

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS

**IA # 03-15 – INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER
PRIOR YEAR GRANTEE MONITORING AUDIT FINDINGS**

REPORT DATE: JULY 31, 2015

ISSUED: AUGUST 31, 2015

TABLE OF CONTENTS

	Page
INTERNAL AUDIT REPORT TRANSMITTAL LETTER TO THE OVERSIGHT COMMITTEE.....	1
BACKGROUND	2
FOLLOW-UP PROCEDURES OBJECTIVE AND SCOPE	2
EXECUTIVE SUMMARY	3
CONCLUSION	4
DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE.....	5
Texas A&M Health Science Center	6
University of Texas Southwestern Medical Center.....	8
University of Texas Health Science Center-Houston	10
University of Texas at Austin	12
Texas Nurses Foundation	13
APPENDIX	16



The Oversight Committee
Cancer Prevention & Research Institute of Texas
1701 North Congress Avenue, Suite 6-127
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This report presents the results of the internal audit follow up procedures performed for the Cancer Prevention and Research Institute of Texas (CPRIT or the Institute) during the period July 13, 2015 through July 31, 2015 related to the findings from CPRIT's 2014 Grantee Internal Audit Plan. The Grantee Internal Audit Plan included audits to monitor the grant compliance of the following grantees: Texas A&M University Health Science Center, University of Texas Southwestern Medical Center, University of Texas Health Science Center-Houston, University of Texas Austin, and the Texas Nurses Foundation.

The objective of these follow up procedures were to evaluate the design and effectiveness of the corrective action taken by the grantees in order to remediate the issues identified in their respective 2014 Internal Audit Report.

To accomplish this objective, we conducted interviews with key personnel at each grantee who are responsible for CPRIT grant administration and expenditures. We also reviewed documentation and performed specific testing procedures to validate actions taken. Procedures were performed at the individual grantee offices and were completed on August 31, 2015.

The following report summarizes the findings identified, risks to the organization, recommendations for improvement and management's responses.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.
Austin, Texas
August 31, 2015

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

BACKGROUND

In 2014, internal audits of selected grantees were performed to monitor grant administration and expenditures of each grantee. These internal audits were completed and reported to the Oversight Committee. The internal audits identified six areas for improvement across the grantees related to: cutoff of reimbursement claims, accurate allocation of expenses, maintenance of reimbursement claims and supporting documentation, allowability of expenses claimed for reimbursement, classification of expenses claimed for reimbursement and accurate and tracking of inventory and equipment.

CPRIT's 2015 Internal Audit Plan included performing procedures to validate that grantee management has taken steps to address their prior year internal audit findings.

FOLLOW-UP OBJECTIVE AND SCOPE

The follow up procedures focused on the remediation efforts taken by each grantee's management to address the findings included in the corresponding 2014 CPRIT Grantee Internal Audit Report, and to validate that appropriate corrective action had been taken. We reviewed each report and identified the following findings:

Texas A&M University Health Science Center (TAMU Health Science Center)

1. Incorrect classification of expenditures
2. Cutoff of expenditures in Financial Status Reports
3. Unallowable expenditures
4. Consistency of expenditure classification

University of Texas Southwestern Medical Center (UT Southwestern)

1. Cutoff of expenditures in Financial Status Reports

University of Texas Health Science Center-Houston (UTHSC Houston)

1. Cutoff of expenditures in Financial Status Reports

University of Texas at Austin (UT Austin)

1. Inconsistent expenditure classification
2. Improper tracking of inventory and equipment

Texas Nurses Foundation

1. Subjective allocation of employee time
2. Reimbursement claims for payroll and benefits maintained separately
3. Lack of documentation to substantiate allocation of expenditures
4. Unallowable marketing expenditures
5. Unallowable IT expenditures
6. Incorrect classification of expenditures

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

Our procedures included interviewing key personnel at each grantee who are responsible for the administration and expenditures of their respective grants to gain an understanding of the corrective actions taken to address the findings in the respective prior year reports, reviewing policies and procedures, obtaining related documentation and/or performing observations and testing to ensure that corrective actions have been appropriately implemented.

EXECUTIVE SUMMARY

Through our interviews, review of documentation, observations and testing we identified the findings below. The list of findings includes those items that have been identified and are considered to be non-compliance issues with CPRIT grants administration policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover significant risks to CPRIT. These issues could have significant financial or operational implications.

