

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**WEILL CORNELL MEDICINE  
MONITORED SUBRECIPIENTS AND  
CLAIMED ALLOWABLE  
NATIONAL INSTITUTES OF HEALTH  
AWARD COSTS**

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March 2019  
A-02-17-02006

# ***Office of Inspector General***

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The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## Report in Brief

Date: March 2019

Report No. A-02-17-02006

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Review

HHS codified the Uniform Guidance at 45 CFR part 75, which governs awards and award increments made on or after December 26, 2014. The new rule requires prime Federal award recipients to perform pre-award subrecipient risk assessments and monitor the programmatic activities of subrecipients throughout the life of each subaward. This review is part of a series of reviews of National Institutes of Health (NIH) award recipients.

Our objectives were to determine whether Weill Cornell Medicine (WCM) (1) awarded subawards and monitored subrecipients in compliance with Federal regulations and (2) complied with Federal regulations and NIH grant policies relating to subaward expenditures.

### How OIG Did This Review

WCM was the prime recipient of 74 NIH awards, totaling more than \$56 million, that contained subawards to other entities for awards covering the period July 2015 through June 2016. WCM was also the subrecipient of 226 awards, totaling more than \$25 million, which other NIH prime recipients awarded to WCM during the same period.

We reviewed 30 grants for which WCM was the prime recipient and 30 grants for which WCM was the subrecipient. Specifically, we reviewed the awards, WCM's monitoring of subawards, and costs claimed.

## Weill Cornell Medicine Monitored Subrecipients and Claimed Allowable National Institutes of Health Award Costs

### What OIG Found

As a prime recipient of NIH funds, WCM awarded subawards and monitored subaward recipients in compliance with Federal regulations and NIH grant policies because it adhered to the subrecipient monitoring procedures that it established in response to the implementation of the Uniform Guidance at 45 CFR part 75. Specifically, WCM performed a risk assessment for each proposed subrecipient that evaluated areas such as prior audit findings, geographic location (foreign or domestic), pending or prior litigation, established financial systems, financial performance, prior working relationship, and the type of research to be performed.

As both a prime recipient and a subrecipient of NIH funds, WCM claimed allowable expenditures on subawards it both awarded and received.

### What OIG Recommends

This report contains no recommendations.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

The Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards<sup>1</sup> (commonly called Uniform Guidance) was intended to ease the administrative burden and cost of compliance for entities that receive Federal awards. The U.S. Department of Health and Human Services (HHS) codified the Uniform Guidance at 45 CFR part 75, which governs awards and award increments made on or after December 26, 2014. The new rule requires a prime Federal award recipient to perform pre-award subrecipient risk assessments and to monitor the programmatic activities of subrecipients throughout the life of each subaward. This review is part of a series of reviews of colleges' and universities' controls over the subawarding of National Institutes of Health (NIH) awards.<sup>2, 3</sup>

As a recipient of NIH award funds, Weill Cornell Medicine (WCM) is subject to the requirements set forth in 45 CFR part 75 for subrecipient monitoring and Federal cost principles.

### OBJECTIVES

Our objectives were to determine whether WCM (1) awarded subawards and monitored subrecipients in compliance with Federal regulations and (2) complied with Federal regulations and NIH grant policies relating to subaward expenditures.

### BACKGROUND

#### National Institutes of Health

Within HHS, NIH is the agency that is responsible for the Nation's medical and behavioral research. Its mission is to seek fundamental knowledge about the nature and behavior of living systems and to apply that knowledge to enhance health, lengthen life, and reduce illness and disability. In Federal fiscal year (FFY) 2015, NIH awarded more than \$16 billion in grants and contracts to domestic institutions of higher education, and in FFY 2016, NIH awarded more than \$18 billion.

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<sup>1</sup> 2 CFR part 200.

<sup>2</sup> *The Ohio State University Monitored Subrecipients and Claimed Allowable National Institutes of Health Grant Costs* (A-05-16-00039, issued December 23, 2016). Available at <https://oig.hhs.gov/oas/reports/region5/51600039.asp>.

<sup>3</sup> *Northwestern University Did Not Always Comply with Federal Requirements to Perform Risk Assessments of Subrecipients, But Claimed Allowable Costs* (A-05-17-00016, issued November 6, 2018). Available at <https://oig.hhs.gov/oas/reports/region5/51700016.asp>.

## **Weill Cornell Medicine**

WCM is among the Nation's top-ranked medical and graduate schools, providing education to the world's future healthcare leaders. NIH awarded WCM more than \$71 million during WCM's fiscal year ending June 30, 2016. Within WCM, the Office of Sponsored Research Administration (OSRA) and the Finance Department (Finance), as well as Principal Investigators (PIs) are primarily responsible for implementing the subrecipient monitoring procedures established in response to the implementation of the Uniform Guidance at 45 CFR part 75.

## **Federal Regulations**

The regulations at 45 CFR part 75 describe subrecipient monitoring and management requirements applicable to all non-Federal entities that provide a subaward to carry out part of a Federal program.<sup>4</sup> WCM, as a prime recipient and subrecipient, is required to comply with applicable Federal requirements and ensure that award costs submitted for Federal reimbursement are reasonable, allocable, and otherwise allowable.

The regulations state that pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate subrecipient monitoring.<sup>5</sup>

This risk assessment may consider such factors as:

- the subrecipient's prior experience with the same or similar subawards;
- the results of previous audits, including whether or not the subrecipient receives an A-133 audit, and the extent to which the same or similar subawards have been audited as a major program;
- whether the subrecipient has new personnel or new or substantially changed systems; and
- the extent and results of HHS awarding agency monitoring (e.g., whether the subrecipient also receives Federal awards directly from a Federal awarding agency).

