

Cancer Prevention & Research Institute of Texas

IA #02-2019 Internal Audit Report over State Reporting

Report Date: January 16, 2019

Issued: January 25, 2019

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The Oversight Committee
Cancer Prevention & Research Institute of Texas
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This report presents the results of the internal audit procedures performed for the Cancer Prevention and Research Institute of Texas (CPRIT) during the period October 22, 2018, through January 16, 2019, relating to the state reporting processes.

The objectives of the internal audit were to evaluate the design and effectiveness of CPRIT's state reporting processes. The objectives were organized as follows:

- A. Determine whether internal controls over state reporting processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.
- B. Ensure that controls over critical state reporting processes are operating effectively and according to authoritative guidance.

To accomplish these objectives, we conducted interviews with CPRIT personnel responsible for the state reporting processes. We also reviewed documentation and performed specific testing to assess controls. Procedures were performed at CPRIT's office and completed on January 16, 2019.

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
January 25, 2019

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Background

CPRIT is the state agency established to expedite innovation in academic and product development cancer research, and to enhance access to evidence-based innovation prevention programs throughout the state. As a state agency, CPRIT must periodically report on the agency's operational and financial activities to the Governor, Texas Legislature, and other state oversight agencies.

Each state or legislative agency with responsibility for a mandated report provides submission guidance that includes reporting requirements, deadlines, and submission methodology to report recipients through electronic notifications to all state agencies several weeks or months prior to report deadlines, on their website, or on their reporting platform.

CPRIT personnel with responsibility for the preparation and submission of the report track reporting deadlines. To prepare reports, they compile data available on CPRIT systems and from external agencies, such as the Health and Human Services Commission and Comptroller of Public Accounts, according to the requirements. All reports, whether prepared by line staff or a member of executive management, are reviewed by at least one other member of executive management prior to submission. Copies of all reports produced are retained on CPRIT's internal network and many are publicly available on the CPRIT website.

Audit Objective and Scope

The audit focused on the state reporting processes in place throughout CPRIT. We reviewed procedures in place for appropriate risk coverage, compliance with state requirements, and compliance with CPRIT policies and procedures for preparing and submitting statutorily required reports and ad hoc reports (including public information requests). The scope included an evaluation of the processes currently in practice covering the activities within the following key areas:

- Due Date Monitoring and Tracking
- Research and Analytical Support
- Preparation
- Review and Approval
- Submission and Retention

The scope of the audit did not include document management and retention processes, reports reviewed in prior internal audits, or reports that are audited by other auditors including:

- Legislative Appropriations Requests
- CPRIT Achievement Reports
- Quarterly Grantee Compliance Reports
- Texas Cancer Plan
- Quarterly Internal Audit Reports to the Oversight Committee
- Annual Financial Audit Report
- Contract Reports to the Legislative Budget Board (LBB)
- Vendor Performance Reports to the Texas Comptroller
- Annual Internal Audit Report

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Our procedures were designed to ensure relevant risks were covered and verify the following:

Due Date Monitoring and Tracking

- Report deadlines are tracked and communicated to CPRIT personnel with responsibility for report completion
- Adequate planning is performed to complete reports by the required deadline
- Deadlines are monitored and reported to CPRIT management

Research and Analytical Support

- Data sources are validated and approved
- Data compiled, analyzed and reported is accurate and complete
- Analysis of information reported is reviewed and approved prior to report finalization

Preparation

- Report preparation is performed by appropriate personnel
- Reports are prepared according to authoritative criteria and requirements
- Development of reports follows established CPRIT timelines
- Personnel receive appropriate training to prepare reports

Review and Approval

- Reports are reviewed by appropriate personnel for completeness and accuracy
- Reports are approved by management prior to submission

Submission and Retention

- Reports are delivered to the required recipients by the established deadlines
- Reports are published in all required locations
- Copies of reports are retained and accessible by appropriate CPRIT personnel

The objectives of this internal audit were as follows:

- A. Determine whether internal controls over state reporting processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.
- B. Ensure that controls over selected high-risk processes within state reporting processes are operating effectively and according to authoritative guidance.

Our procedures included interviewing key personnel responsible for state reporting processes to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over state reporting. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from January 1, 2017, through August 31, 2018.

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Executive Summary

Through our interviews, evaluation of internal control design and testing of transactions we identified two findings. The listing of findings include those items that have been identified and are considered to be non-compliance issues with documented CPRIT policies and procedures, with 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 audit objective, is provided in the table below. See the Appendix for an overview of the Assessment and Risk Ratings.

OVERALL ASSESSMENT		STRONG
SCOPE AREA	RESULT	RATING
<p>Objective A: Determine whether internal controls over state reporting processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.</p>	<p>We identified eight controls in place within state reporting processes. However, there are opportunities to strengthen the processes and control environment including:</p> <ul style="list-style-type: none"> Tracking and communicating report deadlines to CPRIT personnel with responsibility for report completion Documenting procedures over the expected processes for managing and monitoring state reporting requirements 	<p>STRONG</p>
<p>Objective B: Ensure that controls over high-risk processes within state reporting processes are operating effectively and according to authoritative guidance.</p>	<p>Controls appear to be in place; however, all are not consistently executed. We identified the following opportunity for improvement:</p> <ul style="list-style-type: none"> Documented procedures on the expected processes for maintaining information, reporting progress, and review and approval by executive management 	<p>STRONG</p>

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Conclusion

Based on our evaluation, the state reporting function has procedures and controls in place to conduct effective management of the significant processes within CPRIT. However, we identified two opportunities to improve the effectiveness of the controls within the state reporting process.

Specifically, CPRIT should ensure report deadlines are tracked and communicated to CPRIT personnel with responsibility for report completion. CPRIT should also implement procedures for managing and monitoring state reporting requirements. The procedures should include the retention requirements of report information/data, internal monitoring of report status, and coordination of report approval between the designated report process owners and executive management.

Follow-up procedures will be performed in Fiscal Year 2020 to evaluate the effectiveness of remediation efforts implemented to address the findings identified.

**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 who perform communications and information technology work to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the processes. We evaluated the existing policies, procedures, and processes in their current state.

Objective A: Design of Internal Controls

Determine whether internal controls over state reporting processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.

Procedures Performed: We conducted interviews of key personnel who perform communications and information technology work and examined existing documentation to gain an understanding of current state reporting processes. We documented understanding of the processes and identified internal controls over the following sub-processes:

- Due Date Monitoring and Tracking
- Research and Analytical Support
- Preparation
- Review and Approval
- Submission and Retention

We evaluated the controls identified against expected controls to determine whether the identified re-occurring state reporting procedures and internal controls are sufficiently designed to mitigate the critical risks associated with the state reporting processes. We identified any unacceptable risk exposures due to gaps in the existing control structure as well as opportunities to strengthen the effectiveness and efficiency of the existing procedures.

Results: We identified eight controls in place over the significant activities within the state reporting processes. We identified two findings where improvements in the processes can be made.

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Process Area	Control Coverage	Findings / Observations
Due Date Monitoring and Tracking	1	Finding 1
Research and Analytical Support	2	
Preparation	2	Finding 2
Review and Approval	1	Finding 2
Submission and Retention	2	
Total	8	

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.

Recommendation: CPRIT should implement a process to monitor reporting requirements including report deadlines. This could include the use of a tracking tool such as a shared calendar or a schedule of reports that include the report due dates and the personnel responsible for preparing the report. The tracking tool could also be utilized for communicating the report responsibilities and deadlines to appropriate CPRIT personnel.

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Management Response: CPRIT management agrees that there should be centralized tracking of state reporting deadlines. CPRIT will implement the use of a shared reporting calendar that the agency's executive assistant will maintain by entering each report deadline and sharing the appropriate deadline and reminders with the staff person responsible for the report for their calendar. The calendar will be used to monitor completion and submission of reports.

Responsible Party: Chief Operating Officer

Implementation Date: February 28, 2019

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.

Recommendation: CPRIT should develop formalized and documented procedures on the expected processes for managing and monitoring state reporting requirements, including how to maintain information and data, report progress and status internally, and coordination efforts between designated process owners and executive management on approving state reports prior to submission.

Management Response: CPRIT management agrees that the procedures and responsibilities for completing required reports must be documented. The agency's policies and procedures will be updated to incorporate this information. The newly created shared reporting calendar will be used to monitor report status on a monthly basis.

Responsible Party: Chief Executive Officer, Chief Operating Officer, Operations Manager

Implementation Date: June 30, 2019

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Objective B: Effectiveness of Internal Controls

Ensure that controls over critical communication processes are operating effectively and according to authoritative guidance.

1. **Procedures Performed:** 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. For each selected state report, we verified the following:

- Reporting requirements including report deadlines are accurately tracked, monitored and communicated to responsible individuals
- Data sources and data prepared for reports are validated for completeness and accuracy and appropriately reviewed
- Report preparation follows established CPRIT's timelines
- Where required, that personnel have appropriate training for preparing reports, such as public information requests
- Reports are reviewed for completeness and accuracy and approvals are obtained prior to release
- Reports are submitted to required recipients by established deadlines
- Reports are published in all required locations, such as CPRIT's website
- Reports are appropriately retained and accessible by appropriate personnel

Results: Based on the results of our testing, we have identified the following:

- Three state reports did not have formal tracking or monitoring of reporting requirements
- Two HUB semi-annual reports did not have evidence of review and approval prior to report submission to ensure data and data sources were accurate and complete
- 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.

Finding 1 – LOW – Report Deadline Tracking

Finding 2 – LOW – Documented Policies and Procedures

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.

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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 agency
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk