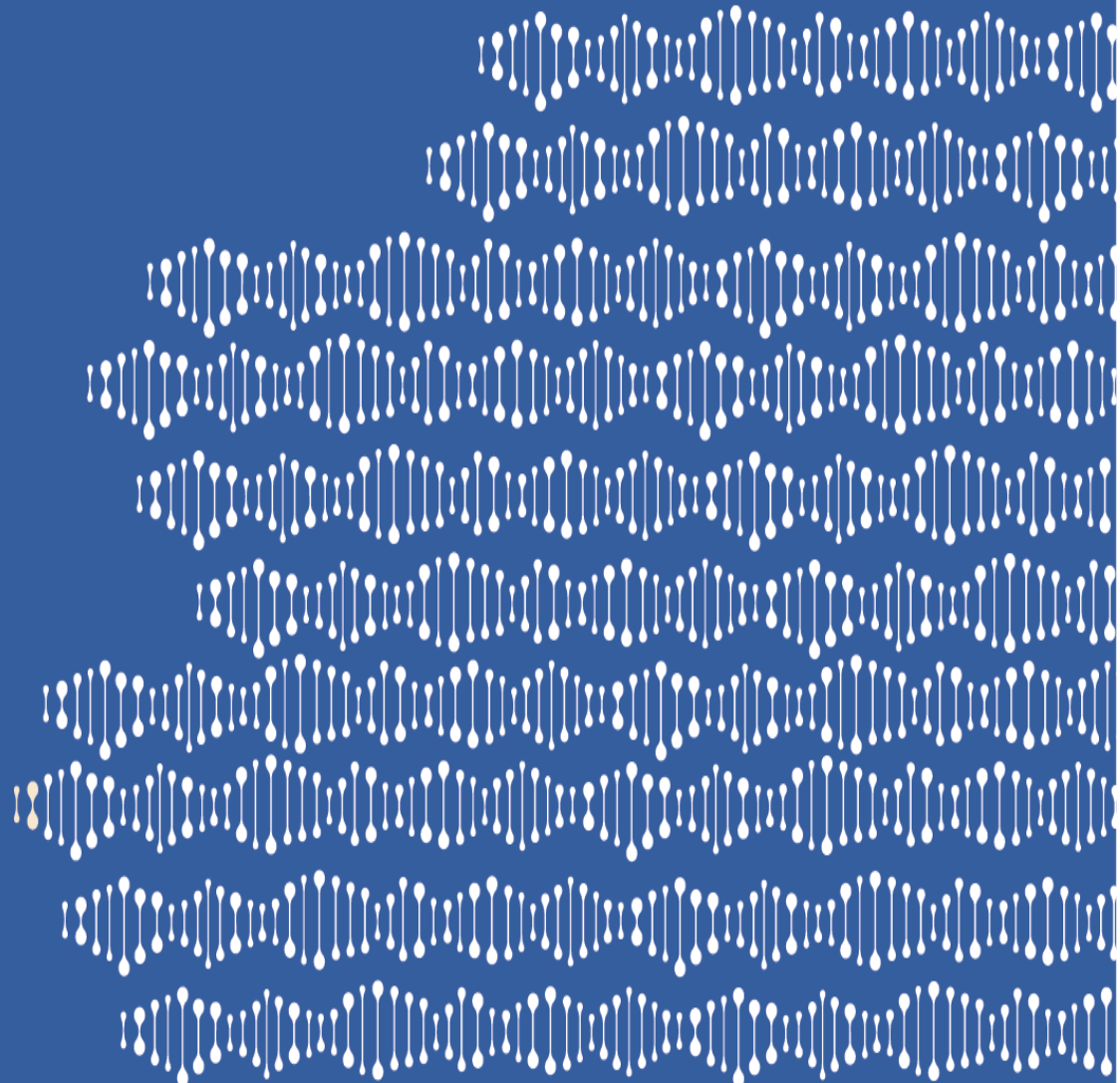




CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

Oversight Committee Meeting

September 14, 2016





CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

Oversight Committee Meeting Agenda

Texas State Capitol Extension
1400 N. Congress Avenue, Austin, Texas 78701
Room E2.012

September 14, 2016
10:00 a.m.

The Oversight Committee may discuss or take action regarding any item on this agenda, and as authorized by the Texas Open Meetings Act, Texas Government Code Section 551.001 et seq., may meet in closed session concerning any purpose permitted by the Act. Anyone wishing to offer public comments must notify the Chief Executive Officer in writing prior to the start of the meeting. The Committee may limit the time a member of the public may speak.

