

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS

FISCAL YEAR 2015 ANNUAL INTERNAL AUDIT REPORT

NOVEMBER 1, 2015

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

Texas Government Code, Section 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post their Internal Audit Plan, Internal Audit Annual Report, and other audit information on the Internet.

The Cancer Prevention and Research Institute of Texas (CPRIT or the agency) will post this report and its 2016 Internal Audit Plan on its website at www.cpritis.state.tx.us following adoption by the Oversight Committee at its next quarterly meeting on November 19, 2015, and no later than December 1, 2015.

CPRIT will update its posting with a detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns raised by performance of the audit plan as they are identified or by November 1, 2016. CPRIT will also update the posting with the corrective action taken to address any issues identified.

II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions

On May 29, 2014, Governor Perry requested that internal auditors for higher education institutions conduct work to determine whether “proportionality is being applied according to the established guidelines.” This requirement is not applicable to CPRIT.

III. Internal Audit Plan for Fiscal Year 2015

The internal audits planned and performed for Fiscal Year 2015 were selected to address the agency’s highest risk areas, based on the risk assessment process conducted during the fall of 2013, which included input from CPRIT management. The audits conducted during fiscal year 2015 as listed below.

Internal Audit	Report #	Report Date	Current Status
Internal Audit over Grants Management	IA #01-2015	July 27, 2015	The report was issued August 26, 2015. Follow-up procedures to verify that corrective action has been performed are included in the proposed 2016 Internal Audit Plan.
Internal Audit Follow-Up Over Prior Governance and Information Technology *	IA #02-2015	August 14, 2015	The report was issued September 14, 2015. Follow-up procedures to verify that corrective action has been performed are included in the proposed 2016 Internal Audit Plan.
Internal Audit Follow-Up Over Prior Year Grantee Monitoring Audit Findings **	IA #03-2015	July 31, 2015	The report was issued August 31, 2015. Follow-up procedures to verify that corrective action has been performed are included in the proposed 2016 Internal Audit Plan.
Internal Audit Over Expenditures	IA #04-2015	August 24, 2015	The report was issued October 7, 2015. Follow-up procedures to verify that corrective action has been performed should be performed by management in fiscal year 2016.

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* The Audit Plan presented in the 2014 Internal Audit Annual Report included an internal audit over Information Technology. The scope of this audit was modified in 2015 to provide for the follow-up of findings identified in the previous Information Technology internal audit. Additionally, the scope was expanded to include follow-up of findings from the Governance internal audit.

** The Audit Plan presented in the 2014 Internal Audit Annual Report included Grantee Field Audits. During 2015, the Chief Compliance Officer implemented a grantee monitoring and compliance program. The responsibility to perform grantee field audits transitioned from Internal Audit to the Chief Compliance Officer. The scope of the Internal Audit Follow-Up Over Prior Year Grantee Monitoring Audit Findings was limited to grantees and findings that had been previously identified by Internal Audit in 2013 and 2014.

IV. Consulting Services and Nonaudit Services Completed

As defined in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, CPRIT completed the following consulting and non-audit services for FY 2015:

Internal Audit was outsourced to Grant Thornton until December 2014. Weaver was designated as the agency's Internal Auditor after the Legislative Budget Board approved the contract in April 2015. Weaver consulted with CPRIT to draft agreed upon procedures that detail the required audit steps to be completed for CPRIT grant recipients by an independent auditor to satisfy the State Single Audit requirements and CPRIT policies and procedures.

Other consulting and nonaudit services were provided by Grant Thornton and CohnReznick LLP. CPRIT engaged Grant Thornton as the third party to observe each in-person and telephone conference Peer Review Panel meeting and ensure compliance with conflict of interest and staff participation requirements. CohnReznick LLP was engaged by CPRIT to perform grant compliance monitoring services to ensure that CPRIT grant recipients are in compliance with Texas Uniform Grant Management Standards and CPRIT policies and procedures.

Grant Thornton issued the following reports during fiscal year 2015:

Grant Thornton FY2015 Third Party Observer Reports

Review Panel	Report #	Report Date	Status
FY 15 Scientific Review Council Meeting – Tenure Track Recruitment Applications	2014-28	October 1, 2014	Completed
Prevention Peer Review Panel	2014-29	October 2, 2014	Completed
Product Development Review Panel – 1 (ETRA)	2014-30	October 10, 2014	Completed
Product Development Review Panel – 2	2014-31	October 9, 2014	Completed
FY 15.2 Product Development Review Council	2015-05	October 21, 2014	Completed
Prevention Review Council	2015-206	October 24, 2014	Completed
Imaging Technology and Informatics	2015-207	October 27, 2014	Completed
Cancer Prevention Research	2015-208	November 17, 2014	Completed
Basic Cancer Research 2	2015-209	October 31, 2014	Completed
Cancer Biology	2015-210	November 3, 2014	Completed
Basic Cancer Research-1	2015-211	November 17, 2014	Completed
Translational Cancer Research & Clinical and Translational Cancer Research	2015-212	November 17, 2014	Completed
FY15 Scientific Review Council Meeting—Recruitment Program Applications	2015-213	January 7, 2015	Completed
FY15 Product Development Review Council	2015-214	January 8, 2015	Completed
FY15 Prevention Peer Review 1	2015-215	February 25, 2015	Completed
FY15 Prevention Peer Review Panel 2	2015-216	February 25, 2015	Completed
FY15 Basic Cancer Research-1	2015-217	March 10, 2015	Completed
FY 15.2 Cancer Biology	2015-218	March 13, 2015	Completed
FY15.2 Imaging Technology and Informatics	2015-219	March 13, 2015	Completed

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Review Panel	Report #	Report Date	Status
FY15.2 Clinical & Translational Cancer Research and Translational Cancer Research	2015-220	March 23, 2015	Completed
FY15.2 Cancer Prevention Research	2015-221	March 23, 2015	Completed
FY15.2 Basic Cancer Research – 2	2015-222	March 23, 2015	Completed
FY15.2 Recruitment Review Panel (RRP-5 and RRP-6)	2015-223	March 27, 2015	Completed
FY15.4 Product Development Panel-1	2015-224	March 30, 2015	Completed
FY15.2 Recruitment Review Panel – 7 & FY15.2 Scientific Research Applications	2015-225	April 13, 2015	Completed
FY15.1 Due Diligence Evaluation Meeting—2	2015-226	April 22, 2015	Completed
FY15.2 Prevention Review Council Programmatic Review	2015-227	April 22, 2015	Completed
FY15.4 Product Development Panel – 1	2015-228	April 28, 2015	Completed
FY15.2 Recruitment Review Panel—8	2015-229	May 21, 2015	Completed
FY15.2 Recruitment Review Panel—9	2015-230	June 12, 2015	Completed
FY15.2 Recruitment Review Panel—10	2015-231	July 16, 2015	Completed
FY16.1 Recruitment Review Panel	2015-232	August 16, 2015	Completed

CohnReznick issued the following reports during fiscal year 2015:

CohnReznick FY2015 Grant Compliance Monitoring Reports

Report Name	Report #	Report Date	Current Status
Beta Cat Pharmaceuticals, LLC	GMR-CP130058.201506	August 11, 2015	Completed. No Findings Identified
Texas A&M Engineering Experiment Station	GMR-RP150421.201506	August 11, 2015	Completed. No Findings Identified
Texas A&M University	GMR-RP121002.201506	August 11, 2015	Completed. No Findings Identified
Asuragen, Inc.	GMR-CP120017.201507	August 11, 2015	Completed. No Findings Identified
Kalon Biotherapeutics, LLC	GMR-CP120038.201507	August 11, 2015	Completed. No Findings Identified
The University of North Texas Health Science Center at Fort Worth	GMR-DP150091.201507	August 11, 2015	Completed. No Findings Identified
Scott and White Healthcare	GMR-RP140678.201507	August 11, 2015	Completed. No Findings Identified
Texas Tech University Health Science Center at El Paso	GMR-PP140164.201507	August 11, 2015	Completed. No Findings Identified
The University of Texas Southwestern Medical Center	GMR-DP150056.201507	August 11, 2015	Completed. No Findings Identified
The University of Texas at Austin	GMR-RP140108.201506	August 12, 2015	Completed. No Findings Identified
Molecular Templates, Inc.	GMR-CC121020.201506	August 12, 2015	Completed. No Findings Identified
Texas Tech University Health Science Center at Dallas	GMR-RP120495.201507	August 12, 2015	Completed. No Findings Identified
Texas Tech University	GMR-RP130624.201507	August 12, 2015	Completed. No Findings Identified
The University of Texas Health Science Center at Houston	GMR-RP140103.201506	August 13, 2015	Completed. No Findings Identified
Baylor University	GMR-R1309.201506	August 13, 2015	Two findings identified. Remediation testing will occur in FY 2016
The Rose	GMR-PP120040.201507	August 13, 2015	Completed. No Findings Identified
The University of Texas Medical Branch at Galveston	GMR-RP140020-C1.201507	August 13, 2015	Completed. No Findings Identified

