

Cancer Prevention and Research Institute of Texas

IA #01-2019 Internal Audit Follow-Up Procedures Report
over Performance Measures

Report Date: December 6, 2018

Issued: December 12, 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 over Performance Measures for the Cancer Prevention and Research Institute of Texas (CPRIT). The follow-up was performed during the period October 22, 2018, through December 5, 2018, related to two areas for improvement from the State Auditor's Office's Audit Report on Performance Measures at the Cancer Prevention and Research Institute of Texas, dated December 2017.

The objective of these follow-up procedures was to validate that adequate corrective action has occurred in order to remediate the issues identified in the audit report.

To accomplish this objective, we conducted interviews and observations with key operations and compliance personnel. We also inspected 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 December 5, 2018.

The following report summarizes conclusion of our procedures performed, recommendations for improvement and management's responses.

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December 12, 2018

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Cancer Prevention and Research Institute of Texas

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Background

In 2017, the State Auditor's Office (SAO) conducted an audit over five key performance measures at the Cancer Prevention and Research Institute of Texas (CPRIT) and issued an audit report to the agency management. The audit report identified two areas for improvement related to controls over segregation of duties over data entry, as well as data collection and reporting.

The 2018 Internal Audit Plan included performing procedures to validate that CPRIT management has taken steps to address recommendations of the two areas of improvement.

Follow-Up Objective and Scope

The follow-up procedures focused on the remediation efforts taken by CPRIT management to address recommendations of the two areas of improvement included in the 2017 SAO Audit Report on Performance Measures at the Cancer Prevention and Research Institute of Texas and to validate that appropriate corrective action has been taken. The 2017 report identified the following two areas for improvement:

- Segregation of Duties
 - CPRIT should update its policies and procedures to ensure that an individual who is independent of the individual who enters data conducts and documents a review of performance measure data entry prior to releasing that data into Automated Budget and Evaluation System of Texas (ABEST).
 - CPRIT should implement controls that are effective in ensuring that grantees report accurate data for its performance measures.
- Data Collection and Reporting
 - CPRIT should establish controls to determine and document when entities meet a majority of grant criteria to become Texas-based before reporting them in its performance measures.
 - CPRIT should ensure that the method it uses to collect data for its performance measures produces reliable results.

Our follow-up procedures included verification of the following:

- CPRIT has updated its policies and procedures that ensure that an individual who is independent of the individual who enters data conducts and documents a review of performance measure data entry prior to releasing that data into ABEST.
- CPRIT has implemented controls that are effective in ensuring that grantees report accurate data for its performance measures.
- CPRIT has established controls to determine and document when entities meet a majority of grant criteria to become Texas-based before reporting them in its performance measures.
- The method used to collect data produces reliable results.

Our procedures included interviewing key personnel within key operations and compliance personnel, examining existing documentation and evaluating if corrective action has been taken. Our coverage period was from April 1, 2018, to October 31, 2018.

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Executive Summary

We validated that the two findings from the 2017 SAO Audit Report on Performance Measures at the Cancer Prevention and Research Institute of Texas were fully remediated.

The two findings included those items that were identified and are considered to be non-compliance issues with CPRIT's 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 significant financial or operational implications.

A summary of our results by areas for improvement is provided in the table below. See the Appendix for an overview of the Assessment.

FOLLOW-UP ASSESSMENT		STRONG
SCOPE AREA	RESULT	Rating
Objective: Validate that adequate corrective action has occurred in order to remediate the issues identified in the 2017 SAO Audit Report on Performance Measures at the Cancer Prevention and Research institute of Texas.	We identified that procedures implemented by management adequately addressed and remediate the prior open findings..	STRONG

Conclusion

Based on our evaluation, CPRIT management has made satisfactory effort to remediate the findings from the 2017 SAO Audit Report on Performance Measures at the Cancer Prevention and Research institute of Texas. We recommend continued diligence in maintaining internal controls over performance measure reporting processes.

Detailed Follow-Up Results

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Detailed Follow-Up Results

Our procedures included interviewing key personnel in operations and compliance to gain an understanding of the corrective actions taken in order to address the two areas for improvement identified in the 2017 SAO Audit Report on Performance Measures at the Cancer Prevention and Research Institute of Texas, as well as examining existing documentation and communications, and performing testing in order to validate those corrective actions. We evaluated the existing policies, procedures, and processes in their current state.

Objective: Validate Remediation

Validate that adequate corrective action has occurred in order to remediate the issues identified in the 2017 SAO Audit Report on Performance Measures at the Cancer Prevention and Research Institute of Texas.

Finding 1 – Segregation of Duties - CPRIT did not have documented policies related to or adequate segregation of duties between the entry and release of performance measure data into the Automated Budget and Evaluation System of Texas (ABEST). In addition, it did not perform independent reviews of performance measure data before entering that data into ABEST.

Also, an application control in the Institute's CPRIT Grant Management System (CGMS) related to grantee input and approval of progress reports was not adequately designed to prevent grantees from having the same individual both enter and release the information in a progress report. Because the Institute relies on the control described above to help ensure that grantees report accurate information, it may be relying on information that has not been properly reviewed at the grantee level to report its performance measures.

SAO Recommendation:

- CPRIT should update its policies and procedures to ensure that an individual who is independent of the individual who enters data conducts and documents a review of performance measure data entry prior to releasing that data into ABEST.
- CPRIT should implement controls that are effective in ensuring that grantees report accurate data for its performance measures.

Procedures Performed: We verified that CPRIT has documented procedures requiring the review and approval of data reported in ABEST as well as the segregation of duties between the entry and release of performance measure data into ABEST. Additionally, we verified that the data included in the performance measure reports was reviewed and approved by management prior to submission for Q3 and Q4 reports for fiscal year 2018.

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We also verified that CPRIT's Compliance Program has incorporated procedures into their Onsite Review Checklist to verify that grantees have established appropriate segregation of duties for progress reporting in CGMS. Of the 32 onsite reviews that were performed from September 1, 2017, through October 31, 2018, we selected a sample of 7 that were performed after April 1, 2018. We verified that segregation of duties was inspected by CPRIT compliance staff during those onsite reviews.

Results: Finding remediated

Finding 2 – Data Collection and Reporting - Institute policy requires that entities meet a majority of the seven criteria to be reported for the Number of Entities Relocating to Texas for Cancer Research Related Projects performance measure. However, the Institute did not obtain documentation to show that entities met those criteria. Therefore, auditors were unable to determine whether the entities the Institute included in the number reported in that performance measure met a majority of the criteria listed above for being considered Texas based.

Additionally, the Institute double counted jobs held by Texans in reporting that performance measure to ABEST, leading to an overstatement of 24.2 percent of the number of jobs that the Institute reported in ABEST.

SAO Recommendation:

- CPRIT should establish controls to determine and document when entities meet a majority of grant criteria to become Texas-based before reporting them in its performance measures.
- CPRIT should ensure that the method it uses to collect data for its performance measures produces reliable results.

Procedures Performed: We verified that as part of the grantee's Annual Attestations, CPRIT's Compliance Program has incorporated specific reporting requirements for grantees to report compliance with at least 4 of the 7 criteria to be considered a Texas-based entity. Of the 55 active grantees, we selected a sample of 9 product development grantees and verified that these grantees have reported compliance with at least 4 of the 7 Texas-based criteria.

We also verified that the Compliance Program's trainings provided to grantees have included Texas location criteria and reporting requirements as a training topic for new Product Development Research grantees.

Additionally, we verified that the query used to compile the information to report the number of jobs was corrected by the grant management support services vendor. We obtained the detailed support for the grants and recalculated the number of jobs created and maintained for Q4 of fiscal year 2018 to verify that the calculations in the query were accurate.

We verified that CPRIT corrected the performance measure of number of new jobs created and maintained for the Q4 report submitted into ABEST for fiscal year 2018. We also verified that CPRIT management reviewed and verified the data included in the performance measure report prior to submission.

Results: Finding remediated

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The appendix defines the approach and classifications utilized by Internal Audit regarding 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.