



Department of Justice

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UNIVERSITY TO PAY \$1.5 MILLION TO SETTLE FALSE CLAIMS ACT ALLEGATIONS RELATING TO FAILURE TO PROPERLY ALLOCATE REBATES AND CREDITS TO FEDERAL GRANTS

MADISON, WIS. – Scott C. Blader, United States Attorney for the Western District of Wisconsin, announced that the Board of Regents of the University of Wisconsin System, acting through the University of Wisconsin-Madison (“University”), agreed to pay \$1.5 million to the United States to settle the claims that it violated the False Claims Act by failing to properly account for rebates and credits to reduce costs allocable to federal grants and awards (“Federal Awards”).

The United States awards more than \$500 billion in Federal Awards annually, usually in the form of grants to help support a variety of programs, including supporting human health, agriculture, homeland security, and funding scientific research, studies, and analysis. As a public research institution, the University obtains significant Federal Awards from the United States to conduct research in a wide range of fields and programs, including but not limited to science, health care, and engineering.

According to the Settlement Agreement, the University was required to adhere to Office of Management and Budget cost principles as a condition of receiving its Federal Awards. These principles require, in relevant part, that when a Federal Award recipient receives rebates and discounts on purchases for Federal Awards, those rebates and discounts must be credited to the Awards. Because the University failed to do so with respect to various rebates and discounts, the United States alleged that the University overcharged it and is liable to the United States under the False Claims Act.

Specifically, the settlement alleges that the University participated in a number of rebate and discount programs with supply and equipment vendors, which generated rebates and discounts through various purchase cards and service centers, including the University’s Material Distribution Services and DoIT Techstore service centers. The rebate and discount programs were applied to certain supplies and equipment purchased by the University, however, the University failed to credit the rebates and discounts associated with these purchases to the Federal Awards.

“The United States entrusts Federal Award recipients with federal dollars, but the funds are subject to regulation, oversight, and audit,” said United States Attorney Blader. “It is incumbent on Award recipients, including public institutions, to provide the United States the benefit of credits or rebates it receives – failure to do so results in overcharging.”

In addition, the United States’ investigation revealed that the University’s accounting for these rebates and discounts failed to comply with its own operative Cost Accounting Standards Board Disclosure Statement as it relates to accounting practices for service centers.

This coordinated investigation was conducted by the United States Attorney’s Office and the Offices of Inspectors General for the U.S. Department of Health and Human Services, the National Science Foundation, the U.S. Department of Energy, the U.S. Department of Defense and Defense Contract Audit Agency, and the National Aeronautics and Space Administration. The prosecution of this matter has been handled by Assistant U.S. Attorney Leslie K. Herje. The settlement agreement states allegations only; the University does not admit the allegations.

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