

Internal Audit Report

Grantee: The University of Texas Health Science Center at Houston

Report #2014-104

July 16, 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 Health Science Center at Houston has been completed.

Background

The University of Texas Health Science Center at Houston (“UT Health”) is recognized as a premier academic health science center and is known for excellence in education, research and patient care. UT Health was founded in 1972 and is the most comprehensive academic health center in the UT System and the U.S. Gulf Coast region. UT Health educates more healthcare professionals than any other health-related institution in the state of Texas. It is home to biomedical informatics, biomedical sciences, dentistry, medicine, nursing and public health schools. The medical school is the nation's sixth largest.

Since CPRIT's establishment in 2008, UT Health has received 25 research and prevention grants totaling over \$26 million¹. The audited CPRIT grants in this report provided funds for:

- A combinatorial drug discovery program to develop or improve cancer chemotherapeutic drug combinations for clinical testing (RP110532-P2)
- Enhanced colorectal cancer screening training in a Family Medicine Residency Program that serves low-income and underserved populations (PP110176)
- Recruitment of a first-time tenure-track faculty member (R1215)

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 expenses, inventory, and matching funds, if applicable, 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, UT Health demonstrated some inaccuracies related to expenses being reimbursed prior to the University's payment date. While the inconsistencies noted are immaterial to the grant as a whole, they may display potential deficiencies within the University's internal recording processes.

Testing Approach

Analytical and substantive procedures for UT Health'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 UT Health personnel:

Name	Title
Victoria Briscoe	Asst. Director, Post Award Finance

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 60% of expenditures within the CPRIT Financial Status Report (FSR). The 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 grantee for the selected grants and observed all equipment over \$5,000. Observations were performed on selected inventory to ensure the equipment existed, was properly identified and recorded, and was in working condition.

For the applicable research grants, detailed testing of matching funds was performed to verify UT Health had evidence of the required 50% match of CPRIT funds. 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 UT Health's expense reimbursement process, Internal Audit performed substantive testing on 150 judgmentally selected expense reimbursement transactions totaling over \$1.0 million during the period of September 2012 – May 2014 for the three grants selected as part of the review. Internal Audit vouched the expenses per the general ledger to the supporting documents. All supporting documentation was available for each selected sample.

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. Upon review of the requested documentation for expense reimbursements, Internal Audit noted the following:

- All samples of CPRIT grant expenses were accompanied by complete, accurate, and appropriate supporting documentation
- Five expenses, 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. All transactions were claimed within 30 days of the correct FSR period.

Inventory & Equipment

Internal Audit obtained a complete listing of inventory from the grantee for the selected grants and observed all equipment over \$5,000. For the sampled seven items, Internal Audit observed and verified the existence and proper recording of inventory purchased with CPRIT funds. Internal Audit noted that there were no exceptions.

Matching Funds

To support UT Health's matching funds certification claimed in Attachment C of the CPRIT contract for the two research grants audited, Internal Audit obtained the accounting records of all the funds and expenditures which were used to meet the matching funds. Internal Audit verified that the selected expenditures originated from funds independent of CPRIT and were categorized within the same research areas as the two CPRIT research grants that required matching funds. UT Health 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

UT Health should continue to work with the CPRIT staff to determine which expenses are allowable during each period. UT Health should verify that all reimbursable expenses included on their requests have been incurred and paid prior to submission.

UT Health's Management Response

All 5 transactions in question were reviewed and shown to have been paid prior to any billing/FSR submission to CPRIT was made for reimbursement, in compliance with CPRIT guidelines.