1. Call to Order
2. Roll Call/Excused Absences
3. Public Comment
4. Grantee Presentation **TAB 1**
5. Chief Executive Officer Report **TAB 2**
6. Chief Scientific Officer Report and Grant Award Recommendations **TAB 3**
7. FY 2017 Program Priorities
8. Internal Audit Program Report and FY 2016 Internal Audit Reports **TAB 4**
 - Internal Audit Report over Revenue
 - Internal Audit Report over Cash Management
 - Internal Audit Report over Information Security
 - FY 2017 Internal Audit Plan
9. Contract Approvals **TAB 5**
 - Internal Audit Services Contract
 - 2017 CPRIT Conference Venue Contract
10. Subcommittee Business
11. Compliance Investigation Pursuant to Health & Safety Code § 102.2631
12. Consultation with General Counsel
13. Future Meeting Dates and Agenda Items
14. Adjourn



CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

Summary Overview of the September 14, 2016, Oversight Committee Meeting

This summary provides an overview of major agenda items and background on key issues for Committee consideration at the September 14, 2016, Oversight Committee meeting.

CEO Report

Wayne Roberts will present the CEO's report and address issues including personnel, the American Cancer Society's August 30 Cancer Action Network Event, a report on grant award funds available for FY 2017, and other CPRIT outreach events.

Chief Scientific Officer Report and Grant Award Recommendations

Dr. James Willson will provide an update on the Academic Research Program and present the Program Integration Committee's award recommendations for Core Facilities-Competitive Renewals and Recruitment grants.

Information related to the Academic Research grant applications recommended for funding will not be publicly disclosed until the Oversight Committee meeting. The information is available to board members through a secure electronic portal.

Internal Auditor Report

Weaver and Tidwell, CPRIT's internal auditor, will provide a status report on CPRIT's outsourced internal audit services and present three internal audit reports addressing revenue, cash management, and information security. Weaver will also present the updated FY 2017 internal audit plan.

*Pursuant to Tex. Govt. Code § 552.139, the internal audit report over information security contains confidential information and is protected from public disclosure. **It may not be shared, released, or otherwise disclosed outside of the governing board.** Any discussion related to the internal audit report over information security will take place in closed session.*

Contract Approvals

Heidi McConnell and Becky Garcia will present a recommendation for the approval of the FY 2017 internal audit service contract and the 2017 CPRIT conference venue contract.



Thomas Yankeelov



Professor

W.A. "Tex" Moncrief, Jr., Simulation-Based Engineering and Sciences Professorship II – Computational Oncology

Research Areas:

Biomedical Imaging and Instrumentation

Computational Biomedical Engineering

Research Focus

Computational biology, advanced in vivo imaging, mathematical modeling.

Research Interests

The overall goal of Dr. Thomas Yankeelov's clinical research is to improve patient care by employing advanced imaging methods for the early identification, assessment, and prediction of tumors' response to therapy. He develops tumor forecasting methods by integrating advanced imaging technologies with patient-specific data and builds predictive, multi-scale biophysical models of tumor growth with the purpose of optimizing therapies for the individual cancer patient.

<https://www.bme.utexas.edu/about-us/faculty-directory/yankeelov>



CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

MEMORANDUM

TO: OVERSIGHT COMMITTEE MEMBERS
FROM: WAYNE R. ROBERTS, CHIEF EXECUTIVE OFFICER
SUBJECT: AGENDA ITEM 6, CHIEF EXECUTIVE OFFICER REPORT
DATE: SEPTEMBER 6, 2016

As of this writing the Chief Executive Officer Report for the September 14, 2016, Special Oversight Committee Meeting will consist of the following items:

- Personnel
- American Cancer Society Cancer Action Network Event, Dallas, August 30, 2016
- Report on “FY 2017 Grant Award Funds Available” (see attachment)
- Tribfest Panel: “A Cure for Cancer”, Saturday, September 24, 2016, 8:30am
- College Station, Texas A&M University System Component Meetings, October 2016

Other topics may be added as warranted.

CPRIT has awarded **1,056** grants totaling **\$1.626 billion**

- 172 prevention awards totaling \$169.1 million
- 884 academic research and product development research awards totaling \$1.457 billion

Of the \$1.457 billion in academic research and product development awards,

- 30.0% of the funding (\$437.5 million) supports clinical research projects
- 27.6% of the funding (\$402.1 million) supports translational research projects
- 24.1% of funding (\$351.0 million) supports recruitment awards
- 15.2% of the funding (\$221.5 million) supports discovery stage research projects
- 3.1% of funding (\$44.4 million) supports training programs.

CPRIT has 5 open Requests for Applications (RFAs)

- 3 Research Recruitment
- 2 Academic Research

FY 2017 GRANT AWARD FUNDS AVAILABLE

General Obligation Bond Proceeds

	Prevention	Academic / PD Research	Prevention Percentage Based on Available Award Appropriations	Operating Budget	Total Appropriations
Available Appropriated Funds	\$ 28,319,312	\$ 254,879,810		\$ 16,800,878	\$ 300,000,000
Unexpended Bond Proceeds Carry Forward		\$ -			\$ -
Unexpended Balance Carry Forward		\$ -			
Approved Adjustment to Operating Costs		\$ -		\$ -	
Appropriations Transfer to DSHS		\$ (2,969,554)		\$ 2,969,554	
Adjusted Appropriations	\$ 28,319,312	\$ 251,910,256		\$ 19,770,432	\$ 300,000,000
Total Available for All Grants			\$ 280,229,568		
Calculated 10% for Prevention Grants of Total Available Grant Funding			\$ 28,022,957		
Adjustment for 10% Prevention Grants Limit	(296,355)	\$ 296,355			
Adjustment to Address Avg Prevention Historical Limit	(1,851,835)	\$ 1,851,835			
Revised Adjusted Appropriations	26,171,122	\$ 254,058,446		\$ 19,770,432	\$ 300,000,000

	Prevention Grants	Academic Research Grants	PD Research Grants	
Total Available for Grant Awards (Total GO Bond Proceeds Less Operating Budget)	\$ 26,171,122	\$ 190,543,834	\$ 63,514,612	\$ 280,229,568

Announced Grant Awards

	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
	\$ -	\$ -	\$ -	
Announced Grant Award Subtotal	\$ -	\$ -	\$ -	\$ -

Grant Award Adjustments

Pending Grants-PIC Recommendations

AR Core Facilities Awards		\$ 16,062,539		
AR Recruitment Awards		\$ 34,000,000		
Pending Award Subtotal	\$ -	\$ 50,062,539		\$ 50,062,539
Total Potential Grant Funding Committed	\$ -	\$ 50,062,539		\$ 50,062,539
Available Funds as of Sept. 7, 2016	\$ 26,171,122	\$ 140,481,295	\$ 63,514,612	\$ 230,167,029

Operating Budget Detail

Indirect Administration		\$ 3,030,652	
Grant Review & Award Operations		\$ 13,770,226	
Subtotal, CPRIT Operating Costs		\$ 16,800,878	
Cancer Registry Operating Cost Transfer		\$ 2,969,554	
Total, Operating Costs		19,770,432	



CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

MEMORANDUM

TO: OVERSIGHT COMMITTEE
FROM: JIM WILLSON, MD, CHIEF SCIENTIFIC OFFICER
SUBJECT: ACADEMIC RESEARCH FY 2017 REVIEW CYCLE 1 AND
RECRUITMENT AWARD RECOMMENDATIONS FY16.10, 16.11, 16.12.
DATE: SEPTEMBER 6, 2016

The grant award recommendations are available on the Oversight Committee Portal. This information will be available for the public at the meeting on September 14, 2016.

**Fourth Quarter Oversight Committee
Internal Audit Status Report
As of August 30, 2016**

Weaver and Tidwell, LLP (Weaver) is the outsourced internal auditor of the Cancer Prevention Research Institute of Texas (CPRIT). The Weaver engagement team is led by Alyssa Martin, Partner; Daniel Graves, Sr. Manager; and Adam Wright, Manager.

Weaver has completed the internal audit plan for 2016.

2016 Internal Audit Plan and Status

Internal Audit	Description
Revenue	<p>We issued the report on August 15, 2016. The report resulted in an overall rating of "Strong" with two findings.</p> <p>Low Risk Findings</p> <ul style="list-style-type: none"> • Monitor Revenue Sharing obligations • Reconcile bond issuance proceeds <p>Follow-up procedures on the remediation of the findings are included in the proposed audit plan for fiscal year 2017.</p>
Information Security	<p>We issued the report on August 26, 2016. The report contained 11 total findings.</p> <p>Follow-up procedures on the remediation of the findings are included in the proposed audit plan for fiscal year 2017.</p>
<p>Information Technology Services Follow-Up</p> <ul style="list-style-type: none"> • 1 Moderate Finding • 1 Low Finding 	<p>We incorporated the Information Technology Services follow-up procedures into the Information Security Internal Audit. The two open findings are information security related, and the audit procedures included in the audit included the evaluation of the conditions related to the open findings.</p> <p>We determined through the IT Security Internal Audit procedures that these findings have not been closed.</p>
Cash Management	<p>We issued the report on August 26, 2016. The report resulted in an overall rating of "Strong" with one finding.</p> <p>Moderate Risk Finding</p> <ul style="list-style-type: none"> • Ensure segregation of duties in the preparation and review of the cash forecasting workbook

Internal Audit	Description											
Risk Assessment Update	<p>We met with CPRIT Management to update the risk assessment on August 19, 2016. As a result of this meeting, we have updated the risk ratings from the 2015 Risk Assessment and prepared an updated audit plan for fiscal years 2017 and 2018.</p> <p>As part of the risk assessment, the activity descriptions for CPRIT's significant activities were updated based on our increased understanding of CPRIT and changes to the operating environment since the last Risk Assessment was conducted.</p> <p>The changes to the 2017 and 2018 Internal Audit plans reflect the updated risk ratings, activity descriptions, and CPRIT's internal audit history.</p> <table border="1" data-bbox="493 663 1409 800"> <thead> <tr> <th data-bbox="493 663 667 695">Fiscal Year</th> <th data-bbox="667 663 1037 695">Previous</th> <th data-bbox="1037 663 1409 695">Revised</th> </tr> </thead> <tbody> <tr> <td data-bbox="493 695 667 730">2017</td> <td data-bbox="667 695 1037 730">Non-Grant Expenditures</td> <td data-bbox="1037 695 1409 730">Pre-Award Grant Management</td> </tr> <tr> <td data-bbox="493 730 667 766" rowspan="2">2018</td> <td data-bbox="667 730 1037 766">Pre-Award Grant Management</td> <td data-bbox="1037 730 1409 766">State Reporting</td> </tr> <tr> <td data-bbox="667 766 1037 800">Budget and Planning</td> <td data-bbox="1037 766 1409 800">Communications</td> </tr> </tbody> </table> <p>Attached are the updated internal audit plans.</p>	Fiscal Year	Previous	Revised	2017	Non-Grant Expenditures	Pre-Award Grant Management	2018	Pre-Award Grant Management	State Reporting	Budget and Planning	Communications
Fiscal Year	Previous	Revised										
2017	Non-Grant Expenditures	Pre-Award Grant Management										
2018	Pre-Award Grant Management	State Reporting										
	Budget and Planning	Communications										
Annual and Quarterly Oversight Committee Reports	Preparation and submission of the required Annual Internal Audit Report, due November 1, 2016, and quarterly reports to the Audit Subcommittee and Oversight Committee of internal audit activities.											

