

# Internal Audit Report

## Grantee: Texas Tech Health Sciences Center

Report #2013-06

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August 5, 2013



CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

## Introduction

As part of the Cancer Prevention Research Institute of Texas (“CPRIT”) FY 2013 Grantee Internal Audit plan, a review of Texas Tech Health Sciences Center has been completed.

## Background

Texas Tech University of Health Sciences Center (“Tech” or “TTUHSC”), has a dedication for education, patient care, research, and has made an impact on the health of West Texas and beyond for almost 40 years. To date, Texas Tech University Health Sciences Center has trained more than 10,000 health care professionals, and has met the health care needs of more than 2.5 million people who live throughout a vast 108-county area stretching from the Texas Panhandle south to the Permian Basin and west into Eastern New Mexico.

Beginning in 1969 as Texas Tech University School of Medicine, today TTUHSC is a seven-school university located in Abilene, Amarillo, Dallas/Fort Worth, El Paso, Lubbock, Midland and Odessa. Their goal is to be known as an institution that advances knowledge for students and practicing health care professionals through educational opportunities and research while providing quality patient care and service.

Since CPRIT’s establishment in 2007, TTUHSC has received 25 research and prevention grants totaling over \$23.3 million.<sup>1</sup> The audited CPRIT grant provided funds to recruit Dr. Richard Leff to perform research on what “the cancer drugs do to the body and what the human body does to the drugs.”

## Audit Objectives and Scope

### Objectives

1. To determine if expenditures were appropriate, adequately documented, and in compliance with CPRIT’s policies.
2. To evaluate the effectiveness and timeliness of current administrative processes related to the CPRIT grant.
3. To evaluate the internal control environment for expenses related to the CPRIT grant.
4. To determine if CPRIT award recipients have an amount of matching funds equal to one-half of the award dedicated to the research that is the subject of the grant request.
5. To determine if CPRIT award recipients are utilizing matching funds towards the same area of cancer research that is the subject of the award.
6. To determine if equipment was approved appropriately prior to acquisition, adequately documented, and in compliance with CPRIT’s policies.
7. To observe and verify existence of acquired equipment.

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<sup>1</sup>Figures provided by the CPRIT website. <http://www.cprit.state.tx.us/funded-grants/>

## Scope

1. Texas Tech University of Health Sciences Center expenses, inventory, and matching funds related to the CPRIT grant identified above, spent between December 2011 and May 2013 were covered under the scope of this audit.
2. Detailed testing of selected expense transactions was performed.
3. Selected equipment over \$5,000 was observed on-site.
4. Detailed testing of selected matching fund expenditures was performed.

## Summary of Findings

TTUHSC's CPRIT grant expenditures, matching funds, and equipment acquisitions were appropriate, adequately documented and in compliance with CPRIT's policies. The current processes and controls in place surrounding the CPRIT expenditures are effective and timely.

## Testing Approach

Analytical and substantive procedures for TTUHSC's expenses, inventory, and matching funds related to the selected CPRIT grant were performed to ensure the grantee complied with CPRIT policy. Through interviews with appropriate personnel, detailed testing of expenditures, observation of equipment, and analysis of the matching funds process, Internal Audit developed an understanding of the key processes and activities related to the CPRIT grant expense reimbursement, inventory, and matching funds process.

Our procedures included discussions with the following Texas Tech HCS - Dallas personnel:

<i>Name</i>	<i>Title</i>
Victoria Rivera	Managing Director
Timira Woods-San Roman	State & Local Contracts – Senior Accountant
Richard D. Leff	Sr. Associate Dean, Clinical/Translational Research

Substantive testing was applied subjectively to selected CPRIT expense transactions. These transactions were selected from financially material categories (such as payroll, fringe benefits, travel, equipment, supplies, contractual, and other) comprising 75% of expenditures within the CPRIT Financial Status Report (FSR). One to five expenditures were sampled for each material category and supporting documents were reviewed for accuracy, completeness, appropriateness, classification and timing. Examples of supporting documents include invoices, receipts, and employee expense reports. Internal Audit also verified that each sampled expense was allowable per CPRIT's Expense Reimbursement Policy.

Internal Audit obtained a complete listing of inventory from the CPRIT Consolidated Grants Management System (CGMS), and items were randomly selected for testing. Observations were performed on selected inventory to ensure the equipment existed, was properly identified and recorded, and was in working condition.

Detailed testing of matching funds was performed on ten randomly selected funds that were included in the pool of funds TTUHSC utilizes to match the required 50% of CPRIT funds. From the ten selected funds, one expenditure from each fund was selected to validate that the expenditure was related to cancer research. Documentation was obtained for each of the selected expenditures to support the appropriateness of the fund being used as a match.

## Audit Results

Texas Tech University of Health Sciences Center's "Allowable Activities and Allowable Costs" policies and procedures were reviewed, and interviews with key personnel were conducted to ensure that appropriate controls were in place for CPRIT expenditures.

During the period of September 2011 – May 2013, Texas Tech HSC's submitted six Form 269As to CPRIT, totaling approximately \$1.4 million. Internal Audit began by vouching the expenses per the general ledger to the supporting documents. Internal audit judgmentally selected a sample of expense categories from each quarterly Form 269A for the period of September 2011 – May 2013. Internal audit vouched the expenses per the general ledger to the supporting documents. Internal audit verified that the amount, date and classification of each expense were properly recorded in the general ledger.

Internal Audit then traced the transactions within the general ledger to the Form 269A to ensure that all amounts were accurately reported and that expenses were appropriately categorized and reported to CPRIT. Internal Audit also determined that all expenses were incurred within the dates set forth in the CPRIT grant contract and that no expense was reimbursed prior to it being incurred by the grantee. Upon review of all requested documentation, it was noted all CPRIT grant expenses tested were accompanied by complete, accurate, and appropriate supporting documentation.

Internal Audit visited Dr. Leff's laboratory on August 8, 2013 and performed an inventory observation to verify the existence of the equipment.

To support TTUHSC's matching funds certification claimed in attachment C of the CPRIT contract, Internal Audit selected ten expenditures from funds used to meet the matching funds requirement. The selected expenditures originated from funds independent of CPRIT and were categorized within the same research areas as the CPRIT grant selected for testing. TTUHSC was able to provide sufficient and appropriate evidence to support each of the selected expenditures. Internal Audit concluded that the funds being used for the CPRIT required match are appropriate and meet the requirements described in CPRIT policies and procedures.

## Recommendations

While no issues or exceptions were noted as part of the audit, we recommend that the preparer of CPRIT's Form 269A be different than the reviewer and approver. With the implementation of CGMS, the system should prevent this issue from occurring. Leading practices suggest that proper segregation of duties between the personnel entering, reviewing and approving the expense reimbursements should reduce the potential for adverse consequences as a result of inaccurate data inputs, misclassifications of expenses, or erroneous mathematical calculations.