



U.S. Department
of Veterans Affairs



READY, SET, NPPO!!!

Presented by:

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WHY AUDITS AND REVIEWS?

- OIG Report No. 07-00564-121 dated May 5, 2008
- Recommendation No. 4
 - “*We recommend that the Under Secretary for Health develop and implement oversight procedures to perform substantive reviews of NPC financial and management controls to ensure NPCs fully comply with Federal laws, VHA policies, and control standards.*”

REVIEW OBJECTIVES:

- Perform a limited review of the NPC's performance.
- VHA is particularly interested in the NPC's compliance with **VHA Handbook 1200.17** and with sound business practices, i.e., effective internal controls.
- Determine that there is operative board governance.
- Assess the NPC's financial condition.
- Determine that there is some reasonable effort being made to grow and develop the NPC (strategic plan and other).

SCOPE OF NPPO ON-SITE AUDITS:

The scope of the NPPO On-Site Audits are pretty well defined by three relatively short, simple documents:

- VHA Handbook 1200.17 (20 pages)
- NPPO Internal Controls Questionnaire (13 pages)
- NPPO Reviews Checklist (2 pages)

SCOPE OF NPPO ON-SITE AUDITS, (CONT'D):

- Since inception of the current oversight program in 2010, the NPPO Director can perform on-site off-cycle reviews at any time, not just once in every three year triennial cycle.
- NPPO may start doing a few random reviews (but with notice), especially if this is called for by VA OIG as a result of its current widened investigation of the NPCs.
- Reviews are always scheduled in advance
- Scheduled reviews are confirmed with the Executive Director by an emailed Notification Letter well in advance of the review date

SCOPE OF NPPO ON-SITE AUDITS, (CONT'D):

- On-site Reviews will in most cases be extended to two full days, allowing more time for exit meetings and the discussion of review findings, if any.
- Normally, two or more auditors will do the review

NOTIFICATION LETTER WILL CONTAIN:

- Dates and general description of the review.
- Request for you to schedule two meetings:
 1. Half hour with the board of directors for training.
 2. Twenty minutes with ORD Managers by phone, the Medical Center Director, other Statutory Board Members, all other Board Members and Executive Director for an exit meeting at the end of the Review.
- Office or conference room space for the auditors.
- Projector
- Laptop Internet Connectivity

NOTIFICATION LETTER WILL CONTAIN, (CONT'D):

- Two Ethernet cables connected to active VA IT ports (if you have VA WIFI, this is acceptable)
- Parking for one rental car.
- Refreshments (optional) - However , it would be a very nice gesture.

QUESTIONNAIRES:

- Two questionnaires will accompany the Notice Letter:

Operations Oversight Questionnaire

Open-ended “tell us about yourself” type questions.

Internal Controls Questionnaire (ICQ)

Very detailed questions about internal controls.

TIP: Use the ICQ as your checklist for sound business practices.

WHAT WILL BE EXAMINED:

- Follow-up on our previous recommendations.
- Your responses to the Operations Oversight Questionnaire.
- Your responses to the Internal Controls Questionnaire.
- Your most recent audited or unaudited financial statements.
- Your records of mandatory internal controls training and annual conflicts of interest training for directors and key employees.

WHAT WILL BE EXAMINED, (CONT'D):

- Your detailed procedure for processing CRADAs.
- Individual project accounts and statements prepared for the principal investigators.
- The minutes of all board meetings for the past year (minimum of four meetings required).
- Examination of source documents from the following areas:

SOURCE DOCUMENTS EXAMINED:

- Operating policies and procedures
- Cash disbursements
- Credit card purchases
- Bank reconciliations
- Mandatory training records for key employees and directors
- Payroll and personnel files
- IPA assignment agreements
- Cash receipts

Note: Review content may change somewhat over time.

OPERATING POLICIES AND PROCEDURES:

Must have written policies and procedures covering key areas:

1. **Control environment** (code of ethics, conflicts of interest, importance of internal control).
2. **Financial statements** (monthly, quarterly, comparative to prior year and to budget, with short narrative of results and financial position).
3. **Budget reporting** (covering at least administrative expenses, approved by the BOD, compared to actual amounts periodically with explanations of large variances).
4. **Cash receipts** (segregation of duties, prompt depositing to bank).
5. **Accounts receivable** (periodic review, follow-up for collection if necessary).

OPERATING POLICIES AND PROCEDURES, (CONT'D):

6. **Purchasing/accounts payable/cash disbursements** (purchase requisitions signed by requestor, purpose of purchase clearly stated, ED's approval of the purchase, matching of vendor's invoice with purchase order and receiver, two check signers over a predetermined limit)
7. **Human resources / payroll** (Employee Handbook in effect, individual employee personnel files kept).
8. **Capital assets** (capitalize tangible items over specified amount, annual physical inventory, annual impairment analysis).
9. **Computer security** (keep all IT on VA system, limit access appropriately).
10. **Investments** (U.S. securities or U.S. insured only).

OPERATING POLICIES AND PROCEDURES, (CONT'D)

11. **Tax compliance** (Form 990 prepared annually and approved by each director prior to filing).
12. **Records retention.**
13. **IPA assignment agreements**
14. **Hiring and supervision of related parties**
15. **Residual project funds**
16. **Transfer of project funds out of the NPC**
17. **Whistleblower process and protection**

TIP: Model policies available from NPPO, just ask.

