

Cancer Prevention and Research Institute of Texas

Fiscal Year 2019 Annual Internal Audit Report
August 31, 2019

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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 which includes the Fiscal Year 2020 Internal Audit Plan on its website at www.cprit.texas.gov by November 22, 2019. CPRIT's Oversight Committee reviewed and approved the Annual Internal Audit Report as part of their regular meeting held on November 20, 2019.

The table in Section II below provides a detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns raised by performance of the audit plan and the actions taken by the agency to address any of those issues identified.

II. Internal Audit Plan for Fiscal Year 2019

The internal audits planned and performed for fiscal year 2019 were selected to address the agency's highest risk areas, based on the risk assessment process conducted during the summer of 2018, which included input from CPRIT management. The audits conducted during fiscal year 2019 are listed below.

| Internal Audit | Report # | Report Date | Current Status |
|--|-----------|------------------|---|
| Internal Audit Follow-Up over SAO Performance Measures Audit | IA #01-19 | December 6, 2018 | The report was issued December 12, 2018. All prior findings were remediated. |
| State Reporting | IA #02-19 | January 16, 2019 | The report was issued January 25, 2019 Follow-up procedures to verify that corrective action has been performed are included in the proposed 2020 Internal Audit Plan. |
| Budget and Planning | IA #03-19 | January 16, 2019 | The report was issued January 25, 2019. The audit resulted in an overall assessment of "Strong" with no findings. |

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| Internal Audit | Report # | Report Date | Current Status |
|---|-----------|-----------------|---|
| Internal Audit Follow-Up over Post-Award Grant Management | IA #04-19 | April 11, 2019 | The report was issued April 26, 2019. The prior finding was remediated. |
| Internal Audit Follow-Up over Procurement and P-Cards | IA #05-19 | August 1, 2019 | The report was issued August 5, 2019. The prior findings were remediated. |
| Internal Audit Follow-Up over Communications | IA #06-19 | August 30, 2019 | The report was issued on October 4, 2019. Follow-up procedures to verify that corrective action has been performed on the remaining open findings are included in the proposed 2020 Internal Audit Plan. |
| Internal Audit Follow-Up over Information Security | N/A | N/A | Internal audit follow-up procedures were cancelled for FY 2019 due to the implementation of the new CPRIT website. Internal audit follow-up procedures are included as part of the FY 2020 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 2019:

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 2019:

FY2019 Third Party Observer Reports

| Review Panel | Report Date | Report Number | Status |
|--------------------------|-------------------|------------------------------------|----------|
| Academic Research | | | |
| SRC recruits 19.3 | October 12, 2018 | 2018-10-11 REC_19.3 | Complete |
| 19.1 ITI | October 30, 2018 | 2018-10-18 19.1_ACR_ITI | Complete |
| 19.1 BCR-1 | October 30, 2018 | 2018-10-19 19.1_ACR_BCR-1 | Complete |
| 19.1 CB | October 30, 2018 | 2018-10-22 19.1_ACR_CB | Complete |
| 19.1 BCR-2 | October 30, 2018 | 2018-10-23 19.1_ACR_BCR-2 | Complete |
| 19.1 CPR | October 30, 2018 | 2018-10-24 19.1_ACR_CPR | Complete |
| 19.1 C/TCR | October 30, 2018 | 2018-10-25 19.1_ACR_C/TCR | Complete |
| SRC 19.1 | December 5, 2018 | 2018-12-05 19.1_SRC | Complete |
| SRC recruits 19.4-5 | December 13, 2018 | 2018-12-18 REC_19.4-5 | Complete |
| SRC recruits 19.6 | January 17, 2019 | 2019-01-17 REC_19.6 | Complete |
| SRC recruits 19.7 | February 15, 2019 | 2019-02-14 REC_19.7 | Complete |
| SRC recruits 19.8 | March 15, 2019 | 2019-03-14 REC_19.8 | Complete |
| SRC recruits 19.9 | April 11, 2019 | 2019-04-11 REC 19.9 | Complete |
| SRC recruits 19.10 | June 3, 2019 | 2019-05-31 REC 19.10 | Complete |
| 19.2 ITI | June 3, 2019 | 2019-05-20_19.2_ARC_ITI | Complete |
| 19.2 C/TCR | June 4, 2019 | 2019-05-21_19.2_ARC_C/TCR | Complete |
| 19.2 BCR-1 | June 4, 2019 | 2019-05-24 19.2_ARC_BCR-1 | Complete |
| 19.2 CPR | June 4, 2019 | 2019-05-23_19.2_ARC_CPR | Complete |
| 19.2 CB | June 4, 2019 | 019-05-21_19.2_ARC_CB | Complete |
| SRC recruits 19.11 | June 24, 2019 | 2019-06-24 REC_19.11 | Complete |
| SRC recruits 19.12 | July 12, 2019 | 2019-07-11 REC_19.12 | Complete |
| SRC 19.2 | July 12, 2019 | 2019-07-11 19.2_SRC | Complete |
| Prevention | | | |
| 19.1 Panel 1 | December 14, 2018 | 2018 – 12 – 12 19.1_PRV_Panel PP-1 | Complete |
| PRC 19.1 DI | January 15, 2019 | 2019-01-11 19.1_PRV_DI | Complete |
| 19.1 PRC | January 17, 2019 | 2019-01-11 19.1_PRV_PRC | Complete |
| 19.2 Panel 1 | June 4, 2019 | 2019-05-22 19.2_PRV_PP-1 | Complete |
| PRC 19.2 DI | July 11, 2019 | 2019-07-08 PRV_DI_19.2 | Complete |
| PRC 19.2 | July 11, 2019 | 2019-07-08 PRV_PRC_19.2 | Complete |

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| Review Panel | Report Date | Report Number | Status |
|--|--------------------|---|---------------|
| Product Development | | | |
| Cycle 19.1 Panel 2 Teleconference | September 27, 2018 | 2018-09-25_19.1-PDR_PDP-2 | Complete |
| Cycle 19.1 Panel 1 Teleconference | September 26, 2018 | 09-24-18_19.1-PDR_PDP-1 | Complete |
| 18.2 Due Diligence | October 18, 2018 | 2018-10-18 18-2_PDR_DDP-2 | Complete |
| Cycle 19.1 Panel 1 Onsite | October 30, 2018 | 2018-10-23 19.1_PDP-1 | Complete |
| Cycle 19.1 Panel 2 Onsite | October 30, 2018 | 2018-10-25 19.1_PDP-2 | Complete |
| PDRC 19.1 Due diligence (part 1-1/11) | January 17, 2019 | 2019-01-11 PRD_DD_19.1_P-1 | Complete |
| PDRC 19.1 Due Diligence (part 2-1/14) | January 17, 2019 | 2019-01-11 PRD_DD_19.1_P-2 | Complete |
| PDRC 19.1 Due diligence (part 2 cont-1/22) | January 23, 2019 | 2019-01-11 PRD_DD_19.1_P-2 Continuation | Complete |
| 19.2 Teleconference-Panel 1 | March 20, 2019 | 2019-03-18 19.2_PDR_PDP-1 | Complete |
| 19.2 Teleconference-Panel 2 | March 20, 2019 | 2019-03-19 19.2_PDR_PDP-2 | Complete |
| 19.2 In person meeting-Panel 1 | April 29, 2019 | 2019-04-16 19.2_PDR_PDP-1 | Complete |
| 19.2 In person meeting-Panel 2 | April 29, 2019 | 2019-04-18 19.2_PDR_PDP-2 | Complete |
| 19.1 Due Diligence for DP190041 | May 1, 2019 | 2019-04-30 19.1_PRD_DD-3 | Complete |
| 19.2 Due Diligence | July 18, 2019 | 2019-07-08 PDR_DD_19.2 | 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*.

A handwritten signature in cursive script that reads "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

V. Internal Audit Plan For Fiscal Year 2020

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The Internal Audit Plan was submitted to the Audit Subcommittee of the CPRIT Oversight Committee. The Audit Subcommittee approved the plan on August 21, 2019, and the Oversight Committee subsequently approved the plan on August 21, 2019. Below is the Fiscal Year 2020 Internal Audit Plan submitted to the agency's Oversight Committee based on the results of the 2019 Internal Audit Risk Assessment Update. The approved internal audit plan was submitted to the State Auditor's Office prior to November 22, 2019.

| Fiscal Year 2020 Internal Audit Plan | | |
|--------------------------------------|------------------|-----------------|
| Audit Area | 2019 Risk Rating | Estimated Hours |
| Governance | High | 230 |
| Disaster Recovery | High | 550 |
| Business Continuity Planning | High | |

Planned follow-up procedures for fiscal year 2020 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

| Fiscal Year 2020 Follow-up Procedures | | |
|---------------------------------------|------------------|-----------------|
| Audit Area | 2019 Risk Rating | Estimated Hours |
| Information Security | High | 60 |
| Communications | Moderate | 100 |
| State Reporting | Moderate | 80 |

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, Moderate 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 2019 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 2020 Internal Audit Plan. Those risks are as follows:

- **Pre-Award Grant Management** – Pre-Award Grant Management was not included in the 2020 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.
- **Post-Award Grant Monitoring** – Post-Award Grant Monitoring was not included in the 2020 Internal Audit Plan. Post-Award Grant Monitoring was included in the 2018 Internal Audit Plan, and was included in 2019 Follow-Up Procedures with all findings remediated.
- **Commodity and Service Contracts** – Commodity and Service Contracts was not included in the 2020 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.
- **Procurement and P-Cards** – Procurement and P-Cards was not included in the 2020 Internal Audit Plan. Procurement and P-Cards was included in the 2017 Internal Audit Plan, and was included in 2019 Follow-Up Procedures with all findings remediated.
- **Internal Agency Compliance** – Internal Agency Compliance was not included in the 2020 Internal Audit Plan. Commodity and Service Contracts was included in the 2017 Internal Audit Plan, and was included in 2018 Follow-Up Procedures with all findings remediated.
- **Information Technology General Computer Controls** – Information Technology General Computer Controls was not included in the 2020 Internal Audit Plan.
- **Records Management** – Records Management was not included in the 2020 Internal Audit Plan.

VI. External Audit Services Procured in FY 2019

CPRIT engaged McConnell & Jones, LLP, a certified public accounting and consulting firm, as their external auditors for FY 2019. 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.texas.gov and also has a dedicated page to fraud prevention and reporting on its website at <https://www.cprit.texas.gov/about-us/fraud-reporting>.
- 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.