A summary of our results, by area, is provided in the table below. *See the Appendix for an overview of the Assessment and Risk Ratings.*

OVERALL ASSESSMENT		SATISFACTORY
Grantee	RESULT	RATING
TAMU Health Science Center: Validate that appropriate corrective action has been taken in order to adequately remediate the findings identified in the Internal Audit Report dated July 25, 2014	We identified that remediation efforts have been made by TX A&M HSC for all four of the prior internal audit findings. However, we identified that the one finding related to cutoff of expenditures in the Financial Status Reports was only partially remediated.	SATISFACTORY
UT Southwestern: Validate that appropriate corrective action has been taken in order to adequately remediate the findings identified in the Internal Audit Report dated August 28, 2014	We identified that remediation efforts have been made by UTSW for the one prior internal audit finding. However, we identified that the one finding related to cutoff of expenditures on the Financial Status Reports from 2014 was only partially remediated.	SATISFACTORY
UTHSC-Houston: Validate that appropriate corrective action has been taken in order to adequately remediate the findings identified in the Internal Audit Report dated July 16, 2014	We identified that no remediation efforts have been made by UTHSC-Houston for the one prior internal audit finding. Financial Status Reports submitted by UTHSC Houston have expenditures that are not reported in the proper period based on CPRIT requirements.	UNSATISFACTORY

**CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015**

<p>UT -Austin: Validate that appropriate corrective action has been taken in order to adequately remediate the findings identified in the Internal Audit Report dated July 24, 2014</p>	<p>We identified that the two findings from the 2014 Grantee Audit Report have been remediated by UT Austin management.</p>	<p style="text-align: center;">STRONG</p>
<p>Texas Nurses Foundation: Validate that appropriate corrective action has been taken in order to adequately remediate the findings identified in the Internal Audit Report dated June 27, 2014</p>	<p>We identified that the six findings from the 2014 grantee Audit Report have been remediated by Texas Nurses Foundation management.</p>	<p style="text-align: center;">STRONG</p>

CONCLUSION

Based on our evaluation, management at each grantee, with the exception of University of Texas Health Science Center-Houston, has made efforts to remediate the findings from the 2014 Internal Audit Reports. The Texas Nurses Foundation and UT Austin were determined to have fully remediated their prior year findings. However, we identified that UT Southwestern and TMU Health Science Center each have one finding, related to expense cutoff, which is only partially remediated. The University of Texas Health Science Center Houston did not make any efforts to remediate the 2014 internal audit findings.

As part of their grant monitoring program, CPRIT should continue to perform follow-up procedures and field audits of the UTHSC Houston to ensure that they are in compliance with grant requirements. Additionally, CPRIT should continue to work with UT Southwestern, and Texas A&M Health Science Center to fully remediate the prior year findings.

**DETAILED PROCEDURES PERFORMED, FINDINGS,
RECOMMENDATIONS AND MANAGEMENT RESPONSE**

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS
AND MANAGEMENT RESPONSE

Texas A&M University Health Science Center

Our procedures included interviewing key personnel within the Sponsored Research Services Department of Texas A&M University Health Science Center to gain an understanding of the corrective actions taken in order to address the findings identified in their 2014 CPRIT Internal Audit Report, as well as examining existing documentation and performing testing in order to validate those corrective actions. We evaluated the existing policies, procedures and processes in their current state.

We performed our procedures over the one active grant for TAMU Health Science Center, RR110532-P2.

FY 14 Finding 1: Incorrect Classification of Expenditures – One expense totaling \$1,650 was incorrectly categorized.

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure expenditures are correctly classified. We also selected a sample of 50 expenditure transactions and 14 payroll transactions that were included in Financial Status Reports (FSRs) for the period of August 2014 through June 2015. We obtained and reviewed supporting documentation for each of the selected expenditures to verify that the transactions were properly classified.

Results: Finding remediated.

FY 14 Finding 2: Cutoff of Reimbursement Claims – Fifteen transactions totaling \$98,436 were claimed in the subsequent FSR period after the correct FSR reimbursement dates.

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure proper cutoff of expense reimbursement claims requested in FSRs. We selected four FSR reporting periods from August 2014 through June 2015 and examined the payment dates for a sample of 20 transactions requested in those four periods to verify that the payments were requested in the correct FSR period.

Results: We identified that TAMU Health Science Center has implemented a reconciliation process to ensure that expenditures are requested in the correct FSR reporting period. We identified that the reconciliations for each of the four reporting periods selected were completed prior to the submission of the FSR to CPRIT. However, we determined that one of the expenditures examined was not included in the proper FSR reporting period.

