

# **Cancer Prevention and Research Institute of Texas**

IA #05-2019 Internal Audit Follow-Up Procedures Report  
over Procurement and P-Cards

Report Date: August 1, 2019

Issued: August 5, 2019

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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 February 19, 2019 through August 1, 2019 related to the findings from the Internal Audit Report over Procurement and P-Cards dated June 21, 2017.

The objective of these follow-up procedures was to validate that adequate corrective action has been taken in order to remediate the remaining open issue identified in the 2017 Internal Audit Report over Procurement and P-Cards.

To accomplish this objective, we conducted interviews with key Finance personnel. We also reviewed documentation and performed specific testing procedures to validate actions taken. Procedures were performed at the Cancer Prevention and Research Institute and completed on August 1, 2019.

The following report summarizes the results of our procedures.

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August 5, 2019

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**Background**

In fiscal year 2017, an internal audit over CPRIT's procurement and P-Card processes was completed. The internal audit report identified nine areas of improvement. In fiscal year 2018, follow-up procedures were performed to evaluate the corrective action taken by CPRIT management to remediate internal audit findings. As a result of those follow-up procedures, seven findings were determined to be remediated while one was determined to be partially remediated, and one was closed by management.

The 2019 Internal Audit Plan included performing follow-up procedures to validate that CPRIT management has taken steps to address the one remaining open internal audit finding.

**Follow-Up Objective and Scope**

The follow-up procedures focused on the remediation efforts taken by CPRIT management to address the open finding included in the 2017 Internal Audit Report over Procurement and P-Cards, and to validate that appropriate corrective action had been taken.

We evaluated the corrective action of the one remaining open internal audit finding identified in the 2017 Internal Audit Report over Procurement and P-Cards. In addition, we evaluated corrective action taken by management to address the open observation identified in the 2017 Internal Audit over Procurement and P-Cards that was provided separately.

**Executive Summary**

The findings from the 2017 Internal Audit Report over Procurement and P-Cards include 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.

Through our interviews, review of documentation, observations and testing we determined that the one open finding where corrective action was evaluated was remediated.

A summary of our results is provided in the table below.

<b>Risk Rating</b>	<b>Total Findings</b>	<b>Previously Closed</b>	<b>Remediated</b>	<b>Open</b>
<b>High</b>	-	-	-	-
<b>Moderate</b>	7	6	1	-
<b>Low</b>	2	2	-	-
<b>Total</b>	<b>9</b>	<b>8</b>	<b>1</b>	<b>-</b>

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

<b>OVERALL ASSESSMENT</b>	<b>STRONG</b>
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SCOPE AREA	RESULT	RATING
<b>Procurement and P-Cards:</b> Validate that adequate corrective action has been taken in order to remediate the remaining open issue identified in the 2017 Internal Audit Report over Procurement and P-Cards.	We identified that remediation efforts were made by CPRIT management for the one remaining finding from the 2017 Internal Audit Report over Procurement and P-Cards.	<b>STRONG</b>

**Conclusion**

Based on our evaluation, CPRIT has made satisfactory progress to remediate the remaining open finding from the 2017 Internal Audit Report over Procurement and P-Cards. Management should continue to focus on maintaining and strengthening internal controls over Procurement and P-Cards processes.

**Detailed Follow-Up Results, Findings,  
Recommendations and Management  
Response**

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**Detailed Follow-Up Results, Recommendations and Management Response**

Our procedures included interviewing key personnel in Procurement and Finance to gain an understanding of the corrective actions taken in order to address the open finding identified in the 2017 Internal Audit Report over Procurement and P-Cards, 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.

**Finding 9 – MODERATE – Timeliness of P-Card and Travel Card Reconciliations:** CPRIT does not have procedures in place to ensure that P-Card and Travel Card reconciliations are performed timely. P-Card and Travel Card reconciliations are performed prior to submitting the transactions for payment. The monthly statements must be reconciled and submitted within 30 days to meet the payment requirement of the Texas Prompt Payment Act.

Of the 6 monthly P-Card reconciliations tested, 1 was not completed and reviewed in a timely manner. The reconciliation was completed and reviewed 45 days after receipt of the statement resulting in a delayed payment of the P-Card.

Of the 6 monthly Travel Card reconciliations tested, 4 were not completed and reviewed in a timely manner. Reconciliations were completed between 34 and 70 days after receipt of the statement resulting in a delayed payment of the Travel Card.

In April 2018, we reviewed the 4 Travel Card statement reconciliations for the period of December 2017 through March 2018 and determined that 3 of the 4 reconciliations were not completed timely, within 30 days from the receipt of the statement. Reconciliations were completed 48, 59, and 66 days after receipt of the statement.

**Results: Finding remediated**

We reviewed the four Travel Card statement reconciliations for the period of April 2018 through July 2018 and determined that all reconciliations were completed timely, within 30 days from the receipt of the statement. In addition, we examined each Travel Card statement and supporting receipt documentation and verified the reconciliation had adequate supporting documentation.

# Appendix



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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.

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.

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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