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Report Name	Report #	Report Date	Current Status
Baylor College of Medicine	GMR- DP150064.201507	August 13, 2015	Completed. No Findings Identified
ESSA Pharma Inc.	GMR- CP130020.201507	August 13, 2015	Completed. No Findings Identified
The University of Texas Southwestern Medical Center	GMR- R1109.201506	August 19, 2015	One finding identified. Remediation testing will occur in FY 2016
Baylor Research Institute	GMR-RP110553- P5.201506	August 19, 2015	Completed. No Findings Identified
The University of Texas M.D. Anderson Cancer Center	GMR- DP150094.201507	August 19, 2015	Completed. No Findings Identified
Texas Agrilife Extension Service	GMR- PP120099.201508	August 19, 2015	Completed. No Findings Identified
Rice University	GMR-RP140024- P1.201506	August 20, 2015	Completed. No Findings Identified
The University of Texas Health Science Center at Houston	GMR- DP150093.201507	August 20, 2015	Completed. No Findings Identified
DNAtrix, Inc.	GMR- CP130013.201507	August 20, 2015	Completed. No Findings Identified
The University of Texas at Austin	GMR- DP150061.201507	August 20, 2015	Completed. No Findings Identified
University of Houston	GMR- RP140113.201508	August 20, 2015	Completed. No Findings Identified
Baylor College of Medicine	GMR- RR140033.201508	August 20, 2015	Completed. No Findings Identified
Centro San Vicente	GMR- PP120059.201507	September 4, 2015	Completed. No Findings Identified
Texas A&M University Health Science Center Institute of Biosciences and Technology	GMR-RP110532- P2.201507	September 4, 2015	Completed. No Findings Identified
Texas Tech University Health Sciences Center	GMR- RR140008.201508	September 10, 2015	One finding identified. Remediation testing will occur in FY 2016
The University of Texas Health Science Center at San Antonio	GMR- DP150055.201508	September 10, 2015	Completed. No Findings Identified
The University of Texas Health Science Center at San Antonio	GMR- RP140105.201508	September 10, 2015	Completed. No Findings Identified
The Bridge Breast Network	GMR- PP140026.201508	September 10, 2015	Completed. No Findings Identified
The University of Texas at El Paso	GMR-RP110444- P2.201508	September 11, 2015	Completed. No Findings Identified
Pulmotect, Inc.	GMR- CP120014.201508	September 11, 2015	Completed. No Findings Identified
The University of Texas Health Science Center at Houston	GMR- PP130075.201508	September 14, 2015	Completed. No Findings Identified
The University of Texas at San Antonio	GMR- PP140209.201508	September 15, 2015	Completed. No Findings Identified
The University of Texas Health Center at Tyler	GMR- PP140018.201508	September 15, 2015	Completed. No Findings Identified
The Methodist Hospital Research Institute	GMR- RP121071.201508	September 15, 2015	One finding identified. Remediation testing will occur in FY 2016
The University of Texas M.D. Anderson Cancer Center	GMR- RP130397.201508	September 15, 2015	Completed. No Findings Identified
The University of Texas Southwestern Medical Center	GMR- R1119.201508	September 15, 2015	Completed. No Findings Identified
The University of Texas Southwestern Medical Center	GMR- R1121.201508	September 15, 2015	Completed. No Findings Identified

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Report Name	Report #	Report Date	Current Status
The University of Texas Medical Branch at Galveston	GMR-PP120150.201508	September 15, 2015	Completed. No Findings Identified
Rice University	GMR-R1226.201508	September 15, 2015	Completed. No Findings Identified
The University of Texas Southwestern Medical Center	GMR-PP120229.201508	September 15, 2015	Completed. No Findings Identified
CerRx, Inc.	GMR-CP130023.201508	September 15, 2015	Completed. No Findings Identified
Cancer and Chronic Disease Consortium	GMR-PP120211.201508	September 15, 2015	Completed. No Findings Identified
Legacy Community Health Services	GMR-PP140208.201508	September 15, 2015	Completed. No Findings Identified
The University of Texas Southwestern Medical Center	GMR-RP130166.201508	September 15, 2015	Two findings identified. Remediation testing will occur in FY 2016
Texas Agrilife Research	GMR-RP130639.201508	October 1, 2015	One finding identified. Remediation testing will occur in FY 2016
Angelo State University	GMR-PP120108.201508	October 7, 2015	Completed. No Findings Identified
The University of Texas Southwestern Medical Center	GMR-PP120097.201508	October 7, 2015	Completed. No Findings Identified
University Health System	GMR-PP120111.201508	October 7, 2015	Completed. No Findings Identified

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V. External Quality Assurance Review

In accordance with professional standards, and to meet the requirements of the Texas Internal Auditing Act, Internal Audit is required to undergo an external quality assurance review at least once every three years. Weaver's review was performed in October 2013.



System Review Report

October 4, 2013

To the Partners of Weaver and Tidwell, L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. applicable to non-SEC issuers in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Weaver and Tidwell, L.L.P. has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Eide Bailly LLP

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VI. Internal Audit Plan

The Internal Audit Plan was submitted to the Audit Subcommittee of the CPRIT Oversight Committee. The Audit Subcommittee approved the plan on November 6, 2015, and the Oversight Committee subsequently approved the plan on November 19, 2015. Below is the 2016 Internal Audit Plan submitted to the agency's Oversight Committee based on the results of the 2015 Internal Audit Risk Assessment. The approved internal audit plan was submitted to the State Auditor's Office prior to December 1, 2015.

Fiscal Year 2016 Internal Audit Plan		
Audit Area	2015 Risk Rating	Estimated Hours
Information Security	High	260-300
Commodity and Service Contracts	High	220-225
Revenue	Moderate	270-300
Cash Management	Moderate	230-250

Planned follow-up procedures for fiscal year 2016 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

Fiscal Year 2016 Follow-up Procedures		
Audit Area	2015 Risk Rating	Estimated Hours
Pre-Award Grant Management Post Award Grant Management Grant Contracting	High	150-180
Information Technology Services	Moderate	60-80

Senate Bill 20 (84th Legislature) requires considering performance of audits on contracts entered into by the Health and Human Services Commission that exceed \$100 million in annual value.

The 2015 Internal Audit Risk Assessment resulted in six Significant Activities rated as "High" risk. Two of the six Significant Activities are not included in the fiscal year 2016 Internal Audit Plan. Those risks are as follows:

1. **Procurement** – Procurement was not included in the 2016 Internal Audit Plan. Procurement was included in the 2013 and 2014 Internal Audit Plans. Upon approval by the Oversight Committee, procurement is also anticipated to be included in the 2017 Internal Audit Plan.
2. **Governance** – Governance was not included in the 2016 Internal Audit Plan. Governance was included in the 2014 Internal Audit Plan, and was included in 2015 follow-up procedures.

VII. External Audit Services Procured in FY 2015

CPRIT engaged McConnell & Jones, LLP, a certified public accounting and consulting firm, as their external auditors for FY 2015. McConnell & Jones, LLP is registered with the Public Company Auditor Oversight Board (PCAOB).

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VIII. Reporting Suspected Fraud, Waste and Abuse

- CPRIT contracts with Red Flag Reporting to provide a confidential hotline for reporting fraud, waste and abuse. The agency has posted a link on its home page at www.cprit.state.tx.us and also has a dedicated page to fraud prevention and reporting on its website at <http://www.cprit.state.tx.us/about-cprit/fraud-prevention/>.
- The CPRIT Chief Compliance Officer is the designated staff member within the agency to receive written or verbal allegations of suspected fraud, waste, and abuse. The Chief Compliance Officer has the authority to examine and investigate those allegations and turn over information of verified instances of fraud, waste, or abuse to the State Auditor's Office.