

Internal Audit Report

Grantee: University of Texas Southwestern Medical Center

Report #2014-101

August 28, 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 Southwestern Medical Center (UTSW) has been completed.

Background

The University of Texas Southwestern Medical Center was founded in 1943 and is a multifaceted academic institution nationally recognized for its excellence in educating physicians, biomedical scientists, and health-care personnel. The institution’s mission is not only to educate the next generation of leaders in patient care, biomedical science, and disease prevention, but also to conduct high-impact research and deliver patient care.

Since CPRIT’s establishment in 2008, UTSW has received 158 research, prevention, research and recruitment grants totaling over \$198.9 million.¹ The three audited CPRIT grants provided funds to:

- Recruit an established investigator (R1109)
- Train predoctoral and postdoctoral students through the Cancer Intervention and Prevention Discoveries Program (RP101496)
- Develop cutting-edge proteomics core facility based on high resolution, high accuracy mass spectrometry and high throughput, web-based bioinformatics technology (RP120613)

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. UT Southwestern’s expenses, inventory, and matching funds related to the three CPRIT grants identified above reported 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.

Summary of Findings

During the audit, Internal Audit noted some inaccuracies related to the timeliness of the reimbursement claims. Several of the sampled expenses had either:

- 1) Not yet been paid by UTSW (1 transaction totaling \$2,304.09)
- 2) Claimed after the allowed reporting period (50 transactions totaling \$544,634.70), or

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

3) Claimed prior to the reporting period (12 transactions totaling \$24,856.95).

The inconsistencies noted above are immaterial (3.3%) to the total grant award amounts, but display potential deficiencies within the UT Southwestern's internal recording processes.

Testing Approach

Analytical and substantive procedures for UTSW'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 UTSW personnel:

Name	Title
Deborah Sauer	Associate Director – Dean's Office
Laura Hunt	Accountant III
Michael Stapp	Sr. Database Analyst
Nell Cryer	Supervisor of Outreach and Communication
Sheryl Overturf	Manager of Data Analytics

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 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 Grants Management System (CGMS) for the selected grants, and a sample of inventory items listed were selected for observation. 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 UTSW utilizes to match the required 50% 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 UTSW's expense reimbursement process, Internal Audit performed substantive testing on 379 judgmentally selected expense reimbursement transactions totaling over \$3.5 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. Internal Audit then traced the transactions within the general ledger to the Financial Status Reports submitted 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, it was noted that all samples of CPRIT grant reimbursement requests were accompanied by complete, accurate, and appropriate supporting documentation. However, Internal Audit noted that 62 selected expenses (16%), totaling \$569,491, were not incurred within the dates of the FSR period in which they were submitted. Fifty transactions, totaling \$544,635 were claimed after the allowed reporting period, and twelve transactions, totaling \$24,857, were claimed prior to the reporting period.

In addition, an expense for \$2,304.09 was claimed in the FSR period for Grant #RP120613 which had not yet been paid by UTSW. Internal Audit verified that a credit for the entire amount (\$2,304.09) posted to the UTSW general ledger on 8/13/14.

Inventory & Equipment

Internal Audit obtained a complete listing of inventory from the grantee for the selected grants and observed equipment over \$5,000. For the 10 samples, Internal Audit verified the existence and proper recording of inventory purchased with CPRIT funds. Internal Audit noted that there were no exceptions.

During the inventory observation for RP120613, the Principal Investigator informed Internal Audit that one of the items listed was going to be returned to the vendor and that they would be submitting the refund on the appropriate FSR period when incurred.

Matching Funds

To support UTSW's matching funds certification claimed in attachment C of their CPRIT contracts, Internal Audit obtained the accounting records of all the funds and expenditures which were used to meet the matching funds requirement along with the institution's CPRIT Award Matching Policy. The selected expenditures originated from funds independent of CPRIT and were categorized within the same research areas as the three CPRIT grants which required matching funds. UTSW was able to provide sufficient and appropriate evidence to support the matching funds. Internal Audit concluded that the funds being used for the CPRIT required match are appropriate and meet the matching funds requirements described in CPRIT policies and procedures.

Recommendations

While UTSW has an established review process for expenses, they should continue to work towards inspecting expenses closely to ensure that the expenses being claimed for reimbursement are being submitted in the appropriate claim period. Furthermore, additional processes should be put into place to ensure that only paid expenses are submitted in the FSR reports.

UTSW Management's Response

Sponsored Programs Administration 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 cash management and reporting.

Additionally, in accordance to additional single audit recommendations, Sponsored Programs Administration will schedule a meeting with CPRIT and seek clarification on the issue of whether expenses have to be paid prior to a grantee requesting reimbursement. 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, the Medical Center will continue to monitor all sponsored award activities to help mitigate risk, increase efficiencies, and encourage fiscal compliance to the maximum extent possible.

Implementation Status: In-progress

Implementation Date: November 2014

Responsible Person: David Ngo, Assistant Vice President, Sponsored Programs Administration