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FOR IMMEDIATE RELEASE
Thursday, July 14, 2016
<http://www.justice.gov/usao/nys>

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**MANHATTAN U.S. ATTORNEY ANNOUNCES \$9.5 MILLION
SETTLEMENT WITH COLUMBIA UNIVERSITY FOR IMPROPERLY
SEEKING EXCESSIVE COST RECOVERIES IN CONNECTION WITH
FEDERAL RESEARCH GRANTS**

Columbia Admits to Seeking and Receiving Cost Recoveries at the Higher "On-Campus" Rate for 423 Research Grants Even Though the Research Was Primarily Performed in Space Not Owned or Operated by Columbia

Preet Bharara, the United States Attorney for the Southern District of New York, and Scott J. Lampert, Special Agent in Charge of the New York Region of the Office of Inspector General for the U.S. Department of Health and Human Services ("HHS-OIG"), announced today a settlement of a civil fraud lawsuit against THE TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK ("COLUMBIA") for improperly seeking and receiving excessive cost recoveries in connection with research grants funded by the National Institutes of Health ("NIH"). The United States' Complaint-In-Intervention (the "Complaint") alleges that from July 1, 2003, through June 30, 2015, COLUMBIA impermissibly applied its "on-campus" indirect cost rate – instead of the much lower "off-campus" indirect cost rate – when seeking federal reimbursement for 423 NIH grants where the research was primarily performed at off-campus facilities owned and operated by the State of New York and New York City. The Complaint further alleges that COLUMBIA failed to disclose to NIH that it did not own or operate these facilities and that COLUMBIA did not pay for use of the space for most of the relevant period.

Yesterday, U.S. District Court Judge Paul A. Engelmayer approved a settlement stipulation to resolve the Government's claims against COLUMBIA. Under the settlement, COLUMBIA is required to pay \$9.5 million to the United States. In addition, COLUMBIA has admitted that it applied the on-campus indirect cost rate to the 423 NIH grants even though the research was primarily performed in space not owned or operated by Columbia, and that it submitted to NIH certified reports that used the on-campus indirect cost rate to calculate the indirect cost amounts claimed by the university.

Manhattan U.S. Attorney Preet Bharara said: "All institutions that receive federal grant money must abide by applicable rules and regulations governing the use of the funds and the

extent to which costs incurred by the institution are reimbursable. For years and for over 400 research grants, Columbia improperly sought and recovered inflated cost recoveries. For seeking and receiving improperly inflated cost recoveries from limited federal research funds, Columbia has made admissions and will pay \$9.5 million.”

HHS-OIG Special Agent in Charge Scott J. Lampert said: “It is disturbing that Columbia University, a prestigious institution, would improperly seek excessive cost reimbursements from NIH, as alleged in the settlement. Money gained by such behavior deprives other research programs of funds that could yield life-altering new treatments. We will continue to work with our law enforcement partners to ensure institutions who engage in wrongful activity are held accountable.”

As alleged in the Complaint filed in Manhattan federal court:

Educational institutions are generally entitled to seek and receive federal reimbursement only for actual costs incurred by the institution in support of federally sponsored grants. This is true regardless of whether the costs are direct costs (*i.e.*, costs that can be identified specifically with a particular research project, such as the cost of the materials for the project) or indirect costs (*i.e.*, costs that are incurred for common or joint objectives and, therefore, cannot be identified with work performed on a particular research project, such as operation and maintenance expenses).

A university recovers its indirect costs for a particular research project by applying the relevant facilities and administrative rate (the “F&A Rate”) for the project to a subset of the direct costs it incurred in connection with the project. HHS and educational institutions negotiate one F&A Rate for research primarily performed on-campus (“On-Campus F&A Rate”), and a separate F&A Rate for research primarily performed off-campus (“Off-Campus F&A Rate”). The On-Campus F&A Rate is typically more than double the Off-Campus F&A Rate to account for the fact that when conducting research off-campus educational institutions do not incur the indirect facilities-related costs that they would otherwise incur if the activities were performed on-campus.

From July 1, 2003, through June 30, 2015, COLUMBIA’s On-Campus F&A Rate was approximately 61 percent, its Off-Campus F&A Rate was 26 percent, and its Modified Off-Campus F&A Rate was 29.4 percent. The Modified Off-Campus F&A Rate was to be applied to research conducted off-campus but within a certain proximity of the COLUMBIA campus.

COLUMBIA has a collaborative relationship with the New York State Psychiatric Institute (“NYSPI”), a clinical research facility administered by the New York State Office of Mental Health. COLUMBIA faculty perform research in two off-campus buildings owned by the State of New York and operated by NYSPI (the “NYSPI Buildings”). COLUMBIA faculty also perform research in another off-campus building owned and operated by the City of New York (the “City Building”).

For most of the relevant period, COLUMBIA did not pay the State of New York for use of the NYSPI Buildings, and therefore did not incur indirect “facilities-related” costs with respect to the medical research performed in these buildings. Similarly, COLUMBIA did not pay the City of New York for use of the City Building.

During the relevant period, COLUMBIA received NIH funding for 423 grants where the research primarily took place in the off-campus NYSPI Buildings or the off-campus City Building (“NIH Grants”). COLUMBIA improperly applied the On-Campus F&A Rate when seeking indirect cost reimbursements from NIH for these grants. To obtain the indirect cost reimbursements, Columbia periodically submitted to NIH certified Federal Financial Reports (“FFRs”). At the time that COLUMBIA submitted the FFRs for the NIH Grants, the university knew that it did not own or operate the NYSPI Buildings or the City Building where the research was primarily being performed and that it did not incur any costs relating to those spaces for most of the relevant period, but nevertheless sought reimbursement based on the On-Campus F&A Rate.

COLUMBIA did not state on the applications for the NIH Grants that the research would be primarily performed off-campus, as required. Instead, Columbia frequently included the main address for the College of Physicians & Surgeons in the section of the application that was supposed to list the primary performance location. Even where the NYSPI Buildings or the City Building were listed in that section of the grant application, or mentioned elsewhere in the application, COLUMBIA failed to disclose that these buildings were not owned and operated by the university.

Starting in fiscal year 2009, in lieu of paying rent for use of one of the NYSPI Buildings, the Department of Neuroscience paid NYSPI a portion of the inflated indirect cost recoveries it received from NIH for research projects performed in that building.

In connection with the filing of the lawsuit and settlement, the Government joined a private whistleblower lawsuit that had previously been filed under seal pursuant to the False Claims Act.

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Mr. Bharara thanked HHS-OIG for its investigative efforts and extensive assistance with the case.

The case is being handled by the Office’s Civil Frauds Unit. Assistant U.S. Attorney Jeffrey K. Powell is in charge of the case.

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