

CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

**IA # 03-17 INTERNAL AUDIT REPORT OVER PRE-AWARD GRANT
MANAGEMENT**

REPORT DATE: APRIL 19, 2017

ISSUED: MAY 30, 2017

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The Oversight Committee
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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 March 20, 2017 through April 19, 2017 relating to the Pre-Award Grant Management processes.

The objectives of the internal audit were to evaluate the design and effectiveness of CPRIT's Pre-Award Grant Management processes. The objectives were organized as follows:

- A. Confirm the design of internal controls over Pre-Award Grant Management processes ensure that consistent processes are implemented and designed effectively to manage the grant application and evaluation process.
- B. Ensure that controls over selected critical processes within Pre-Award Grant Management processes are operating effectively and that required grant application documentation is obtained and reviewed.
- C. Ensure that access to view, process or modify data in the CPRIT Application Receipt System (CARS), CSRA SharePoint, and CPRIT Portal is restricted to appropriate personnel.

To accomplish these objectives, we conducted interviews with CPRIT personnel responsible for Pre-Award Grant Management. We also reviewed documentation and performed specific testing procedures to assess controls. Procedures were performed at CPRIT's office and completed on April 19, 2017.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.
Austin, Texas
May 30, 2017

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BACKGROUND

The Cancer Prevention and Research Institute of Texas (CPRIT) was established in 2007 as a result of a Texas constitutional amendment. CPRIT's goal is to expedite innovation in cancer research and product development, and to enhance access to evidence-based prevention programs throughout the state. As part of achieving that goal, CPRIT awards grants for cancer research and prevention.

In 2015, Internal Audit performed an audit over Grants Management, which included the grant cycle from the initiation of a grant application, through the grant application evaluation and award, completing with grant monitoring, and close-out. As part of the update of the Internal Audit Risk Assessment in 2015, the grants cycle was split into three distinct cycles to better depict how the process occurs: Pre-Award Grant Management, Grant Contracting, and Post-Award Grant Monitoring. This internal audit focused on the Pre-Award Grant Management processes.

CPRIT awards three types of grants, including academic research, prevention, and product development research grants.

Since June 1, 2015, CPRIT pre-award grant activity included:

- 43 RFA Solicitations (17 - FY16; 26 – FY17)
- 216 Grant Awards
- \$ 467,386,581 Funds Awarded
 - 5 Product Development Research Grants \$ 86,060,655
 - 35 Prevention Grants \$ 38,962,892
 - 176 Academic Research Grants \$ 342,363,034

As part of granting funds for cancer academic research, prevention, and product development research, the agency conducts an extensive review process for all grant applications. The grant process begins with the issuance of a Request for Applications (RFA) to invite academic institutions, companies, or other organizations to submit applications for CPRIT grant funds. The Program Managers and Program Officers are responsible for ensuring that the RFAs align with CPRIT goals and priorities.

As part of the grant application review and approval process, grant applications are subject to many levels of review, including an administrative review to ensure completeness of the application, as well as programmatic reviews by the Scientific Research and Prevention Programs Committee (SRPPC), a program review council, the Program Integration Committee (PIC), and the Oversight Committee. The Oversight Committee holds the ultimate responsibility to approve and grant awards.

SRPPC members are selected and vetted by the CEO and approved by the Oversight Committee. SRPPC members perform the first level of review and score the applications. The highest-scoring applications are recommended to a program review council for review and finalization of recommendations. Product development research applications also receive a due diligence and intellectual property review prior to review by the Product Development Review Council. Once an application has gone through SRPPC review, the Review Council performs a review of the application and selects the highest-scoring applications to recommend to the PIC. The PIC then completes a review of the applications and submits recommendations to the Oversight Committee for grant award. During the quarterly Oversight Committee meetings, the Oversight Committee performs the final review and approval of grant applications for CPRIT grant funds.

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As part of the grant application review process, all SRPPC members, PIC members, and Oversight Committee members are required to complete a conflict of interest disclosure for all grant applications reviewed. The conflict of interest disclosure must be completed prior to accessing any applications and identifies any independence issues or certifies that the SRPPC member, PIC member, or Oversight Committee member does not have a conflict of interest with any of the applications reviewed. CPRIT's third-party observer vendor monitors the grant application evaluation meetings to ensure that SRPPC members do not participate in the discussion of applications with which a conflict of interest has been identified. SRPPC members who have identified a conflict of interest are tracked and are not allowed to be present or participate in discussions of the grant application.

Additionally, SRPPC members, review council members, and PIC members are required to complete a post-review statement after their respective application review meeting to indicate that they understand the CPRIT Conflict of Interest Policy and have identified any relevant conflicts of interest. SRPPC Chairs, who make up the respective review council, are not required to complete a conflict of interest form prior to review of applications and identify any conflicts of interest during the meeting. SRPPC Chairs are required to complete a post-review statement after the relevant review meeting to indicate that they understand the CPRIT Conflict of Interest Policy and have identified any relevant conflicts of interest.

As part of the grant award process, CPRIT management is responsible for monitoring available grant funds and ensuring that prevention grant awards remain within the statutory limit of 10% of all grant awards. The Chief Operating Officer monitors available grant funds prior to and following each oversight committee meeting to ensure that grants awards are only awarded within available grant funds, and to ensure that prevention grant awards are within the 10% statutory limit.

AUDIT OBJECTIVE AND SCOPE

The audit focused on CPRIT's Pre-Award Grant Management processes to solicit and evaluate grant applications and make grant awards. Activities that were evaluated include the Request for Application (RFA) Review Process, Conflicts of Interest, Scientific Research and Prevention Programs Committee (SRPPC) including travel coordination, Grant Application Approval and Awarding Grant Funds. Key functions and sub-processes within the Pre-Award Grant Management process that were reviewed include:

- RFA Review Process
 - Academic Research
 - Product Development Research
 - Prevention
- Conflict of Interest Disclosure
- Scientific Research and Prevention Programs Committee Review Process
- Grant Application Approval
- Grant Award Approval

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

RFA Review Process

- RFA solicitations align with Program Priorities and the Texas Cancer Plan
- RFA solicitations are reviewed and approved prior to posting and distribution
- Administrative review is performed on applications to ensure completeness and compliance with RFA requirements

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Conflict of Interest Disclosure

- Scientific Research and Prevention Programs Committee (SRPPC) members disclose conflicts of interest
- SRPPC members confirm understanding of conflict of interest policies
- Program Integration Committee members disclose conflicts of interest
- Oversight Committee members disclose conflicts of interest
- Any individuals with conflicts of interest are recused from evaluation
- CPRIT staff do not substantively participate in SRPPC meetings

Scientific Research and Prevention Programs Committee Review Process

- Available grant funds allocation thresholds are monitored by management
- Prevention grants awards are within statutory limits
- SRPPC members are appropriately vetted and selected by the CEO
- SRPPC members are approved by the Oversight Committee prior to beginning service
- SRPPC members are assigned to appropriate panels based on expertise
- SRPPC scores are appropriately tabulated and validated
- High-scoring product development research applications receive due diligence and intellectual property review prior to approval for award recommendation
- Recommended applications are reviewed and approved by a review council

Grant Application Approval

- Applications are reviewed and approved by the Program Integration Committee
- Application Pedigrees are completed for approved awards
- CEO Affidavits are completed for approved awards
- CCO Compliance Certifications are completed for approved awards

Grant Award Approval

- Available grant funds are monitored by management
- Prevention grants awards are within statutory limits
- Oversight Committee approves all awards
- Applicants of approved grant awards are notified with a Notice of Funding Recommendation

The audit did not include the following Grant Contracting or Post-Award Monitoring processes in the scope:

- Grant Contract Terms and Execution
- Funds Availability
- Grantee Certification and Reporting
- Grantee and Sub-contractor Compliance Monitoring
- Grantee Reporting and Scientific Review
- Annual Progress Reports
- External Reporting

Our procedures included interviewing key personnel within the agency to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from June 1, 2015, through February 28, 2017.

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EXECUTIVE SUMMARY

Through our interviews, observations, evaluation of internal control design, and testing of controls, we identified three findings. The listing of findings includes 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 significant 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	SATISFACTORY
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SCOPE AREA	RESULT	RATING
Objective A: Confirm the design of internal controls over Pre-Award Grant Management processes ensure that consistent processes are implemented and designed effectively to manage the grant application and evaluation process.	We identified 29 controls to be in place in the process, and identified the following opportunity for improvement: <ul style="list-style-type: none"> Perform secondary review of Available Grant Funds monitoring spreadsheet 	SATISFACTORY
Objective B: Ensure that controls over selected critical processes within Pre-Award Grant Management processes are operating effectively and that required grant application documentations is obtained and reviewed.	Controls in place were generally operating as designed. We identified the following opportunities for improvement: <ul style="list-style-type: none"> Verify that all Post-Review Statements are completed 	STRONG
Objective C: Ensure that access to view, process or modify data in the CARS, CSRA SharePoint, and CPRIT Portal is restricted to appropriate personnel.	Access to CARS, CSRA SharePoint, and the CPRIT Portal was generally appropriate. We identified the following opportunity for improvement: <ul style="list-style-type: none"> Monitor access to CSRA's SharePoint to ensure access is removed timely upon departure of CPRIT and CSRA employees 	STRONG

Through our interviews, evaluation of internal control design and control testing we did not identify any additional observations or opportunities for improvement.

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CONCLUSION

Based on our evaluation, the Pre-Award Grant Management process has procedures and controls in place to conduct effective management of the significant processes within CPRIT. However, we identified opportunities to improve the processes and effectiveness of the controls within the Pre-Award Grant Management process.

CPRIT should ensure that a secondary review of the Available Grant Funds monitoring spreadsheet is performed to verify that data points included in the schedule are complete. CPRIT should also ensure that all Post-Review Statements are completed for the evaluation of the grant applications. CPRIT should ensure that access to the CSRA SharePoint is appropriately removed upon termination of CPRIT and CSRA employees.

Follow-up procedures will be conducted as part of the 2018 Internal Audit Plan to validate the effectiveness of the steps taken to address the findings identified.

**DETAILED PROCEDURES PERFORMED, FINDINGS,
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**DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS
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Our procedures included interviewing key agency personnel to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures and processes in their current state.

Objective A: Design of Internal Controls

Confirm the design of internal controls over Pre-Award Grant Management processes ensure that consistent processes are implemented and designed effectively to manage the grant application and evaluation process.

Procedures Performed: We conducted interviews with key personnel throughout CPRIT and examined existing documentation to confirm our understanding of the internal controls for the Pre-Award Grant Management processes. We confirmed the design of controls within the following critical sub processes:

- RFA Review Process
- Conflict of Interest Disclosure
- Scientific Research and Prevention Programs Committee Review Process
- Grant Application Approval
- Grant Award Approval

We evaluated whether the design of the confirmed internal controls sufficiently mitigates the critical risks associated with the Pre-Award Grant Management processes. We identified any unacceptable risk exposures due to control design inadequacy or any opportunities to strengthen the effectiveness of the existing control design.

Results: We identified 29 controls in place over the significant activities within the Pre-Award Grant Management processes. We identified one finding where an improvement in the process and procedures can be made.

Process Area	Controls	Control Gaps
Pre-Award Grant Management Processes		
RFA Review Process	4	-
Conflict of Interest Disclosures	10	-
Scientific Research and Prevention Programs Committee Review Process	11*	-
Grant Application Approval	4*	-
Grant Award Approval	4*	Finding 1
Total	29	1

* **Duplicate Control:** The total number of controls identified is 29. However, based on their design, controls address risks in multiple processes. We have mapped the 29 identified controls to the processes in which they mitigate the risks within the processes.

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Finding 1 – HIGH – Available Grant Funds Monitoring

The responsibility to review the updated Available Grant Funds Monitoring spreadsheet is not assigned to a specific individual within CPRIT. The spreadsheet is updated by the Chief Operations Officer prior to each Oversight Committee meeting and is emailed to the officers and managers of each program for review. However, there is not a specifically designated employee within the agency who has the responsibility to perform a detailed review of the grant awards against the award slates or a review of the award declines against supporting documentation for each update.

We identified that the FY 2016 Available Grant Funds Monitoring spreadsheet was incomplete due to the omission of \$13,050,420 in grant awards from the Announced Grant Awards in the spreadsheet and an omitted correction totaling \$19,427. The total error resulted in an understatement of grant awards of \$13,069,847.

Recommendation: CPRIT should assign the responsibility to perform a detailed review of the Available Grant Funds monitoring spreadsheet against the award slates and declined awards when the spreadsheet is updated. The detailed review could be performed by the Operations Specialist or Operations Manager, and should be performed prior to providing the spreadsheet to the program officers and managers, the PIC, and the Oversight Committee.

CPRIT Management Response: CPRIT management agrees with the finding and has developed a process by which the Operations Manager verifies the grant award slate and grant declination amounts in the Available Grant Funds monitoring spreadsheet each time it is updated.

Responsible Party: Chief Operating Officer, Operations Manager

Implementation Date: May 5, 2017

Objective B: Effectiveness of Controls

Ensure that controls over selected critical processes within Pre-Award Grant Management processes are operating effectively and that required grant application documentation is obtained and reviewed.

1. Procedures Performed: We selected a sample of 10 from the population of 48 Request for Applications that were released between June 1, 2015, and February 28, 2017, and verified the following:

- Solicitations were approved prior to posting
- Solicitations aligned with CPRIT's Program Priorities and the Texas Cancer Plan

Results: No findings identified.

2. Procedures Performed: We selected a sample of 40 from the population of 255 Scientific Research and Prevention Programs Committee (SRPPC) members that were active on at least one review panel between June 1, 2015, and February 28, 2017, and verified the following:

- SRPPC members were appropriately vetted and selected by the CEO
- SRPPC members were approved by the Oversight Committee
- SRPPC members were assigned to appropriate panels based on experience

Results: No findings identified.

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3. Procedures Performed: We selected a sample of 35 from the population of 150 grant applications approved and awarded between June 1, 2015, and February 28, 2017, and verified the following:

- High-scoring product development research applications were subjected to due diligence and intellectual property review
- Approved applications were reviewed by a program review council, Program Integration Committee, and Oversight Committee
- Approved applications had completed application pedigrees, CEO affidavits, and CCO compliance certifications
- Applicants of approved grant awards were notified via a Notice of Funding recommendation
- Conflict of Interest disclosures were completed
- Third Party Observer Reports were completed for program review council meetings

Results: No findings identified.

4. Procedures Performed: We reviewed the Available Grant Funds monitoring spreadsheet for FY16 and verified the following:

- Available grant funds were monitored by management
- Validated mathematical accuracy of Available Grant funds
- Correct source of documentation was used to calculate available grant funds
- Prevention grant awards were within statutory limits

Results: We verified that available grant funds were monitored by management. However, we identified a discrepancy between the grant funds awarded by the Oversight Committee and the awards identified in the Available Grant Funds monitoring spreadsheet.

Finding 1 – HIGH – Available Grant Funds Monitoring

5. Procedures Performed: We selected a sample of 40 from the population of 928 grant applications that were received between June 1, 2015, and February 28, 2017, and verified the following:

- Applications were complete prior to SRPPC review
- Administrative review was performed on accepted applications
- SRPPC steps were completed for approved applications
- SRPPC members disclosed conflicts of interest
- SRPPC scores were appropriately tabulated and validated
- Third-party observer reports were completed for SRPPC meetings

Results: We verified that applications were complete prior to SRPPC review, administrative review was performed on accepted applications, SRPPC steps were completed for approved applications, SRPPC scores were appropriately tabulated and validated, and third-party observer reports were completed. However, we identified one missing Post-Review Statement related to two of the 40 applications tested.

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Finding 2 – MODERATE – Missing Post-Review Statement

For two out of 40 applications tested, we were unable to verify that the panel chair completed the Post-Review Statement at the completion of the SRPPC panel meeting. Both of these applications were reviewed at the 16.2 Clinical & Translational Cancer Research and Translational Cancer Research SRPPC panel meeting on March 9, 2016, through March 10, 2016. The 40 applications tested were associated with 21 review panels composed of 340 SRPPC members. The Clinical & Translational Cancer Research and Translational Cancer Research Panel contained 32 SRPPC members, for whom 31 Post Review Statements were provided. However, CPRIT was unable to provide the Post-Review Statement for the panel chair.

Recommendation: CPRIT should ensure that Conflict of Interest disclosures are completed by all SRPPC panelists, including panel chairs. CPRIT should work with CSRA to implement a process where panel chairs must confirm that they do not have any conflicts with the applications prior to participating in the evaluation process. This could be accomplished by the panel chairs providing a Conflict of Interest statement during the process to assign the applications to the panels for evaluation.

CPRIT Management Response: CPRIT management agrees with this finding and will work with CSRA to implement a formal process where panel chairs must confirm that they do not have any conflicts with the applications prior to participating in the evaluation process.

Responsible Party: Chief Compliance Officer

Implementation Date: September 1, 2017

Objective C: System Access

Ensure that access to view, process or modify data in the CARS, CSRA SharePoint, and the CPRIT Portal is restricted to appropriate personnel.

- 1. Procedures Performed:** We obtained the user access permissions for the CPRIT Application Receipt System (CARS) from CSRA. We evaluated the user permissions to verify that only CSRA employees have access to the CARS system.

Results: No findings identified.

- 2. Procedures Performed:** We obtained the user access permissions for the CSRA SharePoint from CSRA. We evaluated the user permissions for all CPRIT and CSRA employees with access to the CSRA SharePoint to verify system access is appropriate.

Results: We identified two CPRIT employees and one CSRA employee that had active user IDs in the CSRA SharePoint after they separated employment from their respective organization.

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Finding 3 – MODERATE – Separated Employee User Access

We identified that two CPRIT employees and one CSRA employee had active user IDs in the CSRA SharePoint portal after they separated employment from their respective organization. The CPRIT employees' user IDs were deactivated prior to April 2017. Their access was removed 909 days and 302 days after their separation date. However, the CSRA employee still has an active user ID on the SharePoint site. Passwords for the user accounts are automatically reset every six months due to a CSRA configuration for the SharePoint site. Further, in order for any CPRIT employee to access CPRIT data, the employee must have access to CPRIT email in order to reset the password.

Recommendation: CPRIT should perform a review of user access of the CSRA SharePoint portal and request that CSRA remove access from CSRA employees who have separated employment with CSRA. This review should include the review of CPRIT employee access to ensure that access for CPRIT employees is appropriate. (See the August 2016 Information Security Internal Audit - Finding 11).

CPRIT should also continue to enforce the requirement that CSRA obtain a SOC report for the services provided to CPRIT (See the August 2016 Information Security Internal Audit - Finding 6).

CPRIT Management Response: CPRIT management agrees with this finding and will develop a process that CSRA provides formal notification to CPRIT that CSRA IT system accounts of separated employees from either organization are deactivated. Timely deactivation of separated employee access to CSRA IT systems will be verified through the documentation required for completion of the SOC 2 report due from CSRA.

Responsible Party: Chief Operating Officer, Operations Manager, Information Technology Manager

Implementation Date: February 28, 2018

3. **Procedures Performed:** We obtained and tested the user access permissions for the CPRIT Portal from CPRIT IT personnel. We evaluated the user permissions for all CPRIT employees, PIC members, and Oversight Committee members with access to the CPRIT portal to verify system access is appropriate.

Results: No findings identified.

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