

United States Senate

WASHINGTON, DC 20510-3604

COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS

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SUBCOMMITTEE ON
INCARCERATION AND REHABILITATION

COMMITTEE ON INDIAN AFFAIRS

July 27, 2006

The Honorable David Walker
Comptroller General of the United States
U.S. Government Accountability Office
441 G. Street, N.W.
Washington, D.C. 20548

Dear Comptroller General:

The last year the National Institutes for Health (NIH) estimated Facilities and Administrative (F&A) expenses for extramural research grants awarded to domestic institutions of higher education, in Fiscal Year 2002, the rate was 28.4%.

Recent work in the past two years by the auditing arm of the Office of Inspector General of the Health and Human Services Department has found, in several significant reports examining NIH extramural grants, cases of domestic institutions of higher education claiming costs not in compliance with OMB Circulars A-21 and A-110, unsupported non-labor costs and related indirect costs, overstated labor and related fringe costs, as well as salaries above the NIH salary cap for grants, and cost transfers not in compliance with cost transfer procedures and controls.

Because any incorrect handling of F&A costs for extramural grants either at NIH or at the institutions receiving grants could put Federal dollars at risk, I request that GAO examine the total estimated F&A costs associated with NIH extramural research grants from 2002 to 2006, as well as review NIH accountability for indirect costs.

I would request GAO to determine:

- What is NIH's current internal control system for the administration, financial accounting and management of extramural grants;
- Whether it has been found that grants are awarded to recipients who are not qualified to receive them;
- Whether NIH has an effective system to determine the eligibility of grantees to receive grants and to properly account for funds received;
- To determine how often indirect costs audits are conducted, and whether the audit reports are used by Health and Human Services and NIH in direct cost negotiations;

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- Who carries the primary responsibility for ensuring grantee compliance with Federal requirements.

The subcommittee is planning a hearing in November 2006 and asks that you present preliminary findings at that time. If you need additional information about this request, please have your staff contact Anna Shopen, Professional Staff of the Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, at (202) 224-1014. Thank you for your prompt attention to this matter.

Sincerely,



Tom Coburn, M.D., Chairman
Subcommittee on Federal Financial Management,
Government Information, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate