

September 4, 2012

MEMORANDUM

TO: Lopa Mishra, MD
Chair, Gastroenterology, Hepatology and Nutrition

FROM: Sherri Magnus
Vice President & Chief Audit Officer *ad interim*

SUBJECT: Grants and Contracts Administration – Gastroenterology, Hepatology and Nutrition
2012-303

*Sherri
Magnus*

We have completed our review of the controls surrounding the administration of federal and private industry grants in Gastroenterology, Hepatology and Nutrition. The scope of the review included activities and transactions recorded during Fiscal Year 2011 through April 2012 for grants and contracts under fund group 9. In response to the recommendations made by our Department, management has included an Action Plan for the improvement opportunity below:

Observation 1:

Contract Existence

Supplies are being shipped to another entity in another state with which we do not have a contract. In addition, institutional employees work there full-time. This puts the institution at risk, as there is no formal agreement documenting the terms of our relationship.

Recommendation:

Management should initiate a contract with this entity to document our relationship and hold all parties accountable.

Management Action Plan:

Responsible EVP: Raymond DuBois, M.D

Due Date: February 1, 2012

Owner: Lisa Hafemeister

Final Approver: Maureen Cagley

Contributor: Lopa Mishra

The department will work with the VA Hospital's administration and MD Anderson's Legal departments to facilitate an executed contract to formalize this relationship.

Observation 2:

Expenditures

Generally, expenditures charged to federal awards complied with the federal cost principles outlined in OASC3 and institutional policies. However, two exceptions were identified in which travel expenditures were reimbursed for amounts that exceeded federal and institutional limits. Although the combined exceptions total less than \$25 and are immaterial, these amounts are unallowable for federal grants. In addition, we noted one instance where a requisition was processed after the receipt of the vendor invoice.

Recommendation:

Management should ensure that all expenditures are adequately supported and comply with grant and institutional requirements.

Management Action Plan:

Responsible EVP: Raymond DuBois, M.D

Due Date: November 30, 2012

Owner: Lisa Hafemeister

Final Approver: Maureen Cagley

Contributor: Debbie Gibbons

One of the two transactions has already been corrected. The second transaction referenced will be submitted for correction in August to remove the unallowable expense prior to year end FY12. Representatives will be invited from the Controller's Office and Travel Management to provide education to faculty and staff regarding allowable expenditures on grants.

Observation 3:

Effort Card Processing

Generally, effort reports are submitted in accordance with federal, UT System, and institutional guidelines and reflect the actual hours/effort worked on each project. However, we found an isolated incident where an effort card was not certified. Another exception occurred where an effort card incorrectly reflected a payroll allocation that was inflated beyond the amount allowable by the National Institutes of Health (NIH) due to salary cap limitations. In this case, the correct payroll amount was actually charged to the grant.

Recommendation:

The department should strengthen controls to ensure all faculty members certify all effort reported for their projects. In addition, it should ensure consistent use of the NIH Flex Calculator to determine the correct salary allocation to grant projects in cases where certified effort exceeds planned effort and salary exceeds the NIH salary cap. To ensure consistent, accurate processes, the department should coordinate with Grants & Contracts as necessary to obtain guidance and training in this area. The specific Effort Card noted in the observation should be modified and recertified to reflect the correct percentages.

Management Action Plan:

Responsible EVP: Raymond DuBois, M.D

Due Date: November 30, 2012

Owner: Lisa Hafemeister

Final Approver: Maureen Cagley

Contributor: Gladis Shuttlesworth

Representatives will be invited from Grants and Contracts to provide education to faculty and staff regarding effort certification and salary funding on grants. We will implement controls to ensure that all effort cards are accurate and certified timely. In addition, we will coordinate with Grants and Contracts to correct the effort card in question.

We appreciate the courtesy and cooperation extended to us by the Department of Gastroenterology, Hepatology and Nutrition. If you have any questions, please feel free to contact me.

SM/vk

cc: Raymond DuBois, MD
Robert Gagel, MD
Lopa Mishra, MD
Maureen Cagley
Joel Helmke
Lisa Hafemeister