THE UNIVERSITY OF TEXAS-PAN AMERICAN
OFFICE OF AUDITS & CONSULTING SERVICES

NHARP (Norman Hackerman Advanced Research Program)
Grant

Report No. 13-06
January 18, 2013

Dr. Robert S. Nelsen, President
The University of Texas-Pan American
1201 W. University Drive
Edinburg, TX 78539

Dear Dr. Nelsen,

As part of our fiscal year 2013 Audit Plan, we completed an externally required audit of the Norman Hackerman Advanced Research Program (NHARP) grant. In 2010, the Texas Higher Education Coordinating Board (THECB) awarded The University of Texas-Pan American a 2009 NHARP grant for the research project titled “Fourier Integral Operation and Its Applications in Synthetic Aperture Radar (SAR) Image Restoration”.

The THECB requires institutions that receive the NHARP grant to audit their grant funded projects. The institutions may use their internal audit staff or engage the service of an outside accounting firm.

The objective of the audit was to determine if UTPA administered its NHARP grant in compliance with grant conditions and restrictions. The scope of the audit was from July 1, 2010 to July 31, 2012. To accomplish our objective, we reviewed the grant proposal, gained an understanding of the grant requirements, tested expenditures, interviewed the principal investigator (PI) and interviewed individuals who performed grant research. Overall, we found that UTPA administered its NHARP grant in compliance with the grant conditions and restrictions.

We appreciate the courtesy and cooperation received from the PI during our audit.

Sincerely,

Eloy R. Alaniz, Jr., CPA, CIA, CISA
Executive Director of Audits, Compliance & Consulting Services
The University of Texas – Pan American
NHARP (Norman Hackerman Advanced Research Program) Grant
Externally Required Audit

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EXECUTIVE SUMMARY

The Norman Hackerman Advanced Research Program (NHARP) is a competitive, peer-reviewed grant program created in 1987 by the 70th Texas Legislature. The purpose of the program is to encourage and provide support to faculty members and students in Texas institutions of higher education, both public and independent, to conduct basic research in targeted areas. The Texas Higher Education Coordinating Board (THECB) is responsible for awarding NHARP grants.

In 2010, the THECB awarded the University of Texas-Pan American (UTPA) a 2009 NHARP grant for the research project titled “Fourier Integral Operation and Its Applications in Synthetic Aperture Radar (SAR) Image Restoration”. The award amount was for $120,600 for the term of July 1, 2010 to August 31, 2012. In June 2012, the THECB approved an extension of the project end date to May 31, 2013.

The THECB requires institutions that receive the NHARP grant to audit their grant funded projects. The institutions may use their internal audit staff or engage the service of an outside accounting firm.

The objective of the audit was to determine if UTPA administered its NHARP grant in compliance with grant conditions and restrictions. The scope of the audit was from July 1, 2010 to July 31, 2012.

To accomplish our objective, we reviewed the grant proposal, gained an understanding of the grant conditions and restrictions, tested grant expenditures, interviewed the principal investigator (PI) and interviewed individuals who performed grant research. Overall, we found that UTPA administered its NHARP grant in compliance with the grant conditions and restrictions.
BACKGROUND

In 1987, the 70th Texas Legislature created the Advanced Research Program (ARP) as a peer-reviewed, competitive grant program to support Texas faculty through the provision of individual basic research grants in specified target areas. The program supports basic research and helps attract and retain the best undergraduate and graduate students and researchers to Texas higher education institutions. The grants support projects that contribute to the knowledge base needed for innovation.

In April 2007, the THECB officially changed the name of the program to the Norman Hackerman Advanced Research Program (NHARP) to honor the service and contributions made by the distinguished former chair of the program’s advisory committee to THECB, Dr. Norman Hackerman. In 2009, the 81st Texas Legislature expanded participation to include independent higher education institutions to compete for grant funds, and implemented a requirement that all funded projects use a portion of awards to support undergraduate students at general academic institutions and undergraduate or graduate students at health-related institutions.

The Office of Research and Sponsored Projects (ORSP) helps faculty and staff in preparing contract and grant proposals to secure external research funding. ORSP maintains files of the status of proposals submitted and awarded. The principal investigator (PI) is responsible for the proper fiscal management of the grant. The PI must comply with all the terms and conditions imposed by the THECB. The PI is also responsible for the preparation and submission of technical reports. ORSP electronically submits progress reports on behalf of the PI's.

The University of Texas-Pan American was awarded the following NHARP grant:

- Project Number: 003599-0001-2009
- Principal Investigator: Dr. Zhijun Qiao
- Project Title: Fourier Integral Operation and Its Applications in Synthetic Aperture Radar (SAR) Image Restoration
- Program/ Area: NHARP - Mathematics
- Award Amount: $120,600

This project began on July 1, 2010 and had an end date of August 31, 2012. In June 2012, the THECB approved a no cost extension of the grant term to allow the principal investigator to finish the project. This extension changed the project end-date to May 31, 2013.
As of July 31, 2012, a total of $87,359 of the $120,600 funds awarded had been expended. Below is a breakdown of the amounts expended:

<table>
<thead>
<tr>
<th>Account 165MATH01 Expenses</th>
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<tbody>
<tr>
<td>Salaries, wages, and fringe benefits</td>
<td>$66,972</td>
</tr>
<tr>
<td>Travel</td>
<td>$14,742</td>
</tr>
<tr>
<td>Other direct costs</td>
<td>$5,645</td>
</tr>
<tr>
<td>Total funds expended</td>
<td>$87,359</td>
</tr>
</tbody>
</table>

Funds remaining at July 31, 2012 totaled $33,241.

AUDIT OBJECTIVE

The objective of this audit was to determine if UTPA administered its NHARP grant in compliance with grant conditions and restrictions.

AUDIT SCOPE & METHODOLOGY

The scope of the audit was from July 1, 2010 to July 31, 2012.

In performing this engagement the following procedures were performed:

- Reviewed grant proposal
- Reviewed grant conditions and restrictions
- Reviewed and tested grant expenditures
- Interviewed the PI
- Interviewed individuals who performed grant sponsored research

Our audit was conducted in accordance with guidelines set forth in The University of Texas System’s Policy 129 and The Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing. The audit was conducted between the months of August 2012 through December 2012.
AUDIT RESULTS

Testing Compliance of Expenditures

The criteria for testing compliance of expenditures were obtained from the NHARP Audit Guide and were used to test the grant’s conditions and restrictions. In order to meet grant conditions and restrictions the grantee is required to implement an effective management control system. The University employed adequate management controls to ensure compliance with grant conditions and restrictions. An accountant from the Grants & Contracts Office was assigned to oversee grant compliance. This accountant ensures that the grant conditions and restrictions are followed throughout the grant period, approves all expenditure requisitions, and reviews all memos of employment. In addition this accountant serves as the liaison between the University and the grant’s sponsor, the THECB.

The NHARP Audit Guide requires confirmation that personnel appointed to the grant actually worked on the grant. After interviewing grant participants and reviewing grant publications, we determined that personnel appointed to this grant worked on this grant.

Expenditures tested met the grant’s conditions and restrictions. Claimed expenses were approved by authorized signors, had adequate supporting documentation, and were for official business of the University. Travel reimbursements were accurately calculated and allowable. No capital expenditures were charged to the grant.

The payroll transactions tested were properly supported and met the grant’s requirements.

Agency Reporting

NHARP requires progress reports to be submitted electronically to the THECB’s Division of Academic Affairs and Research by March 1st of each year during which the grant is active. In addition, the grant requires that the grantee report PI absences from campus that exceed six weeks, changes in PI, and conflicts of interest. The PI has submitted the required progress reports, was not absent from campus for more than six weeks, and has not changed since the grant started. In addition, no conflicts of interest were identified.

Budget

Grant budget was appropriate and expenditures did not go over approved budget. Grant conditions and restrictions do not allow more than a cumulative total of $10,000 to be moved across budget categories. There were no budget transfers in excess of those authorized by grant
restrictions. In addition unexpended grant funds are required to be returned to the THECB. A no cost extension was approved; therefore, unexpended grant funds have not been returned.

CONCLUSION

Overall, we found that UTPA administered its NHARP grant in compliance with the grant conditions and restrictions.

Isabel Benavides CIA, CGAP, CFE
Director, Audits and Consulting Services

Joe Gomez, MS
Information Systems Auditor III