

University of Houston

Independent Accountants' Report on
Application of Agreed-upon Procedures

August 31, 2015

Independent Accountants' Report on Application of Agreed-upon Procedures

Board of Regents
University of Houston System
Houston, Texas

We have performed the procedures enumerated in the attachment to this report, which were agreed to by University of Houston (the University) and the Cancer Prevention Research Institute of Texas (CPRIT), solely to assist you with respect to compliance with the requirements set forth in CPRIT's *Policies and Procedures Guide* and CPRIT's *Guidance on Agreed-upon Procedures for CPRIT Grants* dated September 30, 2015, for the year ended August 31, 2015. The management of the University is responsible for its aforementioned compliance with the requirements set forth in the CPRIT's *Policies and Procedures Guide*. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The findings obtained are described in the attachment to this report.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance with the requirements described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

February 16, 2016

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Processes and Controls

Procedures:

1. Inquire of the organization's management about whether they have assessed the adequacy of internal controls addressing grant noncompliance, errors and fraud. Review documentation of that assessment. Considerations will be given to those controls in place that address compliance requirements of the grant, which include:
 - a. Contract compliance, including submission
 - b. Expenditures, including payroll and equipment
 - c. Project income
 - d. Reporting, including performance measurement, matching, indirect cost application and early termination
2. Review the organization's procedures that account for the receipts and disbursements of CPRIT funds. Determine if such procedures and records appear to be adequate for reporting the receipt and disbursement activities of the organization.

Finding:

No exceptions noted.

Contract

Procedure:

1. Obtain the contract proposal and review to see if the contract included Institutional Review Board approval for the use of human subjects, animals or biohazards. If so, obtain documentation from the grantee showing that the applicable review was done by the appropriate board.
2. Review the organization's policies to determine if the organization is required to have a written standard of conduct and comply with federal law to promote objectivity in research. If so, verify that a conflict of interest statement was signed prior to the effective date of the grant and that the conflict of interest statement was updated as necessary to comply with these provisions.

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3. Inquire of management and/or those charged with grant oversight to ensure that the grantee was in compliance with other assurances and certifications in CPRIT's *Guidance on Agreed-upon Procedures for CPRIT Grants Attachment C, Assurances and Certifications*, of the grant contract.

Finding:

University of Houston System's policy requires that if a potential conflict is reported on the "Annual Certification of Compliance with the Policy on Conflict of Interest for Academic Staff" (COI document), the Dean or Vice President for Research should conclude as to the significance of the potential conflict of interest, and sign and date the certification. For one COI document reviewed, we noted that the staff who prepared the certification reported a potential conflict of interest, however, there was no conclusion or signature of the Dean or Vice President for Research included on the certification. No other exceptions were noted.

Management Response:

We concur that the COI document signed by the staff dated October 7, 2010, was not signed by the Vice President of Research (VPR) as required. The Research compliance office reviewed this matter and determined that a conflict did not exist because none of the compound was obtained from the entity and the entity is no longer in business. The DOR conflict of interest program was significantly overhauled in 2012; all certifications and disclosures are required to have all applicable signatures, and any potential conflicts disclosed are reviewed by an institutional conflict of interest committee. We now have a FTE 100% devoted to the collection, routing, and review of all COI documentation and follows up with all applicable parties to ensure that the process is followed to completion.

Indirect Costs

1. Obtain and review the grant contract to determine if there is an indirect cost rate specified.
2. To test the indirect cost rate select a sample of the lesser of 10 percent or 25 indirect costs charged to the grant and perform the following:
 - a. Review the indirect cost selected to determine that the costs are eligible based on the grant requirements outlined in the grant contract obtained in 1 above.
 - b. Review all direct costs to the grant and make sure that the sample selected was properly excluded and therefore not duplicated as direct costs.

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3. Select a sample of 2 financial status report (Form 269a) submissions and verify that the indirect cost rate used was calculated correctly based on the requirements noted in the grant contract obtained in step 1.

Finding:

No exceptions noted. In procedure 2, the sample was 9 items.

Matching (Research Awards Only)

1. Obtain the grant contract and review to determine if there is a matching funds requirement.
2. Inquire of management and/or those charged with grant oversight to determine if a tracking mechanism, such as a separate fund/account, was created to track matching fund expenditures.
3. Obtain the grantee's matching certification to verify that matching funds (as noted in the grant contract obtained in 1 above) were certified prior to grant start. View the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant only.

