



Guidance on Agreed Upon Procedures for CPRIT Grants

Recipients of CPRIT funds have two options to comply with CPRIT audit requirements. Recipients can perform a full single or program specific audit on the grants or choose to use these agreed upon procedures. The option to perform an agreed upon procedures engagement is intended for grant recipients *not* subject to Generally Accepted Government Audit Standards (also known as the Yellow Book) published by the U.S. Government Accountability Office such as non-profit and for-profit organizations. This guidance shall be used in the performance of agreed upon procedures on behalf of CPRIT. These procedures test and report on grant recipients' compliance with the stated terms and conditions of their grant award and state regulations and guidelines. The findings from these procedures must be compiled in an Independent Accountant's Report on Applying Agreed Upon Procedures.

Qualification of Independent Accountants

Each agreed upon procedures engagement shall be performed by a certified public accountant (CPA) licensed currently by the Texas State Board of Public Accountancy and selected by those charged with governance over the entity. Those charged with governance means the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.

Agreed Upon Procedures Requirements

The professional standards for the American Institute of Certified Public Accountants (AICPA) describe an agreed upon procedures engagement (AUP) as an engagement in which an independent certified public accountant is engaged or hired by a client to issue a report of findings based on specific procedures to be performed on a subject matter.

Attestation Standards

The agreed upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). Guidance for the performance of such engagements is found in the AICPA professional standards AT Sections 201 and 601. The role of the CPA is to perform procedures (prescribed by CPRIT) and to report his or her findings attesting to whether the subject matter (in this case, the grant recipient records) is in agreement with stated criteria. This AUP outlines procedures to be performed by the CPA in order to report their findings.

Distribution of the report is limited to CPRIT.



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Agreed Upon Procedures Objective

The objective of the engagement is to determine the grant recipient's compliance with the following:

- Grantee's grant contract with CPRIT
- CPRIT's administrative rules and applicable statutory requirements
- Grant budget, and terms and conditions of the awards
- The CPRIT Policies and Procedures Guide
- The grantee's internal policies and procedures

Please note the following procedures apply to all CPRIT grants a grantee has received with current year expenditures. Therefore if a grantee has multiple grants with expenditures in the current year these procedures would cover all the grants. If a sample is referenced, or implied, the total CPRIT grant(s) should be the population. Please see the sample table on the last page to determine the appropriate sample size to use (using statistical sampling), unless stated in the procedures. For example, if a grantee had six (6) different CPRIT grants during the year then the sample used would be three (3) of the six (6) grants based on the table at the end of this document (rounded to the higher number). These three (3) grants would be used for all the testing below.

Monitoring and Evaluation by CPRIT

CPRIT will continue to monitor awards in accordance with its regular procedures in addition to these agreed upon procedures. Additionally, CPRIT may conduct extensive examinations of the recipients' operations as deemed necessary for the success of the program. The person conducting the AUP may wish to give consideration to these examinations when testing for compliance. The level of reliance, if any, placed on the procedures and findings from monitoring or examinations are solely at the discretion of the independent accountant.



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AGREED UPON PROCEDURES

Note: The procedures provided below should be customized for each individual grant recipient. When using the framework provided, the auditor should consider the specific grant type(s) awarded to the grant recipient and should update and/or modify the procedures accordingly to meet the requirements of each grant and the respective grant contract.

Processes and Controls

1. Inquire of the organization's management about whether they have assessed the adequacy of internal controls addressing grant noncompliance, errors, and fraud. Review documentation of that assessment. Compare the items listed in the risk assessment to the following controls and note if the following were included:
 - Contract compliance, including submission
 - Expenditures, including payroll and equipment
 - Project income
 - Reporting, including performance measurement, matching, indirect cost application, and early termination
2. Confirm that the organization has documented policies and procedures to account for the receipts and disbursements of CPRIT funds.

Contract

1. Obtain the contract proposal for each grant and review to see if the contract included internal Institutional Review Board approval for the use of human subjects, animals, or biohazards. If so, obtain documentation from the grantee showing that the applicable review was done by the appropriate board prior to contract execution as evidenced by signature or board meeting minutes.
2. Review the organization's policies to determine if the organization is required to have a written standard of conduct and comply with federal law to promote objectivity in research. If so, obtain the conflict of interest statement(s) for all individual principal investigators and note whether it was signed prior to the effective date of the grant(s) and that the conflict of interest statement(s) was (were) updated as necessary to comply with these provisions.
3. Inquire of management and/or those charged with grant oversight to confirm that the grantee completed all assurances and certifications in Attachment C, Assurances and Certifications, of the grant contract. Document management's response.

