

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

June 24, 2013

The Honorable Gene Dodaro
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

Through its sponsorship of research by institutions like the National Institutes of Health (NIH), the federal government plays an important role in contributing to American competitiveness and leadership in science. Federal grants are provided for both direct costs (those costs specifically identified with individual research projects) and indirect costs (those that are not directly attributable to a specific project or function, such as costs for administrative staff). Funding institutions like NIH typically use the indirect cost rates negotiated by either HHS or Office of Naval Research for which they reimburse indirect costs with grant recipients and they employ varying methods to oversee and validate indirect cost reimbursement.

There has been debate over what portion of indirect costs should be the responsibility of the government and what portion should be the responsibility of the research institution receiving a grant. Moreover, not all funding organizations use the same approach as the federal government. For example, some nonprofit foundations who also support research exclude indirect costs from allowable reimbursable expenses. GAO's previous work on grants provided by the Department of Defense and the Department of Health and Human Services identified weaknesses in oversight processes that could make the government vulnerable to making improper payments or to waste or abuse.

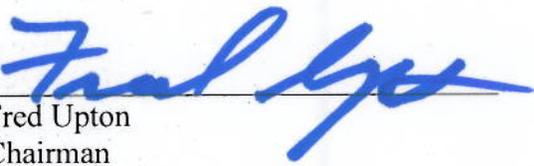
Given the fiscally constrained environment, ensuring efficient and effective use of federal funding is vital. Thus, we are requesting that GAO review NIH's indirect costs and its processes for overseeing the validity of its indirect cost reimbursements to grant recipients. Specifically, we would like GAO to address the following:

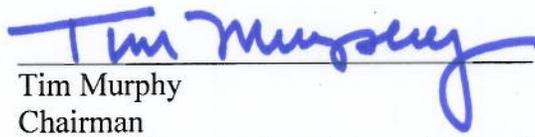
1. Compare NIH's policies and indirect cost reimbursement rates to other funding institutions, including nonprofit foundations.

2. Assess the dollar value and proportion of NIH's funding that goes to indirect costs and how this has changed over time.
3. Identify the controls NIH uses to validate indirect costs and determine to what extent the design of NIH's controls for validating indirect costs are sufficient to prevent and detect improper payments, waste or abuse.
4. Identify the specific formulas used by NIH for different rates for indirect costs between institutes and describe what subjective and objective measures are used as part of those formulas.

If you have any questions regarding this request, please contact Alan Slobodin with the Committee staff at (202) 225-2927.

Sincerely,


Fred Upton
Chairman


Tim Murphy
Chairman
Subcommittee on Oversight and Investigations

cc: The Honorable Henry A. Waxman, Ranking Member

The Honorable Diana DeGette, Ranking Member
Subcommittee on Oversight and Investigations