

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AGENCY FOR HEALTHCARE
RESEARCH AND QUALITY:
MONITORING PATIENT SAFETY
GRANTS**



Daniel R. Levinson
Inspector General

June 2006
OEI-07-04-00460

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.



OBJECTIVE

To determine whether the Agency for Healthcare Research and Quality's (AHRQ) monitoring of Financial Status Reports, performance reports, and the grant closeout process for patient safety grants are in accordance with Federal requirements.

BACKGROUND

Congress enacted the Healthcare Research and Quality Act of 1999 (Public Law 106-129), which established AHRQ within the Department of Health and Human Services (HHS). Congress directed AHRQ to designate funds from its appropriation for grants to study patient safety in H.R. Rep. No. 106-645, at 102 (2000). For fiscal years (FY) 2001 through 2003, AHRQ awarded 120 grants totaling \$128 million to conduct research on improving patient safety and reducing medical errors. Federal regulations and departmental policies (e.g., Grant Policy Directives from the Office of Grants) govern HHS grants monitoring.

To determine AHRQ's compliance with patient safety grant requirements relating to Financial Status Reports, performance reports, and the closeout process, the Office of Inspector General (OIG) selected a stratified random sample from the population of 120 patient safety grants that were awarded in FYs 2001, 2002, and/or 2003. The sample consisted of 39 grants from 2 strata. Although OIG picked a sample randomly, the small sample and population sizes did not allow OIG to make any projections about the entire population of patient safety grants.

FINDINGS

Most Financial Status Reports were not received or were late. Of the grants sampled, 30 percent of Financial Status Reports were not received and 43 percent were late, representing a combined total of \$50.6 million in dispensed grant funds. When contacted 1 month later, AHRQ staff confirmed that the Financial Status Reports not found during the initial review of the official grant file still had not been received. The lack of reports received or received timely may be due to misinterpretation of Federal regulations addressing financial reporting associated with no-cost extensions, AHRQ staff not using enforcement

tools to help to ensure timely receipt of these reports, and the lack of a tracking system for these reports.

Performance reports generally complied with Federal requirements.

At the time of OIG's review of the official grant files, 97 percent of the most recently required annual performance reports were in the file, and 94 percent were received timely. AHRQ staff reported that the timely receipt of these reports may be due to frequent interaction between grantees and AHRQ staff concerning the grant's progress, and AHRQ's use of a tracking system to record receipt of these reports.

Federal requirements for grant closeouts were not met. Of the sampled grants, seven official grant files were eligible for closeout. Two of these grants were closed in accordance with Federal requirements. Three grants, however, lacked documentation of required closeout reports, liquidation of assets, and/or results of the final research. AHRQ staff did not complete the closeout process for the remaining two grants despite the fact that both grant files contained all required closeout documents.

AHRQ staff stated that the closeout of these grants was delayed due to a large backlog of grant files awaiting completion of the closeout process. Patient safety grants comprised only part of this overall backlog. Recently, AHRQ hired a contractor to assist in reducing this backlog and to assist in the collection of delinquent reports for closeout. AHRQ staff told OIG that the contractor's actions improved the efficiency of the closeout process and reduced the number of grants awaiting closeout.

RECOMMENDATIONS

The AHRQ practices inhibit its ability to adequately oversee and evaluate grantees' overall performance and its stewardship of Federal funds. While AHRQ appears to manage the receipt of performance reports well, other areas identified in this report reveal weaknesses that impact the accountability of patient safety grant funds.

Therefore, OIG recommends that AHRQ:

Require submission of interim financial information of prior year expenditures before future funding is authorized. The AHRQ methods for obtaining this information could include: semiannual Financial Status Reports, expansion of financial information currently

reported on the performance reports, or a separate process for accounting for financial expenditures.

Establish a tracking system for Financial Status Reports. AHRQ staff reported that the system for tracking performance reports was important to the timely receipt of performance reports. Thus, AHRQ should use lessons learned from this system while implementing a similar system for Financial Status Reports.

Require grantees with no-cost extensions to submit Financial Status Reports in compliance with Federal requirements. Clarification of this Federal requirement for AHRQ staff and grantees is needed to ensure compliance. Grantees with no-cost extensions must submit Financial Status Reports at least annually, unless they specifically request and receive an extension.

Ensure that grants awaiting closeout are closed promptly. AHRQ should continue to take positive steps to eliminate the backlog of grants awaiting closeout and to ensure that future closeouts are processed timely.

AGENCY COMMENTS

AHRQ responded that it agrees with the findings in the report and that the recommendations are reasonable. AHRQ indicated that the recommendations reinforce ongoing improvements begun subsequent to the FYs that we reviewed or support already envisioned activities. Specifically, AHRQ indicated that it (1) can pursue the use of the progress report to identify the status of prior year funds, (2) has begun development of a tracking system for Financial Status Reports, (3) will develop a procedure to ensure compliance with Federal regulations when grantees make use of no-cost extensions, and (4) has made progress in dropping closeout periods from 400 days to 114 days.

OFFICE OF INSPECTOR GENERAL RESPONSE

OIG recognizes the positive actions AHRQ has both taken or is planning to meet the intent of our second and third recommendations as well as the agency's progress toward compliance with closeout deadlines, our fourth recommendation. In its final management decision memorandum, OIG requests AHRQ to provide more specific information on how it intends to address the first and fourth recommendations. Regarding the first recommendation, AHRQ indicates that it can pursue the use of progress reports to gather financial information on prior-year

E X E C U T I V E S U M M A R Y

funds. Committing to do so or providing another method to obtain interim financial status information would address this recommendation. As for the fourth recommendation, despite significant progress in reducing its backlog, AHRQ remains out of compliance with the 90-day requirement for grants ending in 2005. AHRQ does anticipate “. . . continued improvement as grantees realize that AHRQ considers submission of final reports a priority.” AHRQ may want to provide the actions it will take if grantees fail to realize the priority it has placed on the submission of final reports.

▶ T A B L E O F C O N T E N T S

EXECUTIVE SUMMARY i

INTRODUCTION 1

FINDINGS 6

 Most Financial Status Reports were not received or were late. . . . 6

 Performance reports generally complied with Federal requirements 9

 Federal requirements for grant closeouts were not met 9

RECOMMENDATIONS 11

 Agency Comments. 11

 Office of Inspector General Response 12

APPENDIX 13

 Agency Comments. 13

ACKNOWLEDGMENTS 16

OBJECTIVE

To determine whether the Agency for Healthcare Research and Quality's (AHRQ) monitoring of Financial Status Reports, performance reports, and the grant closeout process for patient safety grants are in accordance with Federal requirements.

BACKGROUND

The Department of Health and Human Services (HHS) funds almost one-quarter of all Federal outlays and administers more grant dollars than all other Federal agencies combined.¹ The Office of Inspector General (OIG) identified grants management as one of the top management challenges for HHS. The OIG's mission is to ensure that Federal funds are used appropriately to maximize their intended purpose and that fraud, waste, and abuse, if present, are identified and eliminated.²

Congress enacted the Healthcare Research and Quality Act of 1999 (Public Law 106-129), which established AHRQ within HHS. Congress directed AHRQ to designate funds from its appropriation for grants to study patient safety.³ For fiscal years (FY) 2001 through 2003, AHRQ awarded 120 patient safety grants totaling \$128 million to conduct research on improving patient safety and reducing medical errors.⁴

Monitoring Requirements

Federal regulations and departmental policies (e.g., Grant Policy Directives (GPD) issued by the Office of Grants) govern HHS grants monitoring.⁵ AHRQ is required to collect and assess grantees' Financial Status Reports (Standard Forms 269 or 269A) and performance reports

¹ "HHS: What We Do." Available online at <http://www.hhs.gov/about/whatwedo.html/>. Accessed April 25, 2006.

² "FY 2005 Performance and Accountability Report," Appendix A. Available online at <http://www.hhs.gov/of/library/par05/pdfmenu/>. Accessed April 25, 2006.

³ H.R. Rep. No. 106-645, at 102 (2000).

⁴ AHRQ's Grants Management Officer furnished OIG an FY 2001-FY 2003 Summary of Patient Safety Grants in November 2004. This summary, which listed all patient safety grants, was used to select the sample.

⁵ See 45 CFR Part 74 (regulations establishing, in part, grant monitoring and reporting requirements for HHS grants to universities, nonprofit organizations, and hospitals); and the GPD Parts 3.01-3.07 (guidance to HHS offices on grants management issues, including requirements for postaward monitoring and reporting).

(both interim and final), and ensure that the grant closeout process has been completed. AHRQ may implement enforcement provisions, where appropriate, for grantees that do not comply with Federal regulations and/or departmental policies.⁶

Financial Monitoring. AHRQ staff use Financial Status Reports to monitor grantees' use of Federal funds. These reports must document the financial aspects of the grant including unobligated balances, assets, and outlays. A grantee's business office normally completes and submits the Financial Status Report to AHRQ.

Grantees must submit the Financial Status Report at least annually, although AHRQ can require more frequent reporting, as it deems necessary.⁷ Financial Status Reports submitted annually must be received no later than 90 calendar days after each specified reporting period; however, AHRQ may approve a request from the grantee for an extension of the due date.⁸ Departmental policy requires AHRQ to take timely action to advise grantees of noncompliance, including late submission of a Financial Status Report, and to take appropriate enforcement actions.⁹

Performance Monitoring. The performance report contains information regarding the accomplishments of the grant. The performance report must generally include a narrative discussion of the grantee's progress toward achieving the grant's goals and objectives.¹⁰ The Principal Investigator, generally a grantee employee, has primary responsibility for ensuring compliance with all grant requirements, including completion of the performance report.

Grantees must submit the performance report at least annually, although AHRQ can require more frequent reporting, as it deems necessary. Performance reports submitted annually must be received no later than 90 calendar days after the end of the specified reporting

⁶ 45 CFR § 74.62(a).

⁷ 45 CFR § 74.52(a)(1)(iii).

⁸ 45 CFR § 74.52(a)(1)(iv). If quarterly or semiannual reporting periods are used, the reports are due no later than 30 days after each reporting period.

⁹ GPD Part 3.07.B.5.

¹⁰ 45 CFR § 74.51(d).

period.¹¹ AHRQ has the responsibility to initiate appropriate follow-up action, as necessary, on delinquent reports.¹²

Grant Closeout Procedures. AHRQ must ensure through its grant closeout procedures that the grantee has completed and submitted all work outlined in the terms and conditions of the grant. Unless AHRQ authorizes an extension, the grantee is required to liquidate all obligations incurred no later than 90 calendar days after the funding period or the date of completion of the award.¹³ Further, Federal regulations require that a grantee must submit a final Financial Status Report, a final performance report, and all other reports specified in the terms and conditions of the grant no later than 90 calendar days after the date of completion of the award.¹⁴ The grantee can request extension of the final performance report and/or the final Financial Status Report that is due as part of the grant closeout process.¹⁵ Federal regulations do not specify the type of notification (written or verbal) that grantees must make when requesting an extension to closeout their grant.

The final performance report indicates accomplishments under the project and whether the research objectives were met or gives an explanation of why they were not. Once accepted by the Project Officer, an AHRQ employee, results from the final performance report are then made available to the public. The Financial Status Report also must be reconciled. The Grants Management Officer remains responsible for the closeout of the grant until all requirements of the terms and conditions are fulfilled, all reports have been received and accepted, and the account is closed.¹⁶

¹¹ 45 CFR § 74.51(b). Alternatively, AHRQ may establish a due date based on the anniversary dates of multiple year awards. If quarterly or semiannual reporting periods are used, the reports are due no later than 30 days after each reporting period.

¹² 45 CFR § 74.62(a) and GPD Part 1.04D.1.i.

¹³ 45 CFR § 74.71(b).

¹⁴ 45 CFR § 74.71(a).

¹⁵ 45 CFR § 74.71(a). AHRQ may approve extensions of closeout reports when the grantee requests such an extension.

