



MORE on Auditing and Monitoring for Grants

HCCA Research
Compliance Conference



Definition of Auditing

Auditing is a more systematic and structured approach to analyzing a control process. It is a formal review (performed by individual(s) independent of department) that usually includes planning, identifying risk areas, assessing internal controls, sampling of data, testing of processes, validating information, and formally communicating recommendations and corrective action measures to both management and the Board.

- From A&M Workgroup
- Healthcare Compliance Association
- Association of Healthcare Internal Auditors



Definition of Monitoring

Monitoring is a process involving ongoing “checking” and “measuring” to ensure quality control. The process of monitoring is generally less structured than auditing and is typically performed by departmental staff. Monitoring involves daily, weekly, or other periodic spot checks to verify that essential functions are being adequately performed and that processes are working effectively. The process of monitoring can indicate need for a more detailed audit.

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What is a Subject Matter Expert? – Six Sigma

A **Subject Matter Expert** is that individual who exhibits the highest level of expertise in performing a specialized job, task, or skill within the organization.



What is self-taught? - Webster

self-taught

Pronunciation: 'self-'tot

1 : having knowledge or skills acquired by one's own efforts without formal instruction <a *self-taught* musician>

2 : learned by oneself <*self-taught* knowledge>



Seven Component Framework for Compliance Auditing and Monitoring

Perform a risk assessment and determine level of risk.

Understand laws and regulations governing those areas to be monitored and possibly audited.

Obtain and/or establish policies for specific issues and areas, define accountability in the policy, and develop procedures to support policies.

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Seven Component Framework (continued)

Educate on policies and procedures and communicate awareness of key requirements.

Monitor compliance with laws, JCAHO, and organization's policies and procedures.

Audit highest risk areas.

Re-educate staff on the law, policies and procedures, issues identified in the audit, and corrective actions planned or taken.

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Agenda

Grant audit selection methods

Specific direct cost audits


*Department of Health & Human Services Office of
Inspector General Annual Work Plan*

*Draft OIG Compliance Program Guidance for
Recipients of PHS Research Awards—3 Risk Areas
(November 2005)*

Personnel costs audits

Is there an Effort Reporting Tool?

Grant close out audits



12 Grant Audit Selection Methods

Type A Programs on Single Audit Report (Federal Catalog Federal Domestic Assistance category expenses greater than threshold)

Findings on Single Audit Report—any findings or questioned costs related to Federal awards?

Grants with significant equipment purchases

Grants with any computer purchases—Is the computer dedicated to the grant or for employee's general use?

Grants with significant under-spending (See May 2005 US Justice Dept settlement of \$6.5 million)



12 Grant Audit Selection Methods (continued)

Grants with subcontracts (See January 2005 OIG audit-- \$195 thousand recovered and February 2006 OIG audits \$194 and \$56 thousand recovered)

Grants with significant re-budgeting—occurs when expenditures in a single direct cost budget category increase from level established for budget period by more than 25% of total cost awarded. If identified, determined if NIH approval was obtained.

Grants with significant variations of actual expenses from budget expenses



12 Grant Audit Selection Methods (continued)

Grants with patient care costs—Determine if your Investigator's Handbook includes policy about segregating charges to be recorded to grant from charges to be billed to insurance. Determine if there is a process to identify Medicare Coverage in the Clinical Trial Budget (see Fall 2005 article in Journal of Health Law Volume 38, No. 4).

Grants with actual fringe benefits rate which differ from negotiated rate



12 Grant Audit Selection Methods (continued)

Grant cost transfers (see June 2006 OIG audit—no cost recovery, just improve procedures). Does your financial system provide for activity only entries? Transfers of cost from one project to another or budget year to next solely to cover cost overruns are not allowable. Transfers must be supported by documentation that fully explains how error occurred and a certification of the correctness of new charge.

Grants with cost sharing (see March 2006 OIG audit--No recommendations—Can we learn from processes described in that report?)



8 Specific Direct Cost Audits

Graduate students' wages and tuition—must be within NIH salary cap. Maximum amount awarded by NIH for support of a graduate student on a research grant is tied to zero level National Research Service Award (NRSA) stipend at time the grant award is issued (currently \$36,996). Amount provided for compensation includes salary, fringe benefits, and tuition remission. You can rebudget up to first-year postdoc rate at your institution and still meet reasonableness test.

Graduate Medical Education (see May 2006 OIG audit of GME in one state--\$319,000 recovered; also reports on many other states)



8 Specific Direct Cost Audits (continued)

Animal care costs-- Per NIH Grants Policy Statement, “charges for use of facility should be determined in accordance with Cost Analysis and Rate Setting Manual for Animal Resource Facilities.”

Other internal usage fees or journal entries—Does rate represent direct costs with no profit? Was grant support excluded from rate calculation? Is cost allocation related to specific activities supported by sponsored project?

Benefit expenses are properly allocable to negotiated benefit grant rate (generally represent expenses applicable to all employees or classes of employees)



8 Specific Direct Cost Audits (continued)

Make sure costs are allowable per grant policy

Travel—unless specified in grant award, only for personnel paid from grant during time of travel. Purpose for travel charges should match activities supported by sponsored project. Lowest reasonable commercial airfare must be used.

Equipment—determine whether equipment is related to specific activities supported by sponsored project. If not included in proposal budget, determine whether purchase required prior approval and if approval was received prior to purchase.



Direct Costs Relevant to Your Organization from Reviewing DHHS OIG Work Plan (FY2006)

- *Graduate Medical Education Payments*
- *Rebates Paid to Hospitals*
- *NIH—Level of Commitment*
- *Sub-recipient costs and monitoring*
- *University administrative and clerical salaries*
- *Cost transfers*



draft OIG Compliance Program Guidance for Recipients of PHS Research Awards – 3 Risk Areas

Time and Effort Reporting—be able to define institutional base salary for your organization—see NIH Guideline issued 8/4/05

Properly Allocating Charges to Award Projects—“a cost is allocable to a particular cost objective in accordance with relative benefits received or other equitable relationship”

Reporting Financial Support From Other Sources—beware of charging both award funds and Medicare and other health care insurers for performing same service



Personnel Costs Audits

Agree summary of salary expenses by individual to general ledger account; if amounts do not agree, ask Grant Accountant to reconcile.

Compare personnel data sheet to grant proposal budget. NIH prior approval may be required if there have been changes in key personnel or levels of effort of key personnel.

Review effort reports for all periods under review—ensure time interval of report matches NIH policy guidance.

Determine whether effort reports are appropriately signed—someone with first hand knowledge.

Determine if reports are completed and signed in timely manner.



There an Effort Reporting Tool?

Yes--Huron Consulting Group's ECRT--Effort Reporting Certification and Reporting Technology. Contact Greg Bedell at 312-880-3010 or via email at gbedell@huronconsultinggroup.com

ECRT requires certifier to enter their effort percentages, thus ensuring that they are not just “clicking the button.”

ECRT includes a notes field to track comments related to a specific statement

ECRT provides a department summary page so that authorized users can see who is responsible for a department (Effort Coordinator), who can certify, and grants based in the department

Certify My Effort

ECRT
Effort Certification and Reporting Technology

Home | Effort Administration | Effort Data | Effort Certification | Logout

Certify My Effort

Certifier Name: Mr. Tim Karolik
Title: Institution Effort Administrator
Department: School of Medicine
Email: karolik@westmonroepartners.com

Location: Main Campus
Appointment: 100%
Effort Coordinator: Greg T. Beckett
Certification Period: 02/01/2005 to 05/31/2005

To certify your effort, click each of the certify checkboxes, and then press the Certify button. Your certification statement needs to be certified and then approved for processing by your certification coordinator.

Awards	Payroll %	Cost Sharing %	Total Effort %	Certified Total %	Certify
Sponsored					
101-1000 Grant for Cancer Research	33.0	2.0	35.0	<input type="text" value="9"/>	<input type="checkbox"/>
300-4404 Grant for Heart Medicine Research	21.75	0.0	21.75	<input type="text" value="61"/>	<input type="checkbox"/>
Sponsored Totals:	54.75	2.0	56.75	70	
Non Sponsored					
201-1002 Holistic Medicine Research	46.0	-2.0	44.0	<input type="text" value="30"/>	<input type="checkbox"/>
Non Sponsored Totals:	46.0	-2.0	44.0	36.00	
Grand Totals:	100.75	0.0	100.75	100	<input type="checkbox"/>

Use the text field below to enter an effort note

My save note
My certify Note
EC unapprove note
My certify Note2

Effort Transaction History

ECRT allows the user to create a PDF version of the effort statement.

ECRT requires the certifier to enter their effort percentages, thus ensuring that they are not just "clicking the button."

ECRT includes a notes field to track comments related to an specific statement.



Grant Close Out Audits

Identify due dates for technical progress reports and financial reporting requirements.

Confirm that these submission requirements were made in a timely manner.

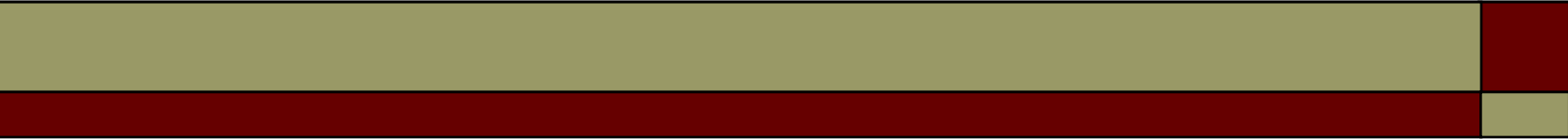
Ensure that financial report reconciles to accounting records.

Verify that reports are signed by appropriate personnel in a timely manner.

Was grant closed in a timely manner?



Questions?



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