish unauthorized graduate student stipends and a tuition scholarship for spouses of George Washington University employees. • “Bedewi filed claims for what turned out to be nonexistent expenses, with the money going to companies that he secretly controlled. In addition, he used federal money to pay unauthorized stipends to graduate students and to provide unauthorized scholarships to the spouses of GWU employees.” <i>Washington Post</i>, April 20, 2005 • In addition to diverting money to New Generation Motors, Bedewi allegedly used some of the funds to make payments on his home equity line of credit, buy Washington Redskins season tickets, pay annual fees for a Florida condominium, make three monthly payments on an automobile lease and pay down credit balances for family members, according to the complaint. <i>Washington Post</i> April 13, 2004 <p><i>Department of Transportation OIG memo, April 13, 2005</i> <i>DOJ Press Release, April 19, 2005</i></p>

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				<i>Washington Post April 13, 2005</i>
	10/24/05 George Washington University Adjust Professor Pleads Guilty	Department of Transportation	OIG, FBI, US Attorney	<p>On October 24, 2005 Paul G. Bedewi, former adjunct professor at George Washington University (GWU) and deputy director of the DOT-funded National Crash Analysis Center in Ashburn, VA, pled guilty in U.S. District Court, Washington, DC to one felony count of theft from programs receiving federal funds. Sentence 5 months.</p> <p>Bedewi was charged with embezzling \$78,602 in DOT and GWU research funds through illegal stipends and unallowable purchases. Investigation found that Bedewi caused the Center to issue authorized and fraudulent graduate assistant stipends to his wife; and made unauthorized charges using a GWU-issued purchase card.</p> <p>Paul Bedewi is the cousin of Nabih Bedewi, former GWU engineering professor and director of the crash center.</p>
04/04/05	Oklahoma Department of Human Services (Finding related to Contracts with State Universities only)	HHS	HHS OIG	<p>University Indirect Costs The state agency claimed indirect costs that it did not incur as Medicaid administrative costs. The State agency contracted with State universities to provide training and other services and claimed indirect costs that it did not pay to the universities as Medicaid expenditures. A State agency may not claim or receive Federal funds for money that it did not expend. CMS officials concurred with the OIG finding indicating that only the indirect costs that the State agency actually paid were valid Medicaid costs. For about 12 years, the State agency claimed indirect costs that it did not pay as administrative costs for one university contract. The State agency claimed the indirect cost rate specified in the contract and additional amounts that it did not pay the university. These additional amounts were based on the university's assertion that its actual indirect costs were higher than the contractual amounts it charged the State agency.</p>
	09/21/04 State of Oklahoma Response (Audit portion)	CMS OIG	Portion of Response to Finding related to University of Oklahoma	<p>State Agency's position was that they had incurred all of the costs in question as a direct expense of the State agency or as a "certified public expenditure" of the university. The State agency believed that claiming the indirect costs that it did not pay was an acceptable practice pursuant to 42 CFR § 433.51,</p>

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	pertaining to University Indirect Cost)		Training Contract Appendix C Page 1 & 2	<p>which recognizes that a State can seek Federal reimbursement for funds paid directly by a State agency or funds certified by a contributing public agency. The contractual language between the State agency and the university indicated that the university would contribute the difference between the indirect cost rate agreed to in the contract (13.175 percent of direct costs) and the indirect cost rate that the university said was its actual rate (59.2 percent of direct costs). As a result, the State agency believed that it could claim the 59.2 percent rate and receive Federal funding.</p> <p>OIG Response We disagree with the State agency’s position that 42 CFR § 433.51 permits it to claim contributed indirect costs. The conditions contained in this regulation were not intended to disturb the basic statutory requirement that the State share is for “expenditures” under the State plan (section 1902(a) (2) of the Social Security Act). Our position and the position of CMS, the cognizant Federal agency, is that the State agency may claim only indirect costs that it actually paid to the universities through the contracts.</p>
03/17/05	University of Vermont – Poehlman (one of the most expansive cases of scientific fraud & first PI to serve jail time for fabricating data	NIH	HHS Office of Research Integrity	<p>Dr. Poehlman submitted grant applications to federal agencies that included false and fabricated research data in order to support the scientific basis for and his expertise in conducting the proposed research. Poehlman plead guilty to lying on a federal grant application and admitted to fabricating more than a decade’s worth of scientific data. Poehlman’s admission of guilt came after more than five years during which he denied the charges against him, lied under oath and tried to discredit his accusers. One of the most expansive cases of scientific fraud in U.S. history. Poehlman was sentenced to one year and one day in prison. First scientist to spent time in prison for fabricating data. <i>The New York Times Magazine</i> <i>October 22, 2006</i></p>
03/09/05	University of South Dakota	NSF	NSF OIG	<p>Unallowable costs Claimed VP salary who worked in the research office incorrectly claimed as cost sharing. USD did not consistently charge its project administration costs as indirect and direct charged some of the costs to NSF awards. Improve annual reporting process.</p>

