

Cancer Prevention & Research Institute of Texas

IA # 02 -18 Internal Audit Follow-Up Procedures

Report over Internal Agency Compliance

Report Date: January 19, 2018

Issued: February 2, 2018

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The Oversight Committee
Cancer Prevention and Research Institute of Texas
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This report presents the results of the internal audit follow-up procedures performed for the Cancer Prevention and Research Institute of Texas (CPRIT) during the period January 8, 2018, through January 19, 2018 relating to the finding from the 2017 Internal Audit Report over Internal Agency Compliance, dated February 24, 2017.

The objective of these follow-up procedures was to validate that adequate corrective action has been taken in order to remediate the issue identified in the 2017 Internal Audit Report over Internal Agency Compliance.

To accomplish this objective, we conducted interviews with key personnel responsible for Internal Agency Compliance. We also reviewed documentation and performed specific testing procedures to validate actions taken. Procedures were performed at the Cancer Prevention and Research Institute of Texas office and were completed on January 19, 2018.

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

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WEAVER AND TIDWELL, L.L.P.

Austin, Texas
February 2, 2018

Cancer Prevention and Research Institute of Texas

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Background

In 2017, internal audit procedures over CPRIT's internal agency compliance process were completed and reported to the Oversight Committee. The internal audit report over CPRIT's internal agency compliance procedures and activities identified one area for improvement related to a missing annual Conflict of Interest Form for the PIC Member from the Texas Department of State Health Services.

The 2018 Internal Audit Plan included performing procedures to validate that CPRIT management has taken steps to address the internal audit finding.

Follow-Up Procedures Objective and Scope

The follow-up procedures focused on the remediation efforts taken by CPRIT management to address the finding included in the 2017 Internal Audit Report over Internal Agency Compliance, and to validate that appropriate corrective action had been taken. The 2017 report identified the following finding:

- The PIC Member from DSHS did not submit the required annual Conflict of Interest Form

Our follow-up procedures included the following:

- Review of the updated checklist for submission of annual conflict of interest statements.
- Examination of the submission of annual Conflict of Interest Forms for fiscal year 2018.

Executive Summary

The finding from the 2017 internal agency compliance internal audit included non-compliance issues with 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 risks to CPRIT. These issues could have financial or operational implications.

In the 2017 internal audit, we identified one finding, which was risk rated as **Moderate**.

Through our interviews, review of documentation, observations, and testing, we determined that the 2017 Internal Agency Compliance finding was remediated.

Risk Rating	Finding	Remediated	Partially Remediated	Open
High	-	-	-	-
Moderate	1	1	-	-
Low	-	-	-	-
Total	1	1	-	-

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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.

FOLLOW-UP ASSESSMENT		STRONG
SCOPE AREA	RESULT	RATING
Objective: Validate that adequate corrective action has been taken in order to remediate the issues identified in the 2017 Internal Audit Report over Internal Agency Compliance.	We identified that procedures implemented by management adequately addressed and remediated the prior open finding.	STRONG

Conclusion

Based on our evaluation, CPRIT management has made satisfactory effort to remediate the finding from the 2017 internal audit report. We recommend continued diligence in maintaining internal controls over internal agency compliance processes.

**Detailed Procedures Performed, Findings,
Recommendations and Management
Response**

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Detailed Procedures Performed, Findings, Recommendations and Management Response

Our procedures included interviewing key personnel, examining existing documentation or communication, and performing test procedures to validate corrective actions taken. In addition, we evaluated the existing policies, procedures and processes.

Objective: Validate Remediation

Validate that adequate corrective action has been taken in order to remediate the issue identified in the 2017 Internal Audit Report over Internal Agency Compliance.

Finding 1 – MODERATE – Missing Annual Conflict of Interest Form for PIC Member from DSHS: CPRIT does not have a process in place to ensure that all required annual conflict of interest forms are completed. In accordance with CPRIT's Code of Conduct and Ethics, Conflict of Interest Forms are required to be completed by all CPRIT Oversight Committee members, Program Integration Committee (PIC) members, and employees on an annual basis.

We identified that the PIC member representing DSHS did not complete the required annual conflict of interest statement for fiscal years 2016 and 2017. One position of the PIC is filled by a representative of DSHS. Although the PIC member from DSHS changed from FY 2016 to FY 2017, neither PIC member completed the annual conflict of interest statement:

Although the annual conflict of interest statement was not signed, we did identify that all PIC members completed the Conflict of Interest PIC Statements (Certification of No Communication with Applicants, Certification of No Financial Interest and Certification of No Communication between PIC Members and Oversight Committee Members) required to be completed at each PIC meeting, as well as a Post Review Statement for every meeting. Both PIC members were granted waivers while they were on the PIC and had no conflicts of interest reported during our testing period.

Additionally, upon identification of the issue by Internal Audit, the current PIC Member from DSHS, completed the missing form for FY 2017 and additional procedures were added to the Chief Compliance Officer's review checklist to ensure that all required disclosures are received in the future.

Procedures Performed: We verified that the review checklist for submission of annual conflict of interest statements by Oversight Committee members, PIC members, and CPRIT employees was updated to include the PIC member from DSHS as well as all active Oversight Committee members, PIC members, and CPRIT employees.

We reviewed the submission of annual Conflict of Interest Forms for all Oversight Committee members and PIC members for FY 2018. In addition, we selected a sample of 6 out of 36 employees required to submit FY 2018 Conflict of Interest Forms and verified that the forms were completed timely.

Results: Finding remediated.

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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 programs
 - 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.

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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

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