Federal criteria requires that costs:<sup>6</sup>

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<sup>4</sup> 45 CFR §§ 75.351 through 75.353.

<sup>5</sup> 45 CFR § 75.352(b).

<sup>6</sup> 45 CFR § 75.403.

- be necessary and reasonable for the performance of the Federal award and be allocable under these principles;
- conform to any limitations or exclusions set forth in these principles or in the Federal award;
- be consistent with policies and procedures that apply uniformly to both federally financed activities and other activities of the non-Federal entity;
- be determined in accordance with Generally Accepted Accounting Principles; and
- be adequately documented.

### **Risk Assessment of Subrecipients by Weill Cornell Medicine**

WCM uses a risk-based approach to issue subawards and determine an appropriate level of monitoring for subrecipients. OSRA completes a risk assessment for each proposed subrecipient prior to issuing subawards. The risk assessments evaluate areas such as:

- prior audit findings,
- geographic location (foreign or domestic),
- pending or prior litigation,
- established financial systems,
- financial performance,
- prior working relationship, and
- type of research to be performed.

Based on the results of the risk assessment, WCM takes steps to mitigate any risk factors identified by modifying the terms of a subaward to include additional guidance or require more frequent subrecipient monitoring. For example, when issuing subawards to foreign entities, WCM uses a subaward agreement template which contains additional requirements such as information on export controls, governing laws and subaward limitations. Further, if the level of risk of a potential subrecipient is determined to be unacceptable, WCM may deny funding and select an alternate subrecipient.

Following the issuance of a subaward, Finance officials and the PI assigned to the award continue to monitor the subrecipient by reviewing invoices submitted to WCM for



reimbursement. If questions arise, the Finance officials or PI consult with OSRA to determine if approval should be granted for any unexpected or questionable costs.

## **HOW WE CONDUCTED THIS REVIEW**

WCM was the prime recipient of 74 NIH awards, totaling more than \$56 million, that contained subawards to other entities. The awards were for WCM's fiscal year ending June 30, 2016 (audit period). During the same period, WCM was the subrecipient of 226 awards, totaling more than \$25 million, which other NIH prime recipients awarded to WCM.

We judgmentally selected 30 new or incrementally funded awards with subawards that were subject to 45 CFR part 75 and reviewed costs totaling more than \$959,000. We reviewed WCM's risk assessment and monitoring of the subrecipients and WCM's facilities and administrative (F&A) costs for each selected award and verified that the claimed F&A rate was allowable.

We also judgmentally selected 30 awards with subawards WCM received from other NIH prime recipients that were subject to 45 CFR part 75 and reviewed costs totaling more than \$2,785,000. These costs were for salary expenditures, items other than personal services costs (e.g., equipment maintenance, lab supplies), and the associated F&A costs and rates.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Appendix contains the details of our audit scope and methodology.

## **RESULTS OF REVIEW**

As a prime recipient of NIH funds, WCM awarded subawards and monitored subaward recipients in compliance with Federal regulations and NIH grant policies because it adhered to the subrecipient monitoring procedures that it established in response to the implementation of the Uniform Guidance at 45 CFR part 75.

As both a prime recipient and a subrecipient of NIH funds, WCM claimed allowable expenditures on subawards it both awarded and received.

Accordingly, this report contains no recommendations.

## APPENDIX: AUDIT SCOPE AND METHODOLOGY

### SCOPE

WCM was the prime recipient of 74 awards from NIH. These awards either were made on or after December 26, 2014, or were awarded before that date but later provided incremental funding during the audit period (July 1, 2015, through June 30, 2016).

WCM issued subawards to various colleges, universities, and other entities for a portion of these award funds, which WCM administered under 45 CFR part 75. For these 74 awards, WCM received more than \$56 million and claimed costs totaling more than \$23 million, of which more than \$10 million were subrecipient costs. From the 74 awards, we selected a sample of 30 awards for review.

WCM was the subrecipient of 226 awards that NIH had awarded to prime recipients, or were previously awarded and then provided incremental funding, during the audit period. WCM administered the awards and incremental funding under 45 CFR part 75. For these 226 awards, WCM received more than \$25 million and claimed costs totaling more than \$19 million. From the 226 awards, we selected a sample of 30 awards for review.

We limited our internal control review to obtaining an understanding of WCM's policies and procedures for monitoring subrecipients and claiming costs as a subrecipient.

We conducted our audit, which included fieldwork at WCM in New York, New York.

### METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable Federal laws, regulations, and guidance;
- held discussions with WCM officials regarding Federal award policies and procedures for monitoring subrecipients and claiming allowable costs;
- judgmentally selected 30 new or incrementally funded awards from NIH to WCM for which WCM awarded funds to another entity<sup>7</sup> and judgmentally reviewed costs totaling more than \$959,000;<sup>8</sup>
- reviewed WCM's risk assessment and monitoring of the subrecipients;

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<sup>7</sup> We designed the sample to target a variety of award amounts issued by WCM to one or more subrecipients.

<sup>8</sup> We designed the sample to target a variety of high and low expenses.

- judgmentally selected 30 awards with subawards that WCM received from other NIH prime recipients<sup>9</sup> and judgmentally reviewed costs totaling more than \$2,785,000;<sup>10</sup>
- reviewed WCM's HHS-approved rate agreement for the F&A cost rates applicable to the audit period and F&A costs for each selected awards and verified that the claimed F&A rate was allowable; and
- discussed our results with WCM officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>9</sup> We designed the sample to target a variety of award amounts issued to WCM as a subrecipient.

<sup>10</sup> We designed the sample to target a variety of high and low expenses and types of expenses.