



**South Texas Diabetes & Obesity Institute
Audit**

Report No. 21-AEN-05

August 30, 2022

Office of Audits & Consulting Services

EXECUTIVE SUMMARY

Overall Assessment:

Opportunities for improvements exist in monitoring controls over financial, administrative and compliance requirements with federal award regulations and UTRGV policies and procedures.

Background: The South Texas Diabetes and Obesity Institute was established on October 13, 2014 to be a focus for world-class biomedical research programs at the UTRGV School of Medicine. The mission of the South Texas Diabetes and Obesity Institute (STDOI) is to advance the health of South Texas and the world through cutting-edge research on diabetes, obesity, and related disorders. With diverse research efforts in the areas of diabetes, obesity, heart disease, ocular health, psychiatric disease, osteoporosis, and infectious diseases of border health relevance such as Chagas disease and tuberculosis, the STDOI is working to address the most critical public health problems of the South Texas region.

Objective: Evaluate internal controls over financial, administrative, and compliance requirements for the largest award agreements.

Scope/Period: Transactions and activity during September 1, 2018 through August 31, 2020, for one federal award from the U.S. Department of Health and Human Services and one private award from The Valley Baptist Legacy Foundation.

Risk Levels Appendix I

Priority
High
Medium
Low

We appreciate the courtesy and cooperation from the Accounting and Reporting Office throughout this audit.

Risk	Observations Summary
Medium	1. Lack of monitoring of subawards. Subaward cost transfers posted to project past 90-day requirement. Subrecipient expenses not expensed through subrecipient.
Medium	2. Nonadherence to travel policies and processes. Travel cost transfers posted past 90-day requirement.
Medium	3. Nonadherence to procurement policies and procedures. Purchased items not budgeted in the grant. Incorrect expense types used.
Medium	4. Potential Conflict of Commitments.
Medium	5. Inaccurate and late Time and Effort Certifications.

Observation Detail	Recommendation	Management Action Plan
<p><u>U.S. Dept of Health & Human Services Grant</u></p> <p>1. Subawards</p> <p>We selected four transactions totaling \$106,651 for three subawards. We determined that a \$25,000 cost transfer for a federal subaward from FY 2017 was questionable. The cost transfer posted to Project #5100000254, Genetic Epidemiology, exceeded the 90 days cost transfers requirement by 721 days.</p> <p>Additionally, during our testing of subawards, we noted expenses at the collaborator's site paid through UTRGV rather than revising and increasing the subaward agreement already in place with the collaborating agency.</p> <p>(Criteria)</p> <p><u>HHS Grants Policy Statement</u> Cost Transfers Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the Grants Management Officer.</p> <p><u>CFR Title 2: Grants and Agreements PART 200 Subpart D -Post Federal Award Requirements</u> §200.332 Requirements for pass-through entities Key Sections of Uniform Guidance – Subawards. Monitoring the activities of the subrecipient to ensure that the subaward complies with federal regulations.</p> <p>(Cause)</p> <p>This error occurred due to not properly monitoring subrecipient's activities by PI and Research Administration and the lack of knowledge</p>	<p>1. STDOI management should monitor subawards periodically to ensure expenditures are submitted timely and all subrecipient expenditures are submitted through the subaward.</p>	<p>1. Subaward monitoring currently occurs and will continue to occur. Within monthly financial reporting, the last month requested for reimbursement by a subcontract is listed. Subcontracts do have some flexibility, and some subcontracts, with the approval of UTRGV Research, bill quarterly. Therefore, a subcontract's expenses for month X may be billed for and paid more than 90 days later.</p> <p>STDOI will request Grants & Contracts modify their iShop cart naming to include the period being billed for by the subcontract.</p> <p>Action Plan owner: <i>STDOI</i></p> <p>Implementation Date: Monitoring - ongoing Request to Grants & Contracts – June 15, 2022</p>

Observation Detail	Recommendation	Management Action Plan
<p>or understanding of policies and guidance. Additionally, the Office of Grants and Contracts approved the cost transfer past the 90 days.</p> <p>(Effect)</p> <p>Nonadherence to sponsor guidance may lead to unallowable expenditures and possible loss of future funding. Also, unallowable expenditures will require another funding source.</p>		
<p>2. Travel</p> <p>We tested four trips totaling \$28,277 and identified a questionable expenditure totaling \$1,039.14, made up of a cost transfer transaction posted to Project #5100000254 exceeded the 90 days cost transfers requirement by 13 days.</p> <p>In addition, we observed the following nonadherence to institutional travel policy or process requirements:</p> <ul style="list-style-type: none"> ○ One trip's requisition submitted after the travel had occurred. ○ Three foreign travel requests were not submitted at least six (6) weeks prior to the travel dates. ○ Because advances are not allowed on grants, travel advancements to pay rental and maintenance of clinic and participant transportation expenses were charged to a cost center and incorrectly classified as non-employee travel related expenses. These expenses were subsequently transferred to the grant and correctly classified as operating expenses. <p>(Criteria)</p> <p><u>HHS Grants Policy Statement</u> Cost Transfers</p> <p>Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the Grants Management Officer.</p>	<p>2. STDOI management should:</p> <ul style="list-style-type: none"> ○ Monitor expenditures to ensure they are timely posted to award ○ Adhere to institutional travel policies and processes. 	<p>2. Expenditures are monitored and will continue to be monitored. Travelers will continue to be reminded of the limited time period for submission of receipts.</p> <p>Action Plan owner: <i>STDOI</i></p> <p>Implementation Date: Monitoring – ongoing</p>

Observation Detail	Recommendation	Management Action Plan
<p><u>UTRGV Policy ADM 10-602 Travel Policy</u></p> <p>D. Policy 6. Travel Authorization and Responsibilities a. Travel Authorization and Notice</p> <p>iii. Foreign Travel - All foreign travel must have prior approval for the travel from traveler's immediate supervisor and from the appropriate Project Manager. When traveling into a foreign country a Foreign Travel Authorization Form is required.</p> <p>Travel website states "When traveling to a foreign country: You MUST complete the Request for Approval to Travel to Foreign Countries (in iShop, within PeopleSoft) and submit for appropriate approval at least six (6) WEEKS PRIOR to the travel date."</p> <p><u>UTRGV Expense Resource Guide</u></p> <p>Regardless of the source of funding, ALL foreign travel requires advance approval from the Cost Center/Project Manager.</p> <p>(Cause)</p> <p>These errors occurred due to lack of knowledge or understanding of sponsor and institutional policies and guidance. Additionally, the Office of Grants and Contracts approved cost transfer past the 90 days.</p> <p>(Effect)</p> <p>Nonadherence to sponsor guidance and UTRGV processes may lead to unallowable expenditures and possible loss of future funding. Also, unallowable expenditures will require another funding source.</p>		
<p>3. Procurement Expenditures</p> <p>We reviewed 11 transactions totaling \$72,737 and identified five transactions of questioned costs totaling \$15,795 posted to Project #5100000254. These expenditures were not budgeted in the grant.</p>	<p>3. STDOI management should work with Grants & Contracts to review the expenditures not</p>	<p>3. The questioned costs are allowable on the grant. They were approved by Grant and Contracts and were documented. Although not</p>

Observation Detail				Recommendation	Management Action Plan
Voucher Number	Expense Type	Amount	Description		
V000077762	Purchased Contract/Temp Srvcs	\$1,920.00	Maintenance of clinic	<p>budgeted in the award, determine allowability, and document justification and approval for allowability if maintaining expenses on award.</p> <p>Additionally, STDOI should review appropriate expense type during approval process or during the monthly project reconciliation to properly categorize expenses in financial reports submitted to sponsors.</p>	<p>specifically budgeted, these expenses are allowable; NIH policy dictates that grantees have flexibility in rebudgeting. Per NIH policy, “NIH prior approval is not required to rebudget funds for any direct cost item that the applicable cost principles identify as requiring the Federal awarding agency’s prior approval, unless the incurrence of costs is associated with or is considered to be a change in scope.” The expenses were not a change of scope.</p> <p>STDOI will take additional steps to review expenditure types during expense submission and review. We will reach out to UTRGV to request general training and more detailed examples of expenditures that should be coded within each category.</p>
V000015585	Rental General Space	\$1,554.89	Rental of clinic		
JE 0000007445	Rental General Space	\$2,369.11	Rental of clinic		
JE 0000007445	Miscellaneous Expenses	\$5,630.89	Maintenance of clinic		
V000077759	Rental General Space	\$4,320.00	Rental of clinic		

Additionally, we observed the following three instances of incorrect expense types:

Project #	Voucher Number	Acct	Expense Type	Amount	Description
5400001202	V000074002	63801	Maint Repair Buildings	\$146.25	Equipment parts
5100000254	V000077762	60305	Purchased Contract/ Temp Srvcs	\$1,920.00	Supplier maintenance of clinic
5100000254	JE 0000007445	67620	Miscellaneous Expenses	\$5,630.89	Transportation to/from research field site location; subject recruiter-related and translation expenses; clinic maintenance costs; and facility rental.

