

# **University of Houston**

## **Independent Accountants' Report on Application of Agreed-upon Procedures**

August 31, 2020



## 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 Cancer Prevention and Research Institute of Texas (CPRIT), on the University's compliance with the requirements set forth in CPRIT's *Grant Policies and Procedures Guide* updated June 2020, for the year ended August 31, 2020. The management of the University is responsible for its aforementioned compliance with the requirements set forth in CPRIT's *Grant Policies and Procedures Guide*. The sufficiency of these 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.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the requirements described above. Accordingly, we do not express such an opinion or conclusion. 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*

Houston, Texas  
January 11, 2021

**University of Houston**  
**Agreed-upon Procedures**  
**Year Ended August 31, 2020**

**Processes and Controls**

Procedures:

1. Inquire of the University's management about whether they have assessed the adequacy of internal controls addressing grant noncompliance, errors and fraud. Review documentation of that assessment. Compare the items listed in the risk assessment to the following controls and assess whether the following were included:
  - a. Contract compliance, including submission;
  - b. Expenditures, including payroll and equipment;
  - c. Project income; and
  - d. Reporting, including performance measurement, matching, indirect cost application and early termination.
2. Confirm that the University has documented policies and procedures to account for the receipts and disbursement of the CPRIT funds.

Finding:

No exceptions noted.

**Contract**

Procedures:

1. Obtain the contract proposal for each grant tested and review to assess whether the contract included internal 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 prior to contract execution as evidence by signature of board meeting minutes.
2. Review the University's policies to assess whether the University 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(s) for all individual principal investigators and assess whether it was signed prior to the effective date of the grant and that the conflict of interest statement(s) was (were) updated as necessary to comply with these provisions.
3. Inquire of management and/or those charged with grant oversight to assess whether the grantee completed all assurances and certifications in Attachment C, Assurances and Certifications, of the grant contract.

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**Agreed-upon Procedures (Continued)**  
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Finding:

No exceptions noted.

**Indirect Costs**

Procedures:

1. Obtain and read each grant contract and assess whether 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. Obtain a list of eligible indirect costs from the University. Agree the description of the costs in the sample to the list of eligible costs. Obtain supporting documentation for the transactions in the sample and assess whether the description is valid. Document any exceptions.
  - b. Obtain from the University's accounting records the listing of direct costs charged to the grant. Compare the sample of indirect costs to the listing of direct costs to assess whether they were not included as direct costs. Document any exceptions.
3. Select a sample of two (2) financial status report (Form 269a) submissions for each grant and recompute the indirect cost rate used based on the requirements noted in the grant contract obtained in procedure 1 above. Compare the recalculated rate to the rate used and document any variance.

Finding:

No exceptions noted. In procedure 2, the sample was 37 items.

**Matching (Research Awards Only)**

Procedures:

1. Obtain each grant contract and assess whether it includes a matching funds requirement. If it does not, no further procedures in this section are necessary. Note: Matching fund requirements applicable to public and private institutions of higher education allow the grantee to receive partial or full matching funds credit. See section "Matching Funds – Certification and Verification."

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2. Inquire of management and/or those charged with grant oversight to assess whether a tracking mechanism, such as a separate fund/account, was created to track matching fund expenditures. Document management's response.
3. Obtain the grantee's matching certification to assess whether 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. Document any variance in the amount of matching funds.
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(s) only that is the subject of the award. Obtain the bank statement(s) related to the account(s) that hold(s) the match funds and tie in the total bank balance per the grantee's records to the month-end reconciliation.

Finding:

No exceptions noted.

**Expenditures (Excluding Payroll-related Transactions)**

Procedures:

1. Inquire of management and/or those charged with grant oversight as to whether the University 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 assess whether the University 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 as evidence by signature and date. Document management's response.
3. To test non-payroll direct expenditures for each grant, select a sample of the lesser of 10 percent or 60 non-payroll 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. Assess whether the purchase was approved and/or reviewed by management or those involved with oversight of the grant (with knowledge of the grant requirements).

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- c. Trace the description of the purchased goods and/or services received to the underlying supporting documentation and agree the description to items 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, assess whether the travel was related to the grant based on the inquiry of management or review of supporting documentation. Compare the description of the travel to the narrative and assess whether any discrepancy exists.
- e. If the item selected is related to international travel, assess whether 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, obtain evidence to assess whether the costs were authorized by CPRIT per review of correspondence or other verification documentation.
- g. Assess whether the vendor was preapproved by the University prior to the purchase, by agreeing the vendor to the preapproved vendor list noted in procedure 2 above.
- h. Review the approved grant budget and assess whether the purchase was included in a category in the approved grant budget provided to CPRIT.
- i. Note by obtaining supporting documentation that the transaction occurred during the period covered by the grant award.

Finding:

No exceptions noted. In Procedure 3, the sample was 96 items.