CASH DISBURSEMENTS:

- Proper business purpose
- Correct GL account distribution
- Adequate supporting documentation
 - Signed purchase requisition
 - Vendor's invoice, reviewed and approved
 - Receiver, signed and dated
- Three-way match of the above three documents
- Purchase requestor signed
- Proper approver signed
- **Note: Same as above for all credit or debit card purchases. Is there a daily limit for debit card purchases set at the bank?**

BANK RECONCILIATIONS:

- Prompt monthly preparation for each bank account, including investments accounts.
- Reconciliation agrees to bank statement.
- Ending reconciliation amount agrees to general ledger.
- Outstanding check list is attached to the reconciliation.
- Reconciling items are investigated and resolved.
- Reconciliation is signed by the preparer and an approver.
- Bank statements are mailed direct to a board member (smaller NPCs only).

MANDATORY TRAINING RECORDS FOR KEY EMPLOYEES AND DIRECTORS:

- One time initial training in internal controls (TMS Course, approx. 20 minutes)
- Initial training in conflicts of interest within 90 days of hire or appointment (TMS Course)
- Annual training in conflicts of interest (TMS Course)
- Approval letter signed by Supervisor and MCD SES for VA employees to serve on the board.

PAYROLL AND PERSONEL FILES:

- Pay rate approvals forms are signed and in personnel files.
- Copies of current WOC Appointment letters.
- Federal withholding authorizations, IRS Form W-4
- Current job description.
- Annual performance review.
- Signed Non-Disclosure Agreement (NDA) for each NPC employee
- Payroll reports including payroll register are reviewed and signed.

PAYROLL AND PERSONAL FILES, (CONT'D):

TIP:

Use organized compartmentalized file folders for personnel files.

IPA ASSIGNMENT AGREEMENTS:

Please Note :

NPPO will conduct more extensive auditing of IPA reimbursements for VA

- **Hard-to-hire scientific and technical personnel**
- **Employee hired 90 days before IPA commenced**
- **Term is no more than 24 months (can be renewed one time only for another 24 months)**
- **Correct salary and fringes amount billed promptly to VA**
- **IPA form is filled – out completely and signed and dated.**

CASH RECEIPTS:

- Unusual items
- IPA Assignments Agreement reimbursements from VA

CONCLUSION OF THE REVIEW:

- Auditors will discuss findings and recommendations with you as they go along.
- Auditors will draft a Review Report and ask you to review it for accuracy.
- Auditors will meet with the ORD managers by phone, VAMC Director, other Statutory Directors, all other Board Members and Executive Directors
- After the on-site reviews are completed, the NPCs will be given a 14-day window of opportunity to review findings and respond with any clarifications or disputes with the findings.

CONCLUSION OF THE REVIEW, (CONT'D):

Additional information may be provided to NPPO before the Review Report is finalized.

- Following the 14-day appeals period, NPPO will finalize the Review Report and email it to the Medical Center Director with courtesy copies to the Executive Director and all others who attended the exit meeting.
- The NPC will have 45 days to provide the NPPO with a written corrective action plan for required actions.

Review Reports should be emailed back to Kim Collins, Director.

BEST PRACTICES

Be prepared for the review:

- Read the Notice Letter carefully
- Know some of your key metrics
 - Year-to-date revenues
 - Year-to-date net gain or loss
 - Number of employees
 - Gross payroll \$
 - Number of PI's
 - Number of projects administered
 - Number of IPA's and CRADA's
- Know your own policies and procedures (re-read if necessary).
- Have your financial statements ready and up-to-date

Make your review successful by:

- Being fully prepared for the Review.
- Keeping an open mind and **being positive**.
- Understanding that the sole objectives of the review are to improve your operations and improve your internal controls which are both in your own best interests.
- Realizing that VA and NPPO need you to be successful and want to help you be a great success!
- Please call Kim Collins (202-731-6973) or Allan Krehbiel (202-680-0086) if you have any questions or concerns

Binder Preparations

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Recommended Organizational Binders

- Payroll
- Board Meeting Minutes
- Policy and Procedures
- IPA Assignment Agreements
- CRADAs
- Banking Reconciliations (includes banking and investments accounts)

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26	Transfer of project funds out of the NPC



27	Whistleblower Process and Procedures
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Pre-Audit Success Tips

- Set expectations for the board in advance so they know what to expect from the auditors, and what your expected outcome is.

Audit Success Tips

- Identify upfront any known deficiencies and let the auditors know what corrections are either considered or implemented. (this is part of being honest)
- Ask questions or ask for guidance in areas that you may need help or want improvement.

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Post – Audit Tips

- Review current processes and procedures and consider revisions:
 - a) Make sure current processes and procedures are consistent with audit needs to minimize work immediately prior to the audit
 - b) Make processes work with what will be needed in future audits: ex: keep all meeting minutes in a binder and ready to be handed over at any time. Keep bank accounts reconciliations similarly stored, etc.

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Post – Audit Tips, cont'd.

c) Keep audit recommendations and implemented solutions handy so future policy/procedure changes can be checked against audit recommendations.

- Remember, these are “recommendations” and all responses/proposed changes need to work for your organization.

**ANY
QUESTIONS?**

Thank you for attending
the
Ready, Set, NPPO Session

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