Note: A Grant Recipient that is a public or private institution of higher education, may credit toward the Grant Recipient's Matching Funds obligation the dollar amount equivalent to the difference between the indirect cost rate authorized by the federal government for research grants awarded to the Grant Recipient and the five percent (5 percent) Indirect Cost limit imposed by Texas Health and Safety Code.

4. As of the end of the CPRIT program year, view the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant only that is the subject of the award. Obtain the bank statement(s) related to the account(s) that holds the match funds and tie in the total bank balance per the grantee's records to the month-end reconciliation.

Finding:

We requested grantee's matching certification for each of the three grants tested. For two of the grants, the signed matching certification was dated August 2015, for grant years with start dates of March 1, 2014. No other exceptions were noted.

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Expenditures (Excluding Payroll-related Transactions)

1. Inquire of management and/or those charged with grant oversight as to whether the organization has a purchasing policy that establishes a competitive procurement process, and safeguards against bias or conflicts of interest.
2. Inquire of management and/or those charged with grant oversight to determine whether the organization has a process in place to ensure that entities only purchase from a vendor list (which excludes vendors that are federally debarred or suspended) that has been approved by management and/or those charged with governance.
3. To test non-payroll direct expenditures, select a sample of the lesser of 10 percent or 60 nonpayroll-related expenditures. For each item selected perform the following:
 - a. Agree the sample disbursement to the receipt or invoice supporting the amount and payee;
 - b. Determine that the purchase was approved and/or reviewed by management or those involved with oversight of the grant (with knowledge of the grant requirements);
 - c. Determine if the costs of the goods and/or services received are considered allowable per Uniform Grant Management Standards (UGMS), the grant contract, and the CPRIT Policies and Procedures Guide;
 - d. If the item selected is travel related, determine if the travel was related to the grant;
 - e. If the item selected is related to international travel, determine if it was approved by CPRIT prior to the initiation of the travel;
 - f. If the expended item was transacted prior to the related CPRIT grant being awarded, determine that the costs were authorized by CPRIT per review of correspondence or other verification documentation;
 - g. Verify that the vendor was preapproved by the organization prior to the purchase, by agreeing the vendor to the preapproved vendor list noted in 2 above;
 - h. Review the approved grant budget and determine that the purchase was included in the approved grant budget provided to CPRIT;
 - i. Determine that the transaction occurred during the period covered by the grant award.

Finding:

No exceptions noted. In procedure 3, the sample was 57 items.

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Expenditures (Payroll-related Transactions)

1. Inquire of management and/or those charged with grant oversight to determine if the organization has a formal system to track time and effort of employees associated with the grant.
2. To test payroll direct expenditures, select a sample of the lesser of 10 percent or 60 payroll-related transactions from the fiscal year:
 - a. For employees that work solely in a single award/funding stream or cost objective, review documentation covering the period in which the transaction occurred showing that the employee had a semi-annual certification signed by the employee, or a supervisory official having first-hand knowledge of the work performed by the employee;
 - b. Obtain the grant budget and determine that either the employee and/or related position was included in the approved grant budget;
 - c. Determine that the transaction occurred during the period covered by the grant award;
 - d. Agree the time allocated to the grant for the related pay period to the employee's time sheet or similar support;
 - e. Determine that the employee's time sheet or similar documentation was approved by a supervisor;
 - f. Agree the employee's pay rate per the transaction to the employee's pay rate per their employee file, and that the rate was properly approved;
 - g. Ensure that the grant recipient has a "Non-Key CPRIT Grant Personnel Update Form" on file for each non-key employee whose salary or partial salary is paid by a CPRIT grant.

Finding:

No exceptions noted. In procedure 2, the sample was 51 items.

Equipment

1. Select a sample of the lesser of 10 percent or 25 equipment purchases during the fiscal year, and determine that:
 - a. The purchase was included in the contract approved budget;
 - b. Internal procedures for recording the receipt of the equipment were followed;

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- c. The item was included in the grant inventory report submitted to CPRIT;
- d. If the purchase was greater than \$5,000, verify that the purchase was authorized by CPRIT prior to the purchase;
- e. Review the purchase documentation and determine that the organization has title to the equipment purchased or fabricated with grant funds;
- f. If the organization still owns the equipment, observe the equipment's physical location ensuring that it is located at the organization, and that the equipment's property tag matches the property identification number reported in the inventory report to CPRIT;
- g. Determine that the transaction occurred during the period covered by the grant award.

Finding:

No equipment was purchased with grant funds.

Project Income

1. Obtain an understanding of how project income is generated if any.
2. Verify that project income collected for the year has been applied in accordance with the grant contract or CPRIT approval.

Finding:

No grants generated program income.

Reporting

1. Inquire of the organization's management and those charged with oversight over the CPRIT grant as to whether they are aware of any instances of fraud, illegal acts, or noncompliance, and whether they have been properly reported to the granting agency. Document the nature and outcome of any such acts that were reported.
2. To test the reporting requirements select a sample of reporting time periods for the following reports:
 - a. **Quarterly**– Select 2, Financial Status Reports (due within 90 days of the end of the fiscal quarter). For Prevention Grants, also select 2 quarters of Data Elements.

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- b. **Annual** – Select the current years, Grant Progress Report and other required annual reports (due within 60 days of the anniversary date of the Contract). The Grant Progress Report is filed along with the single audit determination form, Historically Underutilized Business report, listing of inventory equipment, and revenue sharing.
- c. **End of Contract Term** – Grant Final Report, a final Grant Progress Report shall be filed no more than ninety (90) days after the termination date of the Grant Contract. The final Grant Progress Report shall include a comprehensive description of the Grant Recipient's progress made toward completing the scope of work specified by the Grant Contract, as well as other information specified by CPRIT.

Tranche Grant Progress Report (Product Development Grant Recipients only) - In addition to annual Grant Progress Reports, Product Development Grant Recipients may submit a Grant Progress Report at the completion of specific tranches of funding specified in the Award Contract. A Tranche Grant Progress Report is not required when the completion of the tranche coincides with the end of the project year. In that event, the annual Grant Progress Report is sufficient.

- 3. Perform the following procedures over the reports:
 - a. Review documentation and/or correspondence to determine that required reports were filed within required timeframe as noted above.
 - b. Review documentation and/or correspondence to determine if the reports were reviewed and approved by management and/or those charged with oversight over the grant prior to submission.
 - c. Agree financial information included in reimbursement request reports for each request, and cumulatively for the reporting period, to the organization's general ledger.
 - d. If applicable, determine if any reimbursements payments have been withheld by inquiring of management and/or those charged with grant oversight. Identify the reason for a delay in payment related to not complying with a grant contract requirement or any state or federal law. If funds had been withheld identify if the withheld payment was released.
 - e. For the Grant Progress Reports, in addition to the procedures above, verify that the progress report includes a single audit determination form, an inventory form, a revenue sharing report and a Historically Underutilized Business report.
 - f. For the Grant Progress Reports, in addition to the procedures above verify that the other key data points related to project data (*i.e.*, publications, patent information, commercialization, etc.) are accurate for the period and supported by evidence.

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Finding:

No product development grants were noted. No exceptions noted.

Grant Closeout

1. Obtain correspondence and/or related documentation showing the date that the grantee submitted all required reports (as defined by the contract) to CPRIT to ensure that submission was completed within the 145-day closeout period following the end of the contract term.
2. Select the last financial status report for the grant and determine if it was submitted in a timely manner (as defined by the grant contract) and that the related payment was received. If payment was delayed, identify the reason for the delay related to not complying with a grant contract requirement or any state or federal law.

Finding:

No exceptions noted.

Sampling

When selecting samples, we followed CPRIT's recommendation and used the guidance from the AICPA's Audit and Accounting Guide: Government Auditing Standards and Circular A-133 Audits, Chapter 11 – Audit Sampling Considerations of Circular A-133 Compliance Audits.

We chose three grants from the schedule of CPRIT awards for testing as follows:

1. RP110444-P1: Roles of Alternative Nuclear Receptors at key steps in Prostrate Cancer Progression
2. RP120617: Advanced in vivo imaging of tumor initiation and progression
3. RP140113: Continuation of Computation Cancer Biomedicine Training Program