CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

IA # 01-17 INTERNAL AUDIT REPORT OVER TRAINING PROGRAM

REPORT DATE: FEBRUARY 6, 2017

ISSUED: MARCH 10, 2017

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The Oversight Committee
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This report presents the results of the internal audit procedures performed for the Cancer Prevention and Research Institute of Texas (CPRIT) during the period January 9, 2017 through February 6, 2017 relating to the Training Program of CPRIT.

The objectives of the internal audit were to evaluate the design and effectiveness of CPRIT's training program process as follows:

A. Determine whether internal controls over the Training Program processes ensure that consistent processes are implemented and designed effectively to manage the training Program.
B. Ensure that controls over critical requirements within the Training Program processes are operating efficiently and effectively.
C. Ensure that compliance and professional development training requirements are completed in a timely manner by the required individuals.

Our procedures included interviewing key personnel to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from July 1, 2015 through December 31, 2016.

The scope of the audit did not include evaluating the content of the training materials for sufficiency, adequacy and accuracy. The scope also did not include processes and activities related to grantee compliance monitoring, human resources, compliance, and IT security.

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

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BACKGROUND

The goal Cancer Prevention & Research Institute of Texas (CPRIT) is to expedite innovation in cancer research and product development, and to enhance access to evidence-based prevention programs throughout the state. Under the guidance of its governing body, the Oversight Committee, CPRIT accepts applications and awards grants for a wide variety of cancer-related research and for the delivery of cancer prevention programs and services by public and private entities located in Texas.

Training is required to ensure that the agency's Oversight Committee, employees, and grant recipients are knowledgeable of the requirements of the state, CPRIT's administrative rules, codes of conduct, ethics requirements and responsibilities of administering and receiving grant funds. CPRIT's Operating Budget for FY 2017 includes a professional development budget of $20,000 to administer training Program to the agency's 29 employees, the Oversight Committee, and the agency's grant recipients.

CPRIT annually provides Compliance and Ethics training to employees and Oversight Committee Members to meet the Texas Administrative Code §701.7 requirement. Grant recipients also receive annual training to provide updates and information related to their requirements as recipients of grant funds.

Oversight Committee members receive initial training upon being appointed to the Committee. This training consists of ethics training, as well as, Open Meetings Act, Public Information Act, and contract oversight responsibilities. After the initial trainings, the Oversight Committee members are trained on CPRIT goals, legislative and compliance information, administrative rules, and grants on an annual basis.

CPRIT employees also receive onboarding training that includes code of conduct and ethics, grant compliance and legislative requirements. Annually the Chief Compliance Officer provides ongoing training to CPRIT staff to ensure that agency employees are knowledgeable of CPRIT grant compliance requirements. After every legislative session, the General Counsel provides training to CPRIT employees regarding legislative changes that affect the agency.

On an annual basis, CPRIT's Chief Compliance Officer provides a compliance training program for grant recipients addressing applicable financial, administrative, and programmatic requirements related to proper stewardship over grant award funds, including grant reporting to meet the CPRIT's grant requirements.

AUDIT OBJECTIVE AND SCOPE

The audit focused on the Cancer Prevention and Research Institute of Texas (CPRIT) Training Program as they are deployed to employees, the CPRIT Oversight Committee and CPRIT grant recipients. We reviewed the procedures in place for appropriate risk and regulatory coverage and compliance to ensure efficient and effective processes. Key functions and sub-processes within the Training Program processes reviewed included:

Employee Technical Training
- Training Requirement Identification
  - Continuing Education
- Training Plan Development and Budgeting
- Delivery and Completion
- Training Completion Monitoring

Oversight Committee Training
- Member Onboarding
  - Code of Conduct and Ethics
  - Conflict of Interest
- Governance Training
- Legislative and Compliance Update Training

Employee Compliance and Ethics Training
- New Employee Onboarding
- Code of Conduct and Ethics Training
- Grant Compliance Training
- Legislative and Compliance Updates
- Training Completion Monitoring

Grantee Training and Onboarding
- Training Material Review and Update
- Training Scheduling and Planning
- New Grantee Onboarding Training
- Grantee Compliance Trainings
- Grantee Compliance Updates
- Training Completion Monitoring

The scope of the audit did not include grantee compliance monitoring, internal compliance programs, human resource requirements, or information technology security related to training records and programs.

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

Employee Technical Training
- Employee training needs are identified and tracked
- Employee certification and continuing education requirements are met
- Training plans address all necessary courses
- Attendance is recorded and monitored
- Training content addresses technical needs
- Training budgets are appropriate

Oversight Committee Training
- New Oversight Committee members receive onboarding training
- Oversight Committee members are aware of governance responsibilities
- Oversight Committee members are notified of legislative and compliance updates
- Oversight Committee members receive contract oversight training

Employee Compliance and Ethics Training
- Employees receive onboarding training
- Employees receive training related to the Code of Conduct and Ethics
- New compliance requirements are identified and communicated to employees
- Employees receive updated ethics training
- Employees receive policy compliance and civil rights training

Grantee Training and Onboarding
- Grantees receive onboarding training
- Grantees receive required compliance training
- Grantee attendance is tracked and monitored
- Grantee training content addresses all necessary compliance topics
- Appropriate representatives from the grantee organization attend required training

The scope of the audit did not include evaluating the content of the training materials for sufficiency, adequacy and accuracy. The scope also did not include processes and activities related to grantee compliance monitoring, human resources, compliance, and IT security.

Our procedures included interviewing key personnel to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from July 1, 2015 through December 31, 2016.

EXECUTIVE SUMMARY

Through our interviews, evaluation of internal control design and testing of transactions we identified two findings. The listing of findings include those items that have been identified and are considered to be non-compliance issues with documented CPRIT policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover significant risks to the agency. These issues potentially have significant financial or operational implications.

A summary of our results, by audit objective, is provided in the table below. *See the Appendix for an overview of the Assessment and Risk Ratings.*

OVERALL ASSESSMENT	STRONG

SCOPE AREA	RESULT	RATING
Objective A: Determine whether internal controls over the Training Program processes ensure that consistent processes are implemented and designed effectively to manage the training Program.	We identified 18 controls to be in place in the training program process. We identified the following opportunity for improvement: • Monitor, verify, and obtain evidence of timely Oversight Committee training completion.	**STRONG**
Objective B: Ensure that controls over critical requirements within the Training Program processes are operating efficiently and effectively.	We determined that the controls over critical requirements within the Training Program processes are operating efficiently and effectively.	**STRONG**

SCOPE AREA	RESULT	RATING
Objective C: Ensure that compliance and professional development training requirements are completed in a timely manner by the required individuals.	We determined that required trainings are completed timely for active employees. We identified the following opportunities for improvement: • Monitor completion of Oversight Committee trainings • Monitor due dates and completion of employee State Civil Rights Training	**STRONG**

Other opportunities for improvement were identified through our interviews, evaluation of internal control design and transactional testing. These observations include those items that are not considered to be non-compliance issues with documented CPRIT policies and procedures. These are considered process improvement observations and the intent for the recommendations are to strengthen current CPRIT processes and controls. These observations were provided to management separately.

CONCLUSION

Based on our evaluation, the training program function has procedures and controls in place that are designed to mitigate risks with the significant processes. However, we identified several opportunities to improve the processes and effectiveness of the controls within the training program process.

We recommend CPRIT management monitor, verify and retain documentation of the timely completion of required Oversight Committee member training sessions. Additionally, CPRIT should ensure that recurring employee training is completed within the required timeframes.

Follow-up procedures should be conducted in Fiscal Year 2018 to validate the effectiveness of the remediation efforts taken to address the findings identified.

DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS
AND MANAGEMENT RESPONSE

Our procedures included interviewing key personnel involved with the training Program to gain an understanding of the current processes in place, examining existing documentation, evaluating the internal controls over the process, and testing the effectiveness of the controls in place. We evaluated the existing policies, procedures and processes in their current state.

Objective A: Design of Internal Controls

Determine whether internal controls over the Training Program processes are designed to ensure that consistent processes are implemented and designed effectively to manage the training Program.

Procedures Performed: We conducted interviews of key personnel and examined existing documentation to gain an understanding of the current Training Program process. We identified internal controls that address risks over the critical sub processes:

- Employee Technical Training
- Oversight Committee Training
- Employee Compliance and Ethics Training
- Grantee Training and Onboarding

We evaluated whether the identified internal controls were sufficiently designed to comply with CPRIT policies and procedures and mitigate the critical requirements of the Training Program processes. We identified any unacceptable risk exposures due to control design inadequacy or any opportunities to strengthen the effectiveness of the existing control design.

Results: We identified 18 controls in place over the significant activities within the Training Program process. We identified one finding where an improvement in the process, policies and procedures can be made.

Significant Process	Controls	Control Gaps
Employee Technical Training	3	-
Oversight Committee Training	5	Finding 1
Employee Compliance and Ethics Training	5	-
Grantee Training and Onboarding	5	-
TOTAL	**18**	**1**

Finding 1 – MODERATE - Monitoring Evidence of Timely Completion of Oversight Committee Required Training:
CPRIT does not have processes in place to ensure it obtains and retains evidence that newly appointed Oversight Committee members complete required trainings related to the Public Information Act, Open Meetings Act, and contract oversight within the required 90 day timeframe.

Of the eight Oversight Committee Members active during the audit scope period, one was appointed and required to complete training within the scope period. CPRIT was unable to provide documented evidence that Public Information Act training was completed for the appointed Committee Member within the 90 day timeframe.

After internal audit identified the issue, CPRIT contacted the Oversight Committee member who subsequently completed the required training and provided evidence of completion.

Recommendation: CPRIT Management should implement procedures to ensure that it obtains and maintains evidence that new Oversight Committee appointees complete their state required training within the 90 day timeframe. This could be achieved by periodically reviewing the status of completion of trainings throughout the 90 day timeframe to ensure that the state required training is completed in a timely manner. CPRIT should ensure that the agency retains documentation that training has been completed.

Management's Response: CPRIT management agrees with this finding and will adjust its processes so that the General Counsel provides to the Chief Compliance Officer a copy of the written communication sent to new members explaining the training requirements and associated deadlines. The Chief Compliance Officer will regularly follow up with new members throughout the 90-day period until members provide documentation that the training is complete. The Chief Compliance Officer will retain documentation of completed training for each Oversight Committee member.

Responsible Party: General Counsel, Chief Compliance Officer

Implementation Date: March 1, 2017

Objective B: Effectiveness of Internal Controls

Ensure that controls over critical requirements within the Training Program processes are operating efficiently and effectively.

1. **Procedures Performed:** We identified all CPRIT employees active during the scope period of July 1, 2015 through December 31, 2016. For each, we obtained evidence to verify the following:

   - Employee training requirements are identified
   - Employee training plans are reviewed and approved
   - Training plan is adequately budgeted
   - Training completion is tracked and logged

   Results: No findings identified.

2. **Procedures Performed:** We identified all Oversight Committee members active during the scope period of July 1, 2015 through December 31, 2016. For each, we obtained evidence to verify the following:

   - Oversight Committee members received onboarding training
   - Oversight Committee members received Code of Conduct and Ethics training
   - Oversight Committee members received ongoing governance and legislative update training

   Results: No findings identified.

3. **Procedures Performed:** We identified all CPRIT employees active during the scope period of July 1, 2015 through December 31, 2016. For each, we obtained evidence to verify the following:

- Employees received Code of Conduct and Ethics training
- Employees received training on key grant compliance requirements
- Employees received legislative update training, where relevant
- Training completion is monitored

   Results: No findings identified.

4. **Procedures Performed:** We selected a sample of 15 grantees active during the scope period of July 1, 2015 through December 31, 2016. For each, we obtained evidence to verify the following:

- Grantees received onboarding and ongoing training
- Grantees received annual compliance training
- Training was attended by appropriate personnel
- Grantees have adequate opportunities to attend training
- Grantee attendance is tracked and monitored.

   Results: No findings identified.

Objective C: Compliance

Ensure that compliance and professional development training requirements are completed in a timely manner by the required individuals.

1. **Procedures Performed:** We identified the active CPRIT employees with certifications and training requirements during the period of July 1, 2015 through December 31, 2016. For each, we obtained evidence to verify the following:

- Employee training plans are reviewed and approved
- Employees attended required professional development courses

   Results: No findings identified.

2. **Procedures Performed:** We identified all Oversight Committee members active during the scope period of July 1, 2015 through December 31, 2016. For each, we obtained evidence to verify the following:

- Oversight Committee members complete Public Information Act and Open Meetings training
- Oversight Committee members receive contract oversight training

   Results: We identified one Oversight Committee member for which CPRIT could not provide evidence of completion of Public Information Act training within the required 90-day timeframe.

   Finding 1 – MODERATE – Monitoring Evidence of Timely Completion of Oversight Committee Required Training

3. **Procedures Performed:** We identified all CPRIT employees who had been active during the scope period of July 1, 2015 through December 31, 2016. For each, we obtained evidence to verify that they had completed required civil rights training.

   Results: We determined that all current employees received the required training. We identified three former employees who had not completed the training within the required timeframe at the time of their separation from CPRIT.

   Finding 2 – MODERATE - Employee Civil Rights Training Updates:
   We identified that three employees did not complete the required update of their state Civil Rights Training every two years.

   Of the 39 active employees throughout the in scope period, three did not maintain current Civil Rights Training as required by state law. The three employees training updates were between 3-14 months delinquent. All three separated employment from CPRIT prior to December 2016 when CPRIT implemented a tracking spreadsheet to monitor the completion of Civil Rights Training.

   Recommendation: CPRIT should continue its efforts to monitor the upcoming due dates for Civil Rights Training renewal through the its tracking spreadsheet. CPRIT should also continue its efforts to automate the reminders to inform employees of upcoming training requirements. CPRIT Senior Management should be notified if any employee has not completed training updates in the required timeframe.

   Management Response: CPRIT management agrees with the finding and has implemented a tracking spreadsheet to monitor employee training due dates. Employees will receive reminder emails of upcoming training requirements. If an employee becomes delinquent in completing training requirements, the employee's supervisor and the Chief Executive Officer will be notified of the delinquent training requirement for appropriate action.

   Responsible Party: Operations Manager, Chief Operating Officer

   Implementation Date: December 1, 2016

APPENDIX

The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

REPORT RATINGS

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of the agency
- Agency objectives and goals are being met
- The activity under review is functioning in a manner which ensures:

  - Reliability and integrity of financial and operational information
  - Effectiveness and efficiency of operations and Program
  - Safeguarding of assets
  - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

| **Strong** | The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified. |

| **Satisfactory** | The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment. |

| **Unsatisfactory** | The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct. |

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

- Events that threaten the agency's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the agency or beyond a single function or department

- Potential material impact to operations or the agency's finances
- Remediation requires significant involvement from senior agency management
                .

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

- Events that could threaten financial or operational objectives of the agency
- Impact could be felt outside of the agency or across more than one function of the agency
- Noticeable and possibly material impact to the operations or finances of the agency

- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior agency management to be updated

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

- Events that do not directly threaten the agency's strategic priorities
- Impact is limited to a single function within the agency

- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk