A Report on

State of Texas Compliance with Federal Requirements for the Research and Development Cluster for the Fiscal Year Ended August 31, 2018

February 2019
Report No. 19-030

State Auditor’s Office reports are available on the Internet at http://www.sao.texas.gov/.
Overall Conclusion

The State of Texas complied in all material respects with the federal requirements for the Research and Development Cluster in fiscal year 2018.

As a condition of receiving federal funding, Title 2, Code of Federal Regulations, Section 200, requires non-federal entities that expend $750,000 or more in federal awards in a fiscal year to obtain annual Single Audits. Those audits test compliance with federal requirements in up to 12 areas that may have a material effect on a federal program at those non-federal entities. Examples of the types of compliance areas include allowable costs/cost principles, cash management, and reporting. The requirements for 1 of those 12 areas vary by federal program and outline special tests that auditors are required to perform, such as determining whether a non-federal entity adhered to key personnel commitments specified in the application/proposal or award. The Single Audit for the State of Texas included (1) all high-risk federal programs for which the State expended more than $84,024,032 in federal funds during fiscal year 2018 and (2) other selected federal programs.

From September 1, 2017, through August 31, 2018, the State of Texas expended $56.0 billion in federal funds. The State Auditor’s Office audited compliance with requirements for the Research and Development Cluster at eight higher education institutions. Those eight higher education institutions spent $1.3 billion in federal Research and Development Cluster funds during fiscal year 2018.
Auditors identified 27 findings for the Research and Development Cluster, including:

- Twenty-three findings classified as significant deficiencies and non-compliance.
- Four findings classified as significant deficiencies.

(See text box for definitions of finding classifications.)

Key Points

The higher education institutions audited did not always comply with equipment management requirements for the Research and Development Cluster.

Six higher education institutions audited did not always maintain adequate property records for equipment purchased with federal research and development funds. Those higher education institutions were:

- Texas A&M AgriLife Research.
- Texas A&M University.
- The University of Texas at Austin.
- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.
- The University of Texas Southwestern Medical Center.

Three higher education institutions audited did not always adequately safeguard equipment. Those higher education institutions were:

- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.
- The University of Texas Southwestern Medical Center.
The higher education institutions audited did not always comply with financial reporting requirements for the Research and Development Cluster.

Six higher education institutions audited did not always ensure that their federal financial reports were complete, accurate, and supported by applicable accounting records. Those higher education institutions were:

- Texas A&M AgriLife Research.
- Texas A&M University.
- The University of Texas at Austin.
- The University of Texas Health Science Center at Houston.
- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.

The higher education institutions audited did not always comply with subrecipient monitoring requirements for the Research and Development Cluster.

Four higher education institutions audited (1) did not have adequate policies and procedures in place over subrecipient monitoring processes, (2) did not verify that subrecipients obtained a single audit as required, (3) did not accurately provide all required information to subrecipients, and/or (4) did not consistently monitor subrecipient activities to provide reasonable assurance that the subrecipients administered the subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward. Those higher education institutions were:

- Texas A&M AgriLife Research.
- Texas A&M University.
- The University of Texas at Austin.
- The University of Texas Health Science Center at Houston.

The higher education institutions audited did not always comply with key personnel requirements for the Research and Development Cluster.

Four higher education institutions audited did not always ensure that key personnel were involved in federal research and development projects as required. Those higher education institutions were:

- Texas A&M AgriLife Research.
- The University of Texas at Austin.
The higher education institutions audited did not always comply with cash management requirements for the Research and Development Cluster.

Three higher education institutions audited (1) did not identify, track, or remit to the federal government interest earned on federal funds received in advance of program expenses or (2) did not correctly calculate the amount of interest it was required to remit. Those higher education institutions were:

- Texas A&M University.
- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.

The higher education institutions audited did not always comply with period of performance requirements for the Research and Development Cluster.

Two higher education institutions audited did not always ensure that costs charged to federal awards were (1) allowable, (2) incurred within the period of performance, and/or (3) liquidated within the required time frame. Those higher education institutions were:

- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Southwestern Medical Center.

The higher education institutions audited did not always have adequate controls over key information technology systems used to manage federal research and development programs.

Auditors identified inappropriate access, insufficient segregation of duties, or insufficient controls over change management for key information technology systems at six higher education institutions. Those higher education institutions were:

- Texas A&M AgriLife Research.
- Texas A&M University.
- The University of Texas Health Science Center at Houston.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas M.D. Anderson Cancer Center.
- The University of Texas Medical Branch at Galveston.
Auditors followed up on higher education institutions’ corrective action plans for 10 audit findings from prior fiscal years related to the Research and Development Cluster.

Higher education institutions fully implemented corrective action plans for 6 (60 percent) of those 10 findings and partially implemented corrective action plans for 4 (40 percent) of those 10 findings.

**Summary of Management’s Response**

Management generally concurred with the audit findings. Specific management responses, including the views of responsible officials and corrective action plans, are presented immediately following each finding in this report.

**Audit Objectives and Scope**

With respect to the Research and Development Cluster, the objectives of this audit were to (1) obtain an understanding of internal controls over compliance, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective and (2) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on the Research and Development Cluster.

The audit scope covered federal funds that the State spent for the Research and Development Cluster from September 1, 2017, through August 31, 2018. The audit work included control and compliance tests at eight higher education institutions across the state.
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Independent Auditor’s Report

State of Texas Compliance with Federal Requirements for the Research and Development Cluster for the Fiscal Year Ended August 31, 2018
Report on Compliance for the Research and Development Cluster, and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor’s Report

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dennis Bonnen, Speaker of the House of Representatives
and
Members of the Texas Legislature, State of Texas

Report on Compliance for the Research and Development Cluster

We have audited the State of Texas’s (State) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Research and Development Cluster for the year ended August 31, 2018. The State’s major federal program at various higher education institutions is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the State’s compliance for the Research and Development Cluster based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Research and Development Cluster occurred. An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.
This audit was conducted as part of the State of Texas Statewide Single Audit for the year ended August 31, 2018. As such, the Research and Development Cluster was selected as a major program based on the State of Texas as a whole for the year ended August 31, 2018. The State does not meet the Uniform Guidance requirements for a program-specific audit and the presentation of the Schedule of Program Expenditures does not conform to the Uniform Guidance Schedule of Expenditures of Federal Awards. However, this audit was designed to be relied on for the State of Texas opinion on federal compliance, and in our judgment, the audit and this report satisfy the intent of those requirements.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Research and Development Cluster. However, our audit does not provide a legal determination of the State’s compliance.

**Opinion on the Research and Development Cluster**

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Research and Development Cluster for the year ended August 31, 2018.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items:

<table>
<thead>
<tr>
<th>Higher Education Institution</th>
<th>Compliance Requirement</th>
<th>Finding Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas A&amp;M AgriLife Research</td>
<td>Equipment and Real Property Management</td>
<td>2018-101</td>
</tr>
<tr>
<td></td>
<td>Reporting</td>
<td>2018-102</td>
</tr>
<tr>
<td></td>
<td>Special Tests and Provisions - Key Personnel</td>
<td>2018-104</td>
</tr>
<tr>
<td>Texas A&amp;M University</td>
<td>Cash Management</td>
<td>2018-105</td>
</tr>
<tr>
<td></td>
<td>Equipment and Real Property Management</td>
<td>2018-106</td>
</tr>
<tr>
<td></td>
<td>Reporting</td>
<td>2018-107</td>
</tr>
<tr>
<td>University of Texas at Austin</td>
<td>Equipment and Real Property Management</td>
<td>2018-109</td>
</tr>
<tr>
<td></td>
<td>Reporting</td>
<td>2018-110</td>
</tr>
<tr>
<td></td>
<td>Subrecipient Monitoring</td>
<td>2018-111</td>
</tr>
<tr>
<td></td>
<td>Special Tests and Provisions - Key Personnel</td>
<td>2018-112</td>
</tr>
<tr>
<td>University of Texas Health Science Center at Houston</td>
<td>Reporting</td>
<td>2018-113</td>
</tr>
<tr>
<td></td>
<td>Subrecipient Monitoring</td>
<td>2018-114</td>
</tr>
</tbody>
</table>
Our opinion on the Research and Development Cluster is not modified with respect to these matters.

The State’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State’s internal control over compliance with the types of requirements that could have a direct and material effect on the Research and Development Cluster to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Research and Development Cluster and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control.
control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we consider the following deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, to be significant deficiencies:

<table>
<thead>
<tr>
<th>Higher Education Institution</th>
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</tr>
</thead>
<tbody>
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<td>Texas A&amp;M AgriLife Research</td>
<td>Equipment and Real Property Management</td>
<td>2018-101</td>
</tr>
<tr>
<td></td>
<td>Activities Allowed or Unallowed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allowable Costs/Cost Principles</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash Management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reporting</td>
<td>2018-102</td>
</tr>
<tr>
<td></td>
<td>Subrecipient Monitoring</td>
<td>2018-103</td>
</tr>
<tr>
<td></td>
<td>Special Tests and Provisions - Key Personnel</td>
<td>2018-104</td>
</tr>
<tr>
<td>Texas A&amp;M University</td>
<td>Cash Management</td>
<td>2018-105</td>
</tr>
<tr>
<td></td>
<td>Activities Allowed or Unallowed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Allowable Costs/Cost Principles</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Matching, Level of Effort, Earmarking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Period of Performance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Procurement and Suspension and Debarment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Special Tests and Provisions - Key Personnel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equipment and Real Property Management</td>
<td>2018-106</td>
</tr>
<tr>
<td></td>
<td>Reporting</td>
<td>2018-107</td>
</tr>
<tr>
<td></td>
<td>Subrecipient Monitoring</td>
<td>2018-108</td>
</tr>
<tr>
<td>University of Texas at Austin</td>
<td>Equipment and Real Property Management</td>
<td>2018-109</td>
</tr>
<tr>
<td></td>
<td>Reporting</td>
<td>2018-110</td>
</tr>
<tr>
<td></td>
<td>Subrecipient Monitoring</td>
<td>2018-111</td>
</tr>
</tbody>
</table>
The State’s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.
Schedule of Federal Program Expenditures

The accompanying Schedule of Federal Program Expenditures for the Research and Development Cluster of the State for the Year Ended August 31, 2018, is presented for purposes of additional analysis. This information is the responsibility of the State’s management and has been subjected only to limited auditing procedures and, accordingly, we express no opinion on it. However, we have audited the Statewide Schedule of Expenditures of Federal Awards in a separate audit, and the opinion on the Statewide Schedule of Expenditures of Federal Awards is included in the State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2018.

Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

February 21, 2019
### Schedule of Federal Program Expenditures

<table>
<thead>
<tr>
<th>Higher Education Institution Audited</th>
<th>Federal Pass-through to Non-state Entity</th>
<th>Federal Direct Expenditures</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas A&amp;M AgriLife Research</td>
<td>$ 8,508,066</td>
<td>$ 62,552,709</td>
<td>$ 71,060,775</td>
</tr>
<tr>
<td>Texas A&amp;M University</td>
<td>8,997,532</td>
<td>105,957,938</td>
<td>114,955,470</td>
</tr>
<tr>
<td>University of Texas at Austin</td>
<td>32,832,932</td>
<td>368,733,175</td>
<td>401,566,107</td>
</tr>
<tr>
<td>University of Texas Health Science Center at Houston</td>
<td>16,300,253</td>
<td>106,531,784</td>
<td>122,832,037</td>
</tr>
<tr>
<td>University of Texas Health Science Center at San Antonio</td>
<td>7,391,540</td>
<td>78,869,174</td>
<td>86,260,714</td>
</tr>
<tr>
<td>University of Texas M.D. Anderson Cancer Center</td>
<td>12,006,638</td>
<td>182,417,739</td>
<td>194,424,377</td>
</tr>
<tr>
<td>University of Texas Medical Branch at Galveston</td>
<td>6,007,543</td>
<td>96,280,926</td>
<td>102,288,469</td>
</tr>
<tr>
<td>University of Texas Southwestern Medical Center</td>
<td>16,667,033</td>
<td>177,946,915</td>
<td>194,613,948</td>
</tr>
<tr>
<td><strong>Total Audited Research and Development Federal Program Expenditures</strong></td>
<td><strong>$ 108,711,537</strong></td>
<td><strong>$ 1,179,290,360</strong></td>
<td><strong>$ 1,288,001,897</strong></td>
</tr>
</tbody>
</table>

Note 1: This schedule of federal program expenditures is presented for informational purposes only. For the State’s complete Schedule of Expenditures of Federal Awards, see the State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2018.

Note 2: Federal expenditures for the Research and Development Cluster at state entities not included in the scope of this audit totaled $480,767,552 for the fiscal year ended August 31, 2018.

Note 3: The Research and Development Cluster includes many programs funded by various federal agencies. For a list of Research and Development expenditures by program or by federal awarding agency, see the State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2018.
Schedule of Findings and Questioned Costs

State of Texas Compliance with Federal Requirements for the Research and Development Cluster for the Fiscal Year Ended August 31, 2018
Section 1: Summary of Auditor’s Results

Financial Statements


Federal Awards

Internal control over major programs:

Material weakness(es) identified? No
Significant deficiency(ies) identified? Yes

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2, Code of Federal Regulations, Section 200.516(a)? Yes

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster</td>
<td>Research and Development</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $84,024,032

Auditee qualified as low-risk auditee? No
Section 2: 
Financial Statement Findings

Section 3: Federal Award Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, as required to be reported by Title 2, Code of Federal Regulations, Section 200.516(a).

Texas A&M AgriLife Research

Reference No. 2018-101

Equipment and Real Property Management
Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Cash Management
Matching, Level of Effort, Earmarking
Period of Performance

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Equipment Property Records

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)).

Texas A&M AgriLife Research (AgriLife) did not maintain complete and accurate property records for 31 (52 percent) of 60 equipment items tested. Specifically:

- For 25 equipment items, AgriLife did not maintain in its property records some or all of the funding source information. For 14 of those items, AgriLife maintained the catalog of federal domestic assistance (CFDA) number and the federal awarding agency; however, it did not maintain the federal award number. For 11 of those items, AgriLife did not maintain any federal award information in its property records. AgriLife asserted that for older awards, the award information may not have transferred when its information technology system was converted.

- For 4 equipment items, the serial number was missing from the property record or the serial number was inaccurate in the property record. Those errors occurred because AgriLife did not enter that information into its property records accurately or because it did not always follow its policies and procedures to update property records as needed.

- For 1 equipment item, AgriLife did not maintain any federal award information and the serial number was inaccurate in the property record.

Questioned Cost: $ 0

U.S. Department of Agriculture
U.S. Environmental Protection Agency
U.S. Department of Energy
U.S. Department of Health and Human Services
For 1 equipment item, the location of the item was inaccurate. That item had been transferred to surplus; however, the property record had not been updated to reflect the transfer.

In addition, for 6 (75 percent) of 8 equipment disposals reviewed, AgriLife did not maintain some or all of the funding source information in its property records. For 1 of those equipment items, AgriLife maintained the CFDA number and the federal awarding agency; however, it did not maintain the federal award number. For 5 of those equipment items, AgriLife did not maintain any federal award information in its property records. Without federal award information, auditors were unable to determine if AgriLife followed any applicable federal awarding agency disposition instructions.

Not maintaining complete and accurate property records increases the risk that equipment may be lost, stolen, or improperly disposed.

The following awards were affected by the issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.200</td>
<td>Grants for Agricultural Research, Special Research Grants</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>81.087</td>
<td>Renewable Energy Research and Development</td>
<td>NAABB #28302-P</td>
<td>April 1, 2010, to March 31, 2013</td>
</tr>
<tr>
<td>93.859</td>
<td>Biomedical Research and Research Training</td>
<td>1-R01-GM62326-01A1</td>
<td>June 1, 2001, to May 31, 2007</td>
</tr>
</tbody>
</table>

Other awards were affected by the issues discussed above; however, because AgriLife did not maintain the award information, a complete list of awards affected could not be determined.

Other Compliance Areas

Although the general control weaknesses described below apply to activities allowed or unallowed, allowable costs/cost principles, cash management, matching, level of effort, earmarking, and period of performance, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).
AgriLife did not appropriately restrict user access to certain systems it uses to manage its research and development programs. Specifically, AgriLife did not always promptly remove user accounts when an employee transferred to a new position or otherwise no longer needed access. AgriLife also did not consistently ensure that access to system accounts was limited only to users who needed access.

AgriLife did not have a process to perform documented user access reviews for all system levels. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to those systems.

Recommendations:
AgriLife should:

- Strengthen controls to ensure that it updates and maintains accurate property records and that its property records include all required information.
- Ensure that user access is appropriately limited to employees based on job responsibilities.
- Implement a process to perform periodic user access reviews at all system levels.

Views of Responsible Officials:
Texas A&M AgriLife Research acknowledges and agrees with the findings. Texas A&M AgriLife Research will work to develop and implement corrective action.

Corrective Action Plan:

Equipment

Texas A&M AgriLife Research is currently conducting their annual inventory certification. During this process, AgriLife will work with the departments to ensure that location information is correct, verify serial numbers, and ensure assets tags are affixed to the asset. AgriLife Research Property Management will also communicate with the units the importance of the appropriate disposal methods when assets are no longer in their possession. Property Management will also strengthen departmental asset spot audits conducted annually by dedicating a percentage of the audits for federally funded assets.

Property records for assets purchased prior to the system software conversion prior to 2000 are available, but with limited information. The current grants management system, MAESTRO maintains the award documents, including CFDA numbers, and will remain in the system.

Implementation Date: March 31, 2019
Responsible Person: Jared Kotch

General Controls

Texas A&M AgriLife Research will continue to work with the Texas A&M System Chief Information Officer to improve existing information security controls in order to appropriately limit user access and to promptly remove or change user accounts when user needs change.

Implementation Date: August 2019
Responsible Person: Mark Schulz
Reference No. 2018-102

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Financial Reporting

Recipients are required to report financial information to ensure effective monitoring of federal awards (Title 2, Code of Federal Regulations (CFR), Section 200.327). Recipients use the Federal Financial Report Standard Form (SF-425), or alternate forms of financial reporting that report the same or similar information, to report financial activity to federal awarding agencies and pass-through entities. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions and requirements of key reporting elements.

Texas A&M AgriLife Research (AgriLife) did not ensure that its financial reports were accurate and complete. Specifically, for 24 (40 percent) of 60 reports tested, AgriLife incorrectly reported one or more of the following reporting elements: federal award number, award period, or reporting period end date in the cover information section of SF-425 reports; financial activity in the federal expenditures and unobligated balance, recipient share, and indirect expense sections of SF-425 reports; or expenditure information on other required financial reports.

In addition, AgriLife did not correctly report the basis of accounting it used to prepare its financial reports. AgriLife uses modified accrual accounting and prepares financial reports on the accrual accounting basis, unless the federal agency or pass-through entity requires reporting on the cash accounting basis. While AgriLife correctly prepared its financial reports on the accrual accounting basis, it incorrectly reported that it used the cash accounting basis on 42 (70 percent) of 60 reports tested.

Those errors occurred because of manual errors AgriLife made when preparing the financial reports and because for the majority of fiscal year 2018, AgriLife did not have policies and procedures in place to help ensure that it completed reports in accordance with SF-425 instructions. In addition, while AgriLife had a process in place for reviewing and approving financial reports prior to submission, that review and approval process was not sufficient to ensure that the financial reports it submitted were accurate and complete.

Inaccurate information in financial reports increases the risk that federal agencies and pass-through entities could rely on inaccurate information to manage and monitor their awards.

The following awards were affected by the reporting issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-3091-6-028</td>
<td>September 1, 2016, to August 31, 2017</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
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</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-5090-6-066</td>
<td>September 1, 2016, to August 31, 2017</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-3094-7-017</td>
<td>September 1, 2017, to August 31, 2018</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-8042-7-070</td>
<td>September 1, 2017, to December 31, 2018</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>59-8042-6-003</td>
<td>April 1, 2016, to July 31, 2019</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-3042-6-066</td>
<td>August 1, 2016, to July 31, 2021</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-6066-5-048</td>
<td>August 15, 2015, to December 31, 2019</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>59-3091-7-002</td>
<td>October 1, 2016, to May 31, 2021</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-3090-5-008</td>
<td>September 1, 2015, to August 31, 2020</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-3070-6-027</td>
<td>September 15, 2016, to September 14, 2018</td>
</tr>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>58-3094-6-020</td>
<td>September 18, 2016, to August 31, 2018</td>
</tr>
<tr>
<td>10.025</td>
<td>Plant and Animal Disease, Pest Control, and Animal Care</td>
<td>16-9794-2543-CA</td>
<td>September 30, 2016, to September 29, 2018</td>
</tr>
<tr>
<td>10.025</td>
<td>Plant and Animal Disease, Pest Control, and Animal Care</td>
<td>AP17VSSPRS00C126</td>
<td>September 30, 2017, to September 29, 2019</td>
</tr>
<tr>
<td>10.291</td>
<td>Agricultural and Food Policy Research Centers</td>
<td>58-0111-17-003</td>
<td>August 1, 2017, to April 30, 2019</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
<td>---------</td>
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<td>------------------------------------------------</td>
</tr>
<tr>
<td>10.309</td>
<td>Specialty Crop Research Initiative</td>
<td>2016-51181-25422</td>
<td>September 1, 2016, to August 31, 2018</td>
</tr>
<tr>
<td>10.310</td>
<td>Agriculture and Food Research Initiative (AFRI)</td>
<td>2017-67012-25999</td>
<td>December 15, 2016, to December 14, 2018</td>
</tr>
<tr>
<td>10.310</td>
<td>Agriculture and Food Research Initiative (AFRI)</td>
<td>2016-67015-24923</td>
<td>February 15, 2016, to February 14, 2020</td>
</tr>
<tr>
<td>10.310</td>
<td>Agriculture and Food Research Initiative (AFRI)</td>
<td>2016-67015-24958</td>
<td>March 1, 2016, to February 29, 2020</td>
</tr>
<tr>
<td>10.310</td>
<td>Agriculture and Food Research Initiative (AFRI)</td>
<td>2017-68008-26205</td>
<td>March 15, 2017, to March 14, 2020</td>
</tr>
<tr>
<td>10.606</td>
<td>Food for Progress</td>
<td>DOM001-16-03</td>
<td>August 1, 2016, to July 31, 2019</td>
</tr>
<tr>
<td></td>
<td>(AgriLife received funds as a pass-through from the National Cooperative Business Association)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.902</td>
<td>Soil and Water Conservation</td>
<td>68-7442-17-028</td>
<td>September 11, 2017, to September 30, 2018</td>
</tr>
<tr>
<td>10.902</td>
<td>Soil and Water Conservation</td>
<td>68-7482-17-016</td>
<td>September 20, 2017, to September 30, 2018</td>
</tr>
<tr>
<td>10.902</td>
<td>Soil and Water Conservation</td>
<td>68-7442-17-046</td>
<td>September 22, 2017, to September 30, 2018</td>
</tr>
<tr>
<td>10.912</td>
<td>Environmental Quality Incentives Program</td>
<td>69-3A75-17-286</td>
<td>September 19, 2017, to July 31, 2020</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------------------------------------------------------------</td>
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<td>------------------------------------------------</td>
</tr>
<tr>
<td>10.912</td>
<td>Environmental Quality Incentives Program</td>
<td>69-3A75-14-245</td>
<td>September 26, 2014, to September 30, 2017</td>
</tr>
<tr>
<td>10.960</td>
<td>Technical Agricultural Assistance</td>
<td>TA-CR-16-036-FI-Q3-17</td>
<td>September 1, 2016, to August 31, 2017</td>
</tr>
<tr>
<td>10.960</td>
<td>Technical Agricultural Assistance</td>
<td>TA-CR-16-041</td>
<td>September 19, 2016, to September 30, 2018</td>
</tr>
<tr>
<td>11.427</td>
<td>Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program</td>
<td>NA15NMF4270344</td>
<td>September 1, 2015, to August 31, 2018</td>
</tr>
<tr>
<td>12.300</td>
<td>Basic and Applied Scientific Research</td>
<td>W9126G-16-2-0010</td>
<td>September 2, 2016, to March 2, 2018</td>
</tr>
<tr>
<td>15.945</td>
<td>Cooperative Research and Training Programs – Resources of the National Park System</td>
<td>P16AC00917</td>
<td>August 31, 2016, to December 31, 2018</td>
</tr>
<tr>
<td>43.003</td>
<td>Exploration</td>
<td>NNX15AD64G</td>
<td>January 7, 2015, to January 2, 2018</td>
</tr>
<tr>
<td>81.087</td>
<td>Renewable Energy Research and Development</td>
<td>DE-EE0007104</td>
<td>April 15, 2016, to December 31, 2018</td>
</tr>
<tr>
<td>93.103</td>
<td>Food and Drug Administration Research</td>
<td>5U18FD005013</td>
<td>September 1, 2013, to December 31, 2017</td>
</tr>
<tr>
<td>93.103</td>
<td>Food and Drug Administration Research</td>
<td>1U18FD004638-01</td>
<td>September 15, 2012, to September 14, 2017</td>
</tr>
<tr>
<td>93.351</td>
<td>Research Infrastructure Programs</td>
<td>5T35OD010991-13</td>
<td>August 2, 2004, to February 28, 2020</td>
</tr>
</tbody>
</table>
General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

AgriLife did not appropriately restrict user access to certain systems it uses to manage its research and development programs. Specifically, AgriLife did not always promptly remove user accounts when an employee transferred to a new position or otherwise no longer needed access. AgriLife also did not consistently ensure that access to system accounts was limited only to users who needed access.

AgriLife did not have a process to perform documented user access reviews for all system levels. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to those systems.

Recommendations:

AgriLife should:

- Strengthen controls to ensure that the financial reports it submits are complete and accurate.
- Ensure that user access is appropriately limited to employees based on job responsibilities.
- Implement a process to perform periodic user access reviews at all system levels.

Views of Responsible Officials:

Texas A&M AgriLife Research acknowledges and agrees with the findings. Texas A&M AgriLife Research and Texas A&M Sponsored Research Services will work to develop and implement corrective action.

Corrective Action Plan:

Reporting

Texas A&M Sponsored Research Services has revised written procedures to increase the level of guidance provided to staff who prepare federal financial reports (SF-425). Additional monitoring controls will be implemented to promote the completeness and accuracy of financial reports.

Implementation Date: February 2019

Responsible Person: Diane Hassel
General Controls

Texas A&M AgriLife Research will continue to work with the Texas A&M System Chief Information Officer to improve existing information security controls in order to appropriately limit user access and to promptly remove or change user accounts when user needs change.

Implementation Date: August 2019

Responsible Person: Mark Schulz

Reference No. 2018-103

Subrecipient Monitoring

Research and Development Cluster
Award years – Multiple
Award numbers – Multiple
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency

Pass-through entities are required to evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. The pass-through entity may consider such factors as the subrecipient’s prior experience with the same or similar subawards, the results of previous audits, whether the subrecipient has new personnel or new or substantially changed systems, and the extent and results of federal awarding agency monitoring (Title 2, Code of Federal Regulations (CFR), Section 200.331(b)). The pass-through entity must monitor the activities of each subrecipient as necessary to ensure that a subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring must include (1) reviewing financial and performance reports, (2) following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies, and (3) issuing a management decision for audit findings (Title 2, CFR, Section 200.331(d)). Depending on the pass-through entity’s assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals: (1) providing subrecipients with training and technical assistance on program-related matters, (2) performing on-site reviews of the subrecipient’s program operations, and (3) arranging for agreed-upon procedures engagements (Title 2, CFR, Section 200.331(e)).

When establishing a new subaward, Texas A&M AgriLife Research (AgriLife) uses a subrecipient risk assessment template that allows it to assess risk based on criteria such as the amount of a subaward, cost sharing requirements, and previous audit findings. Based on the results of the risk assessment, AgriLife determines for the subrecipient an overall risk level of low, medium, or high.

AgriLife did not have adequate policies and procedures in place over its subrecipient monitoring processes. Specifically:

- AgriLife’s policies do not address additional monitoring tools for medium- or high-risk subrecipients to ensure proper accountability and compliance with program requirements. According to AgriLife’s policy, certain executive approval is required before an award is made to a medium- or high-risk subrecipient; however, the policy does not address any additional monitoring those subrecipients should receive after the award is executed. Auditors observed examples of low- and medium-risk assessments during testing.
AgriLife’s policy requires subrecipient expenditures to be reviewed for allowability; however, that policy does not specify what level of detail should be included in the subrecipient’s invoice. For example, one subrecipient’s invoice totaling $8,973 included only a date and the subaward number and did not include an itemized list of expenses, budget categories, or any other information regarding the type of expenses that invoice covered.

Insufficient monitoring policies and procedures for subrecipients increases the risk that AgriLife would not detect subrecipients’ noncompliance with federal statutes, regulations, and terms and conditions of the subaward.

Recommendation:

AgriLife should strengthen its policies and procedures over subrecipient monitoring to ensure that it appropriately evaluates risk of noncompliance and performs monitoring procedures based on identified risks.

Views of Responsible Officials:

Texas A&M AgriLife Research acknowledges and agrees with the findings. Texas A&M AgriLife Research and Texas A&M Sponsored Research Services will work to develop and implement corrective action.

Corrective Action Plan:

Texas A&M Sponsored Research Services will revise procedures to include additional monitoring tools that may be used in evaluating the performance of subrecipients considered high risk.

Texas A&M Sponsored Research Services will revise procedures to include additional detail on ensuring allowability of subrecipient expenditures.

Implementation Date: June 2019

Responsible Person: Julie Bishop

Reference No. 2018-104

Special Tests and Provisions – Key Personnel

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Key Personnel

A recipient of federal awards must obtain approval from federal awarding agencies for (1) changes to a key person specified in the application or the federal award, or (2) the disengagement from the project for more than three months or a 25 percent reduction in time devoted to the project by the approved project director or principal investigator (Title 2, Code of Federal Regulations (CFR), Section 200.308(c)(1)).

Texas A&M AgriLife Research (AgriLife) did not consistently ensure that key personnel were involved in projects as required. Specifically, for 5 (8 percent) of 60 projects tested, the key personnel specified in the award agreement did not meet the identified level of involvement for fiscal year 2018. AgriLife did not obtain approval from the federal awarding agency for changes to the level of involvement for the key personnel.
personnel for all 5 of those projects. Those errors occurred because AgriLife did not have a process in place to monitor changes in the level of involvement for key personnel.

Not obtaining prior approval for reductions in the level of involvement, or disengagement from the project, for key personnel may result in federal sponsors being unaware of changes to key personnel.

The following awards were affected by the issue discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.310</td>
<td>Agriculture and Food Research Initiative (AFRI)</td>
<td>2017-68007-26318</td>
<td>May 1, 2017, to April 30, 2019</td>
</tr>
<tr>
<td>93.103</td>
<td>Food and Drug Administration Research</td>
<td>5U18FD005608-03</td>
<td>September 1, 2015, to August 31, 2020</td>
</tr>
<tr>
<td>93.113</td>
<td>Environmental Health</td>
<td>5R01ES025713-03</td>
<td>June 1, 2016, to May 31, 2021</td>
</tr>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>5R21NS093487-02</td>
<td>June 15, 2015, to May 31, 2018</td>
</tr>
</tbody>
</table>

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

AgriLife did not appropriately restrict user access to certain systems it uses to manage its research and development programs. Specifically, AgriLife did not always promptly remove user accounts when an employee transferred to a new position or otherwise no longer needed access. AgriLife also did not consistently ensure that access to system accounts was limited only to users who needed access.

AgriLife did not have a process to perform documented user access reviews for all system levels. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to those systems.

Recommendations:

AgriLife should:
- Strengthen its processes for identifying changes to key personnel requiring approval from the federal sponsor and ensure that it requests approval from the federal sponsor prior to those changes taking effect.
- Ensure that user access is appropriately limited to employees based on job responsibilities.
- Implement a process to perform periodic user access reviews at all system levels.
Views of Responsible Officials:

Texas A&M AgriLife Research acknowledges and agrees with the findings. Texas A&M AgriLife Research and Texas A&M Sponsored Research Services will work to develop and implement corrective action.

Corrective Action Plan:

Key Personnel

Texas A&M Sponsored Research Services will strengthen controls designed to ensure changes to key personnel requiring approval from the federal sponsor are identified. Approval will be requested prior to key personnel changes taking effect.

Implementation Date:  August 2019
Responsible Person:  Julie Bishop

General Controls

Texas A&M AgriLife Research will continue to work with the Texas A&M System Chief Information Officer to improve existing information security controls in order to appropriately limit user access and to promptly remove or change user accounts when user needs change.

Implementation Date:  August 2019
Responsible Person:  Mark Schulz
Texas A&M University

Reference No. 2018-105
Cash Management
Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Matching, Level of Effort, Earmarking
Period of Performance
Procurement and Suspension and Debarment
Special Tests and Provisions - Key Personnel

Research and Development Cluster
Award years – See Below
Award numbers – See Below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Interest on Advances

A non-federal entity must maintain advances of federal funds in interest-bearing accounts unless: (1) the non-federal entity receives less than $120,000 in federal awards per year, (2) the best reasonably available interest-bearing account would not be expected to earn interest in excess of $500 per year on federal cash balances, or (3) the depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources (Title 2, Code of Federal Regulations (CFR), Section 200.305(b)(8)). Interest earned up to $500 per year may be retained by the non-federal entity for administrative expense. Any additional interest earned on federal advance payments deposited in interest-bearing accounts must be remitted annually to the U.S. Department of Health and Human Services Payment Management System (Title 2, CFR, Section 200.305(b)(9)).

Texas A&M University (University) includes the Texas A&M Health Science Center (Health Science Center), which is an academic unit under the administration of the University. The University also has a branch campus, Texas A&M University at Galveston.

The University did not correctly calculate the amount of interest it was required to remit to the U.S. Department of Health and Human Services. While the University has a process to track federal projects that receive advances of federal funds and to calculate and remit interest earned on those advances, it separately tracks interest and calculates the amount to remit for the Health Science Center and its branch campus. As a result, the University separately retained $500 for administrative expenses for the Health Science Center, instead of retaining only $500 for the University as a whole. Texas A&M University at Galveston did not earn any interest.

In addition, the University did not correctly calculate the full amount of interest earned because when it calculated the interest earned, it netted the positive cash balances of projects for which it received advances with negative cash balances of projects that had expenditures that preceded the federal advances. Instead, it should have calculated the interest earned only on the advances of federal funds. As a result, the University should have remitted an additional $207 in interest.
The following awards were affected by the issue described above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0389</td>
<td>September 30, 2015, to September 29, 2019</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-13-1-0279</td>
<td>September 15, 2013, to March 14, 2017</td>
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<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0572</td>
<td>September 30, 2014, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0558</td>
<td>September 30, 2014, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0340</td>
<td>September 30, 2015, to September 29, 2018</td>
</tr>
<tr>
<td>84.367</td>
<td>Supporting Effective Instruction State Grants</td>
<td>12905</td>
<td>February 1, 2014, to April 30, 2016</td>
</tr>
<tr>
<td></td>
<td>(formerly Improving Teacher Quality State Grants)</td>
<td></td>
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</tr>
</tbody>
</table>

Other Compliance Areas

Although the general control weaknesses described below apply to activities allowed or unallowed, allowable costs/cost principles, matching, level of effort, earmarking, period of performance, procurement and suspension and debarment, and special tests and provisions – key personnel, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The University did not appropriately restrict user access to certain systems it uses to manage its research and development programs. Specifically, the University did not always promptly remove user accounts when an employee transferred to a new position or otherwise no longer needed access. The University also did not consistently ensure that access to system accounts was limited only to users who needed access.

The University did not have a process to perform documented user access reviews for all system levels. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to those systems.
Recommendations:
The University should:

- Ensure that it retains only the total amount allowed of interest earned for administrative expense.
- Ensure that it calculates the interest earned only on the advances of federal funds.
- Ensure that user access is appropriately limited to employees based on job responsibilities.
- Implement a process to perform periodic user access reviews at all system levels.

Views of Responsible Officials:
Texas A&M University acknowledges and agrees with the findings. Texas A&M University will work to develop and implement corrective action.

Corrective Action Plan:
Interest on Advances
Annually, Texas A&M will combine the interest calculations for Texas A&M University, Texas A&M Health Science Center, and Texas A&M University at Galveston to determine the correct amount of earned interest to remit to the U.S. Department of Health and Human Services. No more than $500 will be retained. The University will ensure that interest earned will be calculated only on advances of federal funds.

Implementation Date: February 2019
Responsible Person: Diane Hassel

General Controls
The University will continue to work with the Texas A&M System Chief Information Officer to improve existing information security controls in order to appropriately limit user access and to promptly remove or change user accounts when user needs change.

Implementation Date: August 2019
Responsible Person: Mark Schulz
Equipment and Real Property Management

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Equipment Property Records

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)).

In addition, Texas A&M University (University) is required by its Departmental Property Management Procedures Manual (Manual) to affix an inventory tag to new equipment items within 10 days of receipt.

The University did not maintain accurate property records for 8 (13 percent) of 62 equipment items tested. Specifically:

- For 5 items, the equipment was located in an off-campus warehouse instead of the location specified in the property record. All 5 of those items did not have an inventory tag affixed as required by the University’s policy and 3 items also did not have a serial number or other identification number to link the item to the property record. The University asserted that inventory tags were not affixed to those 5 items because they are regularly sanitized in high temperature water. However, the University’s Manual suggests various methods of affixing tags on items that are too small, delicate, or in inhospitable conditions for standard tags, and the University did not use any of those methods to affix tags.

- For 2 items, the equipment was on long-term loan and the property records were not updated to reflect that the items were not located on campus. The University asserted that the location was purposely not updated for the items so that the property manager would know whom to contact within the University for information about the items; however, according to the University’s policy, the property records should reflect the off-campus location of each item.

- For 1 item, the principal investigator took the equipment to a different university without following the University’s process to inform the property management department. As a result, the location and disposition of the item was not accurately reflected in the property records.

Not maintaining accurate property records increases the risk that equipment may be lost, stolen, or not adequately safeguarded.

Equipment Disposition

The University’s Manual requires University departments to submit specific forms to the University’s property management department depending on the method used to dispose of any equipment.

For 2 (50 percent) of 4 equipment disposals tested, the University did not dispose of equipment in accordance with its policy. Specifically, the University incorrectly recorded that it disposed of the two equipment items due to them being missing; however, the University had disposed one item by transferring it to surplus and disposed the other item because it was obsolete. Those items were recorded as missing
because the department that had custody of the equipment used the University’s missing asset form to process the disposals rather than the forms for transferring assets to the University’s surplus or adding/deleting property records for obsolete assets. As a result, the disposition information in the property records for both items was inaccurate.

The following awards were affected by the equipment issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.419</td>
<td>Coastal Zone Management Administration Awards</td>
<td>01-507R</td>
<td>April 1, 2001, to July 31, 2001</td>
</tr>
<tr>
<td>11.419</td>
<td>Coastal Zone Management Administration Awards</td>
<td>02-329R</td>
<td>March 6, 2002, to March 31, 2002</td>
</tr>
<tr>
<td>47.049</td>
<td>Mathematical and Physical Sciences</td>
<td>PHY-1120138</td>
<td>January 1, 2016, to June 30, 2017</td>
</tr>
<tr>
<td>47.049</td>
<td>Mathematical and Physical Sciences</td>
<td>AST-0647970</td>
<td>April 12, 2016, to April 12, 2018</td>
</tr>
<tr>
<td>47.050</td>
<td>Geosciences</td>
<td>OCE-0849246</td>
<td>October 1, 2008, to November 30, 2012</td>
</tr>
<tr>
<td>93.389</td>
<td>National Center for Research Resources</td>
<td>1G20RR14311-01A1</td>
<td>September 1, 2000, to August 31, 2004</td>
</tr>
</tbody>
</table>

**General Controls**

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

**The University did not appropriately restrict user access to certain systems it uses to manage its research and development programs.** Specifically, the University did not always promptly remove user accounts when an employee transferred to a new position or otherwise no longer needed access. The University also did not consistently ensure that access to system accounts was limited only to users who needed access.

The University did not have a process to perform documented user access reviews for all system levels. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to those systems.
Recommendations:

The University should:

- Strengthen controls to ensure that it updates and maintains accurate property records and adequately safeguards equipment.
- Ensure that it appropriately affixes inventory tags to equipment in accordance with its policies and procedures.
- Strengthen controls to ensure that it documents the disposal of equipment in accordance with its policies and procedures.
- Ensure that user access is appropriately limited to employees based on job responsibilities.
- Implement a process to perform periodic user access reviews at all system levels.

Views of Responsible Officials:

Texas A&M University acknowledges and agrees with the findings. Texas A&M University will work to develop and implement corrective action.

Corrective Action Plan:

Equipment

The University is in the process of correcting the exceptions noted in the audit finding. To reduce errors in the future, Texas A&M University Property Management will initiate a campus-wide campaign via email and other communication methods to increase awareness of the importance of updating location information and serial numbers for all assets, identifying assets with inventory numbers or other acceptable options, and notifying Property Management for appropriate disposal when assets are no longer in their possession. Property Management will also strengthen departmental asset spot audits conducted annually by dedicating a percentage of the audits for federally funded assets.

Implementation Date: February 2019
Responsible Person: Todd Gregory

General Controls

The University will continue to work with the Texas A&M System Chief Information Officer to improve existing information security controls in order to appropriately limit user access and to promptly remove or change user accounts when user needs change.

Implementation Date: August 2019
Responsible Person: Mark Schulz
Reference No. 2018-107

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Financial Reporting

Recipients are required to report financial information to ensure effective monitoring of federal awards (Title 2, Code of Federal Regulations (CFR), Section 200.327). Recipients use the Federal Financial Report Standard Form (SF-425), or alternate forms of financial reporting that report the same or similar information, to report financial activity to federal awarding agencies and pass-through entities. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions and requirements of key reporting elements.

Texas A&M University (University) did not ensure that its financial reports were accurate and complete. Specifically, for 34 (57 percent) of 60 reports tested, the University incorrectly reported one or more of the following reporting elements: recipient account number or award period in the cover information section of SF-425 reports; financial activity in the federal expenditures and unobligated balance, recipient share, and indirect expense sections of SF-425 reports; or cost share information on other required financial reports.

In addition, the University did not correctly report the basis of accounting it used to prepare its financial reports. The University uses modified accrual accounting and prepares financial reports on the accrual accounting basis, unless the federal agency or pass-through entity requires reporting on the cash accounting basis. While the University correctly prepared its financial reports on the accrual accounting basis, it incorrectly reported that it used the cash accounting basis for 44 (73 percent) of 60 reports tested.

Those errors occurred because of manual errors the University made when preparing the financial reports and because for the majority of fiscal year 2018, the University did not have policies and procedures in place to help ensure that it completed reports in accordance with SF-425 instructions. In addition, while the University had a process in place to review and approve financial reports prior to submission, it did not have documentation showing that it completed that review and approval for 11 (18 percent) of 60 reports tested. That review and approval process also was not sufficient to ensure that the financial reports it submitted were accurate and complete. Inaccurate information in financial reports increases the risk that federal agencies and pass-through entities could rely on inaccurate information to manage and monitor their awards.

The following awards were affected by the reporting issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.001</td>
<td>Agricultural Research Basic and Applied Research</td>
<td>OAO-HSINP-18-2</td>
<td>March 12, 2018, to September 30, 2018</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
<td>----------</td>
<td>---------------------------------------------------------------------------</td>
<td>---------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>10.950</td>
<td>Agricultural Statistics Reports</td>
<td>58-3AEU-7-0075</td>
<td>June 1, 2017, to May 31, 2018</td>
</tr>
<tr>
<td>11.012</td>
<td>Integrated Ocean Observing System (IOOS)</td>
<td>NA16NOS0120018</td>
<td>June 1, 2016, to May 31, 2019</td>
</tr>
<tr>
<td>11.427</td>
<td>Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program</td>
<td>NA16NMF4270221</td>
<td>September 1, 2016, to August 31, 2019</td>
</tr>
<tr>
<td>12.351</td>
<td>Scientific Research - Combating Weapons of Mass Destruction</td>
<td>HDTRA1-14-1-004</td>
<td>November 15, 2013, to December 31, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0558</td>
<td>September 1, 2014, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0340</td>
<td>September 30, 2015, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-17-1-0446</td>
<td>September 1, 2017, to August 31, 2020</td>
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<tr>
<td>12.431</td>
<td>Basic Scientific Research</td>
<td>W911NF15-1-0517</td>
<td>August 5, 2015, to February 4, 2019</td>
</tr>
<tr>
<td>15.423</td>
<td>Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)</td>
<td>M14AC00028</td>
<td>September 27, 2014, to September 30, 2019</td>
</tr>
<tr>
<td>20.215</td>
<td>Highway Training and Education</td>
<td>DTFH6416G00050</td>
<td>September 29, 2016, to September 29, 2017</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
<td>----------</td>
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<td>-------------------------------------------</td>
</tr>
<tr>
<td>43.001</td>
<td>Science</td>
<td>NNX13AG91G</td>
<td>February 11, 2013, to February 10, 2018</td>
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<tr>
<td>43.001</td>
<td>Science</td>
<td>NNX12AL90G</td>
<td>September 1, 2012, to August 31, 2017</td>
</tr>
<tr>
<td>43.001</td>
<td>Science</td>
<td>NNX14AD52G</td>
<td>January 16, 2014, to January 16, 2019</td>
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<tr>
<td>43.001</td>
<td>Science</td>
<td>NNX14AF15G</td>
<td>April 1, 2014, to March 31, 2018</td>
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<tr>
<td>43.008</td>
<td>Education</td>
<td>NNX12AL64A</td>
<td>July 10, 2012, to August 18, 2017</td>
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<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>NNX16AR29G</td>
<td>June 1, 2015, to June 30, 2018</td>
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<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-FG02-93ER40773</td>
<td>January 1, 2005, to December 31, 2018</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0010813</td>
<td>August 1, 2013, to March 31, 2019</td>
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<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0010713</td>
<td>September 1, 2013, to August 31, 2018</td>
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<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0012582</td>
<td>September 15, 2014, to September 14, 2018</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0013543</td>
<td>April 1, 2015, to March 31, 2018</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0014036</td>
<td>June 1, 2015, to June 30, 2018</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0014037</td>
<td>July 1, 2015, to June 30, 2019</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0014154</td>
<td>August 15, 2015, to May 14, 2019</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0015636</td>
<td>June 1, 2016, to June 14, 2019</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0016243</td>
<td>August 15, 2016, to August 14, 2017</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------------------------------------------------</td>
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<td>---------------------------------</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0017859</td>
<td>May 31, 2017, to March 31, 2019</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0017864</td>
<td>August 1, 2017, to July 31, 2019</td>
</tr>
<tr>
<td>81.121</td>
<td>Nuclear Energy Research, Development, and Demonstration</td>
<td>DE-EM0004381</td>
<td>October 1, 2016, to September 30, 2019</td>
</tr>
<tr>
<td>93.059</td>
<td>Training in General, Pediatric, and Public Health Dentistry</td>
<td>T93HP30393</td>
<td>September 1, 2016, to August 31, 2021</td>
</tr>
<tr>
<td>93.173</td>
<td>Research Related to Deafness and Communication Disorders</td>
<td>2R56DC0003086-21</td>
<td>June 7, 2018, to May 31, 2019</td>
</tr>
<tr>
<td>93.847</td>
<td>Diabetes, Digestive, and Kidney Diseases Extramural Research</td>
<td>5R01DK099221-03</td>
<td>September 1, 2013, to May 31, 2017</td>
</tr>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>5U01NS083460-05</td>
<td>September 1, 2017, to August 31, 2019</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5R03AI103627-02</td>
<td>August 6, 2013, to July 31, 2017</td>
</tr>
</tbody>
</table>

**General Controls**

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The **University did not appropriately restrict user access to certain systems it uses to manage its research and development programs.** Specifically, the University did not always promptly remove user accounts when an employee transferred to a new position or otherwise no longer needed access. The University also did not consistently ensure that access to system accounts was limited only to users who needed access.

The University did not have a process to perform documented user access reviews for all system levels. Allowing users inappropriate or excessive access to systems increases the risk of inappropriate changes to those systems.
Recommendations:

The University should:

- Strengthen controls to ensure that the financial reports it submits are complete and accurate.
- Ensure that user access is appropriately limited to employees based on job responsibilities.
- Implement a process to perform periodic user access reviews at all system levels.

Views of Responsible Officials:

Texas A&M University acknowledges and agrees with the findings. Texas A&M University will work to develop and implement corrective action.

Corrective Action Plan:

Reporting

Texas A&M Sponsored Research Services has revised written procedures to increase the level of guidance provided to staff who prepare federal financial reports (SF-425). Additional monitoring controls will be implemented to promote the completeness and accuracy of financial reports.

Implementation Date: February 2019

Responsible Person: Diane Hassel

General Controls

The University will continue to work with the Texas A&M System Chief Information Officer to improve existing information security controls in order to appropriately limit user access and to promptly remove or change user accounts when user needs change.

Implementation Date: August 2019

Responsible Person: Mark Schulz

Reference No. 2018-108

Subrecipient Monitoring

Research and Development Cluster

Award years – Multiple
Award numbers – Multiple
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency

Pass-through entities are required to evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. The pass-through entity may consider such factors as the subrecipient’s prior experience with the same or similar subawards, the results of previous audits, whether the subrecipient has new personnel or new or substantially changed systems, and the extent and results of federal awarding agency monitoring (Title 2, Code of Federal Regulations (CFR), Section 200.331(b)). The pass-through entity must monitor the activities of each subrecipient as necessary to ensure that a subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity
monitoring must include (1) reviewing financial and performance reports, (2) following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies, and (3) issuing a management decision for audit findings (Title 2, CFR, Section 200.331(d)). Depending on the pass-through entity’s assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals: (1) providing subrecipients with training and technical assistance on program-related matters, (2) performing on-site reviews of the subrecipient’s program operations, and (3) arranging for agreed-upon procedures engagements (Title 2, CFR, Section 200.331(e)).

When establishing a new subaward, Texas A&M University (University) uses a subrecipient risk assessment template that allows it to assess risk based on criteria such as the amount of a subaward, cost sharing requirements, and previous audit findings. Based on the results of the risk assessment, the University determines for the subrecipient an overall risk level of low, medium, or high.

The University did not have adequate policies and procedures in place over its subrecipient monitoring processes. Specifically:

- The University’s policies do not address additional monitoring tools for medium- or high-risk subrecipients to ensure proper accountability and compliance with program requirements. According to the University’s policy, certain executive approval is required before an award is made to a medium- or high-risk subrecipient; however, the policy does not address any additional monitoring those subrecipients should receive after the award is executed. Auditors observed examples of low- and medium-risk assessments during testing.

- The University’s policy requires subrecipient expenditures to be reviewed for allowability; however, that policy does not specify what level of detail should be included in the subrecipient’s invoice. For example, one subrecipient’s invoice totaling $37,511 included only a date range and did not include an itemized list of expenses, budget categories, or any other information regarding the type of expenses that invoice covered.

Insufficient monitoring policies and procedures for subrecipients increases the risk that the University would not detect subrecipients’ noncompliance with federal statutes, regulations, and terms and conditions of the subaward.

Recommendation:

The University should strengthen its policies and procedures over subrecipient monitoring to ensure that it appropriately evaluates risk of noncompliance and performs monitoring procedures based on identified risks.

Views of Responsible Officials:

Texas A&M University acknowledges and agrees with the findings. Texas A&M University will work to develop and implement corrective action.

Corrective Action Plan:

Texas A&M Sponsored Research Services will revise procedures to include additional monitoring tools that may be used in evaluating the performance of subrecipients considered medium or high risk.

Texas A&M Sponsored Research Services will revise procedures to include additional detail on ensuring allowability of subrecipient expenditures.

Implementation Date: June 2019

Responsible Person: Crissy Stratta
University at Texas at Austin

Reference No. 2018-109

Equipment and Real Property Management

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Equipment

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)).

In addition, the University of Texas at Austin’s (University) Handbook of Business Procedures requires that a university inventory barcode tag be affixed to new equipment items that are capitalized or controlled.

The University did not maintain accurate property records for 18 (23 percent) of 77 equipment items tested. Specifically, for each of those 18 items, the property record was inaccurate for 1 or more of the following elements: item location, item condition, serial number or other identification number, or disposition information. In addition, the University did not follow its policy to affix inventory barcode tags to equipment items for 1 of those items. The University relies on its departments to ensure that property records are updated accurately. The errors for those 18 items occurred because the University either (1) did not enter property records accurately and completely into its asset management system or (2) did not always follow its policies and procedures to update property records as needed. Not maintaining accurate property records increases the risk that equipment may be lost or stolen.

The following awards were affected by the equipment issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.000</td>
<td>U.S Department of Defense</td>
<td>DABK39-03-C-0062</td>
<td>July 1, 2003, to June 30, 2007</td>
</tr>
<tr>
<td>12.300</td>
<td>Basic and Applied Scientific Research</td>
<td>N00024-07-D-6200-0902</td>
<td>September 27, 2016, to September 26, 2018</td>
</tr>
</tbody>
</table>

Questioned Cost: $ 0

U.S. Department of Defense
U.S. Department of Transportation
National Science Foundation
U.S. Department of Health and Human Services
<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.910</td>
<td>Research and Technology Development</td>
<td>N66001-01-1-8964</td>
<td>January 1, 2002, to February 27, 2005</td>
</tr>
<tr>
<td>12.910</td>
<td>Research and Technology Development</td>
<td>2003377937 (the University received funds as a pass-through from Johns Hopkins University)</td>
<td>March 2, 2017, to March 1, 2018</td>
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<tr>
<td>20.000</td>
<td>U.S Department of Transportation</td>
<td>DTFR53-99-H00006</td>
<td>January 20, 2005, to December 31, 2007</td>
</tr>
<tr>
<td>47.041</td>
<td>Engineering Grants</td>
<td>NEES-4101-31903</td>
<td>October 1, 2009, to October 31, 2014</td>
</tr>
<tr>
<td>47.049</td>
<td>Mathematical and Physical Sciences</td>
<td>PHY-0854960</td>
<td>August 1, 2009, to July 31, 2013</td>
</tr>
<tr>
<td>47.070</td>
<td>Computer and Information Science and Engineering</td>
<td>OCI-1134872</td>
<td>September 1, 2011, to September 30, 2017</td>
</tr>
<tr>
<td>47.074</td>
<td>Biological Sciences</td>
<td>DEB-0419615</td>
<td>August 16, 2001, to August 31, 2006</td>
</tr>
<tr>
<td>47.074</td>
<td>Biological Sciences</td>
<td>DBI-0130647</td>
<td>February 1, 2002, to January 31, 2007</td>
</tr>
<tr>
<td>47.074</td>
<td>Biological Sciences</td>
<td>1714555</td>
<td>August 1, 2017, to July 31, 2020</td>
</tr>
<tr>
<td>93.464</td>
<td>ACL Assistive Technology</td>
<td>90AG0019-01-00</td>
<td>January 1, 2015, to September 30, 2016</td>
</tr>
<tr>
<td>93.859</td>
<td>Biomedical Research and Research Training</td>
<td>5R01GM087562-04</td>
<td>April 1, 2009, to March 31, 2014</td>
</tr>
<tr>
<td>93.859</td>
<td>Biomedical Research and Research Training</td>
<td>5DP1GM106408-04</td>
<td>September 30, 2012, to July 31, 2016</td>
</tr>
</tbody>
</table>

Physical Inventory

A recipient must conduct a physical inventory of equipment and reconcile the results with its property records at least once every two years. A control system also must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of equipment. Any loss, damage, or theft of equipment must be investigated (Title 2, CFR, Section 200.313(d)(2) and (3)).

The University’s Handbook of Business Procedures states that an annual physical inventory will be conducted and that when a unit administrator becomes aware that an item of equipment is missing, a diligent search must be performed until the item is found or until it is established that the equipment has been lost or stolen. The Handbook of Business Procedures also specifies that a fine may be assessed for a department whose total missing and stolen property is in excess of 2 percent of the department’s total depreciated inventory value.
The University conducted a physical inventory of equipment during fiscal year 2018 in eight cycles, which staggered the time frames between department inventories. Auditors reviewed the fiscal year 2018 physical inventory and identified one department that did not complete an inventory during fiscal year 2018. In addition, the inventory results for 29 departments documented total missing equipment that exceeded the 2 percent threshold of the department’s total depreciated inventory value. The University did not have a consistent, documented process in place to follow up on discrepancies and missing equipment identified during the physical inventory. The University also did not impose the sanctions described in its policy.

Not following up on discrepancies and not requiring all departments to complete an annual inventory increases the risk that equipment purchased with federal funds may be lost, stolen, or improperly disposed.

Recommendations:

The University should:

- Strengthen controls to ensure that it updates and maintains accurate and complete property records.
- Strengthen controls over its physical inventory, and follow up on equipment items identified as missing during its physical inventory.

Views of Responsible Officials:

The University concurs with the finding.

Corrective Action Plan:

The University leadership has initiated a business process review and re-engineering project that will involve a redesign of core business practices, increase transparency, gain efficiencies and improve customer service. This project will be our basis to make necessary changes and updates to the Handbook of Business Procedures (HBP). We strongly believe that these changes will address the recommendations noted above by providing more clarity to our stakeholders in terms of inventory compliance. Additionally, we are also reaching out to inventory contacts and business officers individually to provide training, and raise awareness of inventory compliance. Inventory Services is committed to improving and strengthening controls over inventory management.

Implementation Date: August 2019

Responsible Person: Kristen Walker
Reference No. 2018-110

Reporting

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Financial Reporting

Recipients are required to report financial information to ensure effective monitoring of federal awards (Title 2, Code of Federal Regulations (CFR), Section 200.327). Recipients use the Federal Financial Report Standard Form (SF-425), or alternate forms of financial reporting that report the same or similar information, to report financial activity to federal awarding agencies and pass-through entities. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions and requirements of key reporting elements.

The University of Texas at Austin (University) did not ensure that its financial reports were accurate and complete. Specifically, for 4 (7 percent) of 60 reports tested, the University incorrectly reported one or more of the following report elements: indirect expenses, including the indirect cost rate, the direct cost base, and the indirect amount charged; federal share of unliquidated obligations; or expense detail to support the amount of funds requested for reimbursement. Those errors occurred because of manual errors the University made when preparing the reports. In addition, while the University had a process in place to review and approve financial reports prior to submission, that review and approval process was (1) not consistently documented and (2) not sufficient to ensure that the financial reports were accurate and complete.

Inaccurate information in financial reports increases the risk that federal agencies and pass-through entities could rely on inaccurate information to manage and monitor their awards.

The following awards were affected by the reporting issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.431</td>
<td>Basic Scientific Research</td>
<td>W911NF-17-1-0542</td>
<td>September 15, 2017, to November 14, 2018</td>
</tr>
<tr>
<td>12.910</td>
<td>Research and Technology Development</td>
<td>61102421-118342</td>
<td>July 30, 2015, to July 31, 2018</td>
</tr>
<tr>
<td></td>
<td>(the University received funds as a pass-through from Stanford University)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-FG02-06ER15758</td>
<td>November 1, 2005, to January 14, 2018</td>
</tr>
</tbody>
</table>
Recommendation:
The University should strengthen controls to ensure that the financial reports it submits are complete and accurate.

Views of Responsible Officials:
The University concurs with the finding.

Corrective Action Plan:
The University will document existing business processes via strengthened guidelines for the preparation and review of manual reporting documents, and reissue to all staff involved in the processes.

Implementation Date: January 2019
Responsible Person: David Dockwiller

Reference No. 2018-111
Subrecipient Monitoring

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Subrecipient Audits

A pass-through entity must verify that a subrecipient that expends $750,000 or more in federal awards during the subrecipient’s fiscal year obtains a single audit (Title 2, Code of Federal Regulations (CFR), Sections 200.331(f) and 200.501, and Office of Management and Budget Circular A-133, Subpart D, Section 400(d)).

For 16 (33 percent) of 48 subrecipients tested, the University of Texas at Austin (University) did not verify that the subrecipient obtained a single audit or that the subrecipient was exempt from that requirement. The University’s process during fiscal year 2018 was to verify that subrecipients obtained single audits for only subrecipients that had subaward amendments during fiscal year 2018. However, the University did not consistently follow that process. In addition, the University did not verify that a subrecipient obtained a single audit if the subrecipient did not have a subaward amendment, although the subaward was active during fiscal year 2018.

Not ensuring that all subrecipients obtain required audits increases the risk that deficiencies could go unaddressed.
The following awards were affected by the issue discussed above.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.431</td>
<td>Basic Scientific Research</td>
<td>W911NF-14-1-0528</td>
<td>September 1, 2014, to February 28, 2019</td>
</tr>
<tr>
<td>47.041</td>
<td>Engineering Grants</td>
<td>CMMI-1520817</td>
<td>July 1, 2015, to June 30, 2020</td>
</tr>
<tr>
<td>47.041</td>
<td>Engineering Grants</td>
<td>EEC-1160494</td>
<td>September 1, 2012, to August 31, 2020</td>
</tr>
<tr>
<td>47.050</td>
<td>Geosciences</td>
<td>EAR-1322073</td>
<td>September 1, 2013, to August 31, 2018</td>
</tr>
<tr>
<td>47.050</td>
<td>Geosciences</td>
<td>EAR-1324760</td>
<td>August 1, 2013, to July 31, 2018</td>
</tr>
<tr>
<td>47.070</td>
<td>Computer and Information Science and Engineering</td>
<td>ACI-1341711</td>
<td>November 1, 2013, to October 31, 2019</td>
</tr>
<tr>
<td>47.076</td>
<td>Education and Human Resources</td>
<td>DRL-1420241</td>
<td>January 1, 2015, to December 31, 2018</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-FG02-03ER15430</td>
<td>August 1, 2003, to February 28, 2019</td>
</tr>
<tr>
<td>81.089</td>
<td>Fossil Energy Research and Development</td>
<td>DE-FE0026083</td>
<td>September 1, 2015, to August 31, 2019</td>
</tr>
<tr>
<td>81.089</td>
<td>Fossil Energy Research and Development</td>
<td>DE-FE0031558</td>
<td>April 1, 2018, to March 31, 2020</td>
</tr>
<tr>
<td>93.121</td>
<td>Oral Diseases and Disorders Research</td>
<td>5R01DE023193-05</td>
<td>July 19, 2013, to May 31, 2018</td>
</tr>
<tr>
<td>93.286</td>
<td>Discovery and Applied Research for Technological Innovations to Improve Human Health</td>
<td>5R21EB019646-02</td>
<td>March 15, 2015, to February 28, 2019</td>
</tr>
<tr>
<td>93.307</td>
<td>Minority Health and Health Disparities Research</td>
<td>5R21MD011431-02</td>
<td>August 14, 2017, to April 30, 2019</td>
</tr>
</tbody>
</table>
Recommendation:
The University should strengthen controls to ensure that it verifies that subrecipients obtain single audits as required.

Views of Responsible Officials:
The University concurs with the finding.

Corrective Action Plan:
The newly-implemented Subawards Committee will implement a revised process of reviewing subrecipient audit statuses semiannually, with added involvement of the management team.

Implementation Date: June 2019
Responsible Person: David Dockwiller

Reference No. 2018-112
Special Tests and Provisions – Key Personnel

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

A recipient of federal awards must obtain approval from federal awarding agencies for (1) changes to a key person specified in the application or the federal award, or (2) the disengagement from the project for more than three months or a 25 percent reduction in time devoted to the project by the approved project director or principal investigator (Title 2, Code of Federal Regulations (CFR), Section 200.308(c)(1)).

The University of Texas at Austin (University) did not consistently ensure that key personnel were involved in projects as required.
Specifically, for 6 (10 percent) of 60 projects tested, the University was unable to demonstrate that the key personnel specified in the award agreement met the identified level of involvement for fiscal year 2018. The University did not obtain approval from the federal awarding agency for changes to the level of involvement for the key personnel for all 6 of those projects. The University asserted that level of involvement may vary throughout the project’s period of performance; however, it could not provide documentation to support that those key personnel did not disengage from the project during fiscal year 2018.
Not obtaining prior approval of reductions in level of involvement, or disengagement from the project, for key personnel may result in federal sponsors being unaware of changes to key personnel.

The following awards were affected by the issue discussed above.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.000</td>
<td>U.S. Department of Commerce</td>
<td>2013-NE-2400</td>
<td>April 1, 2013, to December 31, 2017</td>
</tr>
<tr>
<td></td>
<td>(the University received funds as a pass-through from the Nanoelectronics Research Corporation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.431</td>
<td>Basic Scientific Research</td>
<td>W911NF-17-2-0180</td>
<td>September 8, 2017, to September 7, 2018</td>
</tr>
<tr>
<td>47.041</td>
<td>Engineering Grants</td>
<td>1760459</td>
<td>November 1, 2017, to October 31, 2018</td>
</tr>
<tr>
<td>47.070</td>
<td>Computer and Information Science and Engineering</td>
<td>OAC-1663578</td>
<td>October 1, 2017, to September 30, 2021</td>
</tr>
<tr>
<td>81.086</td>
<td>Conservation Research and Development</td>
<td>DE-EE0007762</td>
<td>October 1, 2016, to September 30, 2021</td>
</tr>
<tr>
<td>93.866</td>
<td>Aging Research</td>
<td>5R00AG040149-06</td>
<td>September 30, 2013, to June 30, 2019</td>
</tr>
</tbody>
</table>

Recommendation:

The University should strengthen its processes for identifying changes to key personnel requiring approval from the federal sponsor and ensure that it requests approval from the federal sponsor prior to those changes taking effect.

Views of Responsible Officials:

The University concurs with the finding.

Corrective Action Plan:

The University will insert additional guidance to existing effort certification controls and resources to inform principal investigators and effort contacts campus-wide of reporting responsibilities, reiterating the requirement to notify sponsors of any reduction greater than 25% in effort contributed by key personnel.

Implementation Date: February 2019

Responsible Person: David Dockwiller
University of Texas Health Science Center at Houston

Reference No. 2018-113

Reporting

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Financial Reporting

Recipients are required to report financial information to ensure effective monitoring of federal awards (Title 2, Code of Federal Regulations (CFR), Section 200.327). Recipients use the Federal Financial Report Standard Form (SF-425), or alternate forms of financial reporting that report the same or similar information, to report financial activity to federal awarding agencies and pass-through entities. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions and requirements of key reporting elements.

The University of Texas Health Science Center at Houston (Health Science Center) did not always ensure that its financial reports were accurate and complete. Specifically, for 18 (26 percent) of 69 reports tested, the Health Science Center incorrectly reported one or more of the following report elements: relevant project dates, including project period, reporting period, and/or indirect expense period dates; indirect expense information, including the indirect cost base amount and indirect cost amount charged; or unliquidated obligation amount.

The Health Science Center had a process in place to review and approve its financial reports prior to submission; however, that review and approval process was not sufficient to ensure that the financial reports were accurate and complete. Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor their awards.

The following awards were affected by the reporting issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-17-1-0632</td>
<td>September 15, 2017, to September 14, 2018</td>
</tr>
<tr>
<td>43.003</td>
<td>Exploration</td>
<td>NNX15AE25G</td>
<td>February 14, 2015, to September 30, 2017</td>
</tr>
<tr>
<td>93.077</td>
<td>Family Smoking Prevention and Tobacco Control Act Regulatory Research</td>
<td>5P50CA180906-05</td>
<td>September 19, 2013, to August 31, 2019</td>
</tr>
<tr>
<td>93.242</td>
<td>Mental Health Research Grants</td>
<td>5R61MH110044-02</td>
<td>August 19, 2016, to September 27, 2017</td>
</tr>
</tbody>
</table>
Recommendation:

The Health Science Center should strengthen controls to ensure that the federal financial reports it submits are complete and accurate.

Views of Responsible Officials:

The University concurs with the recommendation.
Corrective Action Plan:

The University will strengthen controls to ensure that the federal financial reports it submits are complete and accurate.

Sponsored Projects Administration has revised procedures to ensure that the federal financial reports reflect the correct project dates, indirect expense information and unliquidated obligation amount.

Sponsored Projects Administration will provide mandatory staff training for staff members responsible for completing and reviewing federal financial reports to ensure reports are accurate and complete.

Implementation Date: March 1, 2019

Responsible Person: Ronald Perez

Reference No. 2018-114

Subrecipient Monitoring
(Prior Audit Issues 2015-145 and 2014-158)

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Award Identification

At the time of a subaward, the pass-through entity must communicate to the subrecipient: (1) the federal award information, including the catalog of federal domestic assistance (CFDA) number and title, federal award number, and whether the award is research and development; (2) all requirements imposed by the pass-through entity on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the federal award; and (3) a requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient’s records and financial statements (Title 2, Code of Federal Regulations (CFR), Section 200.331(a), and U.S. Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d)).

For 24 (57 percent) of 42 subawards tested, the University of Texas Health Science Center at Houston (Health Science Center) did not accurately provide all required information to the subrecipient. The Health Science Center did not provide or provided inaccurate federal award information, including federal award number and date, CFDA number and title, or whether the award was research and development; or it did not include a clause in the subcontract to communicate the requirement that the subrecipient must permit the Health Science Center and auditors access to the subrecipient’s records and financial statements as necessary.

While the Health Science Center used templates for its subawards and their amendments, those templates were not always sufficient to ensure that required information was included. Not providing all required award information increases the risk that subrecipients will not comply with all applicable statutes, regulations, and terms and conditions of the federal award.

Evaluation of Risk and Monitoring

Pass-through entities are required to evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. The pass-through entity may consider such factors as the subrecipient’s prior
experience with the same or similar subawards, the results of previous audits, whether the subrecipient has new personnel or new or substantially changed systems, and the extent and results of federal awarding agency monitoring (Title 2, CFR, Section 200.331(b)). The pass-through entity must monitor the activities of each subrecipient as necessary to ensure that a subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring must include (1) reviewing financial and performance reports, (2) following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies, and (3) issuing a management decision for audit findings (Title 2, CFR, Section 200.331(d)).

The Health Science Center uses a subrecipient risk assessment template that allows it to assess risk based on criteria such as amount of the subaward, the subrecipient’s prior experience, and the results of previous audits. Based on the results of the risk assessment, the Health Science Center determines for the subrecipient an overall risk level of low, medium, or high. For low risk subrecipients, the Health Science Center’s primary monitoring activity is reviewing subrecipient invoices to ensure they are reasonable and for allowable costs. For medium risk subrecipients, the Health Science Center requires that additional detail be included on subrecipient invoices. For high risk subrecipients, detailed invoices and quarterly technical progress reports are required from subrecipients.

For 7 (17 percent) of 42 subawards tested, the Health Science Center did not consistently monitor subrecipient activities to provide reasonable assurance that the subrecipients administered the subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward. Specifically:

- For 5 subawards, the Health Science Center did not perform a risk assessment to determine the level of monitoring activities necessary. As a result, auditors were unable to determine whether the Health Science Center performed monitoring activities in accordance with its policies.
- For 2 subawards, the Health Science Center determined that each subrecipient had an overall risk level of medium. However, the Health Science Center did not ensure that the invoices it received from those subrecipients included the level of detail required by its policies.

Insufficient monitoring of subrecipients increases the risk that the Health Science Center would not detect subrecipients’ noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Subrecipient Audits

A pass-through entity must verify that a subrecipient that expends $750,000 or more in federal awards during the subrecipient’s fiscal year obtains a single audit (Title 2, CFR, Sections 200.331(f) and 200.501, and OMB Circular A-133, Subpart D, Section 400(d)).

For 6 (17 percent) of 36 subrecipients tested, the Health Science Center did not verify that the subrecipient obtained a single audit or that the subrecipient was exempt from that requirement. The Health Science Center has a process to request audits from subrecipients on an annual basis; however, it did not consistently follow that process. Not ensuring that subrecipients obtain required audits increases the risk that deficiencies could go unaddressed.

The following awards were affected by the issues discussed above.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-16-1-0296</td>
<td>September 15, 2016, to September 14, 2019</td>
</tr>
<tr>
<td>17.401</td>
<td>International Labor Programs</td>
<td>IL-29677-16-75-K-48</td>
<td>September 1, 2016, to August 31, 2019</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
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</tr>
<tr>
<td>84.324</td>
<td>Research in Special Education</td>
<td>R324A120363</td>
<td>September 1, 2012, to August 31, 2018</td>
</tr>
<tr>
<td>93.073</td>
<td>Birth Defects and Developmental Disabilities - Prevention and Surveillance</td>
<td>2016-049368-001A</td>
<td>May 1, 2016, to January 31, 2018</td>
</tr>
<tr>
<td>93.110</td>
<td>Maternal and Child Health Federal Consolidated Programs</td>
<td>6T04MC12785-10-01</td>
<td>June 1, 2009, to May 31, 2019</td>
</tr>
<tr>
<td>93.113</td>
<td>Environmental Health</td>
<td>5R01ES022165-05</td>
<td>September 12, 2013, to April 30, 2019</td>
</tr>
<tr>
<td>93.121</td>
<td>Oral Diseases and Disorders Research</td>
<td>5R01DE024166-04</td>
<td>March 1, 2015, to February 29, 2020</td>
</tr>
<tr>
<td>93.135</td>
<td>Centers for Research and Demonstration for Health Promotion and Disease Prevention</td>
<td>6U48DP005002-04-03</td>
<td>September 30, 2014, to September 29, 2019</td>
</tr>
<tr>
<td>93.307</td>
<td>Minority Health and Health Disparities Research</td>
<td>5U24MD006941-05</td>
<td>September 20, 2011, to June 30, 2018</td>
</tr>
<tr>
<td>93.361</td>
<td>Nursing Research</td>
<td>5R01NR013707-05</td>
<td>June 7, 2013, to March 31, 2019</td>
</tr>
<tr>
<td>93.788</td>
<td>Opioid STR</td>
<td>HHS000113200001</td>
<td>February 1, 2018, to April 30, 2019</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5U01HL077863-11</td>
<td>January 1, 2014, to December 31, 2018</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5UM1HL087318-12</td>
<td>January 1, 2007, to February 28, 2019</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5R01HL129191-04</td>
<td>July 2, 2015, to April 30, 2019</td>
</tr>
<tr>
<td>93.846</td>
<td>Arthritis, Musculoskeletal and Skin Diseases Research</td>
<td>5R01AR065445-06</td>
<td>May 6, 2014, to April 30, 2019</td>
</tr>
<tr>
<td>93.847</td>
<td>Diabetes, Digestive, and Kidney Diseases Extramural Research</td>
<td>5R01DK081866-07</td>
<td>September 25, 2009, to August 31, 2019</td>
</tr>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>U01NS062835</td>
<td>September 30, 2009, to April 30, 2019</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
<td>---------</td>
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<td>---------------------------------</td>
</tr>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>5R01NS080839-04</td>
<td>August 15, 2014, to January 31, 2019</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5R33AI116208-04</td>
<td>September 1, 2014, to August 31, 2019</td>
</tr>
<tr>
<td>93.879</td>
<td>Medical Library Assistance</td>
<td>5R01LM011829-05</td>
<td>September 1, 2014, to August 31, 2019</td>
</tr>
</tbody>
</table>

**Recommendations:**

The Health Science Center should:

- Ensure that it accurately provides all required information in subawards or amendments to subawards.
- Follow its policies for assessing subrecipient risk and consistently monitor subrecipients based on those policies.
- Strengthen controls to ensure that it verifies that subrecipients obtain single audits as required.

**Views of Responsible Officials:**

*The University concurs with the recommendation.*

**Corrective Action Plan:**

*Sponsored Projects Administration will update non-FDP subaward templates to ensure all required information and clauses are included.*

*Templates will be updated to better delineate terms for medium and high risk subrecipients.*

*Sponsored Projects Administration will create and implement a schedule for reviewing single audit reports for all active subrecipients on an annual basis.*

*Sponsored Projects Administration will provide mandatory staff training for staff members responsible for completing subaward risk assessments and agreements.*

*Sponsored Projects Administration is implementing a new Grants Management System that includes a subrecipient module. This module will track risk assessment and audit reviews.*

**Implementation Date:** March 1, 2019

**Responsible Person:** Carmen Martinez
Special Tests and Provisions – Key Personnel
Activities Allowed or Unallowed
Allowable Costs/Cost Principles

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Key Personnel

A recipient of federal awards must obtain approval from federal awarding agencies for (1) changes to a key person specified in the application or the federal award, or (2) the disengagement from the project for more than three months or a 25 percent reduction in time devoted to the project by the approved project director or principal investigator (Title 2, Code of Federal Regulations (CFR), Section 200.308(c)(1)).

The University of Texas Health Science Center at Houston (Health Science Center) did not consistently ensure that key personnel were involved in projects as required. Specifically, for 4 (7 percent) of 60 projects tested, the key personnel specified in the award agreement did not meet the identified level of involvement for fiscal year 2018. The Health Science Center did not obtain approval from the federal awarding agency for the changes to the level of involvement for the key personnel for all 4 of those projects. The Health Science Center relies upon departments to identify changes to key personnel that require federal awarding agency approval. The Health Science Center’s policy requires departments to send requests for changes to key personnel to the Sponsored Projects Administration department for review and approval prior to sending the request to the federal awarding agency; however, the Health Science Center did not follow that process consistently.

Not obtaining prior approval of reductions in level of involvement for key personnel may result in federal sponsors being unaware of changes to key personnel.

The following awards were affected by the issues discussed above.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>5U01NS090259-04</td>
<td>September 1, 2015, to June 30, 2019</td>
</tr>
<tr>
<td>93.859</td>
<td>Biomedical Research and Research Training</td>
<td>5R01GM113212-03</td>
<td>December 5, 2014, to November 30, 2018</td>
</tr>
<tr>
<td>93.867</td>
<td>Vision Research</td>
<td>1P30EY028102-01</td>
<td>September 1, 2017, to June 30, 2022</td>
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<tr>
<td>93.879</td>
<td>Medical Library Assistance</td>
<td>5R01LM010681-08</td>
<td>May 31, 2010, to September 28, 2018</td>
</tr>
</tbody>
</table>
Other Compliance Areas

Although the general control weaknesses described below apply to activities allowed or unallowed and allowable costs/cost principles, auditors identified no compliance issues regarding those compliance requirements.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Health Science Center did not have appropriate segregation of duties in its change management process for its time and effort certification application. The Health Science Center uses the services of a third-party contractor to host and maintain that application. All of the contractor’s listed developers for the application have access to migrate changes to the application’s production environment. The contractor maintains documentation of who developed and approved each change; however, it does not document the personnel who migrated the change. As a result, for all 10 changes tested, auditors were unable to confirm that the developer did not also migrate the change to the application’s production environment.

Not maintaining appropriate segregation of duties or having appropriate controls to track the migration of code to the production environment increases the risk of unauthorized or unintended programming changes being made to critical information systems.

Recommendations:

The Health Science Center should:

- Strengthen its processes for identifying changes to key personnel requiring approval from the federal sponsor and ensure that it requests approval from the federal sponsor prior to those changes taking effect.
- Monitor its third-party contractor to ensure that sufficient change management controls are in place to prevent developers from migrating their own programming changes to the production environment.

Views of Responsible Officials:

Key Personnel

The University concurs with the recommendation.

General Controls: Change Management

The University concurs with the recommendation.

Corrective Action Plan:

Key Personnel

UTHealth has implemented the following corrective action, to occur during the semi-annual certification periods, to prevent inconsistent key personnel involvement on projects:

- Continue loading committed levels of effort into the effort system, allowing projects with no associated payroll values to populate the statement. In addition, to the commitment load, the eCRT system has been updated to include a Committed Effort column on the statement. The column displays the required commitment for the period of review.
- Run a weekly comparison report to identify & correct statements certified below the commitment.
- Run a weekly comparison report to identify statements including payroll percentages higher than certified effort.

- Enhance and update training resources to educate school & department staff about the effort certification process & navigating the eCRT system.

**Implementation Dates:** March 1, 2019, Bullet 4: June 1, 2019

**Responsible Person:** Amaris Ogu

**General Controls: Change Management**

In response to the audit’s concerns, Huron has implemented a variety of measures to review/monitor controls over the eCRT application. Below are the measures Huron has implemented:

- Formalize the process of deploying code changes to document that a change to the Production code is required

- Formalize the deployment process to capture who is deploying the build and when (automatically captured based on login of the user, not manually entered)

- Capture the name of the person who is deploying the patch/build in a separate change management system

- Perform periodic review of changes implemented by management to ensure they are appropriate

- Ensure that developers are not promoting changes into production. Changes that are implemented as part of a build which consists of many changes may be pushed into the production environment by a developer who worked on the change but this would be reviewed by management for appropriateness.

In conjunction with Huron, UTHealth performed a full assessment of Huron controls during the system selection process. We determined that Huron provided sufficient general controls. It should also be noted that Huron provides advance notice, with detailed explanation of the change, for maintenance changes. For requested changes & modifications, Huron requests the change be reviewed & approved by UTHealth before migration to the production environment.

**Implementation Date:** March 1, 2019

**Responsible Person:** Connie Wooldridge
Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Special Tests and Provisions – Key Personnel

Research and Development Cluster
Award years – Multiple
Award numbers – Multiple
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, Code of Federal Regulations (CFR), Section 200.303).

The University of Texas Health Science Center at San Antonio (Health Science Center) did not have appropriate segregation of duties in its change management process for its time and effort certification application. The Health Science Center uses the services of a third-party contractor to host and maintain that application. All of the contractor’s listed developers for the application have access to migrate changes to the application’s production environment. The contractor maintains documentation of who developed and approved each change; however, it does not document the personnel who migrated the change. As a result, for all 10 changes tested, auditors were unable to confirm that the developer did not also migrate the change to the application’s production environment. Not maintaining appropriate segregation of duties or having appropriate controls to track the migration of code to the production environment increases the risk of unauthorized or unintended programming changes being made to critical information systems.

Recommendation:

The Health Science Center should monitor its third-party contractor to ensure that sufficient change management controls are in place to prevent developers from migrating their own programming changes to the production environment.

Views of Responsible Officials:

The University concurs with the recommendation.

Corrective Action Plan:

We have already worked with our third-party contractor to develop and implement measures to properly perform production change management segregation of duties controls for our time and effort certification application. The University will monitor its third-party contractor’s controls over segregation of duties via the University’s Documentation of Compensation monitoring plan.

Implementation Date: January 2019

Responsible Person: Chris Green
### University of Texas M.D. Anderson Cancer Center

Reference No. 2018-117

<table>
<thead>
<tr>
<th>Activities Allowed or Unallowed</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowable Costs/Cost Principles</td>
<td></td>
</tr>
<tr>
<td>Program Income</td>
<td></td>
</tr>
<tr>
<td>Special Tests and Provisions – Key Personnel</td>
<td></td>
</tr>
</tbody>
</table>

**Research and Development Cluster**
- **Award years** – Multiple
- **Award numbers** – Multiple
- **Statistically valid sample** – No and not intended to be a statistically valid sample
- **Type of finding** – Significant Deficiency

**General Controls**

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, Code of Federal Regulations (CFR), Section 200.303).

**The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not have appropriate segregation of duties in its change management process for its time and effort certification application.**

The Cancer Center uses the services of a third-party contractor to host and maintain that application. All of the contractor’s listed developers for the application have access to migrate changes to the application’s production environment. The contractor maintains documentation of who developed and approved each change; however, it does not document the personnel who migrated the change. As a result, for all 10 changes tested, auditors were unable to confirm that the developer did not also migrate the change to the application’s production environment. Not maintaining appropriate segregation of duties or having appropriate controls to track the migration of code to the production environment increases the risk of unauthorized or unintended programming changes being made to critical information systems.

**The Cancer Center did not appropriately restrict access to certain systems it uses to manage its research and development programs.** Specifically, the Cancer Center did not remove the account for a user who was no longer employed with the Cancer Center. In addition, the Cancer Center did not conduct an effective user access review for all system levels to verify that access was appropriately limited to current employees. Allowing users inappropriate access to systems increases the risk of inappropriate changes to those systems.

**Recommendations:**

The Cancer Center should:

- Monitor its third-party contractor to ensure that sufficient change management controls are in place to prevent developers from migrating their own programming changes to the production environment.
- Appropriately limit user access to current employees and strengthen its user access review process for all system levels.
Views of Responsible Officials:

Change Management

The Cancer Center agrees that its third-party contractor did not have adequate documentation to support segregation of duties in its change management process for its time and effort certification application.

Systems Access

The Cancer Center has implemented controls to limit user access to current employees and strengthened its user access review process. In March 2018, the Cancer Center implemented a new Identity Management System; the system is supported by reports that identify discrepancies between the Identity Management System and its active user directory. All discrepancies are investigated and remediated.

Corrective Action Plan:

Change Management

The Cancer Center will monitor its third-party contractors to ensure that sufficient change management controls are in place to prevent developers from migrating their own programming changes to the production environment, including ensuring that third-party contractors have adopted the following change management procedures:

- All production builds will be deployed by a member of the contractor’s Hosting Team.
- The support portal will be used as the change management system, including documenting the personnel who migrates the change into production (deploys the build).
- Management will perform periodic reviews of production build deployments to ensure builds are deployed according to the change management procedure.

Implementation Date: November 2018

Responsible Person: Michael Keneker

Systems Access

The Cancer Center will implement a validation process between the Identity Management System and PeopleSoft and will investigate and remediate discrepancy reports.

Implementation Date: August 2019

Responsible Person: Lessley Stoltenberg
Cash Management

Research and Development Cluster
Award years – Multiple
Award numbers – Multiple
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Interest on Advances

A non-federal entity must maintain advances of federal funds in interest-bearing accounts unless: (1) the non-federal entity receives less than $120,000 in federal awards per year, (2) the best reasonably available interest-bearing account would not be expected to earn interest in excess of $500 per year on federal cash balances, or (3) the depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources (Title 2, Code of Federal Regulations (CFR), Section 200.305(b)(8)). Interest earned up to $500 per year may be retained by the non-federal entity for administrative expense. Any additional interest earned on federal advance payments deposited in interest-bearing accounts must be remitted annually to the U.S. Department of Health and Human Services Payment Management System (Title 2, CFR, Section 200.305(b)(9)).

The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not identify, track, or remit to the U.S. Department of Health and Human Services interest it earned on federal funds received in advance of program expenses for fiscal year 2018. The Cancer Center previously had a process in place to track federal projects that receive advances of federal funds and to calculate and remit interest earned on those advances; however, it asserted that it discontinued that process due to a misinterpretation of federal guidance. Because the Cancer Center did not have a process in place to identify and track advances of federal funds, auditors were unable to determine the actual amount of interest that it would be required to remit, if any, to the federal government for fiscal year 2018.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Cancer Center did not appropriately restrict access to certain systems it uses to manage its research and development programs. Specifically, the Cancer Center did not remove the account for a user who was no longer employed with the Cancer Center. In addition, the Cancer Center did not conduct an effective user access review for all system levels to verify that access was appropriately limited to current employees. Allowing users inappropriate access to systems increases the risk of inappropriate changes to those systems.

Recommendations:

The Cancer Center should:

- Develop and implement a process to identify and track advances of federal funds and remit interest it earns on federal funds as required.
- Appropriately limit user access to current employees and strengthen its user access review process for all system levels.
Views of Responsible Officials:

Cash Management

Accepted.

Systems Access

The Cancer Center has implemented controls to limit user access to current employees and strengthened its user access review process. In March 2018, the Cancer Center implemented a new Identity Management System; the system is supported by reports that identify discrepancies between the Identity Management System and its active user directory. All discrepancies are investigated and remediated.

Corrective Action Plan:

Cash Management

The Cancer Center has identified all advances of federal funds and remitted all interest earned through December 2018.

The Cancer Center is developing a business process and supporting tools to identify and track advances of federal funds and remit interest earned on federal funds as required. The central Grants and Contracts Accounting Office (GCA) will own this process.

Implementation Dates: Prior interest remittance – January 2019
Report and Process – February 2019

Responsible Person: Michael Keneker

Systems Access

The Cancer Center will implement a validation process between the Identity Management System and PeopleSoft and will investigate and remediate discrepancy reports.

Implementation Date: August 2019

Responsible Person: Lessley Stoltenberg
Equipment and Real Property Management

Research and Development Cluster

Award years – See below

Award numbers – See below

Statistically valid sample – No and not intended to be a statistically valid sample

Type of finding – Significant Deficiency and Non-Compliance

Equipment

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not maintain adequate property records for 15 (22 percent) of 68 equipment items tested. Specifically, for 9 items tested, the property records contained an inaccurate serial number for each item and for 6 items tested, the property records contained an incorrect location for each item. Those errors occurred because the Cancer Center either (1) did not enter information into its property records accurately or (2) because it did not always appropriately update its property records when conducting its annual inventory.

In addition, the Cancer Center did not always adequately safeguard its equipment. For 1 (1 percent) of 68 equipment items selected for physical inspection, the Cancer Center was unable to locate the item. The Cancer Center did not identify that the item was missing until auditors selected that item for testing.

Not maintaining accurate property records and not adequately safeguarding equipment increases the risk that equipment may be lost or stolen.

The following awards were affected by the equipment issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0218</td>
<td>July 15, 2014, to April 14, 2016</td>
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<tr>
<td></td>
<td>(the Cancer Center received funds as a pass-through from the University of Texas at Austin)</td>
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<td></td>
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<tr>
<td>93.286</td>
<td>Discovery and Applied Research for Technological Innovations to Improve Human Health</td>
<td>5R01EB000117-04</td>
<td>June 1, 2002, to March 31, 2008</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
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<tr>
<td>93.393</td>
<td>Cancer Cause and Prevention Research</td>
<td>5R01CA160394-04</td>
<td>May 1, 2012, to March 31, 2016</td>
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<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
<td>5P01CA124787-05</td>
<td>September 18, 2008, to August 31, 2014</td>
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<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
<td>5UG1CA189828-03-MDA1</td>
<td>July 1, 2017, to July 31, 2019</td>
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<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
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<td>September 1, 1978, to December 31, 2014</td>
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<tr>
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<td>Cancer Treatment Research</td>
<td>5R01CA182450-03</td>
<td>August 1, 2014, to July 31, 2018</td>
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<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
<td>CBPO361W-00</td>
<td>August 1, 2014, to February 28, 2016</td>
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<td>Cancer Treatment Research</td>
<td>5R01CA061508-15</td>
<td>September 17, 1993, to March 31, 2010</td>
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<tr>
<td>93.396</td>
<td>Cancer Biology Research</td>
<td>5R01CA111999-05</td>
<td>June 19, 2006, to April 30, 2011</td>
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<tr>
<td>93.397</td>
<td>Cancer Centers Support Grants</td>
<td>5P50CA097007-10</td>
<td>September 30, 2002, to July 31, 2015</td>
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<tr>
<td>93.397</td>
<td>Cancer Centers Support Grants</td>
<td>5P30CA016672-27</td>
<td>July 1, 1978, to June 30, 2003</td>
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<tr>
<td>93.701</td>
<td>Trans-NIH Recovery Act Research Support</td>
<td>5R01NS045602-07</td>
<td>April 1, 2003, to June 30, 2012</td>
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<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5R01AI063063-06</td>
<td>December 15, 2004, to November 30, 2009</td>
</tr>
</tbody>
</table>
General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Cancer Center did not appropriately restrict access to certain systems it uses to manage its research and development programs. Specifically, the Cancer Center did not remove the account for a user who was no longer employed with the Cancer Center. In addition, the Cancer Center did not conduct an effective user access review for all system levels to verify that access was appropriately limited to current employees. Allowing users inappropriate access to systems increases the risk of inappropriate changes to those systems.

Recommendations:

The Cancer Center should:

- Strengthen controls to ensure that it updates and maintains accurate property records.
- Strengthen controls to ensure that it adequately safeguards its equipment to prevent loss, damage, or theft of equipment.
- Appropriately limit user access to current employees and strengthen its user access review process for all system levels.

Views of Responsible Officials:

Equipment and Real Property Management

The Cancer Center agrees that accurate property records must be maintained for equipment acquired with federal funds. We also acknowledge that many institutional assets are primarily mobile throughout their functional lifecycles, rendering asset location a moving target.

We also wish to highlight that the item unable to be located is a rotor for a centrifuge that represents a small component of the overall centrifuge equipment.

Systems Access

The Cancer Center has implemented controls to limit user access to current employees and strengthened its user access review process. In March 2018, the Cancer Center implemented a new Identity Management System; the system is supported by reports that identify discrepancies between the Identity Management System and its active user directory. All discrepancies are investigated and remediated.

Corrective Action Plan:

Equipment and Real Property Management

- The Cancer Center will continue to emphasize the use of bar code scanners for asset data collection during the receiving and tagging process to alleviate the use of manual data entry to capture serial numbers by providing additional training to Asset Control and Receiving staff.
- The Cancer Center will communicate with Principal Investigators and departmental staff regarding the need to update Asset Management when assets are moved.

Implementation Date: Training – January 2019

Responsible Person: Michael Keneker
**Systems Access**

The Cancer Center will implement a validation process between the Identity Management System and PeopleSoft and will investigate and remediate discrepancy reports.

**Implementation Date:** August 2019

**Responsible Person:** Lessley Stoltenberg

Reference No. 2018-120

**Period of Performance**

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

**Period of Performance**

A recipient may charge to a federal award only allowable costs incurred during the period of performance and any costs incurred before the federal award that were authorized by the federal awarding agency or pass-through entity (Title 2, Code of Federal Regulations (CFR), Section 200.309). Costs must be necessary and reasonable for the performance of the federal award to be allowable (Title 2, CFR, Section 200.403(a)).

The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not always ensure that costs charged to federal awards were allowable and/or incurred within the period of performance. For 8 (13 percent) of 60 transactions tested, the Cancer Center incurred the cost after the period of performance for the federal award or incurred the cost within the period of performance but the cost was unallowable. Specifically:

- For 2 transactions, the federal award was amended to shorten the period of performance. When the Cancer Center received the amendment, it did not update its financial system with the new project end date, which allowed costs to continue to post to the account. This resulted in a total of $4,580 in questioned costs associated with award number W81XWH-16-1-0126.

- For 2 transactions, an order was placed for items after the period of performance. The Cancer Center asserted that this was due to an oversight by the principal investigator. For one of those transactions, the Cancer Center subsequently transferred the costs to a non-federal account; therefore, there are no questioned costs. For the other transaction, the error resulted in a total of $618 in questioned costs associated with award number 5R01CA159042-05.

- For 4 transactions, an order was placed for items within the last few days or on the last day of the period of performance. Although those costs were incurred within the period of performance, those costs were not allowable for the federal award. The Cancer Center asserted that this was due to an oversight by the principal investigator. This resulted in a total of $1,673 in questioned costs associated with award number 12-00482 and $2,392 in questioned costs associated with award number THE-177821-03.

**Questioned Cost:** $ 9,263

U.S. Department of Defense
U.S. Department of Health and Human Services
The following awards were affected by the period of performance issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-16-1-0126</td>
<td>September 30, 2016, to September 29, 2017</td>
</tr>
<tr>
<td>93.394</td>
<td>Cancer Detection and Diagnosis Research</td>
<td>5R01CA159042-05</td>
<td>March 1, 2011, to February 28, 2018</td>
</tr>
<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
<td>12-00482</td>
<td>July 1, 2017, to June 30, 2018</td>
</tr>
<tr>
<td></td>
<td>(the Cancer Center received funds as a pass-through from the New York University School of Medicine)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>THE-177821-03</td>
<td>June 1, 2016, to February 28, 2018</td>
</tr>
<tr>
<td></td>
<td>(the Cancer Center received funds as a pass-through from the Mayo Clinic)</td>
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</tr>
</tbody>
</table>

**General Controls**

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Cancer Center did not appropriately restrict access to certain systems it uses to manage its research and development programs. Specifically, the Cancer Center did not remove the account for a user who was no longer employed with the Cancer Center. In addition, the Cancer Center did not conduct an effective user access review for all system levels to verify that access was appropriately limited to current employees. Allowing users inappropriate access to systems increases the risk of inappropriate changes to those systems.

**Recommendations:**

The Cancer Center should:

- Develop and implement a process to ensure that it complies with all period of performance requirements for federal awards.
- Appropriately limit user access to current employees and strengthen its user access review process for all system levels.
Views of Responsible Officials:

Period of Performance

The Cancer Center agrees that all charges must comport with Department of Health and Human Services Hospital Cost Principles for Federally Sponsored Research Activities (Cost Principles) as promulgated in 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Appendix IX. We agree that charges incurred near the end of the award period require additional review, oversight, and justification to ensure compliance with the Cost Principles considering Period of Performance regulations. We also recognize that research continues up to the award end date, and as such, not all charges incurred near, at, or after the award end date are, by their nature, unallowable. We will implement a revised process considering all of these factors.

Systems Access

The Cancer Center has implemented controls to limit user access to current employees and strengthened its user access review process. In March 2018, the Cancer Center implemented a new Identity Management System; the system is supported by reports that identify discrepancies between the Identity Management System and its active user directory. All discrepancies are investigated and remediated.

Corrective Action Plan:

Period of Performance

- The Cancer Center will remove/refund each questioned cost from its respective award.
- The Cancer Center is developing workflow to ensure high-risk direct charge and cost transfer transactions are reviewed and approved centrally the Grants and Contracts Accounting Office (GCA). In conjunction with these updated processes and GCA responsibilities, training will be deployed to re-educate GCA staff on the Cost Principles and Period of Performance regulations.
- The Cancer Center is conducting institution training to educate Principal Investigators and departmental staff on award closeout regulations, roles, and responsibilities.
- The Cancer Center is conducting training, developing processes, and developing supporting tools to reduce the likelihood that award set-up and amendment transactions are entered into the financial system incorrectly.

Implementation Dates: Charge removal – February 2019
Period of Performance and Cost Principles Training – March 2019
Closeout Training – February 2019
Award Set-Up Training and Processes – March 2019
System Workflow – June 2019

Responsible Person: Michael Keneker

Systems Access

The Cancer Center will implement a validation process between the Identity Management System and PeopleSoft and will investigate and remediate discrepancy reports.

Implementation Date: August 2019

Responsible Person: Lessley Stoltenberg
Reference No. 2018-121

Financial Reporting

Recipients are required to report financial information to ensure effective monitoring of federal awards (Title 2, Code of Federal Regulations (CFR), Section 200.327). Recipients use the Federal Financial Report Standard Form (SF-425), or alternate forms of financial reporting that report the same or similar information, to report financial activity to federal awarding agencies and pass-through entities. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions and requirements of key reporting elements.

The University of Texas M.D. Anderson Cancer Center (Cancer Center) did not ensure that its financial reports were accurate and complete for 22 (58 percent) of 38 reports tested. Specifically:

- For 11 reports, the Cancer Center incorrectly reported project date information, including the project period date and the indirect cost rate period.
- For 6 reports, the Cancer Center incorrectly reported financial information, including the federal funds authorized, federal share of expenditures, federal share of unliquidated obligations, indirect cost amount, and the indirect cost base amount.
- For 5 reports, the Cancer Center incorrectly reported both project date information and financial information.

While the Cancer Center reviewed its financial reports prior to submission, that review process was not sufficient to ensure that the financial reports were accurate and complete. Inaccurate information in financial reports increases the risk that federal agencies could rely on inaccurate information to manage and monitor their awards.

The following awards were affected by the reporting issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
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<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0554</td>
<td>September 22, 2014, to September 21, 2018</td>
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<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-17-1-0611</td>
<td>September 1, 2017, to August 31, 2019</td>
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<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0140</td>
<td>September 15, 2015, to September 14, 2018</td>
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<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
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</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-16-1-0717</td>
<td>September 30, 2016, to September 29, 2019</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0482</td>
<td>September 30, 2015, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0109</td>
<td>September 15, 2014, to September 14, 2019</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0576</td>
<td>September 30, 2014, to September 29, 2017</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0662</td>
<td>September 21, 2015, to June 20, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-16-1-0289</td>
<td>September 15, 2016, to September 14, 2019</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0142</td>
<td>August 15, 2015, to August 14, 2018</td>
</tr>
<tr>
<td>93.279</td>
<td>Drug Abuse and Addiction Research Programs</td>
<td>5K01DA034752-05</td>
<td>June 1, 2013, to June 2, 2017</td>
</tr>
<tr>
<td>93.393</td>
<td>Cancer Cause and Prevention Research</td>
<td>5R01CA109298-13</td>
<td>July 1, 2004, to July 31, 2017</td>
</tr>
<tr>
<td>93.393</td>
<td>Cancer Cause and Prevention Research</td>
<td>5R01CA169603-05</td>
<td>April 1, 2013, to March 31, 2018</td>
</tr>
<tr>
<td>93.393</td>
<td>Cancer Cause and Prevention Research</td>
<td>5R01CA087546-16</td>
<td>July 1, 2000, to March 31, 2018</td>
</tr>
<tr>
<td>93.394</td>
<td>Cancer Detection and Diagnosis Research</td>
<td>5U01CA111302-10</td>
<td>September 28, 2004, to June 30, 2017</td>
</tr>
<tr>
<td>93.396</td>
<td>Cancer Biology Research</td>
<td>5P01CA117969-12</td>
<td>December 1, 2005, to March 31, 2021</td>
</tr>
<tr>
<td>93.397</td>
<td>Cancer Centers Support Grants</td>
<td>4U54CA096300-14</td>
<td>August 16, 2002, to August 31, 2018</td>
</tr>
<tr>
<td>93.398</td>
<td>Cancer Research Manpower</td>
<td>5T32CA009599-29</td>
<td>May 25, 1994, to January 31, 2018</td>
</tr>
<tr>
<td>93.398</td>
<td>Cancer Research Manpower</td>
<td>4R25CA056452-24</td>
<td>July 3, 2013, to June 30, 2018</td>
</tr>
</tbody>
</table>
General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Cancer Center did not appropriately restrict access to certain systems it uses to manage its research and development programs. Specifically, the Cancer Center did not remove the account for a user who was no longer employed with the Cancer Center. In addition, the Cancer Center did not conduct an effective user access review for all system levels to verify that access was appropriately limited to current employees. Allowing users inappropriate access to systems increases the risk of inappropriate changes to those systems.

Recommendations:

The Cancer Center should:

- Strengthen controls to ensure that the federal financial reports it submits are complete and accurate.
- Appropriately limit user access to current employees and strengthen its user access review process for all system levels.

Views of Responsible Officials:

Reporting

The Cancer Center agrees and acknowledges that accuracy in reporting is necessary. While accurate reporting is important across the board, we see the severity and impact of financial data as being more critical than administrative/demographic data.

We also wish to highlight that no unallowable charges were incurred by applicable sponsoring agencies as a result of inaccurate financial reports.

Systems Access

The Cancer Center has implemented controls to limit user access to current employees and strengthened its user access review process. In March 2018, the Cancer Center implemented a new Identity Management System; the system is supported by reports that identify discrepancies between the Identity Management System and its active user directory. All discrepancies are investigated and remediated.
Corrective Action Plan:

Reporting

- The Cancer Center has developed training to further educate GCA staff on federal financial reporting regulations.

- The Cancer Center is developing a process to enhance its monitoring of federal financial reports by increasing the number of reports that are reviewed by Management prior to submission.

Implementation Dates:  
Training – February 2019  
Monitoring Process – February 2019

Responsible Person: Michael Keneker

Systems Access

The Cancer Center will implement a validation process between the Identity Management System and PeopleSoft and will investigate and remediate discrepancy reports.

Implementation Date: August 2019

Responsible Person: Lessley Stoltenberg
University of Texas Medical Branch at Galveston

Reference No. 2018-122
Cash Management
Period of Performance
Procurement and Suspension and Debarment
(Prior Audit Issues 2017-040 and 2016-043)

Research and Development Cluster
Award years – See below
Award numbers – See below

Non-Major Program:
CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Award year – 2008
Award number – 1791DRTX
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Interest on Advances

A non-federal entity must maintain advances of federal funds in interest-bearing accounts unless: (1) the non-federal entity receives less than $120,000 in federal awards per year, (2) the best reasonably available interest-bearing account would not be expected to earn interest in excess of $500 per year on federal cash balances, or (3) the depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources (Title 2, Code of Federal Regulations (CFR), Section 200.305(b)(8)). Interest earned up to $500 per year may be retained by the non-federal entity for administrative expense. Any additional interest earned on federal advance payments deposited in interest-bearing accounts must be remitted annually to the U.S. Department of Health and Human Services Payment Management System (Title 2, CFR, Section 200.305(b)(9)).

The University of Texas Medical Branch at Galveston (Medical Branch) did not correctly calculate the amount of interest it was required to remit to the U.S. Department of Health and Human Services. Specifically, the Medical Branch separately tracked and calculated the amount of interest to remit for each project that received advances of federal funds. It also separately retained an amount for administrative expense for each project. Instead, it should have calculated the total amount of interest earned for all projects and retained $500 for administrative expense for the Medical Branch as a whole.

In addition, the Medical Branch did not correctly calculate the full amount of interest earned because when it calculated the interest earned, it netted the positive cash balances of projects for which it received advances with the negative cash balances of projects that had expenditures that preceded the federal advances. Instead, it should have calculated the interest earned only on the advances of federal funds.

As a result of the issues described above, the Medical Branch should have remitted an additional $1,306 in interest.
The following awards were affected by the issues discussed above.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-12-1-0429</td>
<td>September 27, 2012, to September 26, 2017</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-12-2-0086</td>
<td>September 14, 2012, to September 13, 2017</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-13-1-0492</td>
<td>September 30, 2013, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-2-0160</td>
<td>September 15, 2014, to September 14, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-2-0161</td>
<td>September 30, 2014, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-2-0162</td>
<td>September 30, 2014, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-2-0195</td>
<td>September 30, 2014, to September 29, 2018</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0143</td>
<td>July 1, 2015, to June 30, 2019</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-15-1-0372</td>
<td>September 30, 2015, to March 29, 2018</td>
</tr>
</tbody>
</table>

**Other Compliance Areas and Non-Major Program**

Although the general control weaknesses described below apply to period of performance and procurement and suspension and debarment, auditors identified no compliance issues regarding those compliance requirements. The general control weaknesses described below also apply to CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).

**General Controls**

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

**The Medical Branch did not appropriately restrict access to a tool in its information technology system that allows users to modify data in the production environment.** When the Medical Branch upgraded the system, it inadvertently granted inappropriate access to that tool to employees who did not need that access. The Medical Branch removed the inappropriate access after auditors brought the issue to its attention. Inappropriate access increases the risk of unauthorized or unintended modification to production data.
Recommendations:

The Medical Branch should:

- Ensure that it retains only the total amount allowed of interest earned for administrative expense.
- Ensure that it calculates the interest earned only on the advances of federal funds.
- Ensure that user access is appropriately limited to employees based on job responsibilities.

Views of Responsible Officials:

Cash Management

Management acknowledges and agrees with the findings and recommendations. The Medical Branch has already implemented the corrective action plan.

General Controls

UTMB Health completed an internal assessment confirming the low likelihood of abuse of unexpected access privileges resulting from the PeopleSoft upgrade, and confirming that mitigating controls would likely have detected any misuse of such access. Additional measures are being taken to reduce the future risk for PeopleSoft privileged access.

Corrective Action Plan:

Cash Management

The Medical Branch updated the standard operating procedure to ensure that the interest earned calculation is accurate and that it retains only the total amount allowed for administrative expense. The Medical Branch remitted the additional amount identified to the U.S. Department of Health and Human Services.

Implementation Date: January 2019

Responsible Person: Claudia Delgado

General Controls

UTMB will implement Security Comparison and Privileged Access Review procedures as part of every major PeopleSoft project.

Implementation Date: March 1, 2019

Responsible Person: Darwin VanDyke

UTMB has implemented procedures to review Privileged Access within FMS on a monthly basis.

Implementation Date: December 4, 2018

Responsible Person: Darwin VanDyke
 Equipment and Real Property Management

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Equipment

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

Equipment is defined as tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient for financial statement purposes or $5,000. Information technology systems are defined to include computing hardware, firmware, and software (Title 2, CFR, Sections 200.33 and 200.58).

The University of Texas Medical Branch at Galveston (Medical Branch) did not maintain complete and accurate property records. Specifically:

- The Medical Branch did not include in its property records the use and condition of the equipment and whether title vests in the Medical Branch or federal government for all equipment items tested. The Medical Branch asserted that it does not track this information in its asset management system.

- For 16 (22 percent) of 72 equipment items tested, the property record was inaccurate for one or more of the following required elements: item location, serial number or other identification number, or disposition information. Those errors occurred because the Medical Branch either (1) did not enter property records accurately and completely into its asset management system or (2) did not always follow its policies and procedures to update property records as needed.

- For 5 (42 percent) of 12 equipment disposals tested, the Medical Branch improperly removed the items from its property records. Those items were all computer software items purchased with federal awards. The Medical Branch removed those items from its asset management system because it incorrectly identified them as not having to be tracked as equipment. The Medical Branch provided a list of computer software items removed from its asset management system, and auditors identified an additional 13 items purchased with federal funds that the Medical Branch removed from its property records.

Questioned Cost: $ 0

National Aeronautics and Space Administration
National Science Foundation
U.S. Department of Health and Human Services
U.S. Agency for International Development
For 4 (33 percent) of 12 equipment disposals reviewed, the Medical Branch did not maintain in its property records the funding source information, including the catalog of federal domestic assistance (CFDA) number, federal awarding agency, and federal award number. Without federal award information, auditors were unable to determine if the Medical Branch followed any applicable federal awarding agency disposition instructions.

In addition, the Medical Branch did not always adequately safeguard its equipment. For 5 (7 percent) of 72 equipment items selected for physical inspection, the Medical Branch was unable to locate the item. The Medical Branch asserted that 4 of those items were moved to other locations; however, it was unable to provide documentation supporting those relocations. Auditors were unable to confirm that those items were adequately safeguarded. The Medical Branch did not identify that 1 item was missing until auditors selected that item for testing.

Not maintaining complete and accurate property records and not adequately safeguarding equipment increases the risk that equipment may be lost, stolen, or improperly disposed.

The following awards were affected by the issues discussed above.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.001</td>
<td>Science</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>47.000</td>
<td>National Science Foundation</td>
<td>NSFDACS119442 (the Medical Branch received funds as a pass-through from Lockheed Martin Corporation)</td>
<td>March 31, 2012, to March 30, 2025</td>
</tr>
<tr>
<td>93.000</td>
<td>U.S. Department of Health and Human Services</td>
<td>N01-AI-40097/HHSN266</td>
<td>September 30, 2004, to September 30, 2010</td>
</tr>
<tr>
<td>93.084</td>
<td>Prevention of Disease, Disability, and Death by Infectious Diseases</td>
<td>5U01CK000512-02</td>
<td>December 30, 2016, to December 29, 2021</td>
</tr>
<tr>
<td>93.242</td>
<td>Mental Health Research Grants</td>
<td>5U01MH083507-05</td>
<td>June 5, 2008, to April 30, 2013</td>
</tr>
<tr>
<td>93.350</td>
<td>National Center for Advancing Translational Sciences</td>
<td>5UL1TR001439-04</td>
<td>August 18, 2015, to March 31, 2020</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5R01HL119869-05</td>
<td>August 9, 2013, to July 1, 2017</td>
</tr>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>5P01NS39161</td>
<td>January 11, 2001, to December 31, 2007</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5UC7AI094660-07</td>
<td>May 1, 2016, to April 30, 2021</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5R01AI087643</td>
<td>December 15, 2010, to November 30, 2016</td>
</tr>
</tbody>
</table>
Other awards were affected by the issues discussed above; however, because the Medical Branch did not maintain the award information, a complete list of awards affected could not be determined.

General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

The Medical Branch did not appropriately restrict access to a tool in its information technology system that allows users to modify data in the production environment. When the Medical Branch upgraded the system, it inadvertently granted inappropriate access to that tool to employees who did not need that access. The Medical Branch removed the inappropriate access after auditors brought the issue to its attention. Inappropriate access increases the risk of unauthorized or unintended modification to production data.

Recommendations:

The Medical Branch should:

- Strengthen controls to ensure that it updates and maintains accurate property records for all equipment acquired with federal funds and that its property records include all required information.
- Strengthen controls to ensure that it adequately safeguards its equipment to prevent loss or theft of equipment.
- Ensure that user access is appropriately limited to employees based on job responsibilities.

Views of Responsible Officials:

Equipment and Real Property Management

Management agrees with the auditor’s recommendation.
General Controls

UTMB Health completed an internal assessment confirming the low likelihood of abuse of unexpected access privileges resulting from the PeopleSoft upgrade, and confirming that mitigating controls would likely have detected any misuse of such access. Additional measures are being taken to reduce the future risk for PeopleSoft privileged access.

Corrective Action Plan:

Equipment and Real Property Management

UTMB will update its procedures and provide training to asset custodians to ensure the assets are in proper condition and adequately safeguarded. In addition, UTMB will update its procedures so that the records reflect the use and condition, title and federal award information of the assets.

Implementation Date: December 2019
Responsible Person: Michael Linton

General Controls

UTMB will implement Security Comparison and Privileged Access Review procedures as part of every major PeopleSoft project.

Implementation Date: March 1, 2019
Responsible Person: Darwin VanDyke

UTMB has implemented procedures to review Privileged Access within FMS on a monthly basis.

Implementation Date: December 4, 2018
Responsible Person: Darwin VanDyke
Financial Reporting

Recipients are required to report financial information to ensure effective monitoring of federal awards (Title 2, Code of Federal Regulations (CFR), Section 200.327). Recipients use the Federal Financial Report Standard Form (SF-425), or alternate forms of financial reporting that report the same or similar information, to report financial activity to federal awarding agencies and pass-through entities. The U.S. Office of Management and Budget provides specific instructions for completing the SF-425, including definitions and requirements of key reporting elements.

The University of Texas Medical Branch at Galveston (Medical Branch) did not ensure that its financial reports were accurate and complete. For 7 (18 percent) of 40 reports tested, the Medical Branch incorrectly reported one or more reporting elements. Specifically:

- For 3 reports tested, the Medical Branch did not report federally authorized funds that had been incurred but not yet paid as unliquidated obligations. Those errors occurred because the Medical Branch’s practice was to not report encumbrances as unliquidated obligations.
- For 3 reports tested, the Medical Branch incorrectly reported the effective period for the indirect cost rate. Also, it did not complete the reporting period end date for 1 of those 3 reports. Those errors occurred because of manual errors the Medical Branch made when preparing the financial reports.
- For 1 report tested, the Medical Branch did not correctly report the total federal funds authorized as of the reporting period end date because of a manual error the Medical Branch made when preparing that financial report.

In addition, while the Medical Branch had a process in place to review and approve financial reports prior to submission, that review and approval process was not sufficient to ensure that the financial reports were accurate and complete. Inaccurate information in financial reports increases the risk that federal agencies and pass-through entities could rely on inaccurate information to manage and monitor their awards.
The following awards were affected by the reporting issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.360</td>
<td>Research on Chemical and Biological Defense</td>
<td>HDTRA117C0009</td>
<td>February 1, 2017, to April 30, 2019</td>
</tr>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-2-0195</td>
<td>September 30, 2014, to September 29, 2018</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5R01AI132323-02</td>
<td>June 20, 2017, to May 31, 2018</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5U01AI115577-03</td>
<td>June 15, 2016, to May 31, 2020</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5U19AI109711-04</td>
<td>March 1, 2014, to February 28, 2019</td>
</tr>
<tr>
<td>98.001</td>
<td>USAID Foreign Assistance for Programs Overseas</td>
<td>AIDOAAA1400010</td>
<td>May 1, 2017, to October 15, 2018</td>
</tr>
</tbody>
</table>

**General Controls**

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

**The Medical Branch did not appropriately restrict access to a tool in its information technology system that allows users to modify data in the production environment.** When the Medical Branch upgraded the system, it inadvertently granted inappropriate access to that tool to employees who did not need that access. The Medical Branch removed the inappropriate access after auditors brought the issue to its attention. Inappropriate access increases the risk of unauthorized or unintended modification to production data.

**Recommendations:**

The Medical Branch should:

- Strengthen controls to ensure that the financial reports it submits are complete and accurate.
- Ensure that user access is appropriately limited to employees based on job responsibilities.
Views of Responsible Officials:

Reporting

The Medical Branch acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, the Medical Branch is working to develop and implement corrective actions to ensure compliance.

General Controls

UTMB Health completed an internal assessment confirming the low likelihood of abuse of unexpected access privileges resulting from the PeopleSoft upgrade, and confirming that mitigating controls would likely have detected any misuse of such access. Additional measures are being taken to reduce the future risk for PeopleSoft privileged access.

Corrective Action Plan:

Reporting

The Medical Branch will strengthen controls by reviewing and revising the procedures for preparation and review of financial reports to ensure their accuracy.

Implementation Date: May 2019
Responsible Person: Claudia Delgado

General Controls

UTMB will implement Security Comparison and Privileged Access Review procedures as part of every major PeopleSoft project.

Implementation Date: March 1, 2019
Responsible Person: Darwin VanDyke

UTMB has implemented procedures to review Privileged Access within FMS on a monthly basis.

Implementation Date: December 4, 2018
Responsible Person: Darwin VanDyke
Special Tests and Provisions – Key Personnel
Activities Allowed or Unallowed
Allowable Costs/Cost Principles
(Prior Audit Issues 2017-040 and 2016-043)

Research and Development Cluster
Award years – See below
Award numbers – See below

Non-Major Program:
CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Award year – 2008
Award number – 1791DRTX
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Key Personnel

A recipient of federal awards must obtain approval from federal awarding agencies for (1) changes to a key person specified in the application or the federal award, or (2) the disengagement from the project for more than three months or a 25 percent reduction in time devoted to the project by the approved project director or principal investigator (Title 2, Code of Federal Regulations (CFR), Section 200.308(c)(1)).

The University of Texas Medical Branch at Galveston (Medical Branch) did not consistently ensure that key personnel were involved in projects as required. Specifically, for 8 (13 percent) of 60 projects tested, the key personnel specified in the award agreement did not meet the identified level of involvement for fiscal year 2018. The Medical Branch did not obtain approval from the federal awarding agency for changes to the level of involvement for the key personnel for all 8 of those projects. Those errors occurred because the Medical Branch did not have an adequate process in place to monitor changes in the level of involvement for key personnel.

Not obtaining prior approval for reductions in the level of involvement, or disengagement from the project, for key personnel may result in federal sponsors being unaware of changes to key personnel.

The following awards were affected by the issue discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-09-2-0194</td>
<td>September 30, 2009, to October 29, 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(the Medical Branch received funds as a pass-through from the American Burn Association)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(the Medical Branch received funds as a pass-through from the University of Cincinnati)</td>
<td></td>
</tr>
</tbody>
</table>
### Other Compliance Areas and Non-Major Program

Although the general control weaknesses described below apply to activities allowed or unallowed and allowable costs/cost principles, auditors identified no compliance issues regarding those compliance requirements. The general control weaknesses described below also apply to CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).

#### General Controls

Institutions must establish and maintain effective internal control over federal awards that provides reasonable assurance that the institution is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (Title 2, CFR, Section 200.303).

**The Medical Branch did not have appropriate segregation of duties in its change management process for its time and effort certification application.** The Medical Center uses the services of a third-party contractor to host and maintain that application. All of the contractor’s listed developers for the application have access to migrate changes to the application’s production environment. The contractor maintains documentation of who developed and approved each change; however, it does not document the personnel who migrated the change. As a result, for all 10 changes tested, auditors were unable to confirm that the developer did not also migrate the change to the application’s production environment. Not maintaining appropriate segregation of duties or having appropriate controls to track the migration of code to the production environment increases the risk of unauthorized or unintended programming changes being made to critical information systems.

**The Medical Branch did not appropriately restrict access to a tool in its information technology system that allows users to modify data in the production environment.** When the Medical Branch upgraded the system, it inadvertently granted inappropriate access to that tool to employees who did not need that access. The Medical Branch removed the inappropriate access after auditors brought the issue to its attention. Inappropriate access increases the risk of unauthorized or unintended modification to production data.
Recommendations:

The Medical Branch should:

- Strengthen its processes for identifying changes to key personnel requiring approval from the federal sponsor and ensure that it requests approval from the federal sponsor prior to those changes taking effect.
- Monitor its third-party contractor to ensure that sufficient change management controls are in place to prevent developers from migrating their own programming changes to the production environment.
- Ensure that user access is appropriately limited to employees based on job responsibilities.

Views of Responsible Officials:

Special Tests and Provisions – Key Personnel

The UTMB agrees with the findings.

General Controls

The ecrt support team includes a small-specialized team of Huron developers, who write the application’s code, and Huron Hosting engineers. The ecrt support staff require access to servers, databases to perform contractually obligated work, as some issues are application related, and some are data related. Members of the ecrt support staff can deploy code patches and new builds.

Certain changes can be done for separation of duties but it is not practical for us to remove production access from all developers, however Huron will add additional controls (as below) to address the audit’s concerns.

UTMB Health completed an internal assessment confirming the low likelihood of abuse of unexpected access privileges resulting from the PeopleSoft upgrade, and confirming that mitigating controls would likely have detected any misuse of such access. Additional measures are being taken to reduce the future risk for PeopleSoft privileged access.

Corrective Action Plan:

Special Tests and Provisions – Key Personnel

The UTMB Office of Sponsored Programs will develop and deliver training that is specific to management of commitments on sponsored projects to research faculty, department-based grant administrators and Research Services staff.

Implementation Dates: Training materials will be developed by 8/31/2019
Training will be delivered by 8/31/2020

Responsible Person: Toni D’Agostino

General Controls

In future releases, Huron’s development team will create production builds and submit new releases to Huron’s Hosting team. A member of Huron’s Hosting Team will then deploy production builds.

The support portal will be used as the change management system. A support case will be added when a new build will be deployed to a Hosted ecrt Production environment. The build deployment support case will be updated with the name of the individual who deploys the build.
Management to ensure builds are being deployed per change management procedure will perform periodic reviews of Production build deployments. A report can be provided to clients and/or auditors.

**Implementation Date:** November 2018  
**Responsible Person:** Darwin VanDyke

UTMB will implement Security Comparison and Privileged Access Review procedures as part of every major PeopleSoft project.

**Implementation Date:** March 1, 2019  
**Responsible Person:** Darwin VanDyke

UTMB has implemented procedures to review Privileged Access within FMS on a monthly basis.

**Implementation Date:** December 4, 2018  
**Responsible Person:** Darwin VanDyke
Equipment and Real Property Management

(Prior Audit Issue 2015-153)

Research and Development Cluster

Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

Equipment

A recipient’s property records for equipment acquired with federal funds must be maintained accurately and include all of the following: a description of the equipment; serial number or other identification number; the source of funding for the equipment, including the federal award identification number; whether title vests in the recipient or the federal government; acquisition date and cost of the equipment; the percentage of federal participation in the cost of the equipment; the location, use, and condition of the equipment; and ultimate disposition data, including the date of disposal and sale price (Title 2, Code of Federal Regulations (CFR), Section 200.313(d)(1)). A control system must be developed to ensure that adequate safeguards are in place to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated (Title 2, CFR, Section 200.313(d)(3)).

The University of Texas Southwestern Medical Center (Medical Center) did not maintain accurate property records for 19 (31 percent) of 62 equipment items tested. Specifically:

- For 5 items, the property records contained an incorrect location for the item. For 2 of those items, the property records were not updated to reflect that the items were transferred to another university when the principal investigator transferred. For 2 of those items, the property records were not updated to indicate that the item was traded-in for credit toward the purchase of a new equipment item. For 1 of those items, the property record indicated that the item was located in a storage closet; however, that item was in use. Those errors occurred because the Medical Center did not always follow its process to inform the asset management department when an item was relocated or disposed. For all 5 items, the Medical Center was able to provide documentation of the item’s disposition or it was able to locate the item for physical inspection.

- For 14 items, the property records contained an inaccurate serial number. Those errors occurred because the Medical Center either (1) did not enter information into its property records accurately or (2) did not always appropriately update its property records when conducting its annual inventory. For all 14 items, the Medical Center was able to identify the item through other means, such as the description of the equipment, and it was able to locate the item for physical inspection.

In addition, the Medical Center did not always adequately safeguard its equipment. For 1 (2 percent) of 56 equipment items selected for physical inspection, the Medical Center was unable to locate the item. The Medical Center did not identify that the item was missing until auditors selected that item for testing. Not maintaining accurate property records and not adequately safeguarding equipment increases the risk that equipment may be lost, stolen, or improperly disposed.
The following awards were affected by the equipment issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>47.074</td>
<td>Biological Sciences</td>
<td>1615938</td>
<td>August 1, 2016, to July 31, 2019</td>
</tr>
<tr>
<td>93.000</td>
<td>U.S. Department of Health and Human Services</td>
<td>N01HV028185</td>
<td>September 30, 2002, to December 31, 2011</td>
</tr>
<tr>
<td>93.242</td>
<td>Mental Health Research Grants</td>
<td>5R01MH081060-05</td>
<td>April 15, 2008, to September 29, 2013</td>
</tr>
<tr>
<td>93.310</td>
<td>Trans-NIH Research Support</td>
<td>1DP2OD001886-01</td>
<td>September 30, 2007, to August 31, 2012</td>
</tr>
<tr>
<td>93.351</td>
<td>Research Infrastructure Programs</td>
<td>1S10OD018094-01A1</td>
<td>April 1, 2015, to March 31, 2016</td>
</tr>
<tr>
<td>93.393</td>
<td>Cancer Cause and Prevention Research</td>
<td>5R01CA154805-05</td>
<td>December 1, 2012, to June 26, 2017</td>
</tr>
<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
<td>2P01CA095471-06</td>
<td>September 1, 2007, to July 31, 2013</td>
</tr>
<tr>
<td>93.701</td>
<td>Trans-NIH Recovery Act Research Support</td>
<td>3R01DK0389384-S1</td>
<td>September 5, 2009, to August 31, 2010</td>
</tr>
<tr>
<td>93.701</td>
<td>Trans-NIH Recovery Act Research Support</td>
<td>3R01DK046993-16S1</td>
<td>January 1, 2010, to March 31, 2010</td>
</tr>
<tr>
<td>93.701</td>
<td>Trans-NIH Recovery Act Research Support</td>
<td>3R37DK049835-14S1</td>
<td>January 5, 2010, to March 31, 2010</td>
</tr>
<tr>
<td>93.701</td>
<td>Trans-NIH Recovery Act Research Support</td>
<td>1P30EY020799-01</td>
<td>June 1, 2010, to August 31, 2011</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5R01HL067256-09</td>
<td>April 1, 2007, to March 31, 2013</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5P01HL020948-35</td>
<td>July 1, 2007, to June 26, 2017</td>
</tr>
<tr>
<td>93.838</td>
<td>Lung Diseases Research</td>
<td>5R01HL114977-02</td>
<td>September 1, 2012, to July 31, 2013</td>
</tr>
<tr>
<td>93.847</td>
<td>Diabetes, Digestive, and Kidney Diseases Extramural Research</td>
<td>5R01DK079862-05</td>
<td>August 6, 2007, to July 31, 2014</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5R01AI090599-05</td>
<td>September 15, 2010, to August 31, 2017</td>
</tr>
<tr>
<td>93.859</td>
<td>Biomedical Research and Research Training</td>
<td>R01GM073165</td>
<td>May 1, 2014, to April 30, 2019</td>
</tr>
</tbody>
</table>
Recommendations:

The Medical Center should:

- Strengthen controls to ensure that it updates and maintains accurate property records.
- Strengthen controls to ensure that it adequately safeguards its equipment to prevent loss or theft of equipment.

Views of Responsible Officials:

In-transit Property

Two of the five items referenced above were property transfers. Each item has documented support showing the transaction between agencies, noting a transfer that aligned with a respective PI transfer to another institution. Within Medical Center’s inventory, each item retained its last recorded, local location, as the property disposition was pending the fair market sale and receipt of payment. Present policy and practice is to fully dispose of an asset prior to removing it from inventory, with its last local “in service” location rather than document as in transit or a non-Medical Center, off-site location.

Property Trade-In

Two of five items were identified as property records not having support for respective trade-in value toward purchase of replacement item. Presently, documentation of such is reliant on departmental notification and transactional initiation.

Property Physical Location

One of five items was documented being located in a storage closet, but upon inspection, the equipment was in close proximity and being used in a lab environment. At time of requisition, the property’s location was noted as the storage closet, rather than the principal investigator’s lab location. Upon receipt, the asset record was then created using the location information provided on the requisition/purchase order.

Property Identification

Asset Management Administration inventory collection personnel, as a matter of standard procedure, are instructed to validate asset attributes as a component of the physical inventory process. UTSW has approximately fifty-seven thousand (57,000) capital and controlled assets in the PeopleSoft Asset Management system (AMS). Certain variables, such as comprehensiveness and clarity of scanned documentation (invoices, vendor quotes etc.) used to populate asset record attributes upon creation, can contribute to inconsistencies between the PeopleSoft AMS records and the equipment.

Corrective Action Plan:

UT Southwestern will update its property management system and develop a methodology to reflect assets that are “in-transit”. This coding will be used for equipment that has been transferred with a respective PI to another institution, but has not yet been removed from UT Southwestern’s asset list pending final sale of the asset.

Medical Center’s Asset Management Administration will work with Purchasing to modify existing processes and supporting documentation to capture trade-in activity and align with purchasing procurement tools’ (Jaggaer and PeopleSoft) system capabilities.
Medical Center updates location attributes during physical inventory and will continue to conduct periodic refresher training exercises for Asset Collection team members on the importance of documenting new locations. Additionally, Asset Management will implement statistical audit processes to ensure the asset collection team is properly adjusting records during the physical inventory process. However, present processes and systems do not allow for real time location modifications. Accordingly, the imperative is to assure contemporaneous updates during all reviews, including standard inventory checks, as well as preparatory activity for audit reviews and visits.

Medical Center’s Asset Management Administration will strengthen internal controls and implement a statistical audit process to ensure the asset collection team is properly adjusting records during the physical inventory process.

Asset Management Administration will strengthen its internal controls and statistical monitoring. Further, Asset Management Administration will work with Sponsored Programs Administration to remind the research community the importance and requirement of all Departments to timely and comprehensively report misplaced or missing assets timely. Medical Center policy and procedural documents require the custodial department/personnel, having intimate knowledge of the equipment’s status, to complete a UTSW Police/Incident Report and a Missing or Stolen form for State Departments, Institutions, and Agencies.

Implementation Date: March 1, 2019

Responsible Person: Charles Cobb

Reference No. 2018-127

Period of Performance
(Prior Audit Issue 2015-154)

Research and Development Cluster
Award years – See below
Award numbers – See below
Statistically valid sample – No and not intended to be a statistically valid sample
Type of finding – Significant Deficiency and Non-Compliance

A recipient may charge to a federal award only allowable costs incurred during the period of performance and any costs incurred before the federal award that were authorized by the federal awarding agency or pass-through entity (Title 2, Code of Federal Regulations (CFR), Section 200.309). Unless the federal awarding agency or pass-through entity authorizes an extension, a recipient must liquidate all obligations incurred under the federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the federal award (Title 2, CFR, Section 200.343(b)).

The University of Texas Southwestern Medical Center (Medical Center) did not ensure that all costs charged to federal awards were incurred within the period of performance and did not always liquidate its obligations within the required time frame. Specifically, for 3 (5 percent) of 61 transactions tested, the Medical Center incurred the cost after the period of performance for the federal award. Those 3 transactions totaling $26,431 occurred between 16 days and 73 days after the end of the award’s period of performance. For one of those transactions, the Medical Center also did not liquidate the obligation within the required time frame. The Medical Center subsequently transferred those costs to non-federal accounts; therefore, there are no questioned costs.
In addition, for 1 (2 percent) of 61 transactions tested, the Medical Center incurred the cost within the period of performance; however, it did not liquidate the obligation within the required time frame. The Medical Center asserted that it did not pay the invoice associated with that transaction in a timely manner due to an issue in its financial system.

Not properly closing out awards increases the risk that unallowable costs could be charged to federal awards.

The following awards were affected by the period of performance issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.420</td>
<td>Military Medical Research and Development</td>
<td>W81XWH-14-1-0328</td>
<td>September 15, 2014, to April 30, 2018</td>
</tr>
<tr>
<td>93.393</td>
<td>Cancer Cause and Prevention Research</td>
<td>5R00CA160640-05</td>
<td>August 15, 2012, to January 31, 2018</td>
</tr>
<tr>
<td>93.866</td>
<td>Aging Research</td>
<td>16091646-04</td>
<td>May 1, 2016, to April 30, 2018</td>
</tr>
</tbody>
</table>

(a the Medical Center received funds as a pass-through from the Joan & Sanford I. Weill Medical College of Cornell University)

Recommendation:

The Medical Center should develop and implement a process to ensure that it complies with all period of performance requirements for federal awards and that it liquidates its obligations within the required time frames.

Views of Responsible Officials:

The three expenditures incurred out of period were initially expensed to the award, but not charged to the federal government. All incurred expenses were moved off the respective award sub-ledger as noted, and the award was subsequently fully liquidated. The one item obligated during the period of performance and not liquidated timely was due to an incorrect date entered in PeopleSoft.

Corrective Action Plan:

To ensure compliance with Period of Performance and liquidation requirements, Medical Center will enhance its internal control via improved system controls, reconciliation, and exception reporting.

1) Medical Center will utilize PeopleSoft 9.2 commitment control functionality and consider options for placing additional restrictions on override access.

a. Noting that any override access generates risk, Sponsored Programs Administration will implement exception reporting to identify all transactions (debit/credit) incurred outside period of performance. This report will be executed and reviewed monthly, as well as throughout the individual award close-out process.
2) In January 2019, Sponsored Programs Administration implemented updated pre-close and close processes that assures timely review and execution of all final transactions against a termed award.

3) Sponsored Programs Administration will implement reconciliation reporting to assure PeopleSoft 9.2 dates align with actual Notice of Award date, as entered within system of record (e.g. eGrants).

*Implementation Date: March 1, 2019*

*Responsible Person: Megan G. Marks*
Summary Schedule of Prior Year Audit Findings

Federal regulations (Title 2, Code of Federal Regulations, Section 200.511(a)) state, “the auditee is responsible for follow-up and corrective action on all findings.” As part of this responsibility, the auditee reports the corrective action it has taken for the following:

- Each finding in the 2017 Schedule of Findings and Questioned Costs.
- Each finding in the 2017 Summary Schedule of Prior Audit Findings that was not identified as implemented or reissued as a current year finding.

The Summary Schedule of Prior Audit Findings (year ended August 31, 2018) has been prepared to address these responsibilities.

Texas A&M AgriLife Research

Reference No. 2015-104

Period of Availability of Federal Funds
(Prior Audit Issue 12-129)

Research and Development Cluster
Award years – See below
Award numbers – See below
Type of finding – Significant Deficiency and Non-Compliance

When a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71).

Texas A&M AgriLife Research (AgriLife) did not always liquidate its obligations within the required time period. For one non-adjustment transaction tested, AgriLife liquidated the obligation more than 90 days after the end of the award period.

In addition, for 5 (71 percent) of 7 adjustments tested, AgriLife did not make the adjustments within 90 days of the end of the period of availability of federal funds. Specifically, for four of those adjustments, AgriLife made adjustments to remove cost overruns between three and six years after the period of availability of those awards. For one of those adjustments, AgriLife made adjustments to remove payroll from a grant more than 120 days after the period of availability for that grant.

AgriLife’s grant closeout process is not adequately designed to mitigate the risk of noncompliance. AgriLife relies on contract supervisors and Texas A&M University System Sponsored Research Services to review monthly expenditure reports and identify charges outside of the funding period to ensure that it does not pay for those charges with federal funds. If staff do not identify charges outside of the funding period, AgriLife could spend federal funds improperly, which could affect its ability to obtain future grant funding.
The following awards were affected by the period of availability issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
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</thead>
<tbody>
<tr>
<td>12.630</td>
<td>Basic, Applied, and Advanced Research in Science and Engineering</td>
<td>FA7014-09-D-0017</td>
<td>April 23, 2010 to December 31, 2010</td>
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<tr>
<td>15.919</td>
<td>Department of the Interior</td>
<td>H5000 02 0271</td>
<td>February 26, 2004 to September 30, 2009</td>
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<tr>
<td>66.460</td>
<td>Nonpoint Source Implementation Grants</td>
<td>582-10-90468</td>
<td>May 12, 2010 to August 13, 2014</td>
</tr>
<tr>
<td>98.001</td>
<td>USAID Foreign Assistance for Programs Overseas</td>
<td>696-A-00-06-00157-00</td>
<td>September 1, 2006 to June 27, 2012</td>
</tr>
</tbody>
</table>

**Corrective Action:**

Corrective action was taken.
Weekly Expenditures

The method of payroll distribution used by entities that receive federal awards must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and facilities and administrative cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Additionally, for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months (Title 2, Code of Federal Regulations (CFR), Section 220, Appendix A (J)(10)).

According to the University of Houston’s (University) effort reporting policy, employees must certify their time and effort reports in accordance with a quarterly schedule published in the policy. For 29 (69 percent) of 42 payroll transactions tested, the University did not certify time and effort reports within the required time period. Specifically:

For 19 payroll transactions, the due date for time and effort certifications had passed and the University had not completed those certifications. All 19 of these transactions occurred within the third and fourth quarters of the certification year. According to the University, the third and fourth quarter time and effort certifications were delayed because of the implementation of a new timekeeping system.

For 6 payroll transactions, the University completed time and effort certifications, but the principal investigator signed those certifications between 107 and 228 days after the certification due date in the University’s policy. Those transactions occurred within the first and second quarters of the certification year.

For 3 payroll transactions that occurred in the first and second quarters of the certification year, the time and effort certification was signed but not dated; therefore, auditors could not determine whether the certifications were completed prior to the due date in the University’s policy.

For 1 payroll transaction, the time and effort certification for the third quarter was not signed by the principal investigator.

A prolonged elapsed time between activity and certification of the activity can decrease the accuracy of reporting and increase the time between payroll distribution and any required adjustments to that distribution.

Payroll Salary Restrictions

Every year since 1990, the U.S. Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under a National Institutes of Health (NIH) grant. The amount of direct salary to executive level II of the federal executive pay scale was restricted to $179,700 from December 23, 2011, through January 11, 2014. The executive level II salary restriction increased from $179,700 to $181,500 effective January 12, 2014 (NIH Notice Number NOT-OD-14-052).
The University’s research effort reporting policy states that, in instances in which federal regulations do not allow for salaries in excess of statutory or regulatory salary caps, the amount of a faculty member’s salary to be charged to a grant is determined based on the percentage of effort to be devoted to the grant.

**The University does not have effective controls to help ensure that it limits the salaries charged to NIH grants.** The University performs a quarterly analysis to determine whether employees on NIH grants charge less than the monthly salary cap amount to the grant. However, the University does not consider the percentage of effort that each employee spends on a grant when it performs that analysis. Auditors tested the first and second quarters of fiscal year 2014 and identified salary costs for five employees totaling $9,875 that were overcharged to six NIH awards as a result of that error. Auditors were not able to test the third and fourth quarters of fiscal year 2014 because of the time and effort delays discussed above that resulted from the University’s implementation of a new timekeeping system.

The following awards were affected by the payroll expenditures issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.001</td>
<td>Science</td>
<td>T72314</td>
<td>May 1, 2013 to September 30, 2014</td>
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<tr>
<td>47.041</td>
<td>Engineering Grants</td>
<td>ECCS-1102195</td>
<td>September 1, 2011 to August 31, 2015</td>
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<tr>
<td>47.041</td>
<td>Engineering Grants</td>
<td>ECCS-0926006</td>
<td>September 1, 2009 to August 31, 2014</td>
</tr>
<tr>
<td>47.049</td>
<td>Mathematical and Physical Sciences</td>
<td>CHE-0956127</td>
<td>October 1, 2010 to September 30, 2015</td>
</tr>
<tr>
<td>47.049</td>
<td>Mathematical and Physical Sciences</td>
<td>CHE-1213646</td>
<td>August 15, 2012 to July 31, 2015</td>
</tr>
<tr>
<td>47.070</td>
<td>Computer and Information Science and</td>
<td>IIS-1111507</td>
<td>January 1, 2014 to December 31, 2014</td>
</tr>
<tr>
<td></td>
<td>Engineering</td>
<td></td>
<td></td>
</tr>
<tr>
<td>47.074</td>
<td>Biological Sciences</td>
<td>DEB-1253650</td>
<td>April 1, 2013 to March 31, 2018</td>
</tr>
<tr>
<td>47.080</td>
<td>Office of Cyberinfrastructure</td>
<td>OCI-1148052</td>
<td>September 1, 2013 to May 31, 2015</td>
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<tr>
<td>81.000</td>
<td>Department of Energy</td>
<td>DE-EE0005806</td>
<td>September 1, 2012 to February 28, 2015</td>
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<td>81.049</td>
<td>Office of Science Financial Assistance</td>
<td>DE-SC0006771</td>
<td>September 15, 2011 to September 14, 2015</td>
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<td>Program</td>
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<td>81.049</td>
<td>Office of Science Financial Assistance</td>
<td>DE-FG02-07ER41521</td>
<td>November 15, 2013 to November 14, 2014</td>
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<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
<tr>
<td>---------</td>
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<td>------------------------------------------------</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0008073</td>
<td>July 1, 2012 to June 30, 2015</td>
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<tr>
<td>81.105</td>
<td>National Industrial Competitiveness through Energy, Environment, and Economics</td>
<td>1452262</td>
<td>May 6, 2014 to September 1, 2014</td>
</tr>
<tr>
<td>81.122</td>
<td>Electricity Delivery and Energy Reliability, Research, Development and Analysis</td>
<td>DE-OE0000485</td>
<td>July 1, 2010 to December 30, 2014</td>
</tr>
<tr>
<td>84.305</td>
<td>Education Research, Development and Dissemination</td>
<td>R305A090555</td>
<td>July 1, 2009 to June 30, 2014</td>
</tr>
<tr>
<td>84.305</td>
<td>Education Research, Development and Dissemination</td>
<td>UTA10-000725</td>
<td>July 1, 2010 to June 30, 2015</td>
</tr>
<tr>
<td>84.324</td>
<td>Research in Special Education</td>
<td>R324C08006</td>
<td>July 1, 2008 to June 30, 2014</td>
</tr>
<tr>
<td>93.121</td>
<td>Oral Diseases and Disorders Research</td>
<td>3R01DE022676-02S1</td>
<td>September 1, 2012 to August 31, 2014</td>
</tr>
<tr>
<td>93.173</td>
<td>Research Related to Deafness and Communication Disorders</td>
<td>1R03DC012640-02</td>
<td>August 1, 2013 to July 31, 2016</td>
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<tr>
<td>93.242</td>
<td>Mental Health Research Grants</td>
<td>1R01MH097726-01A1</td>
<td>September 13, 2013 to July 31, 2014</td>
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<tr>
<td>93.273</td>
<td>Alcohol Research Programs</td>
<td>1R21AA020572-02</td>
<td>September 5, 2011 to June 30, 2014</td>
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<tr>
<td>93.310</td>
<td>Trans-NIH Research Support</td>
<td>5R01CA174385-02</td>
<td>September 19, 2012 to June 30, 2016</td>
</tr>
<tr>
<td>93.398</td>
<td>Cancer Research Manpower</td>
<td>1K01CA151785-01</td>
<td>February 1, 2011 to August 31, 2015</td>
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<tr>
<td>93.535</td>
<td>Affordable Care Act (ACA) Childhood Obesity Research Demonstration</td>
<td>5U18DP003350-03</td>
<td>September 29, 2011 to September 29, 2014</td>
</tr>
<tr>
<td>93.865</td>
<td>Child Health and Human Development Extramural Research</td>
<td>4R00HD061689-03</td>
<td>September 1, 2013 to August 31, 2014</td>
</tr>
</tbody>
</table>
The following awards were affected by the payroll salary restriction issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
<th>Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.103</td>
<td>Food and Drug Administration Research</td>
<td>FDAHHSF2232009</td>
<td>August 1, 2013 to December 31, 2013</td>
<td>$ 64</td>
</tr>
<tr>
<td>93.172</td>
<td>Human Genome Research</td>
<td>5U01HG006507-02</td>
<td>December 1, 2012 to November 30, 2013</td>
<td>417</td>
</tr>
<tr>
<td>93.279</td>
<td>Drug Abuse and Addiction Research Programs</td>
<td>R21DA029811</td>
<td>September 1, 2011 to February 28, 2014</td>
<td>5,890</td>
</tr>
<tr>
<td>93.867</td>
<td>Vision Research</td>
<td>5R01EY008128-24</td>
<td>February 1, 2010 to January 31, 2015</td>
<td>335</td>
</tr>
<tr>
<td>93.867</td>
<td>Vision Research</td>
<td>5R01EY001139-37</td>
<td>September 30, 2012 to August 31, 2017</td>
<td>1,893</td>
</tr>
<tr>
<td>93.867</td>
<td>Vision Research</td>
<td>1R01EY019105-04</td>
<td>April 1, 2009 to March 31, 2014</td>
<td>1,276</td>
</tr>
<tr>
<td></td>
<td>Total Questioned Costs</td>
<td></td>
<td></td>
<td>$ 9,875</td>
</tr>
</tbody>
</table>

**Corrective Action:**

Corrective action was taken.
University of Texas at Austin

Reference No. 2015-134

Equipment and Real Property Management

Research and Development Cluster
Award years – See below
Award numbers – See below
Type of finding – Significant Deficiency and Non-Compliance

Equipment

A recipient’s equipment records for equipment acquired with federal funds and federally owned equipment must be maintained accurately and include all of the following: a description of the equipment; manufacturer’s serial number, model number, federal stock number, national stock number, or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment; unit acquisition cost; and ultimate disposition data for the equipment (Title 2, Code of Federal Regulations (CFR), Section 215.34(f)).

In addition, the University of Texas at Austin’s (University) Handbook of Business Procedures requires that an inventory tag with a bar code be affixed to new equipment items that are capitalized (items with a unit cost of $5,000 or more) or controlled (certain items with a unit cost of $500 to $4,999.99).

The University did not always maintain adequate property records for its equipment items or adequately safeguard its equipment. Specifically, for 13 (21 percent) of 62 equipment items tested, the University’s property records were inaccurate. For each of those 13 items, the property records for 1 or more of the following was inaccurate: item location, information on the transfer of an item to another higher education institution, inventory tag number, or serial number. The University also did not appropriately safeguard and maintain 6 of those 13 equipment items; those 6 equipment items had total acquisition costs of $94,475. Specifically, the University transferred two of those equipment items to another higher education institution before it completed its required process for property records, and it was unable to locate the remaining four equipment items at the time of the audit.

In addition, the University did not affix required asset tags to 9 (15 percent) of 60 equipment items tested.

The errors discussed occurred because the University did not always follow its policies and procedures or because it did not enter property records accurately and completely into its asset management system. Not properly maintaining property records and not adequately safeguarding equipment increases the risk that equipment may be lost or stolen.

Physical Inventory

A recipient must conduct a physical inventory of equipment and reconcile the results with equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records must be investigated to determine the causes of the difference. The recipient must, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. A control system also must be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment must be investigated and fully documented; if the equipment was owned by the federal government, the recipient must promptly notify the federal awarding agency (Title 2, CFR, Section 215.34(f)).
The University’s *Handbook of Business Procedures* states that when a unit administrator becomes aware that an item of equipment is missing, a diligent search must be performed until the item is found or until it is established that the equipment is lost or has been stolen. The *Handbook of Business Procedures* also specifies sanctions for a department with lost or stolen property in excess of 2 percent of the department’s total inventory, including a fine of 50 percent of the lost inventory.

The University conducted a physical inventory of equipment during fiscal year 2015 in eight cycles, which staggered the time frame between department inventories. Auditors reviewed the physical inventory dated August 28, 2015, and identified 15 departments that had missing equipment items in excess of 2 percent of their individual inventory. However, the University did not notify those departments that they were not in compliance with policy and it did not impose the sanctions specified in its policy. Due to a lack of documentation, auditors were unable to determine whether the University took action to resolve the discrepancies identified during the physical inventory.

Not following up on discrepancies identified in a physical inventory increases the risk that the University could improperly dispose of equipment items purchased with federal funds.

The issues above affected the following awards:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.431</td>
<td>Basic Scientific Research</td>
<td>W911NF-14-1-0393</td>
<td>July 7, 2014 to July 6, 2015</td>
</tr>
<tr>
<td>12.800</td>
<td>Air Force Defense Research Sciences Program</td>
<td>SP0022325-PROJ0007152 (the University received award funds via a pass-through from Northwestern University)</td>
<td>January 15, 2014 to April 30, 2015</td>
</tr>
<tr>
<td>47.070</td>
<td>Computer and Information Science and Engineering</td>
<td>CNS-1419152</td>
<td>October 1, 2014 to September 30, 2017</td>
</tr>
<tr>
<td>81.049</td>
<td>Office of Science Financial Assistance Program</td>
<td>DE-SC0001091</td>
<td>August 1, 2009 to April 30, 2015</td>
</tr>
<tr>
<td>81.132</td>
<td>Geologic Sequestration Site Characterization</td>
<td>DE-FE0001941</td>
<td>December 8, 2009 to September 30, 2014</td>
</tr>
<tr>
<td>81.134</td>
<td>Industrial Carbon Capture and Storage (CCS) Application</td>
<td>FE0001941</td>
<td>December 8, 2009 to September 30, 2014</td>
</tr>
<tr>
<td>93.286</td>
<td>Discovery and Applied Research for Technological Innovations to Improve Human Health</td>
<td>LOA# 1, 1 R01 EB015007-01,02</td>
<td>May 1, 2012 to April 30, 2015</td>
</tr>
</tbody>
</table>
CFDA No. | CFDA Title | Award Number | Award Year
---|---|---|---
93.838 | Lung Diseases Research | 5R01HL117164-01A1,02.03 | August 15, 2013 to May 31, 2017

Corrective Action:

This finding was reissued as current year reference number 2018-109.

Reference No. 2015-135

**Period of Availability of Federal Funds**

**Period of Performance**

Research and Development Cluster

Award years – See below

Award numbers – See below

Type of finding – Significant Deficiency and Non-Compliance

**Period of Availability of Federal Funds**

When a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient must liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71(b)).

The University of Texas at Austin (University) did not always incur costs within the period of availability and did not always liquidate its obligations within the required time period. For 1 (2 percent) of 49 transactions tested, the University did not incur the cost within the funding period and did not liquidate the obligation associated with the cost within the required time frame. The University incurred the $89 obligation 63 days after the end of the funding period, and it liquidated the obligation 93 days after the end of the funding period. The University asserted that it posted the transaction to the account due to an accounting system error. The federal contract those costs were associated with included a clause which waived entitlement of residual dollars up to $500 at the time of project close-out for either the sponsor or the University. Those costs were within that residual clause threshold; therefore, there are no questioned costs.

In addition, for 20 (63 percent) of 32 adjustments tested, the University did not make those adjustments within 90 days after the end of the period of availability. It made those adjustments between 97 and 337 days after the period of availability. For 19 of those adjustments, in December 2014 the University’s Applied Research Laboratories identified an error in the allocation of fringe benefits for a large number of employees. The Applied Research Laboratories corrected and reallocated the fringe benefits in its accounting system, and those corrections were then transferred to the University’s accounting system, which caused an additional delay in the recording of the adjustments. As a result, those adjustments caused a delay in the close out of those grants and caused delays in the processing of other adjustments. The remaining adjustment was delayed due to the lack of departmental approval on a voucher in the University’s accounting system. All costs associated with those adjustments were otherwise allowable; therefore, there were no questioned costs.

Not properly closing out awards increases the risk that unallowable costs could be charged to federal awards.
The following awards were affected by the period of availability issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>CLN 0003 ACN AA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0001 ACN AA AB</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0003 ACN AA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0003 ACN AA</td>
<td></td>
</tr>
<tr>
<td>12.000</td>
<td>U.S. Department of Defense</td>
<td>N00024-07-D-6200-0582</td>
<td>August 27, 2013 to August 26, 2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0003 ACN AA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0003 ACN AA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0003 ACN AA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0003 ACN AA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CLN 0001 ACN AA</td>
<td></td>
</tr>
<tr>
<td>12910</td>
<td>Research and Technology Development</td>
<td>D11AP00263 AMD 0003</td>
<td>April 20, 2011 to April 19, 2014</td>
</tr>
</tbody>
</table>

*Corrective Action:*

Corrective action was taken.
University of Texas at El Paso

Reference No. 2013-179

Cash Management

Research and Development Cluster
Award years – August 23, 2010, to November 22, 2012, and December 5, 2011, to October 31, 2013
Award numbers – CFDA 12.351, Basic Scientific Research – Combating Weapons of Mass Destruction, HDTRA1-10-1-0096 and CFDA 43.001, Science, NNX09AV17A pass-through from United Negro College Fund Special Programs Corporation
Type of finding – Significant Deficiency and Non-Compliance

Recipients shall maintain advances of federal funds in interest-bearing accounts unless: (1) The recipient receives less than $120,000 in federal awards per year, (2) the best reasonably available interest-bearing account would not be expected to earn interest in excess of $250 per year on federal cash balances, or (3) the depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources (Title 2, Code of Federal Regulations (CFR), Section 215.22 (k)). For those entities for which the Cash Management Improvement Act (CMIA) and its implementing regulations do not apply, interest earned on federal advances deposited in interest-bearing accounts shall be remitted annually to the U.S. Department of Health and Human Services. Interest amounts up to $250 per year may be retained by the recipient for administrative expense. State universities and hospitals shall comply with CMIA, as it pertains to interest (Title 2, CFR, Section 215.22(l)). In addition, Title 31, CFR, Section 205, which implements the CMIA, requires state interest liability to accrue if federal funds are received by a state prior to the day the state pays out the funds for federal assistance program purposes. State interest liability accrues from the day federal funds are credited to a state account to the day the state pays out the federal funds for federal assistance program purposes (Title 31, CFR, Section 205.15).

The University of Texas at El Paso (University) did not maintain advances of federal funds in interest-bearing accounts. The University has not established a process to maintain advances of federal funds in interest-bearing accounts. The University identified 41 awards that potentially received advances of federal funds according to its records. Auditors reviewed 11 of those awards and determined that 2 of them required advances of funds to be maintained in interest-bearing accounts. The University received federal funds in advance of expenditures for both of those awards, but it did not maintain the funds in interest-bearing accounts. If the University does not maintain advances in interest-bearing accounts, it cannot earn or remit to the federal government interest exceeding $250 per year on funds it received in advance of expenditures. Other federal awards also were potentially affected by this issue.

Corrective Action:

Corrective action was taken.
The University of Texas Health Science Center at Houston (Health Science Center) did not always incur costs within the period of availability and did not always liquidate its obligations within the required time period. Specifically:

For 1 (2 percent) of 60 transactions tested, the Health Science Center did not incur the cost within the funding period and did not liquidate the obligation within 90 days after the end of the funding period. The Health Science Center incurred the $155 cost associated with that transaction 15 days after the end of the funding period and liquidated the obligation 102 days after the end of the funding period. The Health Science Center subsequently reversed that cost; therefore, it was not considered a questioned cost.

For 3 (5 percent) of 60 transactions tested, the Health Science Center incurred the costs within the period of availability; however, it did not liquidate the obligations within required time frames. It liquidated those obligations between 91 and 172 days after the end of the funding period.

The issues discussed above increase the risk of non-compliance with period of availability requirements in applicable laws, regulations, and the provisions of federal grant agreements.

In addition, for 28 (47 percent) of 60 transactions tested, the Health Science Center recorded federal expenditures that it incurred outside of the period of availability. That occurred because the Health Science Center had requested and expected to receive extensions on those awards; however, it did not receive extensions prior to expending the funds. The Health Science Center received those awards as pass-throughs from other non-federal entities. While the Health Science Center identified the costs as federal and charged them to federal award accounts in its financial accounting system, it asserted that it had not received federal reimbursement for those expenditures; therefore, there were no questioned costs. At the time of the audit, the transactions discussed above were associated with federal awards that were 91 to 215 days past the end of their funding periods. The Health Science Center initially paid for those transactions with institutional funds with the intent of seeking federal reimbursement if and when it received award extensions. However, the significant delays in securing those extensions and the potential to not receive extensions for certain awards increase the risk of non-compliance with period of availability requirements and/or federal expenditure reporting errors.
The following awards were affected by the first two period of availability issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.505</td>
<td>Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program</td>
<td>HHSC 529-14-0121-0001</td>
<td>May 5, 2014 to October 31, 2014</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>1R41AI093261-01</td>
<td>September 1, 2011 to June 30, 2014</td>
</tr>
<tr>
<td>93.728</td>
<td>ARRA - Strategic Health IT Advanced Research Projects (SHARP)</td>
<td>90TR0004</td>
<td>April 1, 2010 to November 30, 2014</td>
</tr>
</tbody>
</table>

**Corrective Action:**
Corrective action was taken.

Reference No. 2015-145

**Subrecipient Monitoring**

**Special Tests and Provisions – R3 – Subrecipient Monitoring**
(Prior Audit Issue 2014-158)

**Research and Development Cluster**

Research and Development Cluster – ARRA

**Award years – See below**

**Award numbers – See below**

**Type of finding – Significant Deficiency and Non-Compliance**

**Preadward Requirements**

At the time of a subaward, the pass-through entity must identify to the subrecipient the federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, whether the award is research and development, the name of the federal awarding agency, and applicable compliance requirements (U.S. Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d) and Title 2, Code of Federal Regulations (CFR), Section 200.331(a)).

Pass-through entities must take steps to ensure that the subrecipient is not suspended or debarred (Title 2, CFR, Section 215.13; Title 2, CFR, Section 200.213; and Title 2, CFR, Section 180.300). Beginning October
For 5 (13 percent) of 39 subawards tested, the University of Texas Health Science Center at Houston (Health Science Center) did not accurately provide or obtain all required information prior to awarding the subaward. The Health Science Center (1) did not always provide the correct CFDA number and compliance requirements imposed on the subrecipient, (2) did not maintain documentation showing that it obtained a DUNS number for a non-American Recovery and Reinvestment Act (ARRA) subaward prior to issuing that subaward, and (3) did not obtain a suspension and debarment certification from a subrecipient. The Health Science Center used the Federal Demonstration Partnership (FDP) subaward template for its subaward agreement with subrecipients; however, it did not consistently or accurately complete all fields in that template. In addition to using the FDP template for its subaward agreements, the Health Science Center uses other attachments for the DUNS number and suspension and debarment certification; however, it did not consistently use those attachments.

Providing inadequate federal award information to subrecipients and not obtaining all required information could lead to improper reporting of federal awards. In addition, not determining whether subrecipients are suspended or debarred increases the risk of subawards being made to suspended or debarred entities.

During-the-award Monitoring

As a pass-through entity, the Health Science Center is required by U.S. Office of Management and Budget Circular A-133, Subpart D, Section 400(d), to monitor the activities of subrecipients to ensure that federal awards are used in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Effective December 26, 2014, the Uniform Grant Guidance requires pass-through entities to evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring (Title 2, CFR, Section 200.331(b)). The pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring must include (1) reviewing financial and performance reports, (2) following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies, and (3) issuing a management decision for audit findings (Title 2, CFR, Section 200.331(d)). Depending on the pass-through entity’s assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals: (1) providing subrecipients with training and technical assistance on program-related matters, (2) performing on-site reviews of the subrecipient’s program operations, and (3) arranging for agreed-upon procedures engagements (Title 2, CFR, Section 200.331(e)).

For 5 (20 percent) of 25 subawards tested, the Health Science Center did not consistently monitor subrecipient activities during the subaward periods to provide reasonable assurance that the subrecipients administered the subawards in compliance with federal requirements. Specifically, for those five subawards, the Health Science Center reviewed and approved subrecipient invoices prior to payment; however, those invoices did not contain sufficient detail for the Health Science Center to determine whether the expenditures were for allowable activities and costs or whether the expenditures complied with other federal and subaward requirements. For example, one subrecipient invoice included a $16,143 line item labeled “Outside Services”; however, the subaward budget did not include costs for that category and there was no further information on the invoice regarding the type of expenses that invoice covered.

In addition, the Health Science Center did not document its assessment of the risk of noncompliance for each subrecipient and its determination of the appropriate level of subrecipient monitoring. The Health Science Center asserted that it placed subrecipients into two risk categories: low-risk or high-risk. The Health Science Center also asserted that it would review reimbursement invoices for low-risk subrecipients, and that it would review financial statements and determine whether any additional monitoring procedures were necessary for high-risk subrecipients. However, the Health Science Center did not document that...
process, and auditors could not determine the level of risk or the monitoring activities identified as necessary for all 14 subawards tested that were issued under the *Uniform Grant Guidance*.

Not assessing risk, not identifying appropriate monitoring activities, and having insufficient monitoring procedures for subrecipients increases the risk that the Health Science Center would not detect subrecipients’ noncompliance with federal requirements.

The following awards were affected by the issues discussed above.

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.305</td>
<td>Education Research, Development and Dissemination</td>
<td>R305A140386-15</td>
<td>July 1, 2014 to June 30, 2018</td>
</tr>
<tr>
<td>93.113</td>
<td>Environmental Health</td>
<td>5R01ES023563-02</td>
<td>August 11, 2014 to April 30, 2019</td>
</tr>
<tr>
<td>93.135</td>
<td>Centers for Research and Demonstration for Health Promotion and Disease Prevention</td>
<td>3U48DP001949-05S1</td>
<td>September 30, 2010 to September 29, 2015</td>
</tr>
<tr>
<td>93.142</td>
<td>NIEHS Hazardous Waste Worker Health and Safety Training</td>
<td>5U45ES019360-05</td>
<td>August 17, 2010 to July 31, 2015</td>
</tr>
<tr>
<td>93.242</td>
<td>Mental Health Research Grants</td>
<td>5R01MH100021-03</td>
<td>April 1, 2013 to February 28, 2018</td>
</tr>
<tr>
<td>93.283</td>
<td>Centers for Disease Control and Prevention: Investigations and Technical Assistance</td>
<td>15-2772 11520-FB44 (the Health Science Center received funds as a pass-through from the University of South Carolina)</td>
<td>September 30, 2014 to September 29, 2015</td>
</tr>
<tr>
<td>93.297</td>
<td>Teenage Pregnancy Prevention Program</td>
<td>5TP1AH000072-04-01</td>
<td>September 1, 2010 to August 31, 2014</td>
</tr>
<tr>
<td>93.297</td>
<td>Teenage Pregnancy Prevention Program</td>
<td>5TP1AH000072-05</td>
<td>September 1, 2014 to August 31, 2015</td>
</tr>
<tr>
<td>93.361</td>
<td>Nursing Research</td>
<td>5R01NR013707-03</td>
<td>June 7, 2013 to March 31, 2018</td>
</tr>
<tr>
<td>93.393</td>
<td>Cancer Cause and Prevention Research</td>
<td>5R21CA181901-02</td>
<td>July 15, 2014 to June 30, 2016</td>
</tr>
<tr>
<td>93.535</td>
<td>Affordable Care Act (ACA) Childhood Obesity Research Demonstration</td>
<td>5U18DP003367-04</td>
<td>September 30, 2014 to September 29, 2015</td>
</tr>
<tr>
<td>93.728</td>
<td>ARRA - Strategic Health IT Advanced Research Projects (SHARP)</td>
<td>90TR0004</td>
<td>April 1, 2010 to November 20, 2014</td>
</tr>
<tr>
<td>CFDA No.</td>
<td>CFDA Title</td>
<td>Award Number</td>
<td>Award Year</td>
</tr>
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<td>---------------------------------------------------------------------------</td>
<td>----------------------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5R01HL102830-04</td>
<td>July 7, 2010 to May 31, 2015</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5UM1HL087318-09</td>
<td>March 1, 2012 to February 28, 2019</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5R01HL109597-05</td>
<td>August 22, 2011 to June 30, 2016</td>
</tr>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>5R01NS087541-02</td>
<td>April 1, 2014 to March 31, 2018</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>5P01AI077774-05</td>
<td>August 1, 2009 to July 31, 2015</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy and Infectious Diseases Research</td>
<td>1R01AI1110432-01A1 / RAI110432B</td>
<td>January 15, 2015 to December 31, 2019</td>
</tr>
<tr>
<td>93.859</td>
<td>Biomedical Research and Research Training</td>
<td>5R01GM060419-16</td>
<td>September 20, 2013 to May 31, 2017</td>
</tr>
<tr>
<td>93.865</td>
<td>Child Health and Human Development Extramural Research</td>
<td>5R01HD067694-05</td>
<td>April 1, 2011 to March 31, 2016</td>
</tr>
</tbody>
</table>

**Corrective Action:**

This finding was reissued as current year reference number 2018-114
Activities Allowed or Unallowed
Allowable Costs/Cost Principles

Research and Development Cluster
Award years - Multiple
Award numbers - Multiple
Type of finding – Significant Deficiency and Non-Compliance

The costs of services provided by specialized service facilities operated by an institution are allowable if the costs of such services are charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that (1) does not discriminate against federally-supported activities of the institution, including usage by the institution for internal purposes, and (2) is designed to recover only the aggregate costs of the services. Service rates must be adjusted at least biennially and must take into consideration over/under applied costs of the previous period(s) (Title 2, Code of Federal Regulations, Section 220, Appendix A, J(47)). Working capital reserves are generally considered excessive when they exceed 60 days of cash expenses for normal operations incurred for the period, exclusive of depreciation, capital costs, and debt principal costs (Office of Management and Budget Circular A-133 Compliance Supplement, Part 3, Section B).

The University of Texas Southwestern Medical Center (Medical Center) did not always ensure that the costs of services provided by specialized service facilities were designed to recover only the aggregate costs of the services, and it did not adjust the service rates as required due to excessive fund balances. Two of three service centers tested had working capital reserves that exceeded 60 days of cash expenses. Specifically, the working capital reserves for those two service centers ranged from 125 to 173 days of cash expenses.

The Medical Center asserted that it reviews its service centers periodically to ensure that service center rates are appropriate to cover costs. The Medical Center did not have an approved policy or procedure for that review, and auditors could not confirm that the Medical Center had performed that review.

Maintaining excessive working capital reserves increases the risk that federal awards will not be charged an equitable rate and that service centers will recover more than the aggregate costs of the services.

Corrective Action:

Corrective action was taken.

Initial Year Written: 2015
Status: Implemented
Federal agencies that award R&D funds

Initial Year Written: 2015
Status: Implemented
Federal agencies that award R&D funds
Reference No. 2015-153

Equipment and Real Property Management

Research and Development Cluster
Award years – See below
Award numbers – See below
Type of Finding – Significant Deficiency and Non-Compliance

Equipment

A recipient’s equipment records for equipment acquired with federal funds and federally owned equipment must be maintained accurately and include all of the following: a description of the equipment; manufacturer’s serial number or other identification number; the source of the equipment, including the award number; whether title vests in the recipient or the federal government; acquisition date and cost; the percentage of federal participation in the cost of the equipment; location and condition of the equipment; unit acquisition cost; and ultimate disposition data for the equipment (Title 2, Code of Federal Regulations (CFR), Section 215.34(f)).

In addition, the University of Texas Southwestern Medical Center’s (Medical Center) FSS-152: Acquisition, Management, and Disposal of UT Southwestern Property policy handbook requires that all capitalized and controlled assets the Medical Center purchases be tagged and assigned a unique inventory number.

The Medical Center did not always maintain adequate property records for its equipment. For 4 (6 percent) of 71 equipment items tested, the property records contained an inaccurate serial number. Three of those errors occurred because the Medical Center did not enter asset information accurately and completely into the asset management system and the Medical Center did not identify the discrepancies during its annual inventory. The remaining error occurred because a department did not notify inventory control that the equipment item was on loan to another higher education institution and delivered directly to that higher education institution; therefore, inventory control was unable to obtain the serial number.

In addition, for 4 (6 percent) of 66 equipment items physically inspected, the equipment items were not in the location specified in the property records. Those errors occurred because a department did not track the location of an item, the Medical Center did not enter information accurately into the asset management system, or because a department moved an equipment item and did not notify inventory control.

Not properly maintaining property records increases the risk that equipment may be lost or stolen.

Corrective Action:

This finding was reissued as current year reference number 2018-126.

Physical Inventory

A recipient must conduct a physical inventory of equipment and reconcile the results with equipment records at least once every two years. Any differences between quantities determined by the physical inventory and those shown in the accounting records must be investigated to determine the cause of the difference. The recipient must, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. A control system also must be in effect to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment must be investigated and fully documented; if the equipment was owned by the federal government, the recipient must promptly notify the federal awarding agency (Title 2, CFR, Section 215.34(f)).

The Medical Center conducts a physical inventory of equipment each fiscal year starting in September. It completed the fiscal year 2015 physical inventory on August 31, 2015. Each fiscal year, Medical Center staff
attempt to locate each equipment item and record relevant data, including the asset number, location, and whether the item is currently in service. Items that cannot be located are reported to the relevant department’s asset administrator for resolution. As discussed above, the Medical Center’s FSS-152: Acquisition, Management, and Disposal of UT Southwestern Property policy handbook requires that missing or stolen property be reported to the Medical Center’s police in a timely manner.

The Medical Center did not always resolve discrepancies it identified during its physical inventory in a timely manner. For 6 (46 percent) of 13 inventory discrepancies tested, the Medical Center identified equipment items that were missing, but it did not file a police report for those equipment items within the next fiscal year after it determined they were missing. Those errors occurred because the policy for reporting missing items to the police does not define when a police report should be filed and the Medical Center’s procedures differed from the policy.

Not following up on discrepancies identified in a physical inventory increases the risk that the Medical Center could improperly dispose of equipment items purchased with federal funds.

The following awards were affected by the issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>64.000</td>
<td>U.S. Department of Veterans Affairs</td>
<td>VA549P0027</td>
<td>November 14, 2006 to December 31, 2010</td>
</tr>
<tr>
<td>93.000</td>
<td>U. S. Department of Health and Human Services</td>
<td>N01MH090003</td>
<td>September 29, 1999 to March 31, 2011</td>
</tr>
<tr>
<td>93.273</td>
<td>Alcohol Research Programs</td>
<td>5-R01-AA011570</td>
<td>September 30, 1998 to December 31, 2004</td>
</tr>
<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
<td>5R01CA133253</td>
<td>August 1, 2010 to May 31, 2014</td>
</tr>
<tr>
<td>93.837</td>
<td>Cardiovascular Diseases Research</td>
<td>5R01HL102442</td>
<td>August 1, 2010 to April 30, 2015</td>
</tr>
<tr>
<td>93.847</td>
<td>Diabetes, Digestive, and Kidney Diseases Extramural Research</td>
<td>5R37DK046082</td>
<td>January 1, 1993 to April 30, 2013</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy, Immunology and Transplantation Research</td>
<td>5R01AI097403</td>
<td>April 1, 2012 to March 31, 2017</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy, Immunology and Transplantation Research</td>
<td>5R37AI034432</td>
<td>December 1, 1994 to August 31, 2019</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy, Immunology and Transplantation Research</td>
<td>5-R01-AI056216</td>
<td>July 1, 2003 to December 31, 2008</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy, Immunology and Transplantation Research</td>
<td>2-T32-AI005284</td>
<td>July 1, 1980 to May 31, 2019</td>
</tr>
</tbody>
</table>
**Corrective Action:**

Corrective action was taken.

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**Period of Availability of Federal Funds**

**Research and Development Cluster**

<table>
<thead>
<tr>
<th>Award years – See below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award numbers – See below</td>
</tr>
<tr>
<td>Type of finding – Significant Deficiency and Non-Compliance</td>
</tr>
</tbody>
</table>

When a funding period is specified, a recipient may charge to a grant only allowable costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency (Title 2, Code of Federal Regulations (CFR), Section 215.28). Unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions (Title 2, CFR, Section 215.71(b)).

The University of Texas Southwestern Medical Center (Medical Center) did not always incur costs within the period of availability and did not always liquidate its obligations within the required time period. Specifically, for 5 (10 percent) of 51 transactions tested, the Medical Center incurred and liquidated expenditures after the period of availability for the federal award. Those transactions totaling $2,522 occurred between 77 days and 790 days after the period of availability. The Medical Center did not obtain reimbursement from the sponsor for the costs associated with those transactions.

For two additional transactions, the Medical Center incurred expenditures within the period of availability; however, it did not liquidate those expenditures within the required time period. For one of those transactions, the Medical Center asserted that the error occurred because the principal investigator relocated to a different research institution and that institution agreed to reimburse the Medical Center for the expenditures outside of the period of availability. However, the Medical Center did not have documented evidence of that...
agreement. For the other transaction, the Medical Center reimbursed a subrecipient more than 90 days after the completion of the award. The Medical Center asserted that it made the payment late because of negotiations with the subrecipient.

Not properly closing out awards increases the risk that unallowable costs could be charged to federal awards.

The following awards were affected by the period of availability issues discussed above:

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>CFDA Title</th>
<th>Award Number</th>
<th>Award Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.800</td>
<td>Air Force Defense Research Sciences Program</td>
<td>FA8650-10-2-6143 (the Medical Center received the award funds as a pass-through from Oregon Health and Science University)</td>
<td>July 1, 2011 to May 28, 2014</td>
</tr>
<tr>
<td>93.350</td>
<td>National Center for Advancing Translational Sciences</td>
<td>2UL1TR000451-06</td>
<td>June 1, 2012 to October 31, 2013</td>
</tr>
<tr>
<td>93.395</td>
<td>Cancer Treatment Research</td>
<td>138-000026 (the Medical Center received award funds as a pass-through from SRI International)</td>
<td>July 1, 2014 to August 31, 2014</td>
</tr>
<tr>
<td>93.847</td>
<td>Diabetes, Digestive, and Kidney Diseases Extramural Research</td>
<td>5R01DK09293903 (the Medical Center received award funds as a pass-through from University of Utah)</td>
<td>July 1, 2011 to April 30, 2014</td>
</tr>
<tr>
<td>93.853</td>
<td>Extramural Research Programs in the Neurosciences and Neurological Disorders</td>
<td>5R01NS061860-03</td>
<td>September 30, 2009 to August 31, 2014</td>
</tr>
<tr>
<td>93.855</td>
<td>Allergy, Immunology and Transplantation Research</td>
<td>5R01AI078962-03 (the Medical Center received award funds as a pass-through from Seattle Biomedical Research Institute)</td>
<td>January 1, 2010 to May 1, 2013</td>
</tr>
<tr>
<td>93.866</td>
<td>Aging Research</td>
<td>U01AG029824 (the Medical Center received the award funds as a pass-through from Minneapolis Medical Research Foundation)</td>
<td>February 1, 2014 to January 31, 2015</td>
</tr>
</tbody>
</table>
Corrective Action:

This finding was reissued as current year reference number 2018-127.
Objective, Scope, and Methodology

Objectives

With respect to the Research and Development Cluster, the objectives of this audit were to (1) obtain an understanding of internal controls over compliance, assess control risk of noncompliance, and perform tests of those controls unless controls were deemed to be ineffective and (2) express an opinion on whether the State complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on the Research and Development Cluster in accordance with the Single Audit Act Amendments of 1996 and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Scope

The audit scope covered federal funds that the State spent for the Research and Development Cluster from September 1, 2017, through August 31, 2018. The audit work included control and compliance tests at eight higher education institutions across the state.

Methodology

The audit methodology included developing an understanding of controls over each compliance area that was direct and material to the Research and Development Cluster at each higher education institution audited.

Sampling Methodology

Auditors selected nonstatistical samples for tests of compliance and controls for each direct and material compliance area identified based on the American Institute of Certified Public Accountants’ audit guide entitled Government Auditing Standards and Single Audits dated March 1, 2018. In determining the sample sizes for control and compliance test work, auditors assessed risk levels for inherent risk of noncompliance, control risk of noncompliance, risk of material noncompliance, detection risk, and audit risk of noncompliance by compliance requirement. Auditors selected nonstatistical samples primarily through random selection. In some cases, auditors selected additional items for compliance testing based on risk.
Auditors conducted tests of compliance and of the controls identified for each direct and material compliance area and performed analytical procedures when appropriate.

Information collected and reviewed included the following:

- Higher education institution expenditure, procurement, equipment, reporting, cash draw, and subrecipient data.
- Federal notices of award, award agreements, and award proposals.
- Transactional support related to expenditures, procurement, and revenues.
- Higher education institution reports and data used to support reports, revenues, and other compliance areas.
- Information system support related to general controls over information systems that affect the control structure related to federal compliance.

Procedures and tests conducted included the following:

- Analytical procedures performed on expenditure data to identify instances of non-compliance.
- Compliance testing for samples of transactions for each direct and material compliance area.
- Tests of design and effectiveness of key controls and tests of design of controls to assess the sufficiency of each higher education institution’s control structure.
- Tests of design and effectiveness of general controls over information systems that supported the control structure related to federal compliance.

Criteria used included the following:

- U. S. Office of Management and Budget Circular A-133.
- Federal notices of award, award agreements, and award proposals.
Higher education institution policies and procedures, including disclosure statements (DS-2 statements) and indirect cost rate plans.

Federal sponsor agency policies and procedures.

Project Information

Audit fieldwork was conducted from October 2018 through January 2019. Except as discussed above in the Independent Auditor’s Report, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Title 2, Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

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The Honorable Dustin Burrows, House Ways and Means Committee

**Office of the Governor**
The Honorable Greg Abbott, Governor

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Texas A&M University
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