

***Discussion of :  
Audit Areas of Interest and  
Recent DOJ Settlements With  
Major Research Institutes***

***Research Institutes Audit  
Coverage***

- Renewed Emphasis on College and University:
  - Limited Oversight in Past 10-15 years
  - OIG Budget Restrictions
  - Increased NIH Funding

***Past OIG Experience***

- Weaknesses in Financial Management Systems:
  - Cost Transfers
  - Time and Effort Reporting
  - Cost Sharing

***NIH Compliance Visits***

On-site visits by NIH during Federal fiscal years 2000-2002 continue to document weaknesses in grantee financial management systems.

***NIH Compliance Visits***

“...Cost transfers policies tend to be nonexistent, incorrect, or confusing, and the requirements for making appropriate cost transfers are often misunderstood by institutional officials, especially PIs, and departmental administrators...”

***Audit Program***

Met with NIH officials and identified the issues that were included in our pilot reviews:

- Cost Transfers
- Time and Effort Reporting
- Cost Sharing

***Recent Department of Justice Settlements Under the Provisions of the False Claims Act***

***Definition***

*The False Claims Act (31 U.S.C. Sections 3729-33) allows a private individual or “whistleblower”, with knowledge of past or present fraud on the federal government, to sue on behalf of the government to recover stiff civil penalties and triple damages*

***False Claims Act***

The person bringing the suit is formally known as the “Relator.”

If the suit is successful, it may result in the Relator’s receipt of a substantial share of the government’s ultimate recovery – as much as 15 to 25 percent of the total

***False Claims Act***

The False Claims Act, also called the “Lincoln Act,” “Informer’s Act,” or the “Qui Tam statute,” was enacted during the Civil War. Qui Tam is shorthand for the Latin phrase “qui tam pro domino rege quam pro seipso”, meaning “he who sues for the King as for himself.”

***False Claims Act***

The law was targeted at stopping dishonest suppliers to the Union military at a time when the war effort made it all but impossible for the government to investigate and prosecute the fraud itself. Today it serves a similar purpose because of the enormous size of the federal government and the variety of programs under which it expands taxpayer funds.

***False Claims Act***

More than 4,000 Qui Tam suits have been filed since 1986, when the statute was strengthened to make it easier and more rewarding for private citizens to sue. The government has recovered over \$15 billion as a result of suits.

***Recent Settlements Between Research Institutions and the U.S. Department of Justice Over Alleged Misuse of Federal Grant Money***

- Cornell University - \$4.4 million
- Mayo Clinic - \$6.5 million
- University of Alabama at Birmingham - \$3.4 million

***Recent Settlements Between Research Institutions and the U.S. Department of Justice Over Alleged Misuse of Federal Grant Money***

- Harvard University - \$2.4 million
- Johns Hopkins University - \$2.6 million
- Northwestern University - \$5.5 million

***Cornell University***

The Weill Medical College of Cornell University paid \$4.4 million to settle Federal civil grant fraud charges. This settlement resolves civil charges that Weill Medical College defrauded the Government in connection with funds it was awarded under a grant by the National Institutes of Health (NIH).

***Cornell University***

The complaint filed by the United States alleges that Weill Medical College defrauded the government and made false statements to NIH in connection with Weill Medical College's administration of the grant, its competitive and non-competitive grant renewal applications, and its drawdowns of funds under the grant.

***Cornell University***

The relator was a former employee of Cornell University and received a statutory award of \$877,000.

The case was handled by the DOJ and DHHS, OIG. Settlement Date: June 2005

***Mayo Clinic***

Parent organization of Mayo Clinic paid U.S. \$6.5 million to settle grant fraud investigation. The settlement resolves allegations that Mayo wrongly charged the government by including on underspent grants research costs incurred on overspent grants and internal cost centers. As a result, the government contended, the United States paid Mayo more under the grants than Mayo was entitled to receive.

### ***Mayo Clinic***

The government's investigation showed not only improperly transferred expenses, but also that Mayo had an accounting system unable to monitor and manage charges to federal grant awards in the manner required by federal law.

### ***Mayo Clinic***

The relator was an accounting associate in Mayo's research accounting department. Received a statutory award of \$1.3 million.

The case was jointly handled by the Justice Department in collaboration with DHHS, OIG, Office of the NIH Legal Advisor, and the Office of Policy for Extramural Research. Settlement Date: May 2005

### ***University of Alabama- Birmingham***

University of Alabama- Birmingham paid U.S. \$3.39 million to resolve false billing allegations. The settlement resolves allegations that the university misled NIH and other sponsors of federally-funded grants, as well as the Medicare program, into paying more money than the school was lawfully entitled to receive.

### ***University of Alabama- Birmingham***

The government alleged that in completing applications for federal health science research grants, the school overstated the percentage of work effort that the researchers were able to devote to the grant. It also alleged that the university, and the entity through which its medical school faculty provided clinical services, unlawfully billed Medicare for clinical research trials that were also billed to the sponsor of research grants.

### ***University of Alabama- Birmingham***

The civil settlement included the resolution of claims brought in two separate lawsuits under the qui tam provisions of the False Claims Act. The suits were brought by two former employees of the university. A physician specializing in rehabilitation medicine who previously served on the university's medical school faculty and a research compliance officer for the school.

### ***University of Alabama- Birmingham***

The two relators collectively received \$395,000 of the total recovery as their statutory award.

The case was investigated by DOJ and HHS, OIG. Settlement Date: April 2005

### ***Harvard University***

Harvard University paid the U.S. Government \$2.4 million to settle allegations that the University billed the federal government for salaries and expenses unrelated to federal grants.

### ***Harvard University***

Harvard University voluntarily disclosed to the National Institute on Aging (NIA) various instances of mismanagement in a NIA grant. Settlement Date: June 2004

### ***Johns Hopkins University***

Johns Hopkins University and Johns Hopkins Bayview Medical Center paid the U.S. Government \$2.6 million to settle allegations that the institutions violated the False Claims Act in connection with federally sponsored research grants.

### ***Johns Hopkins University***

The government alleged that in grant applications, Johns Hopkins University researchers overstated the percentage of work effort to be devoted to the grants. In addition, when drawing down grant funds, the government alleged that the institution overstated the percentage of actual work effort.

### ***Johns Hopkins University***

The relator was a former employee of Johns Hopkins Bayview Medical Center. As a result of the settlement the relator received a statutory award of \$439,582.

### ***Johns Hopkins University***

The investigation was handled by DOJ and the HHS, OIG. Settlement Date: February 2004

### *Northwestern University*

Northwestern University paid \$5.5 million to resolve False Claims Act allegations. The government alleged that in completing applications for NIH and other federal agencies grants, Northwestern overstated the percentage of its researchers' work effort that they were able to devote to the grant. The government also alleged that the university knowingly failed to comply with federal government requirements that a specified percentage of the researchers' effort be devoted to the grant.

### *Northwestern University*

The relator was a former employee of the University's Office of Research Sponsored Programs. As a result of the settlement, the relator received a statutory award of \$907,500.

### *Northwestern University*

The case was handled by DOJ and HHS,OIG. Settlement Date: February 2003

### *Questions?*