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				Inaccurate, untimely and missing annual reports. Improve management of subawards. Subaward and subcontracts not signed until after work had begun.
02/28/05	Dakota State University	NSF	NSF OIG	Subcontract Management Needs Improvement <ul style="list-style-type: none"> Two subcontracts did not contain a detail statement of work and subcontractor did not keep a detailed breakdown of expenses. Inadequate Grants Management <ul style="list-style-type: none"> DSU did not notify NSF of problems on Rite Link Grant (material impairment of the ability to meet objectives of the award) Inaccurate annual reporting to NSF No clear oversight of Federal Awards Recommend office develop and implement written policies and procedures.
02/15/05	Florida International University	DOE	HHS OIG	\$11.5 Million Settlement Cost Transfers incomplete documentation , grants used as a clearing account, cost transfers after grant had closed. <ul style="list-style-type: none"> Improperly billed for scientist time, travel and administration expenses. 2003 audit indicated that the faculty members' time promised had not been properly documented and did not equate to actual effort. <i>The Chronicle of Higher Education, Today's News, February 15, 2005</i>
01/14/05	Northeastern University	CDC	HHS OIG	The objective was to determine whether costs claimed for reimbursement by the University represented allowable, allocable and reasonable costs under the terms of Department of Health and Human Services grant. <ul style="list-style-type: none"> Identified \$194,890 in consultant and related indirect costs that were not adequately supported as required under Federal regulations and University procedures. Internal control weaknesses relating to the monitoring of sub-recipient costs, and the submission of untimely financial status reports that were not reconciled to financial records. OIG recommended that the University: obtain consultant agreements for all

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				consultants working on Federal grants and monitor consultant activity by requiring activity reports, PI certifications, and invoices; refund \$194,890 to CDC for unsupported consultant costs; improve sub-recipient monitoring; and report accurate, current, and complete financial results that reconcile to financial records.
12/04/04	State of Maine & University of Maine	Title V-E	HHS OIG	Training Contracts with University Incorrect Calculation of The Federal Share of Indirect Costs related to University billed indirect cost rate.
08/03/04	East Carolina University	NLM	HHS OIG	\$656,000 Cost Adjustment Clerical and Administrative Costs, Time & Effort \$1.7 Million for adjudication due to lack of documentation Costs not Related to Project <ul style="list-style-type: none"> • Compensation charges for clerical and administrative personnel whose duties did not apply directly to the project. • Contract was regularly charged for unallowable costs (Equipment not used on the project; clerical & administrative personnel not directly related to project) Time and Effort Reports based on inconsistent methods, <ul style="list-style-type: none"> • No procedures in place to compare time and effort reporting for each employee to the approved funding levels for the contract. • No requirement for timely submission of effort reports. • No procedure to reconcile reported time and effort to actual payroll distribution.
06/18/04	Harvard Medical School & Beth Israel		DOJ	\$2.4 Million Settlement Allegation: Government was billed for salaries and expenses unrelated to federal grants. Agreed to pay \$3.3 million over charges a researcher spent fewer hours than promised on a research study. Researchers not working on grant or did not meet citizenship requirements. <i>July 2, 2004 Chronicle of Higher Education</i>

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				Federal prosecutors said the university and the hospital overstated information on related budgets and billed the government for salaries, goods and equipment that were either used on unrelated projects or ineligible for reimbursement. <i>June 18, 2004 Wall Street Journal</i>
04/16/04	Northeastern University	NIH	HHS OIG	Summary salary of PI – Costs claimed for salaries were not adequately supported and should be disallowed. Point to University Guidelines for Managing Grants
03/02/04	San Diego State Foundation	NSF	NSF OIG	Overload compensation charged without required specific agency approval. NSF evaluated whether CSU’s Additional Employment Policy, allowing overload compensation, complies with federal and NSF grant policies and procedures. Extra compensation above the base salary for faculty members can only be charged to federal awards in unusual cases involving “intra-university consulting” arrangements when specifically authorized by the awarding agency CSU’s Additional Employment Policy allowed faculty members to be paid up to 25 percent above their full-time academic year salary from federal grant funds for overload compensation. CSU had obtained a ruling from their cognizant federal awarding agency, the Department of Health and Human Services (HHS) concluding that their Additional Employment Policy was in compliance with OMB Circular A-21 federal cost principles. Based on this, SDSUF believed that specific federal agency approval for extra salary compensation was not required. However, according to OMB officials, the HHS decision did not negate the requirement for SDSUF to follow OMB and NSF procedures limiting the allowability of extra salary compensation to certain types of faculty effort ⁷ and explicitly requiring sponsoring agency approval for such costs.
2004	University of Washington	Medicare	HHS OIG	\$35 million Medicare and Medicaid over billing
03/12/04	John Hopkins University	NIH	DOJ Press	\$2.6 DOJ Million Settlement Allegation: Faculty time and effort devoted to NIH grants was overstated. Knowingly overstated time worked Charged more than 100% of salary <i>Chronicle of Higher Education, March 12 2004</i>

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09/11/03	University of South Florida		HHS OIG (Newspaper story)	<p>\$4 million to the federal government for inappropriately spending research grants and failing to properly record purchases. Investigation began with an audit in 1999 and concluded in 2003. Charging clerical costs to grants without justification, purchasing equipment after a project already ended, paying for employees to travel who did not report working on a grant. <i>St. Petersburg Times 09/11/03</i></p>
06/05/03	Northeastern University	NIH	HHS OIG	<p>\$5.5 M settlement</p> <p>Unsupported direct labor and fringe benefits</p> <ul style="list-style-type: none"> • PI did not submit effort reporting form to support summer salary • Animal care costs – Animal care facility set up as a recharge center, in proposal PI put direct salary in budget for animal care technician instead of rate. OIG determined that this made it a direct cost and required time and effort report. <p>Use of Incorrect Indirect Cost Rate – University used the indirect rate that was in effect when the proposal was prepared instead of the rate in effect at the time of approval.</p> <p>Purchases</p> <ul style="list-style-type: none"> • Procard Purchases – Purchases not supported by source documents (receipts). • Manual Purchases – No signed purchase order, receiving reports, supervisory approval
05/21/03	UC Berkeley	NSF	OIG	<p>Research Management Services Audit The audit objective was to determine whether the RMS costs were allowable as direct charges to NSF awards. RMS costs include costs for administrative functions such as payroll, purchasing, and travel-forms processing, award-expenditure monitoring, project accounting, and the receiving and inventorying of supplies. Federal regulations consider RMS costs to be indirect costs recoverable by an institution through its facilities and administrative (F&A) rate, the University charged these costs separately as direct costs of federal awards. As a result, the University inappropriately recovered administrative and clerical costs greater than the maximum allowed under federal regulations. Three critical factors in determining whether departmental administration is allowable as a direct charge to federal awards.</p> <ul style="list-style-type: none"> • First, the federally funded project must require

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				<p>"an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments." [Emphasis added].</p> <ul style="list-style-type: none"> • Second, the individual involved must be specifically identified with the project. • Finally, the awardees project must explicitly budget for the administrative services in the federal project budget. <p>We maintain that RMS administrative services were not greater than the routine level of such services provided by academic departments. In addition, RMS staff cannot be specifically identified with individual projects because the University did not maintain activity reports documenting this activity by award. OMB Circular A-21 limits administrative cost recovery to 26 percent of modified total direct costs. Because the University recovered the cost of administrative services both directly as RMS and indirectly as F&A, it exceeded the limitation imposed by OMB.</p>
02/06/03	Northwestern University	NIH	DOJ Press	<p>\$5.5 million, DOJ Settlement-False Claims Act Whistleblower from Office of Research Sponsored Programs Allegation: Researchers spent less time on NIH-sponsored projects than they reported. Misrepresentation of time spent Failed to comply with effort reporting standards <i>DOJ Press Release 02.06.0303-076</i> <i>Chicago Tribune, February 7, 2003</i></p>
01/28/02	Review of 10 large research Universities		HHS OIG Review	<p>Review of Indirect Cost Rates at ten large research universities based in part, on an oral request from Congressman Dingell before subcommittee</p> <ul style="list-style-type: none"> • Universities were forgoing a significant amount of revenue because of reduced indirect rates • Federal government was generally not receiving the lowest rate charged • 3 of the 10 universities entered into agreements with foreign governments and most entered into agreements with foreign corporations
12/17/02	40 Hospitals; Stanford, Emory University, Northwestern	Medicare	DOJ & US Attorney's offices	<p>\$42 Million, DOJ Settlement with 31 hospitals; Whistleblower False Claims Allegation: Between 1986 and 1995, these hospitals improperly charged Medicare for tens of millions of dollars worth of procedures involving</p>

