

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**CLEVELAND CLINIC LERNER  
COLLEGE OF MEDICINE  
INAPPROPRIATELY DREW DOWN  
HURRICANE SANDY DISASTER  
RELIEF ACT FUNDS AND DID NOT  
ALWAYS IMPLEMENT EFFECTIVE  
INTERNAL CONTROLS**

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for Audit Services

March 2017  
A-02-15-02011

# *Office of Inspector General*

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## EXECUTIVE SUMMARY

*Cleveland Clinic Lerner College of Medicine, a National Institutes of Health grantee, inappropriately drew down \$299,000 in Hurricane Sandy Disaster Relief Act funds and did not monitor the activities of its subrecipient.*

### WHY WE DID THIS REVIEW

The Disaster Relief Appropriations Act of 2013 (Disaster Relief Act), in part, provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy. Of this amount, the National Institutes of Health (NIH) received \$148.8 million. NIH awarded \$587,594 of these funds to the Cleveland Clinic Lerner College of Medicine of Case Western Reserve University (Lerner College) to restore its medical scientific research activities with the New York University School of Medicine (NYU School of Medicine) that were damaged by Hurricane Sandy. Lerner College subawarded these funds to NYU School of Medicine.

The Disaster Relief Act mandated the Department's Office of Inspector General (OIG) to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Disaster Relief Act funds. This review is part of OIG's Disaster Relief Act oversight activities.

The objectives of this review were to determine whether Lerner College claimed Disaster Relief Act costs that complied with Federal requirements and implemented effective internal controls to monitor Disaster Relief Act funds.

### BACKGROUND

Hurricane Sandy made landfall on October 29, 2012, devastating portions of the mid-Atlantic and northeastern United States and leaving victims of the storm and their communities in need of disaster relief aid. On January 29, 2013, the President signed into law the Disaster Relief Act, which, in part, provided the Department approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy. After sequestration, the Department received \$759.5 million in Disaster Relief Act funding, \$148.8 million of which was allocated to NIH.

For the period December 1, 2013, through November 30, 2015, NIH awarded \$587,594 of these funds to Lerner College to restore its medical scientific research activities with NYU School of Medicine that were damaged by Hurricane Sandy. The research activities housed at NYU School of Medicine were part of a joint medical scientific research venture between the two entities for a preexisting NIH grant project. With the approved Hurricane Sandy funding awarded by NIH, Lerner College and NYU School of Medicine entered into a subagreement. As of July 15, 2015, Lerner College had drawn down the entire amount of the award.

Title 45, part 74, of the Code of Federal Regulations establishes uniform administrative requirements governing Department grants and agreements awarded to educational entities. As an educational entity in receipt of Federal funds, Lerner College must comply with Federal cost principles in 2 CFR part 220, *Cost Principles for Educational Institutions*. These cost principles require that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and otherwise allowable. Lerner College is also required to comply with the requirements of the Disaster Relief Act.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed \$587,594 in Disaster Relief Act funding that Lerner College drew down during the period December 1, 2013, through September 30, 2015, to restore its joint medical scientific research activities with NYU School of Medicine. We also reviewed Lerner College's internal controls for monitoring Disaster Relief Act funds subawarded to NYU School of Medicine.

## **WHAT WE FOUND**

Lerner College inappropriately drew down some Disaster Relief Act funds and did not implement effective internal controls to monitor Disaster Relief Act funds. Of the \$587,594 in Disaster Relief Act funds that we reviewed, \$288,424 in funds complied with applicable Federal requirements. The remaining \$299,170 in funds were drawn down without an immediate cash need for a Hurricane Sandy-related activity. We did not determine whether the \$299,170 in Disaster Relief Act funds were used for allowable costs. As a result of our audit, Lerner College officials stated that they returned the funds drawn down without an immediate cash need. However, at the time of our audit, NIH had not confirmed the return of the inappropriately drawn down funds. In addition, Lerner College did not adequately manage and monitor NYU School of Medicine's subaward activities.

According to Lerner College officials, Lerner College inappropriately drew down Disaster Relief Act funds because of human error and inadequate staff training on the Department's payment management system. Lerner College stated that it did not monitor NYU School of Medicine's subaward activities because it had a longstanding relationship of trust with the entity.

## **WHAT WE RECOMMEND**

We recommend that NIH work with Lerner College to ensure that:

- the \$299,170 in Disaster Relief Act funds inappropriately drawn down were returned to the Department and not used for unallowable activities,
- Lerner College adheres to Federal requirements for drawing down Federal funds,
- Lerner College personnel are adequately trained on the use of the Department's payment management system, and

- Lerner College follows its policies and procedures for managing and monitoring its subaward to NYU School of Medicine.

## **CLEVELAND CLINIC LERNER COLLEGE OF MEDICINE COMMENTS AND OUR RESPONSE**

In written comments on our draft report, Lerner College partially agreed with our first finding and disagreed with our second finding. Specifically, Lerner College agreed that it incorrectly drew down Disaster Relief Act funds. However, Lerner College did not agree that it incurred unallowable costs. In addition, Lerner College stated that it has longstanding policies regarding its monitoring of subawards and applied these policies to NYU School of Medicine's subaward. Lerner College subsequently provided these policies. After reviewing Lerner College's comments and policies, we maintain that our findings are valid; however, we revised the wording of the first finding to more accurately categorize the error.

## **NATIONAL INSTITUTES OF HEALTH COMMENTS**

In written comments on our draft report, NIH concurred with our recommendations and described actions it plans to take to address them.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

Hurricane Sandy made landfall on October 29, 2012, devastating portions of the mid-Atlantic and northeastern United States and leaving victims of the storm and their communities in need of disaster relief aid. On January 29, 2013, the President signed into law the Disaster Relief Appropriations Act of 2013, P.L. No. 113-2 (Disaster Relief Act), which, in part, provided the Department of Health and Human Services (the Department) approximately \$800 million in funding for disaster response and recovery and other expenses directly related to Hurricane Sandy.<sup>1</sup> After sequestration, the Department received \$759.5 million in Disaster Relief Act funding, \$148.8 million of which was allocated to the National Institutes of Health (NIH). NIH awarded \$587,594 of these funds to the Cleveland Clinic Lerner College of Medicine of Case Western Reserve University (Lerner College)<sup>2</sup> to restore its medical scientific research activities<sup>3</sup> with New York University School of Medicine (NYU School of Medicine) that were damaged by Hurricane Sandy. Lerner College awarded these funds to NYU School of Medicine.

The Disaster Relief Act mandated the Department's Office of Inspector General (OIG) to perform oversight, accountability, and evaluation of programs, projects, or activities supported with Disaster Relief Act funds. This review is part of OIG's Disaster Relief Act oversight activities. Appendix A contains a list of OIG reports related to the Disaster Relief Act.

### OBJECTIVES

Our objectives were to determine whether Lerner College claimed Disaster Relief Act costs that complied with Federal requirements and implemented effective internal controls to monitor Disaster Relief Act funds.

### BACKGROUND

#### National Institutes of Health

Within the Department, NIH is the agency that is responsible for the Nation's medical scientific research. NIH supports many training programs and funding mechanisms that foster scientific creativity and exploration. NIH's 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

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<sup>1</sup> The Budget Control Act of 2011 (P.L. No. 112-25) reduced the Hurricane Sandy disaster relief funds the Department received from approximately \$800 million to \$759.5 million. The law imposed automatic spending cuts, known as "sequestration," designed to reduce the Federal deficit. The Office of Management and Budget determined that disaster relief funds were subject to sequestration, and as a result, the funds were reduced by approximately \$40.5 million.

<sup>2</sup> Specifically, the funds were awarded to Lerner College as a funding extension for an existing NIH-funded project (project number 3P01HL098055-01A1) funded through NIH's National Heart, Lung, and Blood Institute.

<sup>3</sup> Lerner College's medical scientific research activities identify underlying causes of human diseases and are used to develop new treatments and cures.

reduce illness and disability. NIH received \$148.8 million in Disaster Relief Act funding and allocated the funds to two programs: Grantee Research Programs (\$147 million) and Environmental Health Sciences (\$1.8 million).

### **Cleveland Clinic Lerner College of Medicine of Case Western Reserve University**

Located in Cleveland, Ohio, Lerner College is a medical school that also houses a research institute whose mission is to understand the underlying causes of human diseases and to develop new treatments and cures.

For the period December 1, 2013, through November 30, 2015, NIH awarded \$587,594 in Disaster Relief Act funding to Lerner College to restore its medical scientific research activities with NYU School of Medicine<sup>4</sup> that were damaged by Hurricane Sandy.<sup>5</sup> Lerner College subawarded the Disaster Relief Act funds to NYU School of Medicine. The Lerner College campus was not impacted by Hurricane Sandy; however, NYU School of Medicine sustained extensive damage to its research activities. This damage hindered the joint research project with Lerner College.

### **Federal Requirements**

Title 45, part 74, of the Code of Federal Regulations establishes uniform administrative requirements governing Department grants and agreements awarded to educational entities. As an educational entity in receipt of Federal funds, Lerner College must comply with Federal cost principles in 2 CFR part 220, *Cost Principles for Educational Institutions*.<sup>6</sup> Lerner College is required to ensure that subrecipients comply with applicable Federal requirements and that grant expenditures submitted for Federal reimbursement be reasonable, allocable, and otherwise allowable. Lerner College is also required to limit cash advances to the minimum amounts needed and timed to be in accordance with the actual, immediate requirements of the recipient organization in carrying out the purpose of the approved project. In addition, Lerner College is required to comply with the requirements of the Disaster Relief Act.<sup>7</sup>

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<sup>4</sup> NYU School of Medicine, part of New York University Langone Medical Center, is an educational institution designed to improve human conditions through medical education, patient care, and scientific research.

<sup>5</sup> The Notice of Award was dated November 22, 2013.

<sup>6</sup> The Office of Management and Budget Circular No. A-21, *Cost Principles for Educational Institutions*, was relocated to 2 CFR part 220 and made applicable by 45 CFR § 74.27(a). Although not applicable to this audit, the Department promulgated new grant regulations at 45 CFR part 75. The new regulation applies only to awards made on or after December 26, 2014.

<sup>7</sup> This includes reimbursing NIH for any costs incurred under the award that are subsequently reimbursed by the Federal Emergency Management Agency (FEMA), under a contract for insurance, or by self-insurance, as well as restricting the benefits of the grant to all or part of the FEMA declared major disaster States.

## **HOW WE CONDUCTED THIS REVIEW**

We reviewed \$587,594 in Disaster Relief Act funding drawn down by Lerner College during the period December 1, 2013, through September 30, 2015, to restore its medical scientific research activities with NYU School of Medicine. We also reviewed Lerner College's internal controls for monitoring Disaster Relief Act funds subawarded to NYU School of Medicine.

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.

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

## **FINDINGS**

Lerner College inappropriately drew down some Disaster Relief Act funds and did not follow effective internal controls to monitor Disaster Relief Act funds. Of the \$587,594 in funds we reviewed, \$288,424 in funds complied with applicable Federal requirements. The remaining \$299,170 in funds were drawn down without an immediate cash need for a Hurricane Sandy-related activity. We did not determine whether the \$299,170 in Disaster Relief Act funds were used for allowable costs. As a result of our audit, Lerner College officials stated that they returned the funds drawn down without an immediate cash need.<sup>8</sup> In addition, Lerner College did not adequately manage and monitor NYU School of Medicine's subaward activities.

According to Lerner College officials, Lerner College inappropriately drew down Disaster Relief Act funds because of human error and inadequate staff training on the Department's payment management system. Lerner College stated that it did not adequately manage and monitor NYU School of Medicine's subaward activities because it had a longstanding relationship of trust with the entity.