¹⁶ 45 CFR § 74.71 and GPD Part 1.04D.1.i.

No-Cost Extensions

A no-cost extension is a written notice by the grantee to AHRQ to initiate an extension of the period of the grant award.¹⁷ Such extensions do not modify or eliminate Federal reporting requirements for Financial Status Reports or performance reports. If a grantee wants an extension for the Financial Status Report, the grantee must make a specific request to AHRQ, and AHRQ must approve the request.¹⁸

METHODOLOGY

OIG selected a stratified random sample from the population of 120 patient safety grants that received funding in FYs 2001, 2002, and/or 2003. The sample consisted of 39 grants from 2 strata.

The first stratum consisted of 12 grants that received patient safety grant funding in FYs 2001, 2002, and/or 2003 and that AHRQ identified as being complex or requiring additional administrative efforts.¹⁹

The second stratum consisted of the remaining 108 grants that received patient safety grant funding in FYs 2001, 2002, and/or 2003. Grants were sorted in descending order by the total grant dollars received in the 3 FYs. To obtain a sample with varying amounts of total grant dollars received, 27 grants were selected by a systematic process in which OIG chose every fourth grant in the list. Although OIG picked a sample randomly, due to the small sample and population sizes, this sample was not designed to make any projections about the entire population of patient safety grants.

Grant File Review

OIG developed a checklist based on Federal requirements to review AHRQ's official grant files for the 39 sampled grants. This file review determined whether Financial Status Reports, performance reports, and grant closeouts complied with Federal regulations and departmental

¹⁷ 45 CFR § 74.25(d)(2).

¹⁸ 45 CFR § 74.52(a)(1)(iv).

¹⁹ AHRQ defined complex grants as those with (a) projects involving carryover of funds in multiple years, (b) supplemental awards issued during the project, and (c) multiple subcontractors. AHRQ defined grants requiring additional administrative efforts as those (a) with habitually large unobligated balances and (b) that repeatedly requested carryover funds for the next awarding period.

policies.²⁰ Specifically, OIG determined whether Financial Status Reports were complete and timely, and whether these reports documented the status of funds. Further, OIG determined whether performance reports were complete and timely, and documented (1) accomplishments of the grant goals, (2) objectives of research findings, (3) circumstances when grant goals were not met, and (4) developments that had a significant impact on the award-supported activities.

OIG reviewed file documentation for seven of the sampled grants identified by AHRQ as eligible for closeout to assess whether AHRQ had taken appropriate administrative actions to closeout official grant files. Where applicable, OIG looked for evidence of AHRQ's enforcement actions for grantees not in compliance with Federal regulations and departmental policies.

Interviews

Upon completion of the review of the official grant files, OIG used a structured survey to request additional information from AHRQ staff (i.e., Project Officers, Grants Management Specialists, and the Grants Management Officer) about the processes used to monitor these grants. OIG interviewed 17 of 19 Project Officers,²¹ the 7 Grants Management Specialists, and the Grants Management Officer who were involved in monitoring the sampled patient safety grants. In addition, when the official grant file did not contain the required documentation, OIG contacted the responsible AHRQ staff to (1) verify that the documentation had not been misfiled, (2) determine if documentation was received after OIG's data collection occurred, and (3) identify and clarify the enforcement actions, if any, AHRQ took to obtain delinquent reports.

Standards

This study was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

²⁰ OIG used criteria contained in 45 CFR §§ 74.51, 74.52, and 74.71 to establish whether AHRQ appropriately closed the official grant file.

²¹ One Project Officer was unavailable due to a lengthy illness. The other Project Officer had left AHRQ's employment prior to the start of this study.

Most Financial Status Reports were not received or were late

All of the grants in the sample used annual reporting periods, and 45 CFR § 74.52(a)(1)(iv) requires

grantees to submit completed Financial Status Reports no later than 90 calendar days after the end of each annual reporting period.

The Financial Status Report is necessary for monitoring grantees’ financial obligations as they relate to the terms and conditions of the grants. AHRQ staff use this report to assess expenditures that were charged against the grants and to determine if grantees have obligated these funds. This report is also useful in measuring how grantees are expending funds and whether such spending is in the amount and at the pace anticipated for the projects.

Thirty percent of the Financial Status Reports were not received

Of the 90 Financial Status Reports in the sample population that were required to be in the official grant file for FY 2001 through FY 2003,²²

Table 1: Financial Status Reports Not in File and Associated Dollars		
Year	Not in File	Dollars
FY 2001	0	\$0
FY 2002	2	\$2,255,454
FY 2003	25	\$19,299,625
Total	27	\$21,555,079

OIG identified 27 instances in which these reports were not in the file. When OIG made a follow-up request 1 month later, AHRQ staff

confirmed that these reports still had not been received. These grants represented \$21.5 million in awards that lacked a formal accounting and review of the grantees’ financial expenditures (Table 1). The two grants that lacked Financial Status Reports in FY 2002 also lacked these reports for FY 2003. As a result, there is no evidence that AHRQ reviewed Financial Status Reports for these grants during that 2-year period.

²² Not all grants spanned the period of OIG review, FY 2001 through FY 2003. Some grants were only 1-year or 2-year grants.

F I N D I N G S

OIG found that for the 12 grants that AHRQ identified as either being complex or requiring additional administrative efforts:²³

- o in FY 2001, all Financial Status Reports were in the file;
- o in FY 2002, 2 Financial Status Reports were not received; and
- o in FY 2003, 9 Financial Status Reports were not received.

Despite AHRQ’s acknowledgment that these grants were complex or required additional administrative efforts, the Financial Status Reports for these grants comprised 11 of the 27 reports that were not received.

Additionally, 43 percent of Financial Status Reports were not timely

OIG identified 39 instances over the 3-year period in which Financial Status Reports were not received timely. These grants represented \$29 million in awards that AHRQ reviewed later than it would have, provided the grantee had submitted the Financial Status Report as Federal regulations require (Table 2).

Table 2: Late Financial Status Reports

Financial Status Report - Days Past Due and Associated Dollars								
Year	1-30	31-60	61-90	91-180	181-365	>365	Total	Dollars
FY 2001	2	3	0	1	7	2	15	\$14,232,043
FY 2002	2	3	0	6	6	2	19	\$12,298,535
FY 2003	1	2	0	1	1	0	5	\$2,562,138
Total	5	8	0	8	14	4	39	\$29,092,716

Source: Office of Inspector General analysis of official grant files, 2005.

The combined dollars for reports that were not received or were late over the 3-year review period totaled \$50.6 million.²⁴ AHRQ’s Grants Management Officer stated that AHRQ currently lacks a system to track the receipt of Financial Status Reports.

²³ Due to a late start date for one grant and a 1-year suspension for another grant, 11 grants had Financial Status Reports due in FY 2001 and FY 2002, while all 12 grants had Financial Status Reports due in FY 2003.

²⁴ Of the 90 Financial Status Reports OIG expected to find in the review, OIG found that 24 were received timely, 27 were not received, and 39 were received late. Of the reports reviewed, all were complete and notations contained within the official grant file indicated that AHRQ staff reviewed the Financial Status Reports and compared the expenditures listed against the funding approved for the grant.

Misinterpretation of no-cost extensions may contribute to late Financial Status Reports

Twenty of the twenty-five Financial Status Reports not received for FY 2003 involved grants with no-cost extensions. AHRQ staff informed OIG of their belief that a no-cost extension also extended the due date for the Financial Status Report. While regulations in 45 CFR § 74.25(d)(2) allow grantees to initiate a no-cost extension up to 12 months prior to the expiration date of the award, grantees must continue to comply with the reporting requirements specified in 45 CFR § 74.52(a)(1), unless they also request an extension of the Financial Status Report. OIG found no evidence of such requests during the review.

Grants Management Specialists offered additional explanations for late reports

Several Grants Management Specialists with whom OIG spoke noted that grantees might be confused about AHRQ's reporting requirements. This confusion may be due to their involvement with other HHS awarding agencies that conduct similar research grants, but have different reporting procedures. For example, many of these agencies use electronic systems to collect Financial Status Reports, whereas AHRQ requires a paper format. As a result, grantees may be uncertain about the reporting process used for a particular grant. One specialist stated that there is often a lack of communication between the Principal Investigator and business office on how the reports are to be submitted. AHRQ's reporting requirements specify that the terms and conditions of the grant may go to the Principal Investigator; however, two specialists told OIG that reporting requirements are not always shared with the grantee's business office, which is normally responsible for completing and submitting the Financial Status Report.

Enforcement tools were not used to ensure timely receipt of Financial Status Reports

AHRQ staff informed OIG that they have used enforcement actions for grantees that did not submit their Financial Status Reports, but to little effect. However, for the grant files OIG reviewed, AHRQ did not use the authorities provided in Federal regulation and departmental policies (e.g., disallowance of funds) to obtain the delinquent Financial Status Reports.²⁵ Only 2 of the 27 official grant files without Financial Status

²⁵ 45 CFR § 74.62(a) and GPD Part 3.06.B.4.d.

F I N D I N G S

Reports contained documentation of AHRQ's requests for the reports (e.g., electronic mail or telephone calls), which are not enforcement actions.

Performance reports generally complied with Federal requirements

At the time of OIG's review of the official grant files, 97 percent of the most recently

required annual performance reports were in the file, and 94 percent were received timely, including all 12 grants that AHRQ identified as either being complex or requiring additional administrative efforts. OIG found that all but one of these performance reports documented the accomplishments of the grant's goals, objectives, research findings, and the reasons particular goals (if any) were not met.

AHRQ attributed the timely receipt of performance reports to the professional relationship between Project Officers and Principal Investigators, involving frequent communication to monitor the overall progress of the grant. AHRQ staff stated that during these communications, the Principal Investigator is informed or reminded that performance reports must be received before authorization of the next year's funding. In addition, AHRQ has in place a system to track the receipt of these reports, which also contributes to the successful timely receipt of these reports.

Federal requirements for grant closeouts were not met

Grantees must submit all required reports within 90 calendar days after

completion of the grant pursuant to Federal regulation 45 CFR § 74.71(a). Seven of the thirty-nine sampled grants were eligible for closeout. Two of the seven grants were closed in accordance with Federal requirements. Three grants lacked documentation of required closeout reports, liquidation of assets, and/or results of the final research. The remaining two grant files contained all required grant closeout documents; however, AHRQ staff had not completed the closeout process.

AHRQ staff stated that the closeout of these grants was delayed due to a large backlog of grant files awaiting completion of the closeout process. Patient safety grants comprised only part of this overall backlog. Recently, AHRQ hired a contractor to assist in reducing this backlog and to assist in the collection of delinquent reports for closeout.

F I N D I N G S

AHRQ staff told OIG that the contractor's actions improved the efficiency of the closeout process and reduced the number of grants awaiting closeout. The lack of timely closeout inhibits AHRQ's ability to provide prompt payments to grantees for allowable reimbursable costs and to ensure grantees promptly refund any balances of unobligated funds that have been advanced or paid, as Federal regulations require.²⁶

Available enforcement actions are not always used

For the grants reviewed, AHRQ staff stated they did not always use available enforcement actions to achieve grantee compliance with Federal and departmental closeout requirements. Many of the enforcement tools (e.g., disallowance of funds) identified in the terms and conditions of awards and in Federal regulation are ineffective at the closeout stage of the grant because all grant payments have been made.

²⁶ 45 CFR § 74.71.

RECOMMENDATIONS

The AHRQ practices inhibit its ability to adequately oversee and evaluate grantees' overall performance and its stewardship of Federal funds. While AHRQ appears to manage the receipt of performance reports well, other areas identified in this report reveal weaknesses that impact the accountability of patient safety grant funds.

Therefore, OIG recommends that AHRQ:

Require submission of interim financial information of prior year expenditures before future funding is authorized. The AHRQ methods for obtaining this information could include: semiannual Financial Status Reports, expansion of financial information currently reported on the performance reports, or a separate process for accounting for financial expenditures.