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	n Memorial, University of Pennsylvania , Baylor University			experimental cardiac devices that had not been determined safe and effective and were not properly reimbursable.
06/30/00	Carnegie Institute of Washington	NSF	NSF (by <i>M.D. Oppenheim & Company</i>)	Program Income, Cost Bases <ul style="list-style-type: none"> • CIW did not offset third party income against its indirect cost • Stipends paid not included in the direct costs bases • Cost overruns charges as indirect • Excluded equipment purchases less than capital threshold from direct cost base • Did not exclude unallowable costs
11/17/98	University of Minnesota	NIH	DOJ (NIH, OIG, FBI) Press Release	\$32 Million Settlement; Qui Tam Case False Claims The University agreed to pay 32 million to settle allegations of selling an unlicensed drug and mishandling of NIH Grant Funds. Program Income Issue – Money earned from drug should have been reported to NIH Human Subjects Issue – University used drug before obtaining required written informed consent. Dispute covered 29 federal grants in which university charged: <ol style="list-style-type: none"> 1. salaries & wages for employees who did not work 2. supplies that were not used on the grants Conduct was found in 1992; Qui Tam filed in 1995 (won in court) & NIH took administrative actions to improve grants management systems; 1996 US intervened in complaint; *Largest settlement recorded for NIH Grants <i>DOJ Released Statement, 11/17/98</i>
09/24/98	Tufts University		HHS OIG	Objective – to determine if expenditures incurred in the last quarter of Federal grants were reasonable and allowable. No findings.
09/04/97	Washington State Department of Social and Health Services (DSHS) Audit of	ACF	HHS OIG	This audit primarily concerned the contract with Western Washington University (WWU). Use of Funds Donated From Private Sources for Matching WWU contracted with independent contractors to provide services at a predetermined daily rate and billed DSHS for this amount. WWU established a market value for the training higher than the amount

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	<p>Training Contract Costs," (A-10-96-00004)</p>			<p>paid to the contractors and included the difference between the market value and the amount paid to the contractor as contributions for use by DSHS in meeting its matching requirements for the various programs benefiting from the training.</p> <p>OIG Response: Federal regulations cited in our audit report in Appendix B describe when funds donated from private sources maybe considered as the State’s share in claiming FFP (matching) for the Medicaid program, and the regulations do not provide for third-party in-kind contributions in meeting this requirement.</p> <p>Use of Market Value of Training Services as Federal Participation Instead of Actual Costs Paid by State to University WNU training center entered into agreements with university departments to furnish faculty to provide training services required by the contracts. WNU paid the departments actual costs and billed DSHS for the asserted value (market) of the training services which DSHS used to claim reimbursement for Federal programs (i.e., the AFDC, Food Stamp, Medicaid, JOBS, and Refugee Resettlement programs.) The DSHS reimbursed WWU only for its actual costs (i.e., the total billed less the matching amounts). OIG Response: Claimed costs for university employees in excess of actual costs incurred. Federal regulation 45 CFR 95.507, concerning cost allocation requirements, provides in subsection (b) (6) that costs claimed by the State agency for services provided by a governmental agency outside the State agency will be based on the actual costs incurred.</p> <p>Claimed Costs Associated with Classroom Space Provided in State-Owned Buildings as State Contribution OIG response: building space and equipment costs had already been charged to Federal programs through the DSHS Department Wide Cost Allocation Plan. Therefore, such contribution amounts represented a duplication of amounts already claimed for Federal reimbursement.</p> <p>Administrative Costs Claimed by University Covered under HHS Division of Cost Allocation</p>
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				indirect cost agreement unallowable as direct charge. The WWU used the indirect cost rate in billings submitted to DSHS for costs incurred under the training contract. Therefore, the salaries and benefits represented a duplication of amounts already charged.
04/08/97	New York University Medical Center		HHS OIG	\$15.5 M Settlement, Qui Tam Largest Settlement Amount Involving Research Overhead Expenses claimed as research overhead. 3-year investigation. Settlement involved a variety of disputes over what expenses can be claimed as research overhead. Federal Prosecutors Alleged: Overstated housekeeping costs by relying on budget estimate. Outdated space survey used to allocate utility costs. Waste disposal bills already paid by other sources. Also included in overhead, food for medical school commencement dinner and expenses from public affairs. <i>New York Time Article</i>
09/02/96	Illinois Department of Children and Family Services (A-05-95-00022)	ACF	HHS OIG	This audit involved contracts primarily with Governors State, Sangamon State and Northern Illinois Universities. The audit findings related to administrative expenses billed as direct costs to the contracts and included in administrative overhead reimbursed through an indirect cost rate and ccosts based on unsupported use charges and unsupported flat fees.
11/28/95	University of Colorado		HHS OIG	A Review of Recharge Centers <ul style="list-style-type: none"> • Rates based on actual cost of materials plus a percentage markup, which was not based on cost. • University did not have written policies and procedures for recharge centers • Surplus funds were transferred to other accounts • Equipment costs were expended instead of capitalized <p>Net interest earned on pooled investment balances were not charged back to the fund or department that earned the interest.</p>
09/25/95	Washington University- St Louis		HHS OIG	Review of University Recharge Centers <ul style="list-style-type: none"> • University did not develop billing rates based on actual costs of providing services. • Surplus and deficit fund balances were not properly accounted for. • Surpluses and deficits were included in the

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				<p>calculation of the indirect cost rate; the proposed rate may have been overstated and may have resulted in duplicate recovery of costs. (Surplus balances included in the indirect cost pool understanding the rate; deficit balances overstate the indirect cost rate.)</p> <ul style="list-style-type: none"> • Comment on animal rates which are less than cost.
09/06/95	University of Utah		HHS OIG	<p>A Review of Recharge Centers</p> <ul style="list-style-type: none"> • Billing rates not adjusted to eliminated operation surpluses and deficits. • Recharge centers had not made cost studies to ensure that billing rates approximated costs for individual services. • Equipment costs from operating to reserve accounts were not based on equipment depreciation schedules maintained for the recharge center operations. <p><i>HHS OIG Audit</i></p>
07/07/95	University of Iowa		HHS OIG	<p>A Review of University Recharge Centers</p> <ul style="list-style-type: none"> • Some centers did not periodically adjust billing rates to eliminate operational surpluses and deficits • Some centers developed rates based on goals conflicting with A-21 provisions: <ul style="list-style-type: none"> ○ One center billed at rates which provided net income of 20% to fulfill the annual dept service requirement required by its bond covenants. ○ One center billed at rates to provide surplus funds to purchase a new computer ○ Another center billed at rates below cost to remain competitive in obtaining sponsored agreements for the University. • One center offered some users rates below the scheduled billing rates. • Some centers expensed equipment during the year of purchase.
10/26/94	Selected Universities		HHS OIG	<p>Audit objective – to determine whether graduate student compensation charged to federally sponsored research was reasonable. Finding – Universities were not acting prudently considering their responsibilities to the Government and the public at large. Three of the 4 universities paid graduate students more than postdoctoral associates</p>

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				who had already completed graduate studies and obtained a Ph.D. OIG stated that they believe that it is unreasonable to pay a less experienced individual more to perform similar services.
01/12/94	Review of service centers at 12 Universities		HHS OIG	<p>Summary Report of Audits of Recharge Centers at 12 Universities - Findings</p> <ul style="list-style-type: none"> • billing rates were not adjusted for accumulated surplus and deficit fund balances; • included duplicate or unallowable costs in the calculation of billing rates; • included recharge costs in the calculation of indirect costs rates; • used funds of recharge center account for unrelated purposes; • billed some users at reduced rates.
04/23/93	261 Schools		HHS OIG	<p>Internal Indirect Cost Reviews Performed by Colleges & Universities – “Self Scrubs”</p> <p>Examples of unallowable costs disclosed through the scrubs,</p> <ul style="list-style-type: none"> • Entertainment related costs including alcohol, meals, catering services, football brunches, and sporting event tickets. • Miscellaneous expenses including prizes, awards, parking fines, purchase of rare books, greeting cards. • Housing and Personal Living Expenses including cost of maintaining and furnishing the homes of schools’ presidents. • Student Activity costs such as busing, graduation exercises and student administration. • Other areas include advertising, public relations, fund raising and investment management, dues and memberships, trustees and alumni activities, lobbying and unallowable travel.
Other Audits to Note				City Federal funds to Washington D.C. flowing to non-profit