

The University of Texas
Rio Grande ValleyTM

Grant Drawdowns Audit

26-ASCF-1538

January 14, 2026

Office of Audits & Consulting Services

EXECUTIVE SUMMARY

Overall Assessment:

The grants drawdown process is generally performed accurately and on time. However, improvements are needed in monitoring outstanding grant invoices and ensuring proper segregation of duties to maintain compliance with grant requirements.

Enhancing internal controls, providing staff training, and refining processes will strengthen the integrity and efficiency of grant drawdown activities.

Background: The University of Texas Rio Grande Valley (UTRGV) typically draws down grant funds on a monthly basis, unless the granting agency specifies an alternative method. Drawdowns are conducted on a cost-reimbursement basis, meaning UTRGV must first incur eligible expenses before requesting reimbursement. The drawdown process begins with invoice creation by the Office of Grants & Contracts. Depending on the agency, either the Office of Grants & Contracts or the Office of Grants Accounting submits the invoice for payment. Once the reimbursement request is approved by the granting agency, the Office of Grants Accounting proceeds to electronically draw down the funds from the agency. Upon receipt of funds, UTRGV ensures that the reimbursement is recorded in the university’s financial system. To ensure transparency and accountability, the Code of Federal Regulation (CFR) requires each drawdown to be fully supported by documentation that reconciles with the expenditures incurred during the period.

Objectives: To evaluate segregation of duties related to the grant draw down process, determine if employee access is appropriate, and to ensure federal and state funds drawdowns are timely completed and performed in accordance with institutional policies and procedures and specific funding source regulations.

Scope/Period: September 1, 2022, to November 30, 2023.

Risk Levels Appendix I

Priority
High
Medium
Low

Risk	Observations Summary	
High	1.	Invoices remained unpaid beyond expected timeframes. Collection process of outstanding invoices is not followed.
Medium	2.	The Director of Grants Accounting performs multiple critical functions without adequate segregation, increasing the risk of control weaknesses.

We appreciate the assistance provided by UTRGV’s management and other personnel throughout this audit.

Observation Detail	Management Action Plan												
<div style="background-color: #f4a460; padding: 5px; display: inline-block; margin-bottom: 10px;">High</div> <p>Outstanding Grant Invoices</p> <p>1. (Condition) The following invoices, created within the scope of the audit, remained unpaid as of November 30, 2023.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="background-color: #f4a460;">Invoice Type</th> <th style="background-color: #f4a460;"># of Invoices</th> <th style="background-color: #f4a460;">Amount</th> </tr> </thead> <tbody> <tr> <td>Letter of Credit (LOC)</td> <td style="text-align: center;">17</td> <td style="text-align: right;">\$ 319,923.19</td> </tr> <tr> <td>Reimbursable (RMB)</td> <td style="text-align: center;">95</td> <td style="text-align: right;">\$ 3,607,426.94</td> </tr> <tr> <td style="text-align: center;">TOTAL</td> <td style="text-align: center;">112</td> <td style="text-align: right;">\$ 3,927,350.13</td> </tr> </tbody> </table> <p>We sampled 4 unpaid invoices amounting to \$ 2,786,381.52 from the list above. Of these, 2 had invoice dates prior to June 30, 2023 and 2 had an invoice date of August 31, 2023. Upon review, we confirmed that the 4 invoices remained outstanding as of January 31, 2024, of which 2 invoices totaling \$ 1,929,831.98 remained outstanding as of 9/24/2025. Additionally, no documentation was provided to demonstrate that payment reminders had been sent to the respective sponsors by Grants Accounting.</p> <p>(Criteria) 2 CFR §200.303 requires all recipients and subrecipients of federal awards to establish, document, and maintain effective internal controls over the award.</p> <p><i>Office of Grants Accounting Desk Manual</i> “The assigned Grants Accounting Accountant will contact the funding agency on payment status after 45 days from the email.” “The Grants Accounting Accountant will continue to follow up with the funding agency until payment is received.”</p> <p><i>Job Description - 10685 Director of Grants Accounting</i> Duties: Responsible for the cash management function for Grants. This includes drawdowns and collections of outstanding grant invoices.</p>	Invoice Type	# of Invoices	Amount	Letter of Credit (LOC)	17	\$ 319,923.19	Reimbursable (RMB)	95	\$ 3,607,426.94	TOTAL	112	\$ 3,927,350.13	<p>1) Management Action Plan:</p> <p>The GA Desk Manual has been updated to include guidance on sponsors who should not be contacted. This update ensures the proper handling of outstanding invoices in situations where sponsor contact is inappropriate, such as the outstanding invoices identified in the audit.</p> <p>Grants Accounting (GA) will continue collection efforts on open invoices until the sponsor indicates that the expenses will not be reimbursed. At that point, the department is notified of the sponsor’s non-payment, and the department assumes responsibility for the disallowed expenses. For balances under \$500 that have been outstanding for more than one year, the Research Division will assume responsibility for the expense when the department is unable to pay the expenses. Once the expenses are paid or transferred, the project is closed. Projects with open invoices will remain open. If the award period has ended, the project will be placed in a “frozen” status while collection efforts continue. Additionally, this narrative has been incorporated into the GA Desk Manual.</p> <p>Action Plan owner: Alicia Moreno</p> <p>Implementation Date: November 2025</p>
Invoice Type	# of Invoices	Amount											
Letter of Credit (LOC)	17	\$ 319,923.19											
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TOTAL	112	\$ 3,927,350.13											

Observation Detail	Management Action Plan
<p><i>ADM 07-200 Sponsored Projects</i> GA is responsible for “Reviewing, collecting, and processing the account receivables for Sponsored Projects.”</p> <p>(Cause) Although Grants Accounting is aware of the reasons for payment delays, communication regarding outstanding invoices is primarily internal and not directly with the sponsors. This lack of direct outreach is not in compliance with the requirements outlined in the Grants Accounting Manual and limits the department’s ability to actively follow up and expedite resolution of unpaid balances.</p> <p>(Effect) Failure to follow up on outstanding invoices increases the risk of delayed or uncollected revenue, which may negatively impact the organization’s cash flow. Additionally, the absence of documented communication with sponsors represents non-compliance with the Grants Accounting Manual, which outlines the requirement for sponsor follow-up. This lack of adherence may weaken internal controls and reduce the likelihood of timely collections.</p>	
<p>Medium Segregation of Duties</p> <p>2. (Condition) The grants accounting process currently lacks sufficient segregation of duties within the Office of Grants Accounting. The Director of Grants Accounting is responsible for executing drawdowns, applying wire transfers to projects, reconciling grant deposit accounts, and preparing the Annual Financial Report (AFR).</p> <p>(Criteria) 2 CFR §200.303 requires all recipients and subrecipients of federal awards to establish, document, and maintain effective internal controls over the award.</p> <p>(Cause) The current organizational structure and staffing limitations have resulted in the</p>	<p>2) Management Action Plan:</p> <p>The Director of Grants Accounting no longer applies wire payments to projects.</p> <p>Action Plan owner: Alicia Moreno</p> <p>Implementation Date: May 2025</p>

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Observation Detail	Management Action Plan
<p>consolidation of multiple critical grant accounting functions. This approach may have been adopted for efficiency or due to resource constraints, but it has inadvertently led to the Director of Grants Accounting doing day-to-day activities rather than oversight responsibilities.</p> <p><i>(Effect)</i> The lack of segregation of duties increases the risk of errors, misstatements, or unauthorized transactions going undetected. Consolidating multiple financial responsibilities reduces the effectiveness of internal controls and may compromise the integrity of grant accounting and financial reporting processes, including the accuracy of the Annual Financial Report (AFR).</p>	
<p>Employee Access</p> <p>Employee access controls related to the grant’s drawdown process are appropriately configured and adequately support operational requirements.</p>	
<p>Accuracy, Timing & Completeness</p> <p>The grants drawdown process is generally executed with accuracy and timeliness, demonstrating effective management of this critical financial function.</p>	

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APPENDIX I

Risk Classifications and Definitions

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

APPENDIX II

Methodology and Criteria

Methodology

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

Criteria

2 CFR §200.303

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

Job Description - 10685 Director of Grants Accounting

Duties: Responsible for the cash management function for Grants. This includes drawdowns and collections of outstanding grant invoices.

APPENDIX III

Report Distribution & Audit Team

Report Distribution

Dr. Can Saygin, Senior Vice President for Research & Dean of Graduate College
Dr. Thomas Spencer, Associate Vice President for Research Operations
UTRGV Internal Audit Committee
UT System Audit Office
Governor's Office – Budget and Policy
State Auditor's Office
Legislative Budget Board

Audit Team

Eloy R. Alaniz, Jr., Chief Audit Officer
Norma Ramos, Director of Audits
Angelica Coello-Pineda, Auditor