Finding 01 – LOW – We determined that 1 out of 20 tested expenditures tested was paid by the grantee after the end of the FSR period on which the expense was included. CPRIT policies and procedures dictate that reimbursement claims should not be made until the period in which the funds are disbursed. There were no issues identified with the reconciliation process.

Recommendation: Management should consider revising and/or reiterating policies and procedures to personnel responsible for preparing and reviewing the FSR reconciliations to ensure the proper cutoff of expenditures included in FSRs.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

Management Response: Since Institutions of Higher Education in the State of Texas are required to use accrual accounting, a reconciliation process must be performed when preparing every FSR since CPRIT requires reporting on a cash basis rather than an accrual basis. There were 39 reconciling payments that were correctly withheld from the referenced FSR. One payment of \$19.10 was overlooked during the reconciliation process.

The Business Objects report used to identify expenditures for the FSRs has been updated to include the Check Date, in addition to the Transaction Date, so that check dates outside the reporting period can be identified. An Intermediate Accountant (most senior position in functional area) either prepares or reviews all CPRIT FSRs before submission.

Responsible Party: Diane Hassel
Implementation Date: September 1, 2015

FY 14 Finding 3: Unallowable Expenditures – A reimbursement was made for \$5.29 for an unallowable penalty payment, and the associated indirect cost of \$0.28 was also claimed

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure that reimbursement requests are submitted only for allowable expenditures. We also selected a sample of 50 expenditure transactions that were included in an FSR for the period of August 2014 through June 2015. We obtained and reviewed supporting documentation for each expenditure to verify that costs requested for reimbursement were allowable.

Results: Finding remediated.

FY 14 Finding 4: Consistency of Expenditure Classification – Several inconsistencies such as incorrect account descriptions in the system, cost share amounts due to an incorrect calculation formula, and missing expenditures used for matching funds were not included in the original matching funds documentation provided.

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure that expenditures are consistently classified. We also selected a sample of 50 expenditure transactions that were included in an FSR for the period of August 2014 through June 2015. We obtained and reviewed supporting documentation for each of the selected expenditures to verify that the transactions were properly and consistently classified.

Results: Finding remediated.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

University of Texas Southwestern Medical Center

Our procedures included interviewing key personnel within the Sponsored Program Administration Department of University of Texas Southwestern Medical Center to gain an understanding of the corrective actions taken in order to address the findings identified in their 2014 CPRIT Internal Audit Report, as well as examining existing documentation and performing testing in order to validate those corrective actions. We evaluated the existing policies, procedures, and processes in their current state.

We selected a sample of 11 active grants over which to perform our procedures: R1008, R1109, R1121, R1222, R1225, PP120097, PP120229, RP120613, RP120718-P1, RP120718-P2, and RP120732-P1.

FY 14 Finding 1: Cutoff of Reimbursement Claims – Several of the sampled expenses had either:

- 1) Not yet been paid by UT Southwestern Medical Center (1 transaction totaling \$2,304.09)
- 2) Claimed after the allowed reporting period (50 transactions totaling \$544,634.70), or
- 3) Claimed prior to the reporting period (12 transactions totaling \$24,856.95)

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure proper cutoff of expense reimbursement claims requested in FSRs. We selected a sample of 50 transactions across the 11 sampled grants for the period of September 2014 through June 2015, and obtained supporting documentation for each expenditure. We verified that the costs requested for reimbursement related to a valid expense, ensured that it was requested in the correct period and ensured that it was paid by the grantee during the period covered by the FSR.

Results: We determined that one of the 50 expenditures selected was not included in the correct period. The FSR that included the expenditure had not been reviewed, accepted, and paid by CPRIT. Subsequent to the audit, the FSR was revised and re-submitted to CPRIT without the incorrect expenditure.

Finding 1 – LOW – We identified one instance where a \$659.40 transaction requested for reimbursement was not paid by the grantee until after the end of the reporting period covered by the FSR. CPRIT policies and procedures dictate that reimbursement claims should not be made until the period in which the funds are disbursed.

Recommendation: Management should implement and/or improve control activities to ensure that expenses are included in the appropriate FSR, in accordance with CPRIT policies and procedures. For example, a reconciliation of costs incurred compared actual expenditures of UT Southwestern could be performed, prior to submission of the FSR to CPRIT, to identify expenditures that have not been paid.