Indirect Costs

1. Obtain and read each grant contract and note if there is an indirect cost rate specified.
2. To test the indirect cost rate, select a sample of the lesser of 10% or 25 indirect costs charged to the grant(s) and perform the following:



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- a. Obtain a list of eligible indirect costs from the entity. Agree the description of the costs in the sample to the list of eligible costs. Obtain supporting documentation for the transactions in the sample and confirm that the description is valid. Document any exceptions.
 - b. Obtain from the organization's accounting records the listing of direct costs charged to the grant. Compare the sample of indirect costs to the listing of direct costs to confirm they were not included as direct costs. Document any exceptions.
3. Select a sample of two (2) financial status report (Form 269a) submissions for each grant and recompute the indirect cost rate used based on the requirements noted in the grant contract obtained in step 1. Compare the recalculated rate to the rate used and document any variance.

Matching (Research Awards Only)

1. Obtain each grant contract and make note if it includes a matching funds requirement. If it does not, no further procedures in this section are necessary.
2. Inquire of management and/or those charged with grant oversight to determine if a tracking mechanism, such as a separate fund/account, was created to track matching fund expenditures. Document management's response.
3. Obtain the grantee's matching certification to confirm that matching funds (as noted in the grant contract obtained in 1 above) were certified prior to grant start. View the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant only. Document any variance in the amount of matching funds.

Note: A Grant Recipient that is a public or private institution of higher education may credit toward the Grant Recipient's Matching Funds obligation the dollar amount equivalent to the difference between the indirect cost rate authorized by the federal government for research grants awarded to the Grant Recipient and the five percent (5%) Indirect Cost limit imposed by Texas Health and Safety Code, Chapter 102.

4. As of the end of the CPRIT program year, view the grantee's documentation supporting that the matching funds were set aside to be spent on the funded grant(s) only that is (are) the subject of the award(s). Obtain the bank statement(s) related to the account(s) that hold(s) the matching funds for each grant and the reconciliation between matching funds and the bank statement and tie in the total bank balance per the grantee's records to the month-end reconciliation. Document any variance.

Expenditures (excluding payroll related transactions)

1. Inquire of management and/or those charged with grant oversight as to whether the organization has a purchasing policy that establishes a competitive procurement process, and safeguards against bias or conflicts of interest. Document management's response.
2. Inquire of management and/or those charged with grant oversight to determine whether the organization has a process in place to ensure that entities only purchase from a vendor



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list (which excludes vendors that are federally debarred or suspended) that has been approved by management and/or those charged with governance as evidenced by signature and date. Document management's response.

3. To test non-payroll direct expenditures for each grant, select a sample of the lesser of 10% or 60 non-payroll related expenditures. For each item selected perform the following:
 - a. Agree the sample disbursement to the receipt or invoice supporting the amount and payee;
 - b. Determine that the purchase was approved and/or reviewed by management or those involved with oversight of the grant (with knowledge of the grant requirements).
 - c. Trace the description of the purchased goods and/or services received to the underlying supporting documentation and agree the description to items allowable per Uniform Grant Management Standards (UGMS), the grant contract, and the CPRIT Policies and Procedures Guide;
 - d. If the item selected is travel related, determine if the travel was related to the grant based on inquiry of management or review of supporting documentation. Compare the description of the travel to the grant narrative and note any discrepancy;
 - e. If the item selected is related to international travel, determine if it was approved by CPRIT prior to the initiation of the travel;
 - f. If the expended item was transacted prior to the related CPRIT grant being awarded, obtain evidence to confirm that the costs were authorized by CPRIT per review of correspondence or other verification documentation;
 - g. Confirm that the vendor was preapproved by the organization prior to the purchase, by agreeing the vendor to the preapproved vendor list noted in 2 above;
 - h. Review the approved grant budget and determine that the purchase was included in a category in the approved grant budget provided to CPRIT;
 - i. Note by obtaining supporting documentation that the transaction occurred during the period covered by the grant award.

Expenditures (payroll related transactions)

1. Inquire of management and/or those charged with grant oversight to determine if the organization has a formal system to track time and effort of employees associated with the grant. Document management's response.
2. To test payroll direct expenditures for each grant, select a sample of the lesser of 10% or 60 payroll related transactions from the fiscal year:
 - a. For employees that work solely in a single award/funding stream or cost objective, review documentation covering the period in which the transaction occurred showing that the employee had a semi-annual certification signed by the employee or a supervisory official;
 - b. Note that the budgeted payroll costs pertaining to the selected employee or the position, related to the selected employee, have been included in the approved grant budget;



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- c. Note by obtaining supporting documentation that the transaction occurred during the period covered by the grant award.
- d. Agree the time allocated to the grant for the related pay period to the employee's time sheet or similar support;
- e. Determine that the employee's time sheet or similar documentation was approved by a supervisor;
- f. Agree the employee's pay rate per the transaction to the employee's pay rate per their employee file, and that the rate was properly approved;
- g. Confirm that the grant recipient has reported each non-key employee whose salary or partial salary is paid by a CPRIT grant in the original Personnel Level of Effort (PLOE) submitted with the grant application or on a "Non-Key CPRIT Grant Personnel Update Form" to record any change of non-key personnel subsequent to the grant award.

Equipment

1. For each grant, select a sample of the lesser of 10% or 25 equipment purchases during the fiscal year, and determine that:
 - a. The purchase was included in a category in the contract approved budget;
 - b. The organization's internal procedures for recording the receipt of the equipment were followed;
 - c. The item was included in the grant Inventory Report submitted to CPRIT during the fiscal year;
 - d. If the purchase was greater than \$5,000, obtain supporting documentation from CPRIT and compare the purchase to support, noting whether CPRIT authorization prior to purchase was included in the documentation provided;
 - e. Review the purchase documentation such as a contract and determine that the organization has title to the equipment purchased or fabricated with grant funds;
 - f. If the organization still owns the equipment, observe the equipment's physical location to confirm that it is located at the organization, and agree the equipment's property tag to the property identification number reported in the inventory report to CPRIT.
 - g. Note by obtaining supporting documentation that the transaction occurred during the period covered by the grant award.

Revenue Sharing and Program Income

1. Inquire of management and make note of any revenue was generated by the grant project during the preceding fiscal year.
2. Confirm that revenue or project income collected by the entity for the year has been identified for each grant in accordance with the grant contract or CPRIT approval and reported on the annual Revenue Sharing form to CPRIT.
3. For revenue sharing, obtain documentation to confirm that revenue generated by the sale or licensing of products or research developed through a CPRIT grant resulted in payment made to CPRIT and that the payment is accurate based on the grant contract and Revenue Sharing form.



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Reporting

1. Inquire of the organization's management and those charged with oversight over the CPRIT grant as to whether they are aware of any instances related to CPRIT grants of fraud, illegal acts, or noncompliance, and whether they have been properly reported to CPRIT. Document management's response regarding any such acts that were reported.
2. To test the reporting requirements select a sample of reporting time periods for each grant for the following reports:

Quarterly– Select 2, Financial Status Reports (due within 90 days of the end of the fiscal quarter). For Prevention Grants, also select two (2) quarters of data elements.

Annual – Select the current years, Grant Progress Report and other required annual reports (due within 60 days of the anniversary date of the Contract). The Grant Progress Report is filed along with the single audit determination form, Historically Underutilized Business report, listing of inventory equipment, and revenue sharing.

End of Contract Term – Grant Final Report, a final Grant Progress Report shall be filed no more than ninety (90) days after the termination date of the Grant Contract. The final Grant Progress Report shall include a comprehensive description of the Grant Recipient's progress made toward completing the scope of work specified by the Grant Contract, as well as other information specified by CPRIT

Tranche Grant Progress Report (Product Development Grant Recipients only) - In addition to annual Grant Progress Reports, Product Development Grant Recipients may submit a Grant Progress Report at the completion of specific tranches of funding specified in the Award Contract. A Tranche Grant Progress Report is not required when the completion of the tranche coincides with the end of the project year. In that event, the annual Grant Progress Report is sufficient.

3. Perform the following procedures over the reports:
 - a. Obtain applicable documentation and /or correspondence and note whether required reports were filed within required timeframe as noted above.
 - b. Review documentation and/or correspondence to determine if the reports were reviewed and approved by management and/or those charged with oversight over the grant prior to submission.
 - c. Agree all financial information included in reimbursement request reports for each request, and cumulatively for the reporting period, to the organization's general ledger.
 - d. If applicable, note whether any reimbursements payments have been withheld by inquiring of management and/or those charged with grant oversight. Document management's response for the reason for a delay in payment related to not complying with a grant contract requirement or any state or federal law. If funds had been withheld note whether the withheld payment were released per review of applicable documentation.



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- e. For the Grant Progress Reports in addition to the procedures above confirm that the progress report includes a single audit determination form, an inventory form, a revenue sharing report, and a Historically Underutilized Business and Texas Supplier report. Note any missing reports.
- f. For the Grant Progress Reports in addition to the procedures above confirm that the other key data points related to project data (i.e., publications, patent information, commercialization, etc.) are accurate for the period and supported by documentation from the organization. Note any incorrect amounts.

Grant Closeout

1. Obtain correspondence and/or related documentation showing the date that the grantee submitted all required reports (as defined by the contract) to CPRIT to ensure that submission was completed within the 145 day closeout period following the end of the contract term for each grant.
2. Select the last financial status report for the grant and note if it was submitted in a timely manner (as defined by the grant contract) and that the related payment was received. If payment was delayed, inquire of management the reason for the delay and document the response.

Sampling:

When selecting a sample, it is recommended that the auditor use the guidance from the AICPA's Audit and Accounting Guide: Government Auditing Standards and Circular A-133 Audits, Chapter 11 – Audit Sampling Considerations of Circular A-133 Compliance Audits:

<i>Frequency or Population Size</i>	Sample Size
Quarterly (4)	2
Monthly (12)	3
Semimonthly (24)	6
Weekly (52)	8
Greater than 52 transactions:	
Expenditures	Lesser of 10% or 60
All other	Lesser of 10% or 25