

Internal Audit Report

Grantee: Texas Nurses Foundation

Report #2014-102

June 27, 2014



CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

Introduction

As part of the Cancer Prevention Research Institute of Texas (“CPRIT”) FY 2014 Grantee Internal Audit plan, a review of the Texas Nurses Foundation has been completed.

Background

The Texas Nurses Foundation (TNF) was founded in 1982 and is a non-profit organization created to provide public education, encourage nursing excellence and advance scientific enquiry. TNF is the non-profit arm of the Texas Nurses Association (TNA). With a vision of: “Healthy Texans through excellence in Nursing”, TNF advances the charitable, scientific and educational initiatives of the TNA and creates and implements projects that improve health and enhance the nursing profession.

TNF has multiple programs including the Nurse Oncology Educational Program (NOEP) for which CPRIT awarded grant PP110102 from September 2012 – February 2014. As NOEP is a program which is run under the TNA, all payments relating to expenses incurred to fulfill the program objectives of NOEP were paid by TNA and then reimbursed by NOEP upon receipt of reimbursement payments from CPRIT.

Since CPRIT’s establishment in 2008, the Foundation has received five prevention grants totaling over \$2,107,900¹. The CPRIT grant selected for audit has provided funds to educate Texas primary care nurses on primary cancer prevention behaviors and role-modeling those behaviors. This included education around tobacco cessation, balanced diet and increased physical activity.

Audit Objectives and Scope

As the grant being audited is a prevention grant, matching funds were not required. Grant funds were not used to purchase equipment. Therefore these two areas are not in 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.

Scope

1. Expenses related to the CPRIT grant identified above, between September 2012 and February 2014 were covered under the scope of this audit.
2. Detailed testing of selected expense transactions was performed.

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

Summary of Findings

Internal Audit noted the following during the audit:

- Subjective allocation of employee time to the NOEP program – the percentage of compensation, taxes and benefits expensed seemed arbitrary since detailed timesheets were not maintained
- Expenses totaling \$517.30 were classified incorrectly in the Financial Status Reports
- Unallowable expenses totaling \$2044.35 was claimed for the lease of IT equipment not originally included in the grant budget and for the purchase of promotional items

Testing Approach

Analytical and substantive procedures were performed around the expenses claimed from CPRIT to ensure the grantee complied with CPRIT policy. Through interviews with appropriate personnel and detailed testing of expenditures, Internal Audit developed an understanding of the key processes and activities related to the CPRIT grant expense reimbursement process.

Approximately 65% of expenditures claimed within the CPRIT Financial Status Reports were selected from all categories including personnel, fringe benefits, travel, equipment, supplies, contractual, and other. For all expenditures claimed, 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.

Interviews with the following key personnel regarding the expense reimbursement process were conducted to ensure that appropriate controls were in place to comply with CPRIT policies;

Name	Title
Cindy Zolnierek	Executive Director
Margaret Hobbs	Director, Finance
Mason Kinard	Program Coordinator

Audit Results

Expense Reimbursements

To evaluate the effectiveness of the Texas Nurses Foundation's expense reimbursement process, Internal Audit performed substantive testing on over \$83,500 in expenses claimed from CPRIT during the period of September 2012 – February 2014. Internal Audit vouched the expenses per the general ledger to the supporting documents and 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 Financial Status Reports 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 that all samples of CPRIT grant expenses were accompanied by complete, accurate, and appropriate supporting documentation. However, internal audit noted the following during the review of the reimbursements:

- Allocation of NOEP employee time spent on the CPRIT grant was subjective. An estimated percentage of time spent on each grant area was determined by the program staff and not tracked on

timesheets. Compensation, taxes, and benefits were expensed to CPRIT based on this allocation. The total amount claimed over the period of the grant for these categories of expenses was \$106,588; therefore an inaccurate allocation of time could be material to the grant as a whole.

- NOEP's reimbursement claims for payroll and benefit amounts were maintained separately from the other CPRIT expenses making it difficult to substantiate the figures allocated for TNA.
- The allocation of certain expenses across various grants was unsubstantiated. Internal Audit noted that in one instance, a receipt of \$297.47 for office supplies was split between two grants, one from CPRIT and one from another organization; however, there was no clear documentation behind the allocation of funds between the two grants.
- A combined unallowable expense of \$1,729.35 was claimed for the purchase of lip balms used for promotional purposes. Promotional expenditure is specifically unallowable per CPRIT's policies and procedures.
- An unallowable expense of \$315 was claimed for the lease of IT equipment as part of the Financial Status Report. This type of expenses was not included as part of the detailed budget agreed upon by CPRIT.
- Travel expenses of \$322.72 were incorrectly allocated to the 'supplies' category and another \$194.58 incorrectly allocated to the 'other' category.

Recommendations

The Texas Nurses Foundation should implement a more accurate method of monitoring time spent on CPRIT grant areas. This could include the modification of the ADP module to allow detailed time allocation within the system. Alternatively, TNF could maintain a detailed spreadsheet which tracks the hours spent by each employee on a CPRIT grant, including a narrative of the work performed. Proper documentation of time records for the allocation will help support their reimbursement claims.

TNF should ensure that only expenses which are specifically claimable per the detailed budget are included in the expense reimbursement request. TNF should review the reimbursements and verify that expenses are allocated to the correct category on the Financial Statement Report submitted to CPRIT.

TNA pays and subsequently allocates expenses across multiple grants, including the CPRIT grant. Likewise, TNF incurs expenses that are allocated across multiple grant areas and are eligible for reimbursement from various grants. This introduces an additional challenge for TNF to track proper allocation between grants. For all expense claims, TNF should include and maintain documentation with clear explanations for the allocation of expenses to a CPRIT grant.

TNF was able to produce all documentation that Internal Audit requested. However, as the TNA pays all expenses relating to the NOEP program and is reimbursed by NOEP, supporting documentation to support the overall payment of payroll and benefits is currently stored in different location. Although TNF was able to present all documentation in a timely manner, storing all documents related to individual CPRIT grants in a central location would increase efficiencies and enable documents to be more readily available for review.

Internal Audit noted that, due to the nature of the allocation of expenses to the various grants, there is a key dependence on the Program Coordinator, Mason Kinard, who has in-depth knowledge of the requirements of each of the grants received by the Texas Nurses Foundation. The organization should consider cross training other NOEP employees to familiarize themselves with the CPRIT grant allocation and reimbursement process.

TNF Management's Response

Findings 1-3: Subjective allocation of employee time to the NOEP program – the percentage of compensation, taxes and benefits expensed seemed arbitrary since detailed timesheets were not maintained.

Response: A former CPRIT finance employee and former NOEP Program Director designed and approved the method for allocating the percentage of staff compensation, taxes and benefits to be expensed to each grant. This CPRIT/NOEP designed/approved method was used with CPRIT's approval throughout the grant. The online ADP payroll system is used by all TNA employees and it is detailed with sign in, sign outs and approvals. For privacy reasons, some of the detailed records are kept in confidential files that are not NOEP files.

Findings 4-5: Unallowable expenses totaling \$2,044.35 was claimed for lease of IT equipment not originally included in the grant budget and for the purchase of promotional items.

Response: The \$315 for IT expense claimed was budgeted for a different CPRIT grant at the time. The \$1,729.35 claimed for lip balms was determined by the NOEP Program Director, at the time, as being included under the grant's "Marketing: Incentives for Education Activity Participation" category. "Free Online CNE" with the website address printed on the lip balms which were distributed at conferences and exhibits and are much more likely to be acquired and retained by nurse attendees than are print marketing materials. NOEP had been assured by former CPRIT Prevention Program Manager that this expense was allowable with the NOEP website address included.

Finding 6: Expenses totaling \$517.30 were classified incorrectly in Financial Status Report.

Response: Travel expense of \$322.72 was claimed for "Other". Travel expense of \$194.58 was claimed for "Supplies". These CPRIT grant expenses were listed in an incorrect expense category.