

Cancer Prevention and Research Institute of Texas

IA #01-2020 Internal Audit Follow-Up Procedures

Report Over State Reporting

Report Date: July 20, 2020

Issued: August 3, 2020

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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 July 10, 2020 through July 20, 2020 related to the findings from the Internal Audit Report over State Reporting dated January 16, 2019.

The objective of these follow-up procedures was to validate that adequate corrective action has been taken to remediate the issues identified in the 2019 Internal Audit Report over State Reporting.

To accomplish this objective, we conducted interviews with CPRIT personnel responsible for the communication process. We also reviewed documentation and performed specific testing procedures to validate actions taken. Procedures were performed remotely, and completed on July 20, 2020.

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

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Austin, Texas
August 3, 2020

Cancer Prevention and Research Institute of Texas

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Background

In fiscal year 2019, an internal audit over CPRIT's State Reporting process was completed. The internal audit report identified two areas of improvement within the State Reporting process. Opportunities for improvement included tracking and communicating report deadlines to CPRIT personnel with responsibility for report completion and documenting procedures over the expected processes for managing and monitoring state reporting requirements.

The 2020 Internal Audit Plan included performing follow-up procedures to validate that CPRIT management has taken steps to address the two internal audit findings.

Follow-Up Objective and Scope

The follow-up procedures focused on the remediation efforts taken by CPRIT management to address the findings included in the 2019 Internal Audit Report over State Reporting, and to validate that appropriate corrective action had been taken.

We evaluated the corrective action for two internal audit findings identified in the 2019 Internal Audit Report over State Reporting.

Executive Summary

The findings from the 2019 Internal Audit Report over State Reporting 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 of the two findings where corrective action was evaluated, both were fully remediated.

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

Risk Rating	Total Findings	Remediated	Open
High	-	-	-
Moderate	-	-	-
Low	2	2	-
Total	2	2	-

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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.*

OVERALL ASSESSMENT	STRONG
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SCOPE AREA	RESULT	RATING
Communications: Validate that adequate corrective action has been taken to remediate the issues identified in the 2019 Internal Audit Report over State Reporting.	We determined that CPRIT management made efforts to remediate the findings identified from the 2019 Internal Audit Report over State Reporting.	STRONG

Conclusion

Based on our evaluation, CPRIT has made satisfactory progress to remediate the findings from the 2019 Internal Audit Report over State Reporting. CPRIT has implemented procedures for managing and monitoring state reporting requirements. CPRIT should continue their efforts to ensure report deadlines are tracked and communicated to CPRIT personnel with responsibility for report completion.

**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 CPRIT personnel responsible for the communication process to gain an understanding of the corrective actions taken in order to address the open findings identified in the 2019 Internal Audit Report over State Reporting, 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 1 – LOW – Report Deadline Tracking

CPRIT does not have an internal or centralized process for tracking all report deadlines and communicating report deadlines to CPRIT management. While some designated report process owners utilize tracking tools to monitor report deadlines, tracking is not consistently performed agency-wide.

We determined the FY 2017 Annual Report on Non-Financial Data and the FY 2017 Annual HUB Progress Report were not submitted by the due date.

In addition, we selected a sample of 20 out of 64 published state reports within our scope covering the period of January 1, 2017, through August 31, 2018. Based on the results of our testing, we identified the following:

- CPRIT does not have established tracking procedures for the Unexpended Balances notification, once it is determined that there are unexpended balances to report to the LBB. The due date of the report was monitored by the individual within CPRIT responsible for the notification to ensure it was completed by the required date
- Two Quarterly Financial Reports were submitted to the required recipients. However, CPRIT was unable to provide documentation to validate the timeliness of the submissions. The reports are submitted via interagency mail and evidence of submission was not documented or retained.

Results: Finding remediated

We determined that CPRIT has implemented the use of a tracking tool to monitor reporting requirements including report deadlines. The CPRIT State Reports Matrix is established at the beginning of each fiscal year and contains a schedule of major reports due that year.

We selected a sample of 5 out of 33 completed state reports within our scope covering the period of March 1, 2019, through June 30, 2020. For each selected state report, we verified reporting requirements including report deadlines are accurately tracked, monitored and communicated to the responsible individual.

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Finding 2 – LOW – Documented Policies and Procedures

CPRIT does not have documented procedures that identify the designated report process owners responsible for state reporting, outline CPRIT's expectations for managing reporting requirements, or explain the process for approving reports prior to submission. Although each state report has different requirements, CPRIT does not currently provide standard guidance to ensure report preparation is completed by the appropriate personnel and in accordance with authoritative criteria. Currently, CPRIT relies on experienced personnel to manage their assigned state reports which results in varying practices of monitoring reporting requirements and no established guidelines for documenting approval, submission, and retention of report information and data.

We selected a sample of 20 out of 64 published state reports within our scope covering the period of January 1, 2017, through August 31, 2018. Based on the results of our testing, we identified the following:

- Two HUB semi-annual reports included in our sample testing did not have any evidence of review and approval prior to report submission to ensure data and data sources were accurate and complete.

For HUB reporting, the Texas Comptroller of Public Accounts (CPA) provides a draft report to state agencies to review and verify the HUB data retrieved by the CPA from USAS is complete prior to the CPA publishing the final HUB Report. However, CPRIT does not have a formal process for subsequent review of the submission or evidence the review has been performed.

Results: Finding remediated

CPRIT has revised the agency's policies and procedures to include guidance on which required state reports are tracked, the personnel responsible for tracking the report submission and the process for tracking these reports through the CPRIT State Reports Matrix. The matrix is established at the beginning of each fiscal year and contains details on the reporting frequency, staff responsible for completing the report, report recipient, and the report deadline. The CPRIT State Reports Matrix tracks all major budget, performance, and administrative reports that must be submitted to the governor or legislative oversight offices or that must be made publicly available on CPRIT's website.

We selected a sample of 5 out of 33 completed state reports within our scope covering the period of March 1, 2019, through June 30, 2020. For each selected state report, we verified the reports were accurately tracked and submitted to required recipients by established deadlines.

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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