



CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

MEMORANDUM

TO: CPRIT GRANTEES
FROM: HEIDI MCCONNELL, CHIEF OPERATING OFFICER
SUBJECT: GUIDANCE ON THE SINGLE AND PROGRAM SPECIFIC AUDIT IN THE CPRIT *POLICIES AND PROCEDURES GUIDE*, AUDIT REQUIREMENT (SECTION N)
DATE: NOVEMBER 15, 2013

This communication provides updated audit methodology for grant recipients regarding the single and program specific audit requirements. The updated audit methodology for fiscal year 2013 has been added as Attachment 4 in the CPRIT Policies and Procedures Guide and is effective immediately for reports due beginning February 2014 or after.

Directions for addressing the requirement retroactively are also set forth below. Institutions should submit their completed program specific audits for fiscal years 2010, 2011, and 2012 and the related section of the appropriate Statewide Single Audit by June 30, 2014, to be considered compliant with all CPRIT grant contract terms.

Background

CPRIT requires grant recipients who expend \$500,000 of CPRIT grant funds or a combination of CPRIT and other state grant funds during the grant recipient's fiscal year to submit a program specific single audit. Previously, CPRIT accepted the Statewide Single Audit by state institutions of higher education to fulfill this requirement. However, the State Auditor's Office determined that submission of the Statewide Single Audit by CPRIT grant recipients did not comply with the audit requirement of the Uniform Grant Management Standards (UGMS) because the Statewide Single Audit does not include a review of state-funded grant awards, such as CPRIT grants.

Audit Methodology for Fiscal Year 2013

A grant recipient that expends \$500,000 of CPRIT grant funds or a combination of CPRIT and other state grant funds during the grant recipient's fiscal year must submit a program specific or single audit conducted by an independent auditor to CPRIT. The attached audit methodology clarifies and standardizes the items that should be addressed in the audit report. Audit costs are an allowable CPRIT direct grant expense.

Audits of State Institution Expenditures for Fiscal Years 2010, 2011, or 2012

To retroactively address the audit requirement for state institutions with expenditures of \$500,000 of CPRIT grant funds or a combination of CPRIT and other state grant funds during fiscal years 2010, 2011, or 2012, CPRIT will accept:

- Program specific audits conducted by the institution's internal audit department applying the attached audit methodology in conjunction with the appropriate Statewide Single Audit;
- Verification by the program specific audit that the institution applied the fiscal processes and controls audited in the Statewide Single Audit for fiscal years 2010, 2011, or 2012 to all of its active CPRIT grants during the same reporting period addressed by the related Statewide Single Audit; and
- Updates to any corrective action issues or deficiencies identified in the Statewide Single Audit that impact CPRIT grant awards.

Institutions must submit both the relevant section of the Statewide Single Audit for the appropriate time period and the related program specific audit as one document to meet the requirement. Submission of the combined document should be uploaded via CGMS as an ad hoc document for the appropriate project and year, and CGMS correspondence should be sent to Alfonso Royal notifying him of the audit submission. Separate submissions of the two documents will not be considered compliant. Do not provide a link to the State Auditor's Office website or upload the entire Statewide Single Audit.

If you have any questions, please contact Heidi McConnell or Alfonso Royal at (512) 463-3190.

Single or Program Specific Audit Methodology for CPRIT Grants

Sample

- Select an appropriate sample of CPRIT awards to address the audit methodology elements when it is not feasible to audit all of the CPRIT awards received.

Reporting

- Select a sample of reporting time periods and determine if grants include required reports.
- Determine if the relevant reports were submitted according to the contract guidelines.
- For closed grants, determine if the required final reports were submitted timely.

Indirect Cost

- Determine if there is an indirect cost rate specified in the contract.
- Verify that the rate is calculated accurately in the financial status report submissions.

Matching Funds

- Determine if there is a matching funds requirement in the contract.
- If so, verify that matching funds were certified prior to grant start and that matching funds supporting documentation is maintained.
- Determine if a tracking mechanism, such as a separate fund/account, was created to track matching fund expenditures.
- Determine if the matching fund requirement was fulfilled as reported at the end of the program year to CPRIT.

Expenditures

- Select a sample of expenditures from each grant.
- Determine if the costs were allowable and that the goods were received and the services rendered during the grant period.
- Determine if any travel occurred and whether it was appropriate to the grant.
- If there was international travel, determine if it was approved by CPRIT prior to the initiation of travel.
- Determine if any pre-contract costs were authorized by CPRIT. If so, determine that the authorization was received prior to the expenditure of those funds.

Reimbursement and Expenditure Reporting

- Determine if financial status reports were submitted within 90 days of the end of the quarter covered.

- For grants in close out status, determine if the 4th quarter financial status report was submitted within 90 days of the end of the fiscal quarter.
- Determine if any reimbursements payments have been withheld. Identify the reason for a delay in payment related to not complying with a grant contract requirement or any state or federal law.

Personnel Level of Effort Reporting

- Determine if the organization has a formal system to track time and effort of employees associated with the grant.
- If there is a formal time and effort tracking system, determine if reports from the system were reviewed and certified for accuracy.
- Determine if certified time and effort reports include only employees or positions listed on the Personnel Level of Effort in the approved grant budget.

Grant Closeout

- Determine if grantees submitted all required reports to CPRIT within the 145 day closeout period following the end of the contract term.
- Select the last financial status report for the grant and determine if it was submitted in a timely manner and that payment was received. If payment was delayed, identify the reason for the delay related to not complying with a grant contract requirement or any state or federal law.

Performance Measures

- Determine if required performance measures are reported accurately based on supporting documentation.

Publications and Acknowledgements

- Determine whether any publications have been prepared as a result of the grant work or results.
- If publications exist, determine if they meet contract guidelines regarding acknowledgements.

Title to Equipment

- For any equipment purchases identified: was the purchase included in the contract budget; were internal procedures for recording the receipt of the equipment followed; and, was the item included in the grant inventory report submitted to CPRIT.
- For items over \$5,000, verify that the purchase was authorized by CPRIT prior to purchase (*performed as part of expenditure testing above*).
- Determine if the grantee organization has title to equipment purchased or fabricated with grant funds.

- Verify the physical location of the equipment is at the Texas-based organization and that the equipment's property tag matches the property identification number reported in the inventory report to CPRIT.

Contract Certifications

- Determine if the proposal involved Institutional Review Board approval for the use of human subjects, animals, or biohazards. If so, verify that it was reviewed by the appropriate board.
- Determine if the organization is required to have a written standard of conduct and comply with federal law to promote objectivity in research. If so, verify that a conflict of interest statement was signed prior to the effective date of the grant and that the conflict of interest statement was updated as necessary to comply with these provisions.
- Verify compliance with all other assurances and certifications in Attachment C, Assurances and Certifications, of the contract not listed elsewhere in the guidance.

Changes in Principal Investigator or Program Director.

- Determine if a Principal Investigator (PI) or Program Director (PD) of a grant left the organization prior to expiration of the grant.
- For changes, determine if CPRIT was notified prior to a PI or PD leaving an organization or relinquishing active direction of the project to another PI or PD and that CPRIT approved of the action.

Intellectual Property and Revenue Sharing

- Determine if the organization management and principal investigator(s) are aware of any violations of the intellectual property policies of their organization.
- Determine if principal investigators have completed training on the organization's intellectual property policies.
- Determine if a grant generated revenue and, if so, that the appropriate portion of revenue sharing was paid to CPRIT based on the contract.

Early Termination and Event of Default

- Determine if events have occurred that would cause early termination of the contract or event of default and review the notification process and documentation related to these.