### **INAPPROPRIATE DRAWDOWN OF DISASTER RELIEF ACT FUNDS**

Federal regulations state that payment methods shall minimize the time elapsing between the transfer of funds and issuance of payment (45 CFR § 74.22(a)). In addition, the timing and amount of cash advances shall be as close as is feasible to the actual disbursements (45 CFR § 74.22(b)). Finally, the Disaster Relief Act provided emergency funding for disaster response and recovery and other expenses directly related to Hurricane Sandy (Disaster Relief Act, Title X, chapter 8).

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<sup>8</sup> At the time of our audit, NIH had not confirmed the return of the Sandy-related funds drawn in error.

Lerner College drew down its entire \$587,594 award from NIH; however, it could only provide support<sup>9</sup> for \$288,424 in Hurricane Sandy-related expenditures. Lerner College drew down the remaining \$299,170 in funds without an immediate cash need for a Hurricane Sandy-related activity. Drawing down funds without immediately expending them can have a negative impact on the integrity of the program and the proper reporting of program expenditures. As a result of our audit, Lerner College officials stated that they returned the funds.

## **INTERNAL CONTROL WEAKNESS**

Recipients of Disaster Relief Act funds are responsible for managing and monitoring each subaward (45 CFR § 74.51). Further, under the terms and conditions of its award, Lerner College must ensure that subrecipients meet the audit requirements of the Single Audit Act and the revised OMB Circular A-133 requirements (45 CFR § 74.26). OMB Circular A-133 requires pass-through entities to monitor subrecipient activities to ensure that Federal awards are used for authorized purposes.

Lerner College did not adequately manage and monitor NYU School of Medicine's subaward activities. Lerner College stated that it did not adequately manage and monitor NYU School of Medicine's subaward activities because it had a longstanding relationship of trust with the entity. For example, it did not review the details of the invoices submitted by NYU School of Medicine requesting reimbursement.

## **RECOMMENDATIONS**

We recommend that NIH work with Lerner College to ensure that:

- the \$299,170 in Disaster Relief Act funds inappropriately drawn down were returned to the Department and not used for unallowable activities,
- Lerner College adheres to Federal requirements for drawing down Federal funds,
- Lerner College personnel are adequately trained on the use of the Department's payment management system, and
- Lerner College follows its policies and procedures for managing and monitoring its subaward to NYU School of Medicine.

## **CLEVELAND CLINIC LERNER COLLEGE OF MEDICINE COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, Lerner College partially agreed with our first finding and disagreed with our second finding. Specifically, Lerner College agreed that it drew down funds from an incorrect account. However, Lerner College stated that it did not incur unallowable costs. In addition, Lerner College stated that it has longstanding policies regarding

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<sup>9</sup> NYU School of Medicine periodically submitted invoices to Lerner College for costs incurred on the Disaster Relief Act grant.

its monitoring of subawards and applied these policies to NYU School of Medicine's subaward. Lerner College subsequently provided these policies. After reviewing Lerner College's comments and policies, we maintain that our findings are valid; however, we revised the wording of the first finding to more accurately categorize the error. Lerner College's comments are included in their entirety as Appendix C.

## **CLAIMED COSTS NOT DIRECTLY RELATED TO HURRICANE SANDY**

### **Lerner College Comments**

Lerner College partially agreed with our finding that it claimed costs that were not directly related to Hurricane Sandy. Lerner College agreed that it incorrectly drew down Hurricane Sandy funds but disagreed that the associated costs were unallowable. Lerner College stated that no unallowable costs were ever incurred. Rather, Lerner College stated that the funds were applied to an incorrect award. In addition, Lerner College stated that it provided NIH documentation of the correct balances in the Department's payment system.

