HHS Office of Inspector General

REPORT HIGHLIGHTS

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Gaps in NIH's Oversight Put Millions in Funding for Other Transactions at Greater Risk of Fraud, Waste, or Abuse

Why OIG Did This Review

- Other Transactions (OTs) fund high-impact, cutting-edge, or urgent public health research. OTs are a higher-risk award mechanism than grants, contracts, and cooperative agreements due to fewer requirements. According to NIH, fewer requirements allow flexibility in negotiating intellectual property rights and attracting non-traditional recipients, among other benefits.
- NIH's use of OTs increased from just under $900 million in 2020 to $1.9 billion in 2024. This total includes both newly awarded OTs and continued funding of previously awarded OTs.

What OIG Found

By not consistently implementing required OT safeguards, NIH put millions of dollars in OT funding at greater risk of fraud, waste, and abuse. Each of the 15 OTs in our sample had issues in at least one area of our review:

NIH has fallen short in justifying its use of OTs. For 12 OTs in our sample, OT staff did not fully justify the use of OTs according to statutory and policy requirements, including why traditional, lower-risk funding mechanisms could not meet the purpose of the initiative.

NIH Institute, Centers, and Offices (ICOs) did not effectively manage the unique risks of each OT. For 12 of the OTs in our sample, OT staff conducted minimal risk management. Risk management helps protect OTs from the unique risks posed by the recipient and the proposed project.

Additionally, three of seven ICOs in our sample had no required OT internal control policies to ensure efficient and effective management of government resources to protect against fraud, waste, and abuse. Effective internal controls are important given the inherent risks of OTs. Also, despite the increasing use of OTs, few ICOs reported measuring the benefit of OTs as encouraged by NIH policy.

What OIG Recommends

OIG recommends that NIH:

1. Assess the benefits of OTs to inform future OT policies and use.
2. Strengthen justifications for using OTs.
3. More effectively manage the unique risks of all OTs.
4. Establish internal controls to protect OTs from mismanagement and fraud by both OT staff and recipients.

NIH concurred with all four recommendations.