

Cancer Prevention and Research Institute of Texas
Fiscal Year 2018 Annual Internal Audit Report
August 31, 2018

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

Texas Government Code, Section 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post their Internal Audit Plan, Internal Audit Annual Report, and other audit information on the Internet.

The Cancer Prevention and Research Institute of Texas (CPRIT or the agency) will post this report and its Fiscal Year 2019 Internal Audit Plan on its website at www.cprit.state.tx.us by August 31, 2018. CPRIT's Oversight Committee reviewed and approved the Annual Internal Audit Report as part of their regular meeting held on August 24, 2018.

CPRIT will update its posting with a detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns raised by performance of the audit plan as they are identified or by November 1, 2018. CPRIT will also update the posting with the corrective action taken to address any issues identified.

II. Internal Audit Plan for Fiscal Year 2018

The internal audits planned and performed for fiscal year 2018 were selected to address the agency's highest risk areas, based on the risk assessment process conducted during the fall of 2013, which included input from CPRIT management. The audits conducted during fiscal year 2018 are listed below.

Internal Audit	Report #	Report Date	Current Status
Post Award Grant Contracting and Monitoring	IA #01-18	December 20, 2017	The report was issued February 1, 2018. Follow-up procedures to verify that corrective action has been performed are included in the proposed 2019 Internal Audit Plan.
Communications	IA #04-18	April 30, 2018	The report was issued May 25, 2018. Follow-up procedures to verify that corrective action has been performed are included in the proposed 2019 Internal Audit Plan.
State Reporting	N/A	N/A	The Internal Audit was postponed to FY 2019.
Information Technology General Computer Controls	N/A	N/A	The Internal Audit was postponed to FY 2019 to allow Internal Audit to perform additional follow-up procedures over open Information Security findings.

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Internal Audit	Report #	Report Date	Current Status
Internal Audit Follow-Up over Internal Agency Compliance	IA #02-18	January 19, 2018	The report was issued February 2, 2018. All prior findings were remediated.
Internal Audit Follow-Up over Training	IA #03-18	January 19, 2018	The report was issued February 2, 2018. All prior findings were remediated.
Internal Audit Follow-Up over Pre-Award Grant Management	IA #06-18	April 24, 2018	The report was issued May 10, 2018. All prior findings were remediated or closed.
Internal Audit Follow-Up over Procurement and P-Cards	IA #05-18	April 30, 2018	The report was issued May 25, 2018. Follow-up procedures to verify that corrective action has been performed on the remaining open findings are included in the proposed 2019 Internal Audit Plan.
Internal Audit Follow-Up over IT Security	IA-07-18	July 17, 2018	The report was issued on July 30, 2018. Follow-up procedures to verify that corrective action has been performed on the remaining open findings are included in the proposed 2019 Internal Audit Plan.

III. Consulting Services and Nonaudit Services Completed

As defined in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, CPRIT completed the following consulting and non-audit services for FY 2018:

Consulting and nonaudit services were provided by Business and Financial Management Solutions, LLC (BFMS). CPRIT engaged BFMS as the third party to observe each in-person and telephone conference Peer Review Panel meeting and ensure compliance with conflict of interest and staff participation requirements.

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BFMS issued the following reports during fiscal year 2018:

FY2018 Third Party Observer Reports

Review Panel	Report Date	Report Number	Status
Academic Research			
SRC recruitment meeting 18.1-.2	September 14, 2017	2017-09-14_REC_18.1-2	Complete
18.1 Cancer Biology Panel	October 16, 2017	2017-10-16_CB_18.1	Complete
18.1 Basic Cancer Research Panel 2	October 18, 2017	2017-10-18_BCR_18.1 Panel 2	Complete
18.1 Clinical/Translational Cancer Research Panel	October 19, 2017	2017-10-19_C/TCR_18.1	Complete
18.1 Basic Cancer Research Panel 1	October 20, 2017	2017-10-20_BCR_18.1 Panel 1	Complete
18.1 IT & Informatics	October 23, 2017	2017-10-23_ITI_18.1	Complete
18.1 Cancer Prevention Research	October 24, 2017	2017-10-24_CPR_18.1	Complete
SRC recruitment meeting 18.3-.4	November 16, 2017	2017-11-16_REC_18.3.4	Complete
SRC 18.1	November 16, 2017	2017-11-16_SRC_18.1	Complete
SRC recruits 18.5	December 14, 2017	2017-12-14_REC_18.5	Complete
SRC 18.1	December 14, 2017	2017-12-14_SRC_18.1	Complete
SRC Recruits 18.6-.7	February 15, 2018	2018-02-15_REC_18.6-7	Complete
SRC Recruits 18.8	March 15, 2018	2018-03-15_REC_18.8	Complete
SRC recruits 18.9	April 24, 2018	2018-04-19_REC_18.9	Complete
SRC recruits 18.10	June 5, 2018	2018-05-17_ACR_REC_18.10	Complete
18.2 Cancer Prevention Research	June 5, 2018	2018-05-18_ACR_CPR_18.2	Complete
18.2 Basic Cancer Research-1	June 5, 2018	2018_05_21_ACR_BCR_18.2 Panel 1	Complete
18.2 Clinical/Translational Cancer Research Panel	June 5, 2018	2018-05-22_ACR_C/TCR_18.2	Complete
18.2 Basic Cancer Research -2	June 5, 2018	2018_05_21_ACR_BCR_18.2 Panel 2	Complete
18.2 IT & Informatics	June 5, 2018	2018-05-24_ACR_ITI_18.2	Complete
18.2 Cancer Biology	June 5, 2018	2018-05-25_ACR_CB_18.2	Complete
SRC recruits 18.11	June 21, 2018	2018-06-21_REC_18.11	Complete
18.2 SRC	July 17, 2018	2018-07-12_SRC_18.2	Complete
SRC Recruits 18.12	July 17, 2018	2018-07-12_REC_18.12	Complete
Prevention			
PRC 18.1 DI	October 24, 2017	2017-10-24_PREV_DI_18.1	Complete
18.1 Panel 1	December 12, 2017	2017-12-11- PREV	Complete
18.1 Panel 2	December 14, 2017	2017-12-13- PREV	Complete
PRC 18.1 (and DI 18.2)	January 18, 2018	2018-01-18_PRC_18.1	Complete
PRC DI 18.3	April 4, 2018	2018-04-03 Dissemination Interventions (18.3_PRV_DI)	Complete
18.2 Panel 1	June 5, 2018	2018-5-22 PRV_18.2_PP-1	Complete
18.2 Panel 2	June 5, 2018	2018-5-24 PRV_18.2_PP-2	Complete
18.2 PRC	July 9, 2018	2018-07-06_PRC_18.2	Complete

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Product Development			
18.1 Panel 1 teleconference	September 25, 2017	2017-09-26_PDP_18.2	Complete
18.1 Panel 2 teleconference	September 26, 2017	2017-09-26_PDP_18.1-2	Complete
18.1 In person	October 25, 2017	2017-10-25_PDP_18.1-2	Complete
18.1 Due Diligence/PDRC	January 16, 2018	2018-01-16_PDR_18.1	Complete
18.2 Panel 1 Teleconference	March 27, 2018	2018-03-26_PDP_18.2 Panel 1	Complete
18.2 Panel 2 Teleconference	March 27, 2018	2018-03-26_PDP_18.2 Panel 2	Complete
18.2 Panel 1 Onsite	April 24, 2018	2018-04-23_PDP_18.2 Panel 1 Onsite	Complete
18.2 Panel 2 Onsite	April 27, 2018	2018-04-25_PDP_18.2 Panel 2 Onsite	Complete
18.2 Due Diligence/PDRC	July 17, 2018	2018-07-11-DD_PDR_18.2	Complete

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IV. External Quality Assurance Review

In accordance with professional standards, and to meet the requirements of the Texas Internal Auditing Act, Internal Audit is required to undergo an external quality assurance review at least once every three years. Weaver's review was performed in October 2016.



System Review Report

To the Partners of Weaver and Tidwell, L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. (the "firm") applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Weaver and Tidwell, L.L.P. has received a peer review rating of *pass*.

Eide Bailly LLP

Eide Bailly LLP
October 7, 2016

www.eidebailly.com

800 Nicollet Mall, Ste. 1300 | Minneapolis, MN 55402-7033 | T 612.253.6500 | F 612.253.6600 | EOE

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V. Internal Audit Plan

The Internal Audit Plan was submitted to the Audit Subcommittee of the CPRIT Oversight Committee. The Audit Subcommittee approved the plan on August 6, 2018, and the Oversight Committee subsequently approved the plan on August 24, 2018. Below is the Fiscal Year 2019 Internal Audit Plan submitted to the agency's Oversight Committee based on the results of the 2018 Internal Audit Risk Assessment Update. The approved internal audit plan was submitted to the State Auditor's Office prior to November 1, 2018.

Fiscal Year 2019 Internal Audit Plan		
Audit Area	2018 Risk Rating	Estimated Hours
State Reporting Requirements	Moderate	310 - 340
Budgeting and Planning	Moderate	270 - 300

Planned follow-up procedures for fiscal year 2018 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

Fiscal Year 2019 Follow-up Procedures		
Audit Area	2018 Risk Rating	Estimated Hours
Communications	Moderate	90 - 115
Post-Award Grant Monitoring	High	50 - 65
Procurement and P-Cards	High	
Information Security	High	
SAO Report on Performance Measures	N/A	100 - 120

As part of the risk assessment, CPRIT assesses the probability and impact of the following risk categories across all significant activities of the agency, which include the significant information technology processes of information security, information technology general computer controls and application development and management:

- financial and fraud risk
- operations, complexity, and human capital risk
- information technology risk
- regulatory compliance and public policy risk, and
- reputational risk

Taking into consideration the input from the CPRIT management, all significant activities are assigned a risk score for probability and impact related to each risk category. The overall risk rating (High, Medium or Low) is assigned to each significant activity based on the activity's average risk score.

The internal audit plan is developed by considering risk ratings for each significant activity and prioritizing "High" risk activities. The risk assessment is updated on an annual basis.

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The 2018 Internal Audit Risk Assessment Update resulted in 10 Significant Activities rated as “High” risk. Seven of the 10 Significant Activities are not included in the Fiscal Year 2019 Internal Audit Plan. Those risks are as follows:

1. **Pre-Award Grant Management** – Pre-Award Grant Management was not included in the 2019 Internal Audit Plan. Pre-Award Grants Management was included in the 2017 Internal Audit Plan, and was included in 2018 Follow-Up Procedures with all findings remediated.
2. **Commodity and Service Contracts** – Commodity and Service Contracts was not included in the 2019 Internal Audit Plan. Commodity and Service Contracts was included in the 2016 Internal Audit Plan, and was included in 2017 Follow-Up Procedures with all findings remediated.
3. **Disaster Recovery and Business Continuity Planning** – Disaster Recovery and Business Continuity Planning was not included in the 2019 Internal Audit Plan.
4. **Internal Agency Compliance** – Internal Agency Compliance was not included in the 2019 Internal Audit Plan. Internal Agency Compliance was included in the 2017 Internal Audit Plan and was included in the 2018 Follow-Up Procedures with all findings remediated.
5. **Information Technology General Computer Controls** – Information Technology General Computer Controls was not included in the 2019 Internal Audit Plan.
6. **Governance** – Governance was not included in the 2019 Internal Audit Plan. Governance was included in the 2014 Internal Audit Plan, and was included in the 2015 Follow-up Procedures with all findings remediated.
7. **Records Management** – Records Management was not included in the 2019 Internal Audit Plan.

VI. External Audit Services Procured in FY 2018

CPRIT engaged McConnell & Jones, LLP, a certified public accounting and consulting firm, as their external auditors for FY 2018. McConnell & Jones, LLP is registered with the Public Company Auditor Oversight Board (PCAOB).

VII. Reporting Suspected Fraud, Waste and Abuse

- CPRIT contracts with Red Flag Reporting to provide a confidential hotline for reporting fraud, waste and abuse. The agency has posted a link on its home page at www.cprit.state.tx.us and also has a dedicated page to fraud prevention and reporting on its website at <http://www.cprit.state.tx.us/about-cprit/fraud-prevention/>.
- The CPRIT Chief Compliance Officer is the designated staff member within the agency to receive written or verbal allegations of suspected fraud, waste, and abuse. The Chief Compliance Officer has the authority to examine and investigate those allegations and turn over information of verified instances of fraud, waste, or abuse to the State Auditor's Office.