### **Office of Inspector General Response**

After reviewing Lerner College's comments, we revised this finding because we did not determine whether the remaining \$299,170 in Disaster Relief Act funds were used for allowable costs. However, we maintain that Lerner College drew down funds without an immediate cash need for a Hurricane Sandy-related activity. Specifically, Lerner College drew down and deposited \$299,170 in Hurricane Sandy funding into its account for the preexisting NIH-funded project. Federal regulations state that payment methods shall minimize the time elapsing between the transfer of funds and issuance of payment and that the timing and amount of cash advances shall be as close as is feasible to the actual disbursement.

## **INTERNAL CONTROL WEAKNESS**

### **Lerner College Comments**

Lerner College disagreed that it did not adequately manage and monitor NYU School of Medicine's subaward activities. Specifically, Lerner College indicated that it had adopted policies related to monitoring subawards in accordance with OMB Circular A-133 and good business practices and applied these policies to NYU School of Medicine's subaward.<sup>10</sup> Lerner College indicated that, in accordance with its policies, a principal investigator was responsible for monitoring NYU School of Medicine's subaward. Lerner College stated that the principal investigator was in weekly contact with NYU School of Medicine regarding the project and reviewed all invoices before Lerner College approved and processed them for payment.

### **Office of Inspector General Response**

After reviewing Lerner College's comments and policies, we maintain that Lerner College did not adequately manage and monitor NYU School of Medicine's subaward activities. We revised

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<sup>10</sup> Lerner College provided these policies subsequent to the draft report issuance.

our recommendation to reflect that Lerner College had policies and procedures in place. The principal investigator that Lerner College assigned to the Hurricane Sandy grant stated that Lerner College did not review the details of the invoices submitted for reimbursement and did not provide any accounting or other supporting documentation to substantiate that Lerner College monitored NYU School of Medicine's activities.

#### **NATIONAL INSTITUTES OF HEALTH COMMENTS**

In written comments on our draft report, NIH concurred with our recommendations and described actions it plans to take to address them. For example, NIH stated that it would ensure that Lerner College has policies and procedures in place for monitoring subawards and that these policies and procedures are adequately implemented. NIH's comments are included in their entirety as Appendix D.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>New Jersey Claimed Some Unallowable Costs Under a Hurricane Sandy Disaster Relief Act Grant</i>	<a href="#"><u>A-02-15-02005</u></a>	2/14/2017
<i>New Jersey Should Strengthen Hurricane Sandy Social Services Block Grant Internal Controls</i>	<a href="#"><u>A-02-14-02010</u></a>	1/17/2017
<i>Visiting Nurse Service of New York Budgeted Costs That Were Not Appropriate and Claimed Some Unallowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-14-02012</u></a>	11/28/2016
<i>Columbia University Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-15-02007</u></a>	5/18/2016
<i>New York Implemented Effective Internal Controls Over Hurricane Sandy Social Services Block Grant Funds and Appropriately Budgeted and Claimed Allowable Costs</i>	<a href="#"><u>A-02-14-02009</u></a>	5/18/2016
<i>Bayview Nursing and Rehabilitation Center Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-15-02010</u></a>	4/4/2016
<i>Link2Health Solutions, Inc., Budgeted Costs That Were Not Appropriate and Claimed Some Unallowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-14-02013</u></a>	3/23/2016
<i>Health Research, Inc., Budgeted Costs That Were Appropriate and Claimed Allowable Hurricane Sandy Disaster Relief Act Funds Under Grant Number 1U01TP000567</i>	<a href="#"><u>A-02-15-02006</u></a>	2/2/2016
<i>New York University School of Medicine Budgeted Costs That Were Appropriate and Claimed Allowable Hurricane Sandy Disaster Relief Act Funds</i>	<a href="#"><u>A-02-14-02011</u></a>	12/7/2015
<i>The Department of Health and Human Services Designed Its Internal Controls Over Hurricane Sandy Disaster Relief Funds To Include Elements Specified by the Office of Management and Budget</i>	<a href="#"><u>A-02-13-02010</u></a>	7/24/2014

## **APPENDIX B: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

We reviewed Disaster Relief Act funds totaling \$587,594 awarded and drawn down by Lerner College for the period December 1, 2013, to September 30, 2015. In addition, we reviewed the internal controls that Lerner College implemented to manage Disaster Relief Act funds.

We performed our fieldwork at Lerner College in Cleveland, Ohio, from July 2015 through March 2016.

### **METHODOLOGY**

To accomplish our objective, we

- reviewed applicable Federal requirements;
- reviewed Lerner College's application for Disaster Relief Act funds and NIH's Notices of Award issued to Lerner College;
- met with Lerner College officials to discuss procedures for allocating, accounting for, reporting on, and monitoring use of Disaster Relief Act funds;
- reviewed Lerner College's financial, procurement, and budgeting policies related to our audit objectives;
- reviewed Lerner College's internal controls for managing and claiming Disaster Relief Act funds;
- reviewed costs claimed to Lerner College's Disaster Relief Act grant;
- reviewed quarterly reports on grant activities that Lerner College submitted to NIH;
- reviewed the research subaward agreement and amendments in place between Lerner College and NYU School of Medicine;
- reviewed FEMA claims filed by Lerner College and NYU School of Medicine; and
- discussed the results of our review with Lerner College 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.

## APPENDIX C: CLEVELAND CLINIC LERNER COLLEGE OF MEDICINE COMMENTS



**Brian Farmer**  
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Academic Affairs

September 28, 2016

James P. Ebert  
Regional Inspector General for Audit Services  
Office of Audit Services, Region II  
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Re: Report Number A-02-15-02011

Dear Mr. Ebert:

Enclosed is our response to the referenced report. These comments are our final views on the audit, the findings, and the recommendations from your report. We appreciate the opportunity to respond and clarify our views in relation to your audit. In addition, I would like to thank your staff for their professional manner, and their department while working on the audit. We found them to be good to work with and the engagement to be useful to our operations.

The report discussed two separate findings, and included three recommendations and we address them separately below.

**Finding: CLAIMED COSTS NOT DIRECTLY RELATED TO HURRICANE SANDY**

We partially concur with this finding. Your report has defined our error in drawing funds as having incurred "Unallowable Costs" on an NIH award. We do not characterize our error as incurring unallowable costs. While it may seem to be semantics, this is an important distinction to us. We have separate accounting funds known as Activities for each sponsored award received by our organization. We ensure that all expenditures recorded in a specific activity are allowable on that award. At no time were any unallowable charges ever recorded in relation to the captioned project. All expenditures recorded supported the aims of the project and were reasonable, allowable, and properly allocated to the proper project.

As described in your report, our funding for this project was established during the government's transition to sub-account payment policies. The original award was established under the old payment system, however, the supplement received for Hurricane Sandy relief was awarded under sub-account procedures. Our analyst who draws funds from the federal government for

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reimbursement followed the rules for the primary award, and drew funds from our main account rather than the sub-account. So while funds were drawn from the incorrect account, no unallowable costs were ever incurred in relation to either the main award or the Hurricane Sandy Supplement, however due to this clerical error, funds were applied to the incorrect award.

While it is also true that between the time when auditors reviewed reports to determine total drawn funds, and the performance of the audit, the payment system reflected the over draw on the sub-account, we self-discovered the error and initiated correction in the payment system. We provided documentation of the correct balances in the payment system to NIH Assistant Grants Compliance Officer Sahar Rais, and this can be confirmed by NIH as Recommended. We agree funds were incorrectly applied, but reiterate we incurred no "Unallowable Costs" under NIH awards, and the funds were not used for "non-Hurricane-Sandy-related activities."

**Recommendation 1**

NIH work with Lerner College to ensure that:

The \$299,170 in funds used for non-Hurricane-Sandy-related activities were returned to the Department and not used for unallowable activities,

**Response:** We have provided this documentation to the NIH Division of Compliance and Oversight. The clerical errors were corrected, and no Hurricane Sandy funds were used for Unallowable activities.

**Recommendation 2**

NIH work with Lerner College to ensure that:

Lerner College personnel are adequately trained on the use of the Department's payment management system,

We have sent personnel to training on the revised sub award process in the payment management system, and we have also provided internal training for personnel to ensure they understand how to determine when supplements are under their own sub award in the payment system.

**Finding: INTERNAL CONTROL WEAKNESS**

The report states that "Lerner College did not adequately manage and monitor NYU School of Medicine's subaward activities, and this occurred because Lerner College did not have policies and procedures for monitoring its subaward to NYU School of Medicine." Additionally, the report says "Lerner College stated that it did not monitor NYU School of Medicine's subaward activities because it had a longstanding relationship of trust with the entity." We do not concur with these statements in the findings. Our entity has longstanding adopted policies regarding monitoring of subawards which were applied to this subaward in the same manner as applied to all other subawards we enter into. These policies were adopted in accordance with OMB Circular a-133 and good business practices, and have been currently revised to comply with the Uniform Guidance which superseded Circular A-133. Our policies require that PI's take responsibility for monitoring subawards. Purchase Orders are issued to subawardees, and they are awarded by budget category, and all invoices are paid against these Purchase orders. All invoices are approved by the PI, or the PI's delegate who is aware of the activities of the subawardees.

In the case of the NYU subaward, Dr. Stan Hazen, the Lerner College PI was in weekly contact with the NYU School of Medicine regarding the project, and was fully apprised of the progress at NYU. All invoices were reviewed by Dr. Hazen, and approved by the department for payment before payments to NYU were processed. Invoicing standards and all terms and conditions of the award were specified in the Contract with NYU School of Medicine, and all invoices paid complied with these terms. In addition, our compliance staff obtained annual A-133 audit reports from the NYU School of Medicine and reviewed them for findings and weaknesses related to our business relationship with them. We also review posted reports from the DHHS OIG to look for issues related to all of our subawardees that might require us to monitor them in different ways and or to actually audit their records directly. We found nothing related to the NYU School of Medicine to lead us to believe this was necessary, and we also used our judgment based on a long standing relationship with the organization in making these assessments.

The report further states that that we did not inquire whether NYU School of Medicine was reimbursed by the FEMA or private insurance for the same expenses resulting from the subaward activities. The subaward with NYU School of Medicine required that NYU School of Medicine ensure that there were not duplicate reimbursements. However, it is true we did not require an explicit certification on invoices that this condition was met.

### **Recommendation 3**

NIH work with Lerner College to ensure that:

Lerner College develops policies and procedures for monitoring its subaward to NYU School of Medicine.

Lerner College has such policies in place and can provide documentation of these policies and procedures to NIH. These Policies contain formal risk assessments for all subawards, and different monitoring procedures based on these risk assessments. Also note, these policies and internal controls are also audited annually during our independent single audit under the Uniform Guidance (Formerly OMB Circular A-133)

Thank you for the opportunity to comment on the draft report. We look forward to seeing the final report, and are prepared to provide any additional information or documentation as you may require. Please contact me directly at your convenience with any additional questions or documentation requirements.

Respectfully,



Brian Farmer, Senior Director  
Academic Affairs, Cleveland Clinic Lerner College of Medicine of Case Western Reserve  
University  
Cleveland Clinic Health System

## APPENDIX D: NATIONAL INSTITUTES OF HEALTH COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health  
Bethesda, Maryland 20892

TO: Gloria L. Jarmon  
Deputy Inspector General for Audit Services, HHS

FROM: Director, NIH

DATE: February 2<sup>nd</sup>, 2017

SUBJECT: NIH Comments on Draft Report, *Cleveland Clinic Lerner College of Medicine Inappropriately Drew Down Hurricane Sandy Disaster Relief Act Funds and Did Not Always Implement Effective Internal Controls* (A-02-15-02011)

Attached are the National Institutes of Health's (NIH) comments on the draft Office of Inspector General's (OIG) report, *Cleveland Clinic Lerner College of Medicine Inappropriately Drew Down Hurricane Sandy Disaster Relief Act Funds and Did Not Always Implement Effective Internal Controls* (AS-02-15-02011).

The NIH appreciates the review conducted by the OIG and the opportunity to provide clarifications on this draft report. If you have questions or concerns, please contact Meredith Stein in the Office of Management Assessment at 301-402-8482.

**/s/ Francis S. Collins, M.D., Ph.D.**

Francis S. Collins, M.D., Ph.D.

Attachment:  
General Comments

**GENERAL COMMENTS OF THE NATIONAL INSTITUTES OF HEALTH (NIH) ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT ENTITLED: "CLEVELAND CLINIC LERNER COLLEGE OF MEDICINE INAPPROPRIATELY DREW DOWN HURRICANE SANDY DISASTER RELIEF ACT FUNDS AND DID NOT ALWAYS IMPLEMENT EFFECTIVE INTERNAL CONTROLS" (A-02-15-02011)**

The National Institutes of Health (NIH) appreciates the review conducted by the Office of Inspector General (OIG) and the opportunity to provide clarifications on this draft report. The NIH respectfully submits the following general comments.

**OIG Recommendation 1:** The OIG recommends that NIH work with Lerner College to ensure that the \$299,170 in Disaster Relief Act funds inappropriately drawn down were returned to the Department and not used for unallowable activities.

**NIH Response:** The NIH concurs with the OIG's finding and corresponding recommendation regarding the drawdown of funds without an immediate need. The NIH will work with Lerner College to ensure that the funds were appropriately returned and not used for unallowable activities. The NIH will perform an inquiry into any drawdowns and obtain supporting documentation to ensure that the funds were returned and no NIH funds were used for unallowable activities.

**OIG Recommendation 2:** The OIG recommends that NIH work with Lerner College to ensure Lerner College adheres to Federal requirements for drawing down Federal funds.

**NIH Response:** The NIH concurs with the OIG's finding and corresponding recommendation regarding understanding the federal requirements for drawing down federal funds. The NIH will work with Lerner College to ensure that it understands federal requirements for drawing down federal funds and implements requirements accordingly. The NIH will also review the resulting Corrective Action Plan for adhering to federal requirements for drawdown of federal funds.

**OIG Recommendation 3:** The OIG recommends that NIH work with Lerner College to ensure Lerner College personnel are adequately trained on the use of the Department's payment management system.

**NIH Response:** The NIH concurs with the OIG's finding and corresponding recommendation regarding adequately training Lerner College personnel on the use of the Department's payment management system. The NIH will work with Lerner College to ensure that it has corrective action plans for training their personnel. The NIH will review the Corrective Action Plan on the proper use of the payment management system.

**GENERAL COMMENTS OF THE NATIONAL INSTITUTES OF HEALTH  
(NIH) ON THE DEPARTMENT OF HEALTH AND HUMAN SERVICES  
(HHS) OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT ENTITLED:  
“CLEVELAND CLINIC LERNER COLLEGE OF MEDICINE  
INAPPROPRIATELY DREW DOWN HURRICANE SANDY DISASTER  
RELIEF ACT FUNDS AND DID NOT ALWAYS IMPLEMENT EFFECTIVE  
INTERNAL CONTROLS” (A-02-15-02011)**

**OIG Recommendation 4:** The OIG recommends that NIH work with Lerner College to ensure Lerner College follows its policies and procedures for managing and monitoring its sub award to NYU School of Medicine.

**NIH Response:** The NIH concurs with OIG's finding and corresponding recommendation regarding following policies for monitoring sub awards. The NIH will work with Lerner College to ensure that it has policies and procedures in place for monitoring of sub-awards and these policies and procedures are adequately implemented. Further, the NIH will confirm with Lerner College that their policies and procedures for managing and monitoring sub-awardees is disseminated to the NYU School of Medicine (sub-awardee).