Management Response: Sponsored Programs Administration (SPA) has recently undertaken a comprehensive reorganization of the department – addressing key people, processes, policies, procedures, training, and compliance functions. This reorganization will strengthen overall controls and increase the level of fiscal compliance and monitoring activities across sponsored programs activities – particularly those activities related to financial status reporting (FSR).

In accordance to CPRIT staff instructions, UT Southwestern staff is aware that incurred, allowable expenses submitted on the FSR should not include accrued costs, included expense not yet paid, which are non-reimbursable expenses on CPRIT awards. While UT Southwestern is used to accrual accounting expenses being counted as reimbursable expenses on all other Federal and

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

Non-Federal research awards, in UT Southwestern's research portfolio, UT Southwestern has agreed with CPRIT staff to perform an additional CPRIT only reconciliation , of costs incurred with actual expenditures, prior to submission of a CPRIT FSR.

We believe this low value/immaterial finding to be an isolated incident. UT Southwestern will continue to review transactions at multiple levels during the preparation of the FSR. Additionally, in accordance to CPRIT single audit recommendations of Grant Thornton for FY14, Sponsored Programs Administration has sought clarification on the issue of whether expenses have to be paid prior to a grantee requesting reimbursement (cash only accounting; accruals not allowed). We will continue to seek written clarification from CPRIT and UT System. We will continue to see explicit inclusion of the rule (cash only accounting; accruals not allowed) into the CPRIT Policies/ Procedures, CPRIT award notice terms and conditions and CPRIT website.

In parallel, UT Southwestern will continue to define, clarify, document and implement processes and procedures which assure it liquidates obligations, reconciles, and reports sponsored program awards in a timely manner. Further, UT Southwestern will continue to monitor all sponsored award activities to help mitigate risk, increase efficiencies, and encourage fiscal compliance to the maximum extent possible.

Responsible Party: David Ngo, Assistant Vice President, Sponsored Programs Administration
Implementation Date: October 2015

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

University of Texas Health Science Center Houston

Our procedures included interviewing key personnel within the Grants and Sponsored Projects Administration Departments of University of Texas Health Science Center Houston to gain an understanding of the corrective actions taken in order to address the findings identified in their 2014 CPRIT Internal Audit Report, as well as examining existing documentation and performing testing in order to validate those corrective actions. We evaluated the existing policies, procedures, and processes in their current state.

We selected a sample of five active grants over which to perform our procedures: R1215, R1307, R1006, PP120086, and RP140103.

FY 14 Finding 1: Cutoff of Reimbursement Claims – Five expenditures, totaling approximately \$53,000, were incurred within the dates of the FSR period in which they were submitted; however, the payment date was outside of the FSR period.

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure proper cutoff of expense reimbursement claims requested in FSRs. We selected a sample of 50 transactions across the five sampled grants for the period of August 2014 through June 2015, and obtained supporting documentation for each expenditure. We verified that the costs requested for reimbursement related to a valid expense, ensured that it was requested in the correct period and ensured that it was paid by the grantee during the period covered by the FSR.

Results: We identified that UTHSC Houston did not take corrective action to remediate the findings identified in the 2014 Internal Audit. Additionally we identified that 36 of the 50 transactions examined were not reported in the correct FSR.

Finding 01 – HIGH – No corrective action was taken by UT Health Science Center-Houston in order to remediate the prior year finding. Thirty-six of 50 transactions selected for testing were not paid by UTHSC Houston prior to the period end of the FSR on which they were reported. CPRIT policies and procedures dictate that reimbursement claims should not be made until the period in which the funds are disbursed.

Recommendation: Management should implement policies and procedures in order to ensure grants are administered in accordance with CPRIT policies and procedures and expenditures are included in the appropriate FSR. For example, reconciliation of costs incurred compared actual expenditures of UTHSC Houston could be performed, prior to submission of the FSR to CPRIT, to identify expenditures that have not been paid.

Management Response: UHealth contends that expenditures are accounted for appropriately under standard accepted accounting practices used for all funding agencies. This practice allows for activities to continue unabated toward successful completion of project objectives and for timely remuneration for services performed.

UHealth does not seek reimbursement for expenses that have not been disbursed. The Financial Status Reports (FSR) are due 90 days after the end of the reporting period. At the time of FSR submission to CPRIT, all expenses have been disbursed. In addition, CPRIT oftentimes pays six months to a year after the submission of the FSR.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

UTHealth objects to this finding as we employ standard accrual accounting for reporting/billing and FSRs to CPRIT occur after the expenditures have been disbursed. Accrual accounting is accepted at the end of the award period by CPRIT, but it is unclear why it is not acceptable for the other billing periods. The requirement to use a “cash methodology” during the FSR reporting period imposes additional administrative and fiscal burden on UTHealth as outlined below. This process will require every expense to be manually reviewed for each billing period prior to FSR submission.

Examples of additional administrative fiscal burden:

1. Included in the list of findings are several end of reporting period payroll items. Prudent banking practices dictate payroll be transmitted to the institution’s bank three days in advance to ensure availability of funds at the employees’ bank on “pay day”. The funds have been fully committed to the bank and are applicable payroll costs for the period between the 16th and the final day of each month. These costs are applicable to the reporting period, but this finding infers that we must back out the majority of expenses for the final month of each quarter.
2. On July 24, 2015, UTHealth received payments from CPRIT totaling \$407,934.14 for expenses incurred June-August 2014—almost one full year in arrears. An additional \$391,146.16 was also received that day, the majority of which dated back to the period September-November, 2014. Thus, UTHealth has carried a deficit of \$799,980.30 for six months to a year. This amount does not include most billings for the period December-February 2015 (billed in May 2015) which remain unpaid as of today’s date.
3. CPRIT has continued to enforce new guidelines without modifying its policies/procedures. For example, on July 24, 2015, UTHealth received an email from CPRIT (excerpt below) requiring the following items which have been imposed verbally for a number of months/years.
 - a. UTHealth must submit the Non-Key CPRIT Grant Personnel Update Form each time non-key personnel on a CPRIT funded project changes. This is used to verify personnel information submitted on FSRs.
 - b. Submission of invoices to support all costs reported in Equipment and Contractual line items.
 - c. Submission of invoices to support any expenses with a value of \$750 or more reported in the "Other" and "Supplies" line items.
 - d. Submission of receipts when claiming actual meal costs, not per diem, associated with travel.

Responsible Party: NA

Implementation Date: NA

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

University of Texas at Austin

Our procedures included interviewing key personnel within the Office of Sponsored Projects of the University of Texas at Austin to gain an understanding of the corrective actions taken in order to address the findings identified in their 2014 CPRIT Internal Audit Report, as well as examining existing documentation and performing testing in order to validate those corrective actions. We evaluated the existing policies, procedures, and processes in their current state.

We selected a sample of four active grants over which to perform our procedures: R1120, R1106, RP110532-P1, and RP120194.

FY 14 Finding 1: Consistency of Expenditure Classification – 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.

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure the consistent classification of expenditures. We obtained a memorandum prepared by UT Austin that details the proper allocation of costs for grant expenditures. We selected a sample of 50 transactions across the four sampled grants for the period of August 2014 through June 2015, and obtained supporting documentation for each expenditure. We verified that the costs requested for reimbursement were accurately and consistently classified according to the memorandum and budget submitted to CPRIT.

Results: Finding remediated.

FY 14 Finding 2: Improper Tracking of Inventory and Equipment – 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.

Procedures Performed: We interviewed the personnel responsible for grant administration and expenditures to gain an understanding of the policies and procedures implemented to ensure that inventory and equipment location is appropriately recorded and tracked. We also obtained the listing of inventory and equipment purchased with CPRIT grant funds. We verified the equipment location and tag number were accurate and consistent with the location and tag number recorded in the listing.

Results: Finding remediated.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

Texas Nurses Foundation

Our procedures included interviewing key personnel within the Finance Department of Texas Nurses Foundation to gain an understanding of the corrective actions taken in order to address the findings identified in their 2014 Internal Audit Report, as well as examining existing documentation and performing testing in order to validate those corrective actions. We evaluated the existing policies, procedures, and processes in their current state.

We performed our procedures over the two active grants for Texas Nurses Foundation, PP110102 and PP120177.

FY 14 Finding 1: Subjective Allocation of Employee Time - Allocation of Nurse Oncology Education Program (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.

Procedures Performed: We interviewed the Finance Director of Texas Nurses Foundation to gain an understanding of the policies and procedures implemented to allocate the compensation, taxes and benefits of their NOEP employees to CPRIT grants. We obtained and examined updated policies of Texas Nurses Foundation and verified that they adequately address the tracking and allocation of payroll and benefit costs to be allocated to CPRIT grants. We also selected a sample of 25 payroll and benefits expenditures for the period of July 2014 through June 2015 to ensure that they were correctly calculated, appropriately allocated, according to the updated policies, and that the costs were directly related to work on CPRIT grants.

Results: Finding remediated.

FY 14 Finding 2: Reimbursement Claims for Payroll and Benefits Maintained Separately – 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.

Procedures Performed: We interviewed the Finance Director of Texas Nurses Foundation to gain an understanding of the policies and procedures implemented to allocate the compensation, taxes and benefits of their NOEP employees to CPRIT grants. We obtained and examined updated policies of Texas Nurses Foundation and verified that they adequately address the tracking and allocation of payroll and benefit costs to be allocated to CPRIT grants. Through our testing of payroll and benefits transactions in Finding 1, we verified that documentation to support the compensation, tax and benefit costs allocated to CPRIT grants was appropriately maintained with reimbursement claims.

Results: Finding remediated.

FY 14 Finding 3: Lack of Documentation to Substantiate Allocation of Expenditures – 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.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

Procedures Performed: We interviewed the Finance Director of Texas Nurses Foundation to gain an understanding of the policies and procedures implemented to document the allocation of expenditures to more than one grant. We obtained and examined the updated policies of Texas Nurses foundation and verified that they adequately address the allocation of grant expenditures to multiple grants. We also selected 25 transactions across the two grants for the period of July 2014 through June 2015, and verified that the costs were allowable and had adequate documentation to support their allocation to their respective grant.

Results: Finding remediated.

FY 14 Finding 4: Unallowable Marketing Expenditures – 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.

Procedures Performed: We interviewed the Finance Director of Texas Nurses Foundation to gain an understanding of the policies and procedures implemented to approve expenditures requested for reimbursement in Financial Status Reports (FSRs). We obtained and examined the updated policies of Texas Nurses Foundation and verified that they address the review and approval of expenditures requested for reimbursement. We also selected 25 transactions across the two grants for the period of July 2014 through June 2015, and verified that the costs, including marketing expenditures, were allowable according to the grant terms and detailed grant budget approved by CPRIT.

Results: Finding remediated.

FY 14 Finding 5: Unallowable IT Expenditures – 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.

Procedures Performed: We interviewed the Finance Director of Texas Nurses Foundation to gain an understanding of the policies and procedures implemented to approve expenditures requested for reimbursement in Financial Status Reports (FSRs). We obtained and examined the updated policies of Texas Nurses Foundation and verified that they address the review and approval of expenditures requested for reimbursement. We also selected 25 transactions across the two grants for the period of July 2014 through June 2015, and verified that the costs, including IT expenditures, were allowable according to the grant terms and detailed grant budget approved by CPRIT.

Results: Finding remediated.

FY 14 Finding 6: Incorrect Classification of Expenditures – Travel expenses of \$322.72 were incorrectly allocated to the 'supplies' category and another \$194.58 incorrectly allocated to the 'other' category.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 02-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

Procedures Performed: We interviewed the Finance Director of Texas Nurses Foundation to gain an understanding of the policies and procedures implemented to approve the classification of expenditures requested for reimbursement in Financial Status Reports (FSRs). We obtained and examined the updated policies of Texas Nurses Foundation and verified that they address the review and classification of expenditures requested for reimbursement. We also selected 25 transactions across the two grants for the period of July 2014 through June 2015, obtained supporting documentation for the expenditure, and verified that the costs were appropriately classified according to the nature of the costs and the detailed budget approved by CPRIT.

Results: Finding remediated.

APPENDIX

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 03-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

REPORT RATINGS

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of the agency
- Agency objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
 - Reliability and integrity of financial and operational information
 - Effectiveness and efficiency of operations and programs
 - Safeguarding of assets
 - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

Strong	The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.
Satisfactory	The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.
Unsatisfactory	The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 03-15 INTERNAL AUDIT FOLLOW UP PROCEDURES REPORT OVER PRIOR
YEAR GRANTEE MONITORING AUDIT FINDINGS
JULY 31, 2015
ISSUED: AUGUST 31, 2015

RISK RATINGS

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High

High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the agency's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the agency or beyond a single function or department
- Potential material impact to operations or the agency's finances
- Remediation requires significant involvement from senior agency management

Moderate

Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the agency
- Impact could be felt outside of the Institute or across more than one function of the agency
- Noticeable and possibly material impact to the operations or finances of the agency
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior agency management to be updated

Low

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the agency's strategic priorities
- Impact is limited to a single function within the agency
- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk