

MEMORANDUM

Date: June 30, 2025

To: Dr. Giulio Draetta
SVP, Chief Scientific Officer

Dr. Jeffrey Lee
SVP & Chief Medical Executive

Omer Sultan
SVP & Chief Financial Officer

From: Ann Lovelady 
Associate Vice President & Chief Audit Officer *ad interim*

Re: Stand Up 2 Cancer Grant Review
Audit Control Number: MDA25AS0852

Internal Audit engaged our co-sourced partner, Weaver, to perform an audit of the Stand Up 2 Cancer grant, as requested by Baylor College of Medicine, the lead institution for the grant. The objective of the audit was to determine whether adequate controls were in place to ensure the proper use of grant funds, and to assess whether grant funds were used in accordance with the terms of the final proposal and the budget of the Award.

This audit focused on reviewing grant administration processes, internal controls, and compliance related to the Stand Up 2 Cancer grant award for the coverage period of March 1, 2019, through August 31, 2023.

Based on this evaluation, the auditors determined that internal controls are in place to mitigate risks associated with grant administration and to ensure compliance with the Stand Up 2 Cancer (SU2C) Award contract. However, the auditor identified one opportunity to strengthen the process and effectiveness of controls related to notifications for patent discoveries. Management has provided an appropriate management action plan for this recommendation. The final report is attached.

We will be happy to discuss any questions you may have. We appreciate the valuable assistance provided to our co-sourced partner during the project.

cc: Mike Keneker
Carrie Feighl
Lori Armstrong
Dr. Katy Rezvani
Andrew Dennis

Caring

Integrity

Discovery

Safety

Stewardship

The University of Texas M.D. Anderson Cancer Center

Internal Audit of Grant Compliance

Stand Up to Cancer Grant Award

June 20, 2025

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M.D. Anderson Cancer Center
P.O. Box 301407, Unit 641
Houston, Texas 77230-1407

This report presents the results of the internal audit procedures performed for The University of Texas M.D. Anderson Cancer Center (MDACC) during the period April 17, 2025, through June 20, 2025, relating to grant administration processes, specific to the Stand Up 2 Cancer grant award (the Award). Internal audit services were performed in accordance with the International Standards for the Professional Practice of Internal Auditing (IPPF) and Generally Accepted Government Auditing Standards (GAGAS).

The objective of the audit was to review MDACC's receipt and expenditure of grant funds related to the Award to determine whether adequate controls were in place to ensure the proper use of grant funds, and to assess whether grant funds were used in accordance with the terms of the final proposal and the budget of the Award.

To accomplish these objectives, we conducted interviews and walkthroughs with key personnel. We examined existing documentation, including contract documentation. We documented our understanding of the processes and identified and evaluated internal controls over the processes and performed specific testing procedures to assess controls. Our coverage period was from March 1, 2019, through August 31, 2023. Procedures were performed remotely, and an exit meeting was conducted on June 20, 2025.

The following report summarizes the findings identified, risks to the organization, recommendations for improvement and management's responses.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
June 20, 2025

**The University of Texas
M.D. Anderson Cancer Center**

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Audit Objective and Scope

This audit focused on reviewing The University of Texas M.D. Anderson Cancer Center's (MDACC) grant administration processes, internal controls, and compliance related to the Stand Up 2 Cancer (SU2C) grant award (the Award) for the coverage period of March 1, 2019, through August 31, 2023. Key functions within the review included:

- SU2C Contract Compliance
- Direct Cost, including Payroll and Equipment
- Indirect Cost Calculation
- Invoices to Baylor-College of Medicine (BCM)
- Annual and Interim Progress Reporting

The objective of the audit was to review MDACC's receipt and expenditure of grant funds related to the Award to determine whether adequate controls were in place to ensure the proper use of grant funds, and to assess whether grant funds were used in accordance with the terms of the final proposal and the budget of the Award.

Our procedures were designed to ensure relevant risks were covered and verify the following:

- MDACC's processes and internal controls are designed to mitigate critical risks.
- Grant administrative tasks were performed in accordance with the Award contract.
- Indirect costs were allocated and charged in accordance with the Award contract.
- Direct costs, including payroll and equipment, were charged in compliance with the Award contract.
- Annual and interim progress reporting were submitted in compliance with the Award contract.

Our procedures included examining existing contractual requirements found in the Award contract, performing process walkthroughs, evaluating internal controls, and performing sample-based testing.

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Summary of Results

Through our interviews, evaluation of internal control design and testing of transactions, we identified one finding. The finding is considered to be non-compliance with the Award Contract. A summary of the finding is as follows:

Finding 1 – Moderate Risk: Two (2) patent applications were submitted without the required notifications to the Lead Institution, BCM, as mandated by the Stand Up to Cancer Dream Team

Translational Cancer Research Subcontract. MDACC was unable to provide documentation to evidence the notification to BCM of the patentable discoveries.

Additional **observations** were identified as a result of our procedures and provided separately to management. The condition of these observations did not constitute a violation of the Award contract, MDACC's policies and procedures or rules and regulations required by law.

Conclusion

Based on our evaluation, internal controls are in place at The University of Texas M.D. Anderson Cancer Center (MDACC) to mitigate risks associated with grant administration and to ensure compliance with the Stand Up 2 Cancer (SU2C) Award contract. However, we identified an opportunity to strengthen the process and effectiveness of controls related to notifications for patent discoveries.

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Detailed Procedures Performed, Findings, Recommendations and Management Response

Detailed Procedures Performed, Findings, Recommendations and Management Response

Our procedures included interviewing key personnel at The University of Texas M.D. Anderson Cancer Center (MDACC) to gain an understanding of the current grant administration processes in place, specific to the Stand Up 2 Cancer (SU2C) grant award (the Award). We examined existing documentation, performed walkthroughs, evaluated the internal controls and compliance related to the Award contract.

Objective: Internal Controls and Grant Compliance

The objective of the audit was to review MDACC's receipt and expenditure of grant funds to determine whether adequate controls were in place to ensure the proper use of grant funds related to the Award, and to assess whether grant funds were used in accordance with the terms of the final proposal and the budget of the Award contract.

- 1. Procedures Performed:** We gained an understanding of the current Grant Administration process by conducting interviews and walkthroughs with key personnel and examined existing documentation, including contract documentation. We documented our understanding of the processes and identified controls over the following areas:
- SU2C Contract Compliance
 - Direct Cost, including Payroll and Equipment
 - Indirect Cost Calculation and Invoicing
 - Invoices to Baylor-College of Medicine (BCM)
 - Annual and Interim Progress Reporting

We evaluated whether the identified internal controls are sufficiently designed to comply with the Award Contract, grant budget, terms and conditions, and MDACC policies and procedures.

Results: Based on our evaluation, internal controls are in place to mitigate risks associated with grant administration for the Award contract at MDACC. However, we identified an opportunity to strengthen the process and effectiveness of controls related to notifications for patent discoveries

Finding 1 – Moderate Risk: Patent Discovery Notifications: Two (2) patent applications were submitted without providing required notifications to the Lead Institution. Section 10, Intellectual Property, (B) Research Intellectual Property, subsection (2) of the Stand Up to Cancer Dream Team Translational Cancer Research Subcontract, effective May 2019, requires the subcontractor, MDACC to notify the Lead Institution, BCM, of any discovery made in connection with this grant that may be patentable; however, this

requirement was not met. MDACC provided a listing of filed patent applications for two discoveries: "Chimerica Antigen Receptors to Target CD5-Positive Cancers" and "Engineering NK cells with a CAR construct with optimal signaling." MDACC was unable to provide documentation demonstrating notification to the Lead Institution of these patentable discoveries.

Recommendation: We recommend that MDACC develop and implement internal controls to ensure that discoveries associated with patentable information are centralized, and that notifications to the lead institution are made in accordance with the terms of the contract(s).

Management Response: MD Anderson Cancer Center (MDACC) acknowledges and agrees with the finding. Through analysis of the exceptions identified in the audit, MDACC will work to develop and implement the following corrective action plan to further improve processes.

Corrective Action Plan:

1. The Office of Technology Commercialization (OTC) will annotate its database to clearly indicate involvement of sponsor relationships within the appropriate database fields for its active technology records.
2. The OTC will update their processes to ensure all reporting provided to sponsors is documented (this may consist of copies of emails to sponsors) in the appropriate locations.
3. The OTC will conduct sample-based periodic reviews (e.g., quarterly) to confirm that sponsor reporting requirements have been satisfied and will document the completion of these reviews.

Responsible Party: December 31, 2025

Implementation Date: Andrew Dennis, PhD, Associate Vice President, OTC

SU2C Contract Compliance

2. Procedures Performed: We reviewed the Stand Up to Cancer (SU2C) Dream Team Translational Cancer Research Subcontract grant award (the Award), between Baylor-College of Medicine (BCM) (Lead Institution), and The University of Texas M.D. Anderson Cancer Center (MDACC) (Subcontractor) and selected sections of the contract to perform testing procedures. We obtained and reviewed supporting documentation to evaluate whether internal controls are in place and are designed to comply with the contractual requirements. We evaluated whether MDACC has internal controls in place to ensure the following:

- Team Members were not debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency.
- Self-insurance was maintained for the term of the Agreement.
- Notifications to the Team Leader and the Lead Institution of any patentable discoveries were made.
- Citations within publications involving results from SU2C were included.
- Written policies and procedures for addressing allegations of research misconduct were in place.
- Conflict of interest policies were maintained and enforced.
- Institutional Review Board (IRB) approval was obtained when involving human research.
- Certification of compliance with National Institutes of Health (NIH) Guidelines for Research Involving Recombinant DNA Molecules was completed prior to conducting research.
- Policies were in place for securely storing and restricting access to medical records and study data.
- Financial records adequately identified the source and application of grant funds.

- Required meetings of the Dream Team took place three (3) times per year.
- Written research protocols were in place that describe the design and performance of medical research involving human participants.
- Project Investigators completed conflict of interest training prior to engaging in research related to Public Health Service (PHS) funded grants and at least every four (4) years.

Results: Finding 1 – Moderate Risk: Patent Discovery Notifications – see page 5 for discussion of finding.

Direct Cost, including Payroll and Equipment

3. Procedures Performed: We obtained and reviewed the general ledger for the Stand Up to Cancer (SU2C) grant award (the Award) and evaluated expenditures from the period of performance of March 1, 2019, through August 31, 2023. We selected a sample of 51 expenditures, totaling \$577,582, or 25% of the total value of expenditures from the period for testing.

- Payroll Testing: We selected 25 samples for testing, totaling \$41,245. Our procedures included verifying allowability of the expenditure, completeness and accuracy of time and effort reporting, proper allocation of benefits, and proper review and approval of expenditures.
- Direct Cost: We selected 25 samples for testing, totaling \$536,171. Our procedures included verifying allowability of direct costs, proper support, and proper review and approval of expenditures.
- Equipment: Selected one (1) non-capital equipment expenditure for testing, totaling \$166, as this was the only equipment expenditure in the general ledger for the period. This expenditure did not meet the capital equipment threshold of \$5,000 and therefore was not categorized as capitalizable equipment.

Results: No Findings Identified

Indirect Cost Calculation

4. Procedures Performed: We verified that the total indirect cost invoiced on the grant did not exceed the threshold as specified within the Award. The indirect cost threshold for the Award was capped at 10%. Additionally, we verified completeness and accuracy of invoiced amounts to Baylor-College of Medicine (BCM). Detailed procedures performed included the following:

- Obtained and reviewed all contracts and amendments and identified the period of performance within each document.
- Compared the account description to the budget categories listed within each account and amendment and reconciled budget categories to each account.
- Recalculated indirect cost rates utilized during each period by comparing the total indirect cost for the period to total cost and calculated the average indirect cost rate for the period of performance.
- Verified that total personnel, supplies, other, indirect cost, total cost, and indirect cost rates were appropriate on three sampled invoices for August 2021, March 2022, and August 2023.

Results: No Findings Identified

Invoices to Baylor-College of Medicine (BCM)

5. Procedures Performed: We tested monthly reimbursement of invoices and compared them to general ledger activity to check for consistency with the reported period of performance. In cases where amounts didn't match, we followed up with MDACC and reviewed supporting documentation. Detailed procedures performed included the following:

- Compared reimbursement amounts on invoices to general ledger entries for the same period.
- Reviewed one invoice that included costs posted after the period of performance and confirmed, through documentation and inquiry, that the services occurred during the active agreement period and the delay was due to timing of final invoicing.

Results: No Findings Identified

Annual and Interim Progress Reporting

6. Procedures Performed: We verified that progress reports were submitted to BCM by the specified due dates for each fiscal year and that reports were appropriately reviewed and approved prior to submission. We selected a sample of four (4) out of seven (7) progress reports for review. Detailed procedures performed included the following:

- Reviewed a sample of submitted progress reports to confirm evidence of internal review and approval, including documented signoffs by appropriate personnel.
- Verified that Progress Reports were submitted by the due dates established by BCM:
 - Report Year 2020
 - i. June 15, 2020 (Due Date)
 - ii. June 5, 2020 (Submission Date)
 - Report Year 2021
 - i. December 8, 2021 (Due Date)
 - ii. November 29, 2021 (Submission Date)
 - Report Year 2022
 - i. June 30, 2022 (Due Date)
 - ii. June 21, 2022 (Submission Date)
 - Report Year 2023
 - i. January 13, 2023 (Due Date)
 - ii. December 7, 2022 (Submission Date)

Results: No Findings Identified

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Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the MDACC's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of MDACC or beyond a single function or department
- Potential material impact to operations or MDACC finances
- Remediation requires significant involvement from senior MDACC management

Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of MDACC □ Impact could be felt outside of MDACC or across more than one function of MDACC
- Noticeable and possibly material impact to the operations or finances of MDACC
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior MDACC management to be updated

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten MDACC strategic priorities
- Impact is limited to a single function within MDACC
- Minimal financial or operational impact to MDACC
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk