



U.S. Department
of Veterans Affairs

NPPO On-Site Reviews

Presented by:

Jeteseya Dennis, Executive Director
Augusta Biomedical Research Corporation

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).

Three year cycle for reviews:

- All NPCs are reviewed within a three year window
- Reviews are always scheduled in advance
- Scheduled reviews are confirmed with the Executive Director by an emailed Notice Letter well in advance of the review date
- Reviews usually take a day and half
- Normally, two or more auditors will do the review

Notice 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 the Medical Center Director and the other statutory directors for an exit meeting at the end of the Review.
- Office or conference room space for the auditors.
- Laptop connectivity.
- Parking for one rental car.
- Refreshments

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.
- 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
- Attorney approvals of CRADAs
- Payroll
- IPA assignment agreements
- **Note: Review content may change somewhat over 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.**

Other important policies:

- IPA assignment agreements
- Hiring and supervision of related parties
- Residual project funds
- Transfer of project funds out of NPC
- 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:

- Monthly bank reconciliation prepared for each bank account, including investments amounts and 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.

Payroll:

- Pay rate approval form is signed and in personnel file.
- Copy of current WOC letter.
- Withholding authorizations.
- Current job description.
- Annual performance review.
- Payroll reports including payroll register are reviewed and signed.

Tip: Use organized compartmentalized file folders for personnel files.

IPA assignment agreements:

- For 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.
- Form is filled-out completely and signed and dated.

Tip: Obtain and use the NPPO PowerPoint presentation on correctly filling-out the form.

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 MCD and other statutory directors for a brief exit meeting (usually about 20 min.)
- Draft Review Report will be read and approved by ORD in Washington, DC.
- You will have 45 days to respond to the Review Report by email back to Kim Collins.

How are we doing?

- In the second round of triennial reviews (fiscal 2014 through 2016), there is a **91%** success rate.
- The success rate is the number of previous recommendations that were subsequently implemented.
- No medium or large-size NPC's have gone out of business in the past five years.
- Yes, there have been some instances of fraud, waste, and abuse, but these are very few and far between.

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



BEST PRACTICES

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

Augusta Biomedical Research Corporation

Table of Contents



1	Operations Oversight Questionnaire	27
2	Internal Controls Questionnaire	28
3	Most Recent Audited or Unaudited Financial Statements and IRS 990 Form (2015)	29
4	Individual Project Accounts and Statements Prepared for the Principal Investigators	30
5	Minutes of all Board Meetings for the Past Year	31
6	Operating Policies and Procedures	32
7	Cash Disbursements - Log Sheet	33
8	Credit Card Purchases - Log Sheet	34
9	Attorney Approvals of CRADAs	35
10	IPA Assignment Agreements Documents	36
11	Residual Research Funds Policy	37
12	General Policy Statement	38
13	Policy to Establish ABRC Accounts	39
14	Records Retention and Document Destruction Policy	40
15	Support for Meeting and Conference Policy	41
16	Subscriptions and Dues Policy	42
17	Overhead Policy	43
18	ABRC Equipment Policy	44
19	Conflict of Interest Policy and Procedures	45
20	Employee Information Statement Policies	46
21	Whistleblower Policy	47
22	Cash Disbursements (Refer to actual files)	48
23	Bank Reconciliations (Refer to actual files)	49
24	Payroll (Refer to personnel files)	50
25	IPA Assignment Agreements (Refer to actual files)	51
26	Capital Assets	52

Veterans Education & Research Association of Northern New England

2017

NPPO Audit Preparation Checklist

[VERANNE]

- Confirm audit date/time with NPPO Office
- Review the NPPO Onsite Review PowerPoint presentation
- Reserve office space with VA access, WiFi or two Ethernet cables for two auditors and one parking space
- Review the prior NPPO audit recommendations and confirm resolution
- Review updated Handbook-i.e. Non-disclosure policy
- Include any new policies or revisions and prior NPPO recommendation actions in the board meetings prior to the audit
- Add NPPO audit announcement at prior board meeting and in informational items
- Check all board member files for completion of documents-COI reaffirmations
- Set up meetings for the 30-minute NPPO board presentation for all board members on the afternoon of Day 1 or before 1pm on Day 2
- Set up a 20-minute exit meeting with ED and another exit meeting with the MCD, COS, ACOSE and ACOSR on Day 2
- Check all employee files for completion of documents
- I-9s should be filed in a separate file from employee files
- Set up weekly NPPO audit prep check-ins with NPC staff 2 month prior to audit
- Reconcile all monthly bank statements
- Prepare three binders: Policies, Bank Statements/Reconciliations, Master binder with NPC source documents
- Policy binder: Create Table of contents page. Be sure all policies are numbered and placed in order
- Bank Statement/Reconciliation notebook: All bank statements/reconciliations should be signed by the ED, CFO and Board Treasurer. Reconciliations should be attached to the corresponding statement. All documents should be double-sided.

Veterans Education & Research Association of Northern New England, cont'd.

- Master binder: file tabs should be added alphabetically to allow easy access to documents
 - Overview: Revenue, net income, # of employees, # of PIs, # of CRADAs and projects, annual gross payroll 990
 - Articles of incorporation
 - Bylaws
 - Annual Report-NPPO
 - Accounts payable report
 - Accounts Receivable report
 - Audit: audit of financial statements and independent auditors' report
 - Management letter
 - Balance Sheet report
 - Board composition
 - Board elections
 - Board minutes
 - COI signed forms
 - CRADA approvals: insert OGC approval letters
 - CRADA FY report/Registry list
 - Credit card: confirmation of daily purchasing limit
 - Director approval of board members
 - Director approval of ED
 - Donor acknowledgement letters
 - Fixed asset inventory list
 - Fiscal year budget: approved by board
 - FWA/TRB MOUs
 - IPAs
 - JPAs
 - MOUs
 - Multi-NPC documents
 - NPPO recommendation response
 - Organizational chart
 - Payroll report-annual gross wages by employee
 - Profit and Loss report
 - PI/accountholder financial reports
 - Questionnaires
 - R&D/Education project approvals
 - State tax exemptions
 - Strategic plan
 - WOCs: signed WOC letters
- Add ED and CFO business cards to Master binder for phone extension contact information
- Any/all recommendations from the audit report will be forwarded to the ED in a review report. Send responses to the recommendations within 45 days of the report.

[A few Examples...]

Master Binder Overview Page:

- Revenue
- Net income
- Number of employees
- Annual gross payroll
- Number of PIs
- Number of CRADAs and projects

2016

[VERANNE]

Overview

Year-to-Date Income	\$1,263,839
Year-to-Date Net Income	\$258,720
Number of Employees	8
Gross Payroll	\$379,436
Number of Research Principal Investigators	18
Number of Education Investigators	4
Number of Projects Administered	32
Number of Active CRADAs	17
Number of IPAs	0



QUESTIONS

?



Thank you for attending
the
NPPO Audit Preparation Session

Jeteseya Dennis
Executive Director
Augusta Biomedical Research Corporation
Jeteseya.Dennis@va.gov
(706) 733-0188 ext. 2989