Establish a tracking system for Financial Status Reports. AHRQ staff reported that the system for tracking performance reports was important to the timely receipt of performance reports. Thus, AHRQ should use lessons learned from this system while implementing a similar system for Financial Status Reports.

Require grantees with no-cost extensions to submit Financial Status Reports in compliance with Federal requirements. Clarification of this Federal requirement for AHRQ staff and grantees is needed to ensure compliance. Grantees with no-cost extensions must submit Financial Status Reports at least annually, unless they specifically request and receive an extension.

Ensure that grants awaiting closeout are closed promptly. AHRQ should continue to take positive steps to eliminate the backlog of grants awaiting closeout and to ensure that future closeouts are processed timely.

AGENCY COMMENTS

AHRQ responded that it agrees with the findings in the report and that the recommendations are reasonable. AHRQ indicated that the recommendations reinforce ongoing improvements begun subsequent to the FYs that we reviewed or support already envisioned activities. Specifically, AHRQ indicated that it (1) can pursue the use of the progress report to identify the status of prior year funds, (2) has begun development of a tracking system for Financial Status Reports, (3) will develop a procedure to ensure compliance with Federal regulations

R E C O M M E N D A T I O N S

when grantees make use of no-cost extensions, and (4) has made progress in dropping closeout periods from 400 days to 114 days. The complete text of AHRQ comments can be found in the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

OIG recognizes the positive actions AHRQ has both taken or is planning to meet the intent of our second and third recommendations as well as the agency's progress toward compliance with closeout deadlines, our fourth recommendation. In its final management decision memorandum, OIG requests AHRQ to provide more specific information on how it intends to address the first and fourth recommendations. Regarding the first recommendation, AHRQ indicates that it can pursue the use of progress reports to gather financial information on prior-year funds. Committing to do so or providing another method to obtain interim financial status information would address this recommendation. As for the fourth recommendation, despite significant progress in reducing its backlog AHRQ remains out of compliance with the 90-day requirement for grants ending in 2005. AHRQ does anticipate ". . . continued improvement as grantees realize that AHRQ considers submission of final reports a priority." AHRQ may want to provide the actions it will take if grantees fail to realize the priority it has placed on the submission of final reports.

Agency for Healthcare Research and Quality Comments



DEPARTMENT OF HEALTH & HUMAN SERVICES

Agency for Healthcare Research and Quality

APR 12 2006

540 Gaither Road
Rockville MD 20850
www.ahrq.gov

RECEIVED
OFFICE OF INSPECTOR
GENERAL
2006 APR 19 PM 3:09

TO: Daniel R. Levinson
Inspector General
Department of Health and Human Services

FROM: Carolyn M. Clancy, M.D. *Carolyn M. Clancy M.D.*
Director

SUBJECT: Response to OIG Draft Report "Agency for Healthcare Research and Quality: Monitoring Patient Safety Grants," OEI-07-04-00460

On behalf of the Agency for Healthcare Research and Quality, I appreciate the efforts of your office in working with AHRQ to enhance the monitoring activities of the patient safety grants portfolio and, by extension, the entire research grant portfolio of the agency.

Postaward monitoring activities are intended to ensure that the funded grantee performs as intended and complies with terms and conditions of award. That function can be approached through performance as well as financial measurements, through the coordinated interaction of program and grants management staff at the awarding agency.

The OIG Draft Report highlights areas for improvement which address both of these aspects of postaward monitoring. It is of value as an objective view of our existing monitoring activities. Interestingly, the recommendations reinforce ongoing improvements begun subsequent to the fiscal years reviewed in the Draft Report or support already envisioned activities.

We agree with the findings in the Draft Report. The recommendations made in the Report to address these findings are reasonable ones.

Finding 1. Most Financial Status Reports (FSRs) were not received or were late

In multiyear funding situations, annual FSRs for a budget period are due/received after award of the subsequent year's funding. We have had no system for tracking these FSRs except its requirement for the award of funds for the budget period beginning subsequent to the due date of the FSR. Unfortunately, this does nothing to ensure that the FSR is submitted within 90 days of the end of budget period as required by regulations; it only ensures that, where future year funding is anticipated, the FSR is submitted within 12 months of the end of the budget period. Where no future year funding exists, the FSR would be identified as not received only at closeout.

Recommendation. Require submission of interim financial information of prior year expenditures before future funding is authorized.

Prior year spending is an indication of progress, and, as such, is one tool the awarding agency has when monitoring funded projects. Because the FSR from the ending budget year is unavailable at the time of the upcoming funding, other tools must be identified to determine the prior level of spending. Currently, the progress report, which must be submitted before future year funding occurs, includes the opportunity for grantees to describe

the status of prior year funds. The information can be more thoroughly pursued in order to accomplish the intent of this recommendation.

Recommendation. Establish a tracking system for Financial Status Reports

We have begun development of a database to track receipt of FSRs. When complete, this database will be able to aid identification of FSRs which are due, those that are delinquent, grantees that appear to have a systemic problem with noncompliance with FSR submission, and automatically communicate via email with grantees regarding the status of FSR submission (reminders). Our experience with grant closeout has indicated that grantees are much more likely to submit reports as required if they are promptly and systematically alerted to their responsibilities.

With time, we feel that use of the database and communication on a regular basis with grantees, will minimize the need for enforcement actions. That being said, the database will enable us to identify systemic problems with the ultimate consequence of withholding of funds for all grants to a specific grantee as well as taking action with regard to specific grants.

Recommendation. Require grantees with no-cost extensions to submit Financial Reports in compliance with Federal requirements.

No-cost extensions are acknowledged through a revised Notice of Award. AHRQ has several options before that Notice Award is processed in order to comply with regulatory requirements regarding FSR submission: 1) extend the due date of the Financial Status Report at the request of the grantee, 2) require an interim FSR before the Notice of Award is processed, or 3) determine that the 272 report provides "adequate information to meet its needs" (45 CFR 74.52(a)(i)).

AHRQ will develop a procedure to address the needs of the agency and ensure compliance with the regulations.

Finding 2. Performance reports as required are submitted in a timely fashion with sufficient information to allow Federal monitoring of the project

AHRQ staff will continue to thoroughly review submitted reports to ensure that progress is acceptable and monitoring responsibilities are fulfilled.

Finding 3. Grant closeout has not been in compliance with Federal requirements

Grant closeout is an integral part of the monitoring activities of AHRQ as well as a process through which the results of Federally funded projects are made available to the public. Therefore, an efficient, effective closeout process is important to the mission of the Agency. We have long recognized that this issue needs to be addressed, and several years ago began evaluating best practices to ensure compliance.

A database was created two years ago to track receipt of final reports and to allow us to send individualized reminders to grantee organizations and Principal Investigators of outstanding reports.

Recommendation. Ensure that grants awaiting closeout are closed promptly.

We have made enormous progress in addressing the backlog of grants in need of closeout, while, at the same time, helping to ensure that future grantees are in compliance with closeout requirements. For grants ending during fiscal year 2002, the average number of days to receive all final reports from grantees was 400 days after the project end, far exceeding the required 90 days. For those ending in 2005, that had dropped to 114 days. Likewise, the time from receipt of the last final report until the grant was closed out (processing, reconciling, and approving all reports by AHRQ staff) went from an average of 285 days to 39 days. We anticipate continued improvement as grantees realize that AHRQ considers submission of final reports a priority.

Results thus far indicate that compliance has improved to the extent that enforcement actions will not be necessary except on rare occasions.



A C K N O W L E D G M E N T S

This report was prepared under the direction of Brian T. Pattison, Regional Inspector General for Evaluation and Inspections in the Kansas City regional office, and Gina C. Maree, Deputy Regional Inspector General. Other principal Office of Evaluation and Inspections staff who contributed include:

Perry A. Seaton, *Team Leader*

Zula Crutchfield, *Project Leader*

Dennis Tharp, *Program Analyst*

Brian T. Whitley, *Program Analyst*

Alan Levine, *Program Specialist*

Elise Stein, *Director, Public Health and Human Services*

Technical Assistance

Barbara Tedesco, *Mathematical Statistician*