



# The P.E.A.R.L.S of Auditing: Navigating NPPO

Jeteseya K. Dennis; Executive Director, Augusta Biomedical Research Corporation

Derwood (Woody) Haskell, NAVREF General Counsel



# Follow-up Presentation

Preparing For The NPPPO Audit

Webinar

July 2022



NAVREF's  
General Legal Counsel

Derwood (Woody) Haskell

# 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)

# Scope of NPPO On-Site Audits:

- The Scope of the NPPO On-Site Audits are defined by the below short, simple documents:
  - VHA Handbook 1200.17
  - NPPO Internal Controls Questionnaire (ICQ) a/k/a NPPO's Self-Assessment of Internal Controls, including new provisions for Financial Officers and new provisions for IPA reimbursement billing to the VAMCs
  - NPPO Onsite Reviews Checklist
  - Notification Letter

# What is VA's Legal Authority to Regulate and Oversee the NPCs?

1. VA has statutory authority to oversee the NPCs, but VA's authority is limited. 38 U.S.C. §§ 7361-66.

The law states:

- ▶ §7361(c). Any corporation established under this subchapter shall be established in accordance with the nonprofit corporation laws of the State in which the applicable Department medical center is located and shall, to the extent not inconsistent with any Federal law, be subject to the laws of such State.
- ▶ §7361(d)(1). A corporation under this subchapter is not-
  - (A) owned or controlled by the United States; or
  - (B) an agency or instrumentality of the United States.

# What is VA's Legal Authority to Regulate and Oversee the NPCs?

## ► §7366. Accountability and oversight

(a)(1)(A) The records of a corporation established under this subchapter shall be available to the Secretary.

► §7366(b)(1). Each such corporation shall submit to the Secretary each year a report providing a detailed statement of the operations, activities, and accomplishments of the corporation during that year.



# What is VA's Legal Authority to Regulate and Oversee the NPCs?

➤ (2)(A) A corporation with revenues in excess of \$500,000 for any year shall obtain an audit of the corporation for that year.

(B) A corporation with annual revenues between \$100,000 and \$500,000 shall obtain an independent audit of the corporation at least once every three years.

(C) Any audit under this paragraph shall be performed by an independent auditor.

# What is VA's Legal Authority to Regulate and Oversee the NPCs?

- (3) The corporation shall include in each report to the Secretary under paragraph (1) the following:
  - (A) the most recent audit of the corporation under paragraph (2).
  - (B) The most recent Internal Revenue Service Form 990 “Return of Organization Exempt from Income Tax” or equivalent and the applicable schedules under such form.
  - (C) Each director, officer and employee of a corporation established under this subchapter shall be subject to a conflict-of-interest policy adopted by that corporation.



# What is VA's Legal Authority to Regulate and Oversee the NPCs?

Contact NAVREF's General Counsel if you have a question about the scope of VA's authority.



# Audience Participation

- ▶ Share NPPO's Audit Review Experiences
- ▶ Best Practices
- ▶ Questions

# Source documents examined

- ▶ Operating policies and procedures
- ▶ Cash disbursements
- ▶ Adequate Supporting Documentation
- ▶ Credit card purchases
- ▶ Bank reconciliations
- ▶ Mandatory training records for key employees and directors
- ▶ Payroll and personnel files
- ▶ IPA assignment agreements
- ▶ Cash receipts
- ▶ Board Meeting Minutes
- ▶ NPC Annual Report
- ▶ Project accounts, Administrative Accounts, Statements prepared for P.I.s and management
- ▶ CRADAs
- ▶ Recent Audits or unaudited financial statement

**Note: Review content may change somewhat over time.**

# 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.

# IPA ASSIGNMENT AGREEMENTS:

**Please Note :**

**NPPO will conduct more extensive auditing of IPA reimbursements for VA**

- ▶ Worksheet detailing fringe rate or fringe amount calculation used in billing to VA for IPA reimbursements
- ▶ Tungsten invoices to VA for IPA reimbursements, along with supporting documentation, worked hours
- ▶ VAMC's Research Department reviews and approves the hours worked and the Tungsten invoices being submitted to VA for IPA reimbursements
- ▶ IPA reimbursements must be for salaries and fringes only, no handling or processing charges

# CONCLUSION OF THE REVIEW:

- ▶ Auditors will discuss findings and recommendations
- ▶ 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.
- Corrective action plan responses should be included.



# What To Do After the Audit?

- How to respond to “valid” findings?
- How to “dispute” findings?



# Thank you

[Jeteseya.Dennis@va.gov](mailto:Jeteseya.Dennis@va.gov)

&

[dhaskell@navref.org](mailto:dhaskell@navref.org)