**Expenditures (Payroll-related Transactions)**

Procedures:

- 1. Inquire of management and/or those charged with grant oversight to assess whether the University has a formal system to track time and effort of employees associated with the grant.
- 2. To test payroll direct expenditures for each grant, select a sample of the lesser of 10 percent or 60 payroll-related transactions from the fiscal year:
- 3. 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;
  - a. Note that the budgeted payroll costs pertaining to the selected employee or the position, related to the selected employee, have been included in the approved grant budget;

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- b. Note by obtaining supporting documentation that the transaction occurred during the period covered by the grant award;
- c. Agree the time allocated to the grant for the related pay period to the employee's time sheet or similar support;
- d. Assess whether the employee's time sheet or similar documentation was approved by a supervisor;
- e. 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; and
- f. Assess whether the grantee has reported each employee whose salary or partial salary is paid by a CPRIT grant in the original Personnel Level of Effort (PLOE) submitted with the grant application.

Finding:

No exceptions were noted. In Procedure 2, the sample was 32 items.

**Equipment**

Procedure:

1. For each grant, select a sample of the lesser of 10 percent or 25 equipment purchases during the fiscal year, and assess whether:
  - a. The purchase was included in a category in the contract approved budget.
  - b. The University's internal procedures for recording the receipt of the equipment were followed.
  - 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 assess whether the University has title to the equipment purchased or fabricated with grant funds.
  - f. If the University still owns the equipment, observe the equipment's physical location, assess whether it is located at the University and agree the equipment's property tag to the property identification number reported in the inventory report to CPRIT.
  - g. Note by obtaining supporting documentation that the transaction occurred during the period covered by the grant award.

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**Agreed-upon Procedures (Continued)**  
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Finding:

No exceptions were noted. In Procedure 1, the sample was 1 item.

**Revenue Sharing and Project Income**

Procedures:

1. Inquire of management and assess whether any revenue generated by the grant project during the preceding fiscal year.
2. Assess whether revenue or project income collected by the University for the year has been identified for each grant in accordance with the grant contract or CPRIT approval and reported on the annual Revenue Sharing/Program Income Report form to CPRIT.
3. For revenue sharing, obtain documentation to assess whether revenue generated by the sale or licensing of products or research developed through a CPRIT grant resulted in payment made to CPRIT and that the payment is accurate based on the grant contract and Revenue Sharing/Program Income Report form.

Finding:

According to management, no grants generated program income.

**Reporting**

Procedures:

1. Inquire of the University's management and those charged with oversight over the CPRIT grant as to whether they are aware of any instances related to CPRIT grants of fraud, illegal acts, or noncompliance, and whether they have been properly reported to the granting agency. Document management's response regarding 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 two Financial Status Reports (due within 90 days of the end of the fiscal quarter). For Prevention Grants, also select two 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 equipment, inventory and Revenue Sharing/Program Income Report form.
  - c. **End of Contract Term** – Grant Final Report, a final grant progress report shall be filed no more than 90 days after the termination date of the Contract. The final grant progress report shall include a comprehensive description of the grantee's progress toward completing the scope of work specified by the Contract, as well as other information specified by CPRIT.
  - d. **Tranche Grant Progress Report (Product Development grantees only)** – In addition to annual Grant Progress Reports, Product Development grantees 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 grant year. In that event, the annual Grant Progress Report is sufficient.
3. Perform the following procedures over the reports:
- a. Obtain applicable documentation and/or correspondence and assess whether required reports were filed within required timeframes as noted above.
  - b. Review documentation and/or correspondence to assess whether the reports were reviewed and approved by management and/or those charged with oversight over the grant prior to submission.
  - c. Agree all financial information included in reimbursement request reports for each request, and cumulatively for the reporting period, to the University's general ledger.
  - d. If applicable, assess whether any reimbursements payments have been withheld by inquiring of management and/or those charged with grant oversight. Document management's response for 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, note whether the withheld payments were released per review of applicable documentation.
  - e. For the Grant Progress Reports, in addition to the procedures above, assess whether the progress report includes a Single Audit Determination form, an inventory form, a Revenue Sharing/Program Income Report and a Historically Underutilized Business/Texas Supplier report. Note any missing reports.
  - f. For the Grant Progress Reports, in addition to the procedures above, confirm 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 documentation from the University. Note any incorrect amounts.

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Finding:

No exceptions noted. According to management, the University did not receive any product development grants.

**Grant Closeout**

Procedures:

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 assess whether the submission was completed within the 145-day closeout period following the end of the contract term for each grant.
2. Select the last financial status report for the grant and assess whether it was submitted in a timely manner (as defined by the Contract) and that the related payment was received. If payment was delayed, inquire of management the reason for the delay and document the response.

Finding:

No exceptions noted. According to management, one grant closure occurred.

**Sampling**

When selecting a sample, we will follow CPRIT's recommendation and use 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:

Table 7: Audit Sampling Considerations

Frequency or Population Size	Sample Size
Quarterly (4)	2
Monthly (12)	3
Semimonthly (24)	6
Weekly (52)	8
<b>Greater than 52 transactions:</b>	
Expenditures	Lesser of 10% or 60
All other	Lesser of 10% or 25

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

1. RR170075: Recruitment of First-Time, Tenure-Track Faculty Member – Dr. Rohith Reddy
2. RP150656: Engineered Bone Targeting Nanomedicine for Treatment of Bone Metastases from Breast Cancer
3. RR150088: Stem Cells of Precursor Lesions: Preempting Highly Lethal Upper Gi Tract Cancers
4. PP170070: Taking Texas Tobacco Free: Increasing Tobacco Cessation In Substance Use Treatment Centers via an Evidence-based, Comprehensive Tobacco-free Workplace Program