

Internal Audit Report

Grantee: The University of Texas at Austin

Report #2014-106

July 24, 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 University of Texas at Austin (“University”) has been completed.

Background

The University was founded in 1883 and is one of the largest and most respected universities in the United States. The University is comprised of 18 colleges and schools with over 170 undergraduate fields of study as well as 154 master’s degree and 86 doctoral programs.

The University is one of the world’s leading research universities. Its faculty and research staff generated more than \$628 million in federal and corporate funding in 2013. This research funding and the graduate students it attracts help contribute about \$2.8 billion and about 16,000 jobs annually to the Texas economy. Since CPRIT’s establishment in 2008, the University has received 29 research and prevention grants totaling over \$35 million.¹ The three audited CPRIT grants provided funds for:

- Recruitment of a first-time, tenure-track faculty member (R1003)
- Development of a preclinical protein therapeutic for the treatment of a variety of cancers with a poor prognosis, including liver cancer and metastatic melanoma (RP100890)
- A training program for pre- and post-doctoral students in fundamental and translational cancer research (RP101501)

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.

Scope

1. The University’s expenses, inventory, and matching funds related to the three CPRIT grants identified above, between September 2012 and May 2014 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.

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

Summary of Findings

During the review, the University demonstrated some inaccuracies related to interdepartmental charges for mice supplies being categorized inconsistently between budget categories. While the inconsistencies noted are immaterial to the grant as a whole, they may display potential deficiencies within the University's internal recording processes.

Other minor observations noted during the review included:

- Supporting documentation for matching funds was provided after clarification of the requirement was discussed with the University staff
- A difference in the serial number on one inventory item and the serial number reported to CPRIT by the University for the same inventory item

Testing Approach

Analytical and substantive procedures for the University's expenses, inventory, and matching funds related to the three selected CPRIT grants 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 UT Austin personnel:

Name	Title
David Hawkins	Associate Director, Office of Sponsored Projects
Jason Richter	Associate Director, Office of Sponsored Projects
David Dockwiller	Assistant Director, Office of Sponsored Projects
Karen Norman	Federal Reporting

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 approximately 70% of expenditures within the CPRIT Financial Status Report (FSR). 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 travel expense documents. 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 Grants Management System (CGMS) for the grants reviewed. 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 for the period for each grant to verify that the pool of funds the University uses to match the required 50% of CPRIT funds is appropriate. Documentation was obtained and reviewed for selected expenditures to support the appropriateness of the monies being used as match and to ensure that the expenditure was related to cancer research.

Audit Results

Expense Reimbursements

To evaluate the effectiveness of the University's expense reimbursement process, Internal Audit performed substantive testing on approximately 650 expense reimbursement transactions totaling over \$1.35 million during the period of September 2012 – May 2014 for the three grants selected. Internal Audit vouched the expenses per the general ledger to the supporting documents.

Internal Audit then traced the transactions within the general ledger to the FSR (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. Internal Audit noted the following:

- Inconsistencies in the categorization of the supply of mice and the care of the mice in a central animal resource center – the interdepartmental charges were categorized as both 'other' and 'supplies' in different FSRs

Inventory & Equipment

Internal Audit obtained a complete listing of inventory for grant R1003 and randomly selected 14 items to observe. For the samples, Internal Audit verified the existence and proper recording of inventory purchased with CPRIT funds. Internal Audit noted the following exception:

- For one inventory item sampled, the serial number from CPRIT's annual inventory report differed from the serial number observed on the piece of inventory

Matching Funds

Internal Audit noted that for Grant R1003, the supporting documentation originally provided for matching funds was not sufficient to match the total grant reimbursement of \$1,820,276 that has been requested and paid. However, after discussion with the University, further clarification was provided and appropriate supporting documentation was provided. The University was able to provide sufficient and appropriate evidence to support the matching funds, and Internal Audit concluded that the funds being used for the CPRIT match are appropriate and meet the requirements described in CPRIT's policies and procedures.

Recommendations

To improve the accuracy of the Financial Status Reports submitted, the University should decide which budget category the mice supply and housing expenses should be charged. This approach should then be consistently applied across all future FSRs.

The University should also verify that the serial number per the fixed asset register reconciles to the serial number on the machine. Accurate recording and reporting of equipment is integral to their asset management process. The University should consider performing periodic physical inventories of their assets to ensure that their internal records match the inventory records submitted to CPRIT. The asset review should include a review of the serial number, asset number, and the item description.

Furthermore, the University should ensure that all parties involved with the research grants are aware of the matching funds requirement and understand the documentation requirements. Appropriate, accurate and sufficient matching funds documentation to support all CPRIT grants should be maintained by the University.

UT Austin's Management Response

- 1) Expense Reimbursements:** Inconsistencies in the categorization of the supply of mice and the care of the mice in a central animal resource center – the interdepartmental charges were categorized as both “other” and “supplies” in different FSRs.

Response: The University’s accounting system allows such purchases to be classified as “other” or “supplies”. Regardless of the classification, University provides full support on all charges to CPRIT by category and CPRIT has not had an issue with such purchase being applied to either category. The University will also provide reminders to its CPRIT grantees to share budget justifications with all individuals coding charges to the grant so that charges are applied consistently.

- 2) Inventory & Equipment:** Internal Audit obtained a complete listing of inventory for grant R1003 and randomly selected 14 items to observe. For the samples, Internal Audit verified the existence and proper recording of inventory purchased with CPRIT funds. Internal Audit noted the following exception: For one inventory item sampled, the serial number from CPRIT’s annual inventory report differed from the serial number observed on the piece of inventory.

Response: For the inventory item in question, it was determined that the serial number reported was done so due to human error.

- 3) Matching Funds:** Internal Audit noted that for Grant R1003, the supporting documentation originally provided for matching funds was not sufficient to match the total grant reimbursement of \$1,820,276 that has been requested and paid. However, after discussion with the University, further clarification was provided and appropriate supporting documentation was provided. The University was able to provide sufficient and appropriate evidence to support the matching funds, and Internal Audit concluded that the funds being used for the CPRIT match are appropriate and meet the requirements described in CPRIT’s policies and procedures.

Response: It is important to note that Grant R1003 is currently ongoing and the investigator still has dedicated funding sources accessible that would apply toward match of these CPRIT funds. After discussions with CPRIT’s Internal Audit, it was determined that a wider source of expenditures could be applied toward the match required for the Grant and that information was provided by the University. We continue to monitor matching expenditures to assure that the total 50% match requirement over the life of the award will be met.