March 6, 2014

MEMORANDUM

TO: Aaron Walton
   Department Administrator, Experimental Therapeutics

FROM: Sherri Magnus
      Vice President and Chief Audit Officer

SUBJECT: Norman Hackerman Advanced Research Program (NHARP) - Experimental Therapeutics
         Project Number 2014-300

We have completed a review of the Norman Hackerman Advanced Research Program (NHARP) Grant
No. 112-2009: Discovery of Novel Antagonists for Blocking Viral Protein Interactions and No. 0069-2009:
A New Approach to Co-Therapy for Breast Cancer. The objective of our review was to verify that NHARP
grant funds were spent in accordance with Texas Higher Education Coordinating Board (THECB) grant
conditions.

Our audit procedures included the following:

- Interviewed the Principal Investigator (PI) to determine whether personnel appointed to the grant
  actually worked on the grant
- Reviewed grant expenditures to determine whether they were allowable according to grant
  conditions
- Verified that personnel receiving salaries worked on the grant and were not of faculty status
- Reviewed equipment expenditures, if any, to verify that equipment purchases were actually used
  on the grant and justified by the needs of the grant
- Reviewed travel expenditures if any, to verify that travel paid from grant funds was actually
  related to grant activities
- Reviewed time reports and employment dates of PIs to ensure that any absence greater than six
  weeks or a departure from the institution was communicated to the THECB
- Reviewed submission dates of Progress and Final Reports to determine timeliness
- Reviewed conflict of interest disclosures to determine whether any warranted reporting to the
  THECB
- Reviewed grant work publications to determine whether proper acknowledgment to the THECB
  was made

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Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public
Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.
Observation 1:  
**Noncompliance with Reporting Requirements**  

The NHARP requires that a final financial report be submitted within 90 days of the expiration of the grant and progress reports submitted by March 1 of each project year. As of the date of this report, the final financial reports have not been submitted for project 0112-2009 and 0069-2009. We also noted for FY 2011 and 2012; progress reports were not transmitted to the THECB by March 1. Failure to comply with grant terms and provisions could compromise any future funding from the THECB.

**Recommendation:**

We recommend that management coordinate with Grants and Contracts Accounting to ensure that the final financial reports are complete and submitted for the projects noted above. Upon completion of the reports, all residual funds should be remitted to THECB immediately. In addition, management should partner with the Office of Sponsored Programs to ensure that all progress reports are transmitted to THECB by their due dates.

**Management’s Action Plan:**

Responsible EVP: Ethan Dmitrovsky  
Owners: Aaron Walton  
Observer: Jian Kuang, Ph.D. and Bulent Ozpolat, Ph.D.  
Due Date: June 1, 2014

*Experimental Therapeutics will update its grant funding spreadsheet to include progress report due dates for each funded grant. Management will instruct administrative staff to set up progress report due date reminders in outlook for each faculty member and administrative staff, including assistant, Administrative Director of Research Programs and Department Administrator. This will ensure grant compliance and timeliness submission of all progress reports to respective agency.*

Observation 2:  
**Unallowable payroll costs**

According to the grant provisions, fringe benefits are not allowed to be charged to NHARP projects. During our review, we identified a total of $10,131 in fringe benefits and a duplicate payroll charge of $492 charged to award #0112-2009 during FY 12 and 13. This resulted in disallowed costs of $10,623. Failure to comply with the grant terms and provisions could compromise any future funding from the THECB.

**Recommendation:**

Management should coordinate with Grants and Contracts Accounting to ensure the payroll costs of $10,623 are moved off of the project and appropriately reflected in the final financial report. Also, to avoid future payroll errors, management should periodically review all payroll charges for compliance with the grant provisions.

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Management's Action Plan:

Responsible EVP: Ethan Dmitrovsky
Owner: Aaron Walton
Observer: Jian Kuang, Ph.D
Due Date: May 1, 2014

We have requested the removal of all fringe benefits from the NHARP projects. We will review unallowable grant expenses on future projects and remove from grant account(s) during our monthly account audits.

Our review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The courtesy and cooperation extended by Experimental Therapeutics and Grants and Contract Accounting during this review was sincerely appreciated.

SM/ss/sg/adl

cc: Varsha Gandhi, Ph.D.
    Bulent Ozpolat, Ph.D.
    Jian Kuang, Ph.D.
    Maureen Cagley
    Ted Gilbert
    Claudia Delgado

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