(Criteria)

Grant Agreements (See Appendix II)

(Cause)

Lack of training on policy requirements and/or oversight of expenditures.

Observation Detail	Recommendation	Management Action Plan
<p>(Effect)</p> <p>Nonadherence to sponsor guidance may lead to unallowable expenditures and possible loss of future funding.</p>		
<p>Other</p> <p>4. Payroll</p> <p>We reviewed five salaried employees' FY 2020 payroll and observed the following:</p> <ul style="list-style-type: none"> ○ While the hiring official on record was the Director for STDOI, she was not the Supervisor and approved Change in Personnel Action Forms (cPAFs) as follows: <ul style="list-style-type: none"> • Director of the Genomics Computing Center – 7 cPAFs • Director of STDOI/Chair of Human Genetics Dept. – 2 cPAF <p>Although the cPAF system requires the hiring official to approve the cPAF, it does not require supervisor of record approval. This issue will be addressed in the cPAF audit.</p> <p>Although UTRGV is working towards finalizing a policy which addresses outside activities as required by UTS180, UTS policy requires disclosures of outside activities. We identified one employee, Director of the Genomics Computing Center, that did not disclose the following outside activities:</p> <p>Sun King Rising - Solo project website Rosfest - President ReZonatZ – Music blog PeacockSunrise Records – record production</p>	<p>4. STDOI should disclose outside activity as required by UTS 180 to identify and manage possible conflicts of commitments.</p>	<p>4. STDOI will continue to follow the UT System and UTRGV policies for reporting outside activities. Outside activities must be reported on an annual basis.</p> <p>Action Plan owner: STDOI</p> <p>Implementation Date: Ongoing</p>

Observation Detail	Recommendation	Management Action Plan
<p>(Criteria)</p> <p><u>UTS 180 Conflicts of Interest, Conflicts of Commitment, and Outside Activities</u></p> <p>Sec 6. Unmanaged Conflicts of Interest and Conflicts of Commitment Prohibited</p> <p>U. T. employees may not have a direct or indirect interest, including financial and other interests, or engage in a business transaction or professional activity, or incur any obligation of any nature that is in substantial conflict with the proper discharge of the employees' duties to their institution.</p> <p>Activities on behalf of outside entities or individuals must not interfere with a U. T. employee's fulfillment of his/her duties and responsibilities to U. T. Such conflicts of commitment may arise regardless of the location of these activities, the type of outside entity, or the level of compensation.</p>		
<p>(Cause)</p> <p>Inadequate controls within CPAF system. Lack of knowledge of UTS180. UTRGV guidance not clear on disclosing outside activities for evaluation of conflict of commitment.</p> <p>(Effect)</p> <p>Potential unmet commitments and questioned costs related to payroll expenditures.</p>		
<p>5. Time & Effort</p> <p>We reviewed 15 effort statements (3 per employee) and determined:</p> <ul style="list-style-type: none"> ○ 10 were certified inaccurately. (Over the NIH) ○ Two effort statements were certified past the 30-day requirement. 	<p>5. STDOI management should certify effort statements timely and accurately.</p>	<p>5. Certifications of T&E statements will be done in a timely manner and have been certified within required time periods since Fall</p>

Observation Detail	Recommendation	Management Action Plan
<p>(Criteria)</p> <p><u>ADM 07-103 Managing and Certifying Effort on Sponsored Programs</u> D. Procedures</p> <p>1. General Requirements, d. For NIH awards, the researcher's academic salary plus summer salary (i.e., "annualized" salary) claimed on a project cannot exceed the annual NIH salary cap. Salary in excess of the NIH salary cap must be cost shared.</p> <p>2. Primary Individual Responsibility, d. The effort certification must be completed within 30 days of notification by the Grants and Contracts Department.</p> <p>(Cause)</p> <p>Lack of training and accounting methodology to properly account for over the NIH salary cap cost centers. Noncompliance with institutional effort policy.</p> <p>(Effect)</p> <p>Noncompliance with institutional policies may lead to unallowable expenditures and possible future loss of funding.</p>		<p>2020.</p> <p>Certifications for effort over-the-cap salaries are being certified accurately and have been since the issue was discussed with the Audit group in 2021 (coinciding with certification of the 1st Semester of FY2021 for September 2020 through December 2020).</p> <p>Action Plan owner: <i>STDOI</i></p> <p>Implementation Date: Ongoing</p>
<p><u>The Valley Baptist Legacy Foundation - THRIVE</u></p> <p>We evaluated procurement, payroll, and capital transactions for THRIVE under the Foundation Initiative Grant Program. The sample of transactions tested adhered to the terms and conditions of the grant as well as UTRGV policies for each of the areas evaluated.</p>		

APPENDIX I

Risk Classifications and Definitions

Priority	High probability of occurrence that would significantly impact UT System and/or UT Rio Grande Valley. Reported to UT System Audit, Compliance, and Risk Management Committee (ACMRC). Priority findings reported to the ACMRC are defined as " <i>an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.</i> "
High	Risks are considered substantially undesirable and pose a significant level of exposure to UT Rio Grande Valley operations. Without appropriate controls, the risk will happen on a consistent basis. Immediate action is required by management in order to address the noted concern and reduce exposure to the organization.
Medium	Risks are considered undesirable and could moderately expose UT Rio Grande Valley. Without appropriate controls, the risk will occur some of the time. Action is needed by management in order to address the noted concern and reduce the risk exposure to a more desirable level.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Rio Grande Valley will be minimal. Action should be taken by management to address the noted concern and reduce risk exposure to the organization.

APPENDIX II

Criteria & Methodology

Criteria

Budget Detail for Project #5100000254 - Genetic Epidemiology

RESEARCH & RELATED BUDGET - SECTIONS F-K, BUDGET PERIOD 4

* ORGANIZATIONAL DUNS: 069444511

* Budget Type: Project Subaward/Consortium

Enter name of Organization: University of Texas Rio Grande Valley

* Start Date: 06-01-2018

* End Date: 05-31-2019

Budget Period: 4

F. Other Direct Costs	Funds Requested (\$)
1. Materials and Supplies	36,587.00
2. Publication Costs	3,000.00
3. Consultant Services	
4. ADP/Computer Services	
5. Subawards/Consortium/Contractual Costs	208,043.00
6. Equipment or Facility Rental/User Fees	
7. Alterations and Renovations	
8. Exome Sequencing	44,745.00
9. Variant Genotyping	10,268.00
10. Shipping Fees	9,000.00
Total Other Direct Costs	311,643.00

RESEARCH & RELATED BUDGET - SECTIONS F-K, BUDGET PERIOD 4

* ORGANIZATIONAL DUNS: 047814256

* Budget Type: Project Subaward/Consortium

Enter name of Organization: Wright State University

* Start Date: 06-01-2018

* End Date: 05-31-2019

Budget Period: 4

F. Other Direct Costs	Funds Requested (\$)
1. Materials and Supplies	
2. Publication Costs	
3. Consultant Services	
4. ADP/Computer Services	
5. Subawards/Consortium/Contractual Costs	
6. Equipment or Facility Rental/User Fees	
7. Alterations and Renovations	
Total Other Direct Costs	0.00

APPENDIX II - Continued

Criteria & Methodology

Methodology

We conducted this audit in conformance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. Additionally, we conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for findings and conclusions based on our audit objectives. The Office of Audits and Consulting Services is independent per both standards for internal auditors. These standards are also required by the Texas Internal Auditing Act.

APPENDIX III

Report Distribution & Audit Team

Report Distribution

Dr Michael B. Hocker, Dean School of Medicine & Sr. VP UT Health RGV

Dr. Sara Blangero, Director STDOI & Chair Dept of Human Genetics

UTRGV Internal Audit Committee

UT System Audit Office

Governor's Office - Budget and Policy

State Auditor's Office

Legislative Budget Board

Audit Team

Eloy R. Alaniz, Jr., Chief Audit Officer

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Angelica Coello-Pineda, Auditor