We have prepared a summary schedule of audits, their status and a summary of the findings by risk rating. The schedule maps out the internal audit and follow-up procedures performed, by year, the report date, report rating, and the findings by risk rating. The summary schedule is attached.



Alyssa G. Martin, CPA, MBA, Internal Auditor
 Executive Partner
 Weaver and Tidwell L.L.P

**Cancer Prevention and Research Institute of Texas
Revised Internal Audit Plan
August 2016**

Audit Area	Risk Rating	Summary Procedures	Project Type
2017 Planned New Internal Audits			
Procurement and P-Cards	High	Internal Audit will include an evaluation of risks and internal controls in place related to the CPRIT's Procurement practices. Activities to be evaluated will include Purchase Orders, Bidding and Awards, Contract Negotiation and Approval, Vendor Management and Selection, Vendor Acceptance, Vendor Set-up, P-card Program, P-card Purchases, Central Travel Card, and Employee Travel Cards.	Internal Audit
Pre-Award Grant Management	High	Internal Audit will include an evaluation of risks and internal controls in place related to CPRIT's Pre-Award Grant Management process. Activities to be evaluated will include the RFA Review Process, Conflicts of Interest, Peer Review (including travel coordination), and Grant Application Approval.	Internal Audit
Training	Moderate	Internal Audit will include an evaluation of risks and internal controls in place related to CPRIT's Training practices. Employee Technical Training, Oversight Committee Training, Employee Compliance and Ethics Training, and Grantee Training and Onboarding.	Internal Audit
Internal Agency Compliance	Moderate	Internal Audit will include an evaluation of risks and internal controls in place related to CPRIT's Internal Agency Compliance practices. Activities to be evaluated will include Disclosures, Ethics Policy and Compliance and Code of Conduct.	Internal Audit
2017 Planned Internal Audit Follow-up			
Information Security	High	Internal Audit will perform follow-up procedures on the 11 findings from the 2016 Internal Audit to ensure corrective action has been taken.	Follow-up
Commodity and Service Contracts	High	Internal Audit will perform follow-up procedures on the five findings from the 2016 Internal Audit to ensure corrective action has been taken.	Follow-up
Revenue	Moderate	Internal Audit will perform follow-up procedures on the two findings from the 2016 Internal Audit to ensure corrective action has been taken.	Follow-up
Cash Management	Moderate	Internal Audit will perform follow-up procedures on the one finding from the 2016 Internal Audit to ensure corrective action has been taken.	Follow-up
2017 Planned Annual Requirements			
Project Management	NA	Track overall internal audit procedures, coordinate audit activities, and reporting to management.	Project Management
Update Risk Assessment	NA	Perform required annual update of risk assessment.	Policy Compliance
Annual and Quarterly Board Reports	NA	Prepare and submit required Annual Internal Audit Report and quarterly reports to the Audit Subcommittee and Oversight Committee of internal audit activities.	Policy Compliance

**Cancer Prevention and Research Institute of Texas
Revised Internal Audit Plan
August 2016**

Audit Area	Risk Rating	Summary Procedures	Project Type
2018 Planned New Internal Audits			
Post Award Grant Monitoring	High	Internal Audit will include an evaluation of risks and internal controls in place related to CPRIT's Grants Management, Monitoring and Contracting practices. Activities to be evaluated will include Contract Terms, Fund Availability, Certifications, Grant Contract Execution, Grantee Monitoring, Sub-Contractor Monitoring, Grantee Reporting and Scientific Review.	Internal Audit
Grant Contracting	Moderate		
State Reporting	Moderate	Internal Audit will include an evaluation of risks and internal controls in place related to CPRIT's State Reporting practices. Activities to be evaluated will include Annual Report, Research and Analytical Support, Texas Cancer Plan, State Reporting, Public Information Act Requests, and Ad Hoc Reporting.	Internal Audit
Information Technology Services	Moderate	Internal Audit will include an evaluation of risks and internal controls in place related to CPRIT's Information Technology practices. Activities to be evaluated will include Network Operations, Help Desk, Change Management, Website Maintenance, Intranet Content Management, Third-Party Services, Disaster Recovery and Business Continuity Planning.	Internal Audit
Communications	Moderate	Internal Audit will include an evaluation of risks and internal controls in place related to CPRIT's Communications practices. Activities to be evaluated will include Website Content Compliance, Newsletter and Listserv, Grantee Communications, Achievement Report, Media Relations, and Publicly Available Information.	Internal Audit
2018 Planned Internal Audit Follow-up			
Procurement and P-Cards	High	Internal Audit will perform follow-up procedures on 2017 Internal Audit findings to ensure corrective action has been taken.	Follow-up
Pre-Award Grant Management	Moderate	Internal Audit will perform follow-up procedures on 2017 Internal Audit findings to ensure corrective action has been taken.	Follow-up
Training	Moderate	Internal Audit will perform follow-up procedures on 2017 Internal Audit findings to ensure corrective action has been taken.	Follow-up
Internal Agency Compliance	Moderate	Internal Audit will perform follow-up procedures on 2017 Internal Audit findings to ensure corrective action has been taken.	Follow-up
2018 Planned Annual Requirements			
Project Management	NA	Track overall internal audit procedures, coordinate audit activities, and reporting to management.	Project Management
Update Risk Assessment	NA	Perform required annual update of risk assessment.	Policy Compliance
Annual and Quarterly Board Reports	NA	Prepare and submit required Annual Internal Audit Report and quarterly reports to the Audit Subcommittee and Oversight Committee of internal audit activities.	Policy Compliance

Cancer Prevention and Research Institute of Texas
 Schedule of Audits, Status, and Findings Summary
 September 2016

Audit	Fiscal Year	Status/Timing	Report Date	Report Rating	Open Findings			Closed Findings			Total Findings			
					High	Mod	Low	High	Mod	Low	High	Mod	Low	Total
Fiscal Year 2015														
Grant Management	2015	Complete	July 27, 2015	Satisfactory	-	8	1	9	-	-	-	8	1	9
Expenditures Internal Audit	2015	Complete	August 24, 2015	Strong	-	-	2	2	-	-	-	-	2	2
2014 Governance and IT Follow-Up	2015	Complete	August 14, 2015	Satisfactory	-	-	-	9	-	7	-	1	1	2
2014 Grantee Monitoring Follow-Up	2015	Complete	July 31, 2015	Satisfactory	-	-	-	14	-	11	-	1	2	3
Fiscal Year 2015 Subtotal					-	8	3	34	-	18	1	9	6	16
Fiscal Year 2016														
Commodity and Service Contracts Internal Audit	2016	Complete	May 13, 2016	Satisfactory	-	3	2	5	-	-	-	3	2	5
Revenue Internal Audit	2016	Complete	July 8, 2016	Strong	-	-	2	2	-	-	-	-	2	2
Information Security Internal Audit	2016	Complete	August 3, 2016		-	-	-	-	-	-	-	-	-	-
Cash Management Internal Audit	2016	Complete	August 12, 2016	Strong	1	1	1	1	-	-	1	-	-	1
2015 Grant Management Follow-Up	2016	Complete	June 9, 2016	Strong	-	8	1	9	-	8	1	9	-	-
2015 Information Technology Follow-Up	2016	Complete	N/A	N/A	-	1	1	2	-	1	1	2	-	-
Fiscal Year 2016 Subtotal					-	13	6	19	-	9	2	11	4	8
Fiscal Year 2017														
Internal Agency Compliance	2017	September 2016												
Pre-award Grant Management	2017	November 2016												
Training Internal Audit	2017	January 2017												
Procurement and P-Card Internal Audit	2017	July 2017												
2016 Information Security Follow-Up	2017	June 2017												
2016 Commodity and Service Contracts Follow-Up	2017	March 2017												
2016 Revenue Follow-Up	2017	May 2017												
2016 Cash Management Follow-Up	2017	August 2017												
Fiscal Year 2017 Subtotal														
Fiscal Year 2018														
Post Award Grant Monitoring Internal Audit	2018													
Grant Contracting Internal Audit	2018													
Information Technology Services Internal Audit	2018													
Communication	2018													
State Reporting	2018													
2017 Procurement Follow-Up	2018													
2017 Non-Grant Expenditures Follow-Up	2018													
2017 Training Follow-Up	2018													
2017 External Affairs Follow-Up	2018													
Fiscal Year 2018 Subtotal														

Audit	Fiscal Year	Status/Timing	Report Date	Report Rating	Findings			Closed Findings			Total Open Findings			Timing of Follow-Up Procedures by IA June 2016
					High	Mod	Low	High	Mod	Low	High	Mod	Low	
SUMMARY														
Grant Management	2015	Complete	July 27, 2015	Satisfactory	-	8	1	9	-	8	1	9	-	-
Expenditures Internal Audit	2015	Complete	August 24, 2015	Strong	-	-	2	2	-	-	-	-	2	2
2014 Governance and IT Follow-Up	2015	Complete	August 14, 2015	Satisfactory	-	-	-	9	-	7	-	1	1	2
2014 Grantee Monitoring Follow-Up	2015	Complete	July 31, 2015	Satisfactory	-	-	-	14	-	11	-	1	2	3
Commodity and Service Contracts Internal Audit	2016	Complete	May 13, 2016	Satisfactory	-	3	2	5	-	-	-	3	2	5
Revenue Internal Audit	2016	Complete	July 8, 2016	Strong	-	-	2	2	-	-	-	-	2	2
Information Security Internal Audit	2016	Complete	August 3, 2016		-	-	-	-	-	-	-	-	-	-
Cash Management Internal Audit	2016	Complete	August 12, 2016	Strong	-	1	1	1	-	-	-	1	-	1
Sub-Total of Findings					-	12	7	42	-	8	1	27	1	5
Less: Findings For Management or Compliance Follow-Up														
Total Findings For Internal Audit Follow-Up					-	12	5	26	-	8	1	16	-	5



Cancer Prevention and Research Institute of Texas
 Schedule of Audits, Status, and Findings Summary
 September 2016

NOTES	
A	At the conclusion of the audit, no follow-up procedures were recommended to be performed by Internal Audit based on the nature and risk rating of the findings in the report. Internal Audit has recommended that Management perform their own follow-up procedures to validate remediation has occurred. Management has agreed to report the confirmation of the remediation to the Audit Subcommittee separately.
B	The prior internal auditor did not provide risk ratings for the individual findings in the final report. Therefore the number of findings and the findings remediated are shown in total.
C	At the conclusion of the audit, follow-up procedures were recommended to be performed by CPRIT's Compliance group, which is occurring. Internal Audit does not plan to perform follow-up procedures on these open findings. Management has agreed to report the confirmation of the remediation to the Audit Subcommittee separately.
D	We incorporated the Information Technology Services follow-up procedures into the Information Security Internal Audit. The two open findings are information security related, and the audit procedures included in the audit included the evaluation of the conditions related to the open findings. The two prior open findings have been consolidated into the 2016 IT Security Internal Audit.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS

IA # 03-16 – INTERNAL AUDIT REPORT OVER REVENUE

REPORT DATE: JULY 8, 2016

ISSUED: AUGUST 15, 2016

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The Oversight Committee
Cancer Prevention and Research Institute of Texas
1701 North Congress Avenue, Suite 6-127
Austin, Texas 78701

This report presents the results of the internal audit procedures performed for the Cancer Prevention and Research Institute of Texas (the Institute) during the period June 20, 2016 through July 8, 2016 relating to the Institute's Revenue process.

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

- A. Verify that internal controls over revenue receipt, recording, reporting and tracking are designed to ensure the effective management of the process and address all key risks.
- B. Ensure that the controls in place over high-risk processes are operating effectively to ensure that revenue is appropriately recorded, monitored, and reported.

To accomplish these objectives, we conducted interviews with key personnel responsible for the Revenue process. We also reviewed documentation and performed specific testing procedures to assess controls. Procedures were performed at the Cancer Prevention and Research Institute of Texas office and were completed on July 8, 2016.

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
August 15, 2016

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 03-16 INTERNAL AUDIT REPORT OVER REVENUE
JULY 8, 2016
ISSUED: AUGUST 15, 2016

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 academic and product development cancer research, and to enhance access to evidence-based prevention programs throughout the state. CPRIT is funded primarily through General Obligation Bonds proceeds appropriated by the Legislature. Under the guidance of its governing body, the Oversight Committee, CPRIT accepts applications and awards grants for a wide variety of cancer-related research and for the delivery of cancer prevention programs and services by public and private entities located in Texas. All CPRIT-funded research will be conducted in state by Texas-based scientists and reflect CPRIT's mission to attract and expand the state's research capabilities and create high quality new jobs in Texas.

In addition to proceeds from the issuance of general obligation bonds, the agency receives revenue from the sale of specialty license plates, product development grant applications, conference registration fees, and revenue sharing obligations from grantees. The typical annual funding is available as follows:

- Appropriated Funds:
 - \$300,000,000 from General Obligation Bonds
 - \$15,000 appropriated fee receipts from License Plate Sales, estimated based on actual sales volume
 - \$200,000 appropriated fee receipts from Conference Registration Fees biennially, estimated based on conference attendance
 - \$40,000 from Product Development Grant Application fees, estimated based on application volume
- Unappropriated Funds
 - Between \$10,000 and \$800,000 from Revenue Sharing obligations, historically averaging \$60,000 annually
 - Less than \$100 in donations

On a biennial basis, the agency is required to submit the Legislative Appropriations Request to the Legislative Budget Board in order to secure funding for the following two fiscal years. On a quarterly basis, a request for financing must be submitted to and approved by the Bond Review Board to authorize the Texas Public Finance Authority to issue general obligation bonds for CPRIT. The Chief Operating Officer is responsible for ensuring that bond proceeds are requested and received timely and accurately. CPRIT's Accountant is responsible for tracking, recording, and reconciling revenue.

Grantees are contractually obligated to share a portion of revenue generated from projects funded by CPRIT grants. To date, most of the opportunity for revenue sharing is associated with product development research grants, which are focused on generating new oncology drugs, diagnostics, or medical devices. The product development cycle for a cancer drug is typically 10 to 12 years and consists of initial research, formulation, preclinical trials, and multiple phases of clinical trials and regulatory approval. The drug development process costs approximately \$2 billion per drug. The majority of CPRIT funding is used in preclinical and early clinical stages and occurs between years four and seven of the product development cycle. As a result, it may take several years from the closeout of a grant until any revenue is generated by the grantee and shared with CPRIT. Further, on a per contract basis, the likelihood of revenue sharing obligations occurring is small since only about one out of 20 cancer drug advances to the revenue producing stage. A smaller portion of CPRIT's product development research grants involve medical device research, which has a life cycle between two and three years. These grant award amounts are generally smaller and have a lower revenue sharing payout when they are successful, although they have a higher chance of success.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 03-16 INTERNAL AUDIT REPORT OVER REVENUE
JULY 8, 2016
ISSUED: AUGUST 15, 2016

AUDIT OBJECTIVE AND SCOPE

The audit focused on the process in place over the receipt, recording, reporting and tracking of revenue at the Cancer Prevention Research Institute of Texas (CPRIT). We reviewed the procedures for appropriate risk and regulatory coverage and compliance. Key functions and sub-processes within the Revenue process that were reviewed include:

- General Obligations Bonds
- License Plate Fees
- Grant Application Fees
- Revenue Sharing
- Other Revenue Sources

The audit did not include an evaluation of the future state of procedures and controls. The focus of our evaluation was on reoccurring procedures that were in place throughout the coverage period and are anticipated to remain in place in the future. Additionally the audit did not include budgeting or budget monitoring procedures.

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

- Funding sources are identified in a timely manner
- Legislative Appropriations Requests are completed accurately and timely
- Receipt of funds is monitored and recorded accurately
- Funding sources are recorded accurately and timely
- Applications and registration fees are appropriately identified, assessed, and recorded
- Revenue sharing obligations are identified and collected
- Bond proceeds are timely and accurate

The objectives of this internal audit were as follows:

- A. Verify that internal controls over revenue receipt, recording, reporting and tracking are designed to ensure the effective management of the process and address all key risks.
- B. Ensure that the controls in place over high-risk processes are operating effectively to ensure that revenue is appropriately recorded, monitored, and reported.

Our procedures included interviewing key personnel within Financial Operations to gain an understanding of the current processes in place, examining existing documentation, evaluating the internal controls over the process, and testing the effectiveness of the controls in place. We evaluated the existing policies, procedures and processes in their current state. Our coverage period was from September 1, 2014, through May 31, 2016.

**CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 03-16 INTERNAL AUDIT REPORT OVER REVENUE
JULY 8, 2016
ISSUED: AUGUST 15, 2016**

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, 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
Objective A: Verify that internal controls over revenue receipt, recording, reporting and tracking are designed to ensure the effective management of the process and address all key risks.	We identified 18 controls to be in place in the process. There are opportunities to improve the process and control environment, including: <ul style="list-style-type: none"> • Identify and monitor revenue sharing obligations • Document the reconciliation of bond issuance proceeds 	STRONG
Objective B: Ensure that the controls in place over high-risk processes are operating effectively to ensure that revenue is appropriately recorded, monitored, and reported.	Controls in place were generally operating as designed. We identified the following opportunities for improvement: <ul style="list-style-type: none"> • Validate revenue sharing payments 	STRONG

CONCLUSION

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

CPRIT should ensure that all potential revenue sharing obligations are properly identified, valued and monitored and that payments are made timely and accurately. In addition, CPRIT should ensure that bond issuance proceeds received by CPRIT agree to the amounts requested and formally document this reconciliation.

Internal Audit will conduct follow-up procedures to validate remediation efforts in Fiscal Year 2017.

**DETAILED PROCEDURES PERFORMED, FINDINGS,
RECOMMENDATIONS AND MANAGEMENT RESPONSE**

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 03-16 INTERNAL AUDIT REPORT OVER REVENUE
JULY 8, 2016
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**DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS
AND MANAGEMENT RESPONSE**

Our procedures included interviewing key personnel responsible for the Revenue process to gain an understanding of the current processes in place, examining existing documentation, evaluating the internal controls over the process, and testing the effectiveness of the controls in place. We evaluated the existing policies, procedures and processes in their current state.

Objective A: Design of Internal Controls

Verify that internal controls over revenue receipt, recording, reporting and tracking are designed to ensure the effective management of the process and address all key risks.

1. **Procedures Performed:** We gained an understanding of the current Revenue processes by conducting interviews with key personnel; reviewing existing procedures, standardized forms and documents used by CPRIT's personnel; and assessing CPRIT's administrative rules to identify key controls. We examined the following sub-processes:

- Preparation and validation of bond requests for issuance
- Identification of fees, payments, and revenue sharing
- Legislative Appropriations Request
- Validation of receipt of funds
- Classification of funds
- Verification of funding availability
- Reconciliation of actual funds to appropriations

We evaluated the controls identified against expected controls to determine whether the identified procedures and internal controls are sufficiently designed to mitigate all critical risks associated with the Revenue process. We identified any unacceptable risk exposures due to control design inadequacy or any opportunities to strengthen the effectiveness and efficiency of the existing control design.

Results: We identified 18 controls in place over the sub-processes within the Revenue function. We identified two findings where improvements in the processes, policies, and procedures can be made.

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Cancer Prevention and Research Institute of Texas Revenue - Control Design Evaluation		
Sub-Process	Identified Controls	Findings/ Observations
Preparation and Validation of Bond Requests for Issuance	3	
Identification of Fees, Payments, and Revenue Sharing	3	Finding 1
Legislative Appropriations Request	3	
Validation of Receipt of Funds	4	
Classification of Funds	2	
Verification of Funding Availability	1	
Reconciliation of Actual Funds to Appropriations	2	Finding 2
Total	18	2

Finding 1 – LOW – Monitoring of Revenue Sharing Obligations: CPRIT does not have procedures in place to proactively monitor triggering events that require grantee revenue sharing payments to occur. In addition, CPRIT does not have a process to validate that revenue sharing obligations are received. Revenue is recognized and recorded when revenue sharing checks are received from grantees. CPRIT received a total of \$98,074.07 in revenue sharing payments from grantees during the audit period of September 1, 2014, through May 31, 2016.

Revenue sharing is self-reported by grantees through submission of an annual Revenue Sharing Report in the CGMS system. Revenue Sharing Reports are reviewed and approved by Grant Accountants, but no analysis is performed on the self-reported revenue to determine whether it is accurately calculated and there is no tracking process to ensure revenue payments received match reported obligations.

CPRIT's grant compliance monitoring procedures do not include steps to review non-financial grantee reports, such as the Annual Progress Report and any required Tranche Report, to identify grantee revenue subject to revenue sharing requirements in the grant contract. CPRIT's compliance group performs onsite and desk reviews which include a review of a grantee's program income and reported revenue sharing, but they do not have a process to determine the existence of all obligations. Grantees are selected for review based on an annual risk assessment, and the likelihood for revenue sharing is not a component of the risk assessment.

For two revenue sharing payments totaling \$3,529 out of 10 payments that were tested, the grantee did not provide supporting documentation to evidence occurrence and validate that the shared revenues were accurately calculated.

Recommendation: CPRIT should ensure that all potential revenue sharing obligations are properly identified and tracked. Revenue sharing obligations, as of a triggering event, should be valued and monitored to ensure that payments are received timely and accurately.

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CPRIT's grant compliance monitoring procedures could leverage the evaluation recently completed (July 2016) by the Chief Product Development Research Officer to actively monitor the status of product development grant recipients who are at or near the point of marketing a product and producing revenue. With the Chief Product Development Officer's input on the product market, the Chief Compliance Officer and his staff could incorporate this information into the grantee risk assessment used to develop the compliance monitoring plan each year.

For active grantees, the CPRIT compliance group could modify their onsite and desk review procedures to include a review of grantee income related to CPRIT grants to verify that revenue sharing obligations were properly self-reported and identify any that were not. These review procedures could include reviews of Annual Progress Reports and any required Tranche Reports to identify unreported revenue that is subject to revenue sharing. Additionally, CPRIT could verify that revenue sharing payments are calculated accurately based on contract requirements.

For grantees approaching the close of their grant, CPRIT could add procedural steps to the grant close-out process to determine the future opportunity for revenue sharing from the grantee's project (including derivative technologies of the product research). As part of these procedures, CPRIT could determine the necessity of continuing to actively monitor the grantee after the grant is closed. The attributes for determining whether future monitoring is warranted could be predefined and could include materiality, technical feasibility, or other predictive indicators based on input from the Chief Product Development Officer.

Finally, Grant Accountants could maintain a list of all grantees who report revenue sharing obligations in annual Revenue Sharing Reports. This list could be communicated to the Chief Compliance Officer and Accountant to ensure that all reported revenue obligations are received and recorded. The Accountant could monitor outstanding payments and communicate the status of the payments to the Chief Operating Officer and Chief Compliance Officer on a quarterly basis.

CPRIT Management Response: CPRIT management agrees that the agency needs to proactively monitor the revenue sharing obligations of its product development research grantees. Since spring 2016, the Chief Executive Officer, Deputy Executive Officer and General Counsel, Chief Product Development Officer, and Chief Operating Officer have explored the possibility of having another qualified state entity or third-party vendor with expertise in managing new technology start-up investment portfolios assist CPRIT with monitoring the revenue sharing obligations of both active and closed research grants versus building the infrastructure and expertise from scratch within the agency. The results of this exploration will inform CPRIT management how to most effectively incorporate and implement procedures and processes to verify grantee revenue sharing obligations. The final determination to move forward with a separate entity to actively monitor grantee revenue sharing obligations must be considered and approved by the Oversight Committee.

CPRIT has redