Florida Gulf Coast University Board of Trustees
June 18, 2013

SUBJECT: Grant Compliance Audit

PROPOSED BOARD ACTION

Accept the Grant Compliance Audit Report provided on May 10, 2013 to President Wilson Bradshaw; Dr. Ronald Toll, Provost & Vice President, Academic Affairs; Dr. T.C. Yih, Associate Vice President, Office of Research and Graduate Studies; and Dr. Sharon Isern, Professor, Biological Sciences.

BACKGROUND INFORMATION

This report presents the results of a limited scope audit of grant compliance. The audit objectives were to determine whether 1) administrative and financial controls provided for compliance with the requirements of the grant, University policies and procedures, and applicable federal regulations, 2) required financial reports were submitted by the due dates, 3) funds or other assets were safeguarded against loss, and 4) revenues and expenditures were processed according to grant requirements, University policies and procedures, and federal cost principles.

The audit was part of the 2012 - 2013 internal audit work plan approved by the FGCU Board of Trustees at its September 18, 2012 meeting.

Upon acceptance of the report by the FGCU Board of Trustees, a copy of the report will be sent to the Board of Governors as required.


Prepared by: Director of Internal Audit Carol Slade

Legal Review by: Vice President and General Counsel Vee Leonard (April 26, 2013)

Submitted by: President Wilson Bradshaw
INTEROFFICE MEMORANDUM

To: Dr. Ronald Toll, Provost & Vice President, Academic Affairs
    Dr. T.C. Yih, Associate Vice President, Office of Research and Graduate Studies
    Dr. Sharon Isern, Professor, Biological Sciences

Cc: Dr. Wilson Bradshaw, President
    Susan Evans, Vice President & Chief of Staff

From: Carol Slade, CPA, CIA, Director, Internal Audit

Date: May 10, 2013

Re: Grant Compliance Audit (FINAL REPORT)

Please see the attached final report of the Grant Compliance Audit. The report is dated March 26, 2013, the completion date of the audit draft report. No management response was required.

On April 26, 2013, Vee Leonard, General Counsel, completed a legal review of the audit report.

The audit was performed by Carol Slade, Director, Internal Audit.
Florida Gulf Coast University
Grant Compliance
Internal Audit
Report Date: March 26, 2013
GRANT COMPLIANCE AUDIT

EXECUTIVE SUMMARY

This Report represents a limited-scope audit of administrative and financial compliance pertaining to the federal grant “Mechanistic Studies of Flavivirus Inhibition and Nanoparticle-Catalyzed Decontamination.” This was a two-year $1.2 million basic science research grant from the Defense Threat Reduction Agency (DTRA), a Department of Defense agency. The Principal Investigator (PI) or Project Director was Dr. Sharon Isern, Professor of Biological Sciences. The research funded by this grant expanded on previous DTRA funded research by Dr. Isern (PI) and other investigators. The grant was used to continue funding basic science research on dengue virus and decontamination systems.

The PI reported to the grant sponsor in the final technical report that the research tasks or alternative experimental approaches were completed in all project areas. Six peer-reviewed publications and four patent applications were outcomes of the research effort. Of a sample of the students who did grant research, nine have since entered STEM-related jobs or advanced STEM degree programs in Florida. Of those who continued their education out-of-state, two entered MD programs and one entered a DVM program and three entered Ph.D. programs in Chemistry; one entered a Ph.D. program in Biomedical Science and another entered a Ph.D. program in Molecular Biology. Five faculty members continue to teach at FGCU.

The Office of Research and Graduate Studies provides oversight of grant activity. It is led by Associate Vice-President TC Yih. As stated on its website, the Office of Research and Graduate Studies “is the designated central clearinghouse for all external proposal submissions and related research and sponsored program activities.” Staff members provide training, support, and oversight pertaining to all FGCU grant activity. They also provide internal and external auditors with information, documentation, and explanations pertaining to grants.

Based upon the results of our audit tests and other procedures, it is our opinion that the operation of administrative and financial controls (“internal controls”) pertaining to the grant’s revenues, expenditures, and financial reporting met the requirements specified in the grant documents, applicable University policies and procedures, and the Cost Principles for
Educational Institutions in OMB 2CFR Part 215 and 220 (OMB Circular A-21). Because we found no exceptions to the requirements, this report does not provide any Internal Audit observations or recommendations. No Management Response was required or provided.

OBJECTIVES

I. Determine whether the administrative and financial controls ("internal controls") over the grant provided for compliance with the requirements of the grant, University policies and procedures, and applicable federal regulations.

II. Determine whether required financial reports were submitted by the due dates specified in the grant documents.

III. Determine whether funds or other assets were safeguarded against loss from unauthorized use.

IV. Determine whether funding or revenues and expenditures were processed according to grant requirements, University policies and procedures, and federal cost principles.

*This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit procedures provided a reasonable basis for our opinion.*

BACKGROUND

This grant was selected for compliance testing because, for the period under review, it was one of FGCU’s two largest grants. It was a multi-year grant, which added to its administrative complexity. The grant was awarded by the Defense Threat Reduction Agency (DTRA) for the purpose of basic research. Neither Internal Audit nor the Florida Auditor General had previously audited a research grant provided by this agency.

The Office of Research and Graduate Studies provided information about those grants that met our criteria for a compliance audit. Once Internal Audit selected the grant to be audited, the Office of Research and Graduate Studies provided grant documentation and associated forms. Sample instructions, forms and links were located on the Office of Research and Graduate Studies website. Some of the services provided by the Office of Research and Graduate Studies included, but were not limited to:
• The Office of Research and Graduate Studies staff ensured that the grant’s financial information was set up properly in the University’s accounting records.

• Training and monitoring were provided so that federally required payroll recordkeeping was maintained.

• The Office of Research and Graduate Studies ensured that grant proceeds were received and processed appropriately.

• The Office of Research and Graduate Studies staff prepared the financial reports and submitted them by their due dates.

Dr. Sharon Isern was the Principal Investigator (PI) or Project Director, who took direct responsibility for completion of the funded project, directed the research and reported to the Defense Threat Reduction Agency (DTRA). The Co-Principal Investigators were FGCU professors, Drs. Jose Barreto and Scott Michael. Dr. Barreto is a Professor of Chemistry, and Dr. Michael is a Professor of Biological Sciences. The grant period was January 22, 2010 through August 31, 2012.

The grant provided continued funding of basic science research on dengue virus and decontamination systems. The dengue virus causes dengue fever, dengue hemorrhagic fever, and dengue shock syndrome. The diseases caused by the dengue virus have re-emerged in the past several decades as the most important mosquito borne viral diseases with an estimated 50 – 100 million people infected annually. This research can be applied to both civilian and military use.

In the Executive Summary of the final Technical Report, Dr. Isern stated that “the specific aims of this work can be divided into two broad, basic science topic areas: the characterization of entry inhibitors and human monoclonal antibodies against dengue virus (DNV) and the development of disinfection systems made from titanium oxide nanomaterials. In the grant’s original Statement of Work, she stated that “the focus areas of the work address the basic idea that the surfaces of pathogens and toxins are important targets for inhibition and decontamination.”

**SCOPE – End of field work was March 12, 2013**

The scope of audit work included a review of the operation of general administrative and financial policies and procedures (“internal controls”) over these grant funds during the period
January 22, 2010 through August 31, 2012. It included a review of financial reporting for accuracy and timely submission. The internal controls were reviewed for compliance with grant requirements, University policies and procedures, and federal regulations.

SUMMARY OF AUDIT WORK PERFORMED

Reviews:

- Reviewed grant documents.
- Reviewed Office of Research and Graduate Studies Internal Review form for this grant.
- Reviewed the Office of Research and Graduate Studies Principal Investigator Handbook.
- Reviewed the Office of Research and Graduate Studies Booklet titled “Federal Grant Payroll Certification OMB Circular A-21”
- Reviewed approved Indirect Cost Rate documentation.

Tests and Other Audit Procedures:

- Traced receipt of grant proceeds to accounting records and compared to revenue timetable in grant documents.
- Reconciled the budget in the accounting records to the budget in the grant documents.
- Tested a sample of 60 operating expenditures for compliance with grant purpose, OMB Circular A-21 cost principles, and University policies and procedures
- Tested a sample of salaries, wages, and benefits for 13 of 23 faculty and staff paid with grant funds. Tested multiple payrolls across the term of the grant. Reviewed Human Resources records, payroll records, and payroll reports reviewed and approved by the PI that were retained by the College of Arts & Sciences as required by federal regulations.
- Recalculated a sample of indirect cost calculations using the approved Indirect Cost Rate and traced posted calculations to the grant accounting records.
- Tested a sample of five pieces of equipment purchased with grant funds for secure locations on campus, appropriate tagging if required, and use for grant purposes. Expenditures for equipment were not a large percentage of total expenditures.
• Traced revenues and expenditures that were reported on final financial report to the grantor to the applicable accounting records. Noted that report was submitted by date specified in the grant documents.

**OBSERVATIONS/RECOMMENDATIONS**

None

**MANAGEMENT RESPONSE**

None Required

Performed by: Carol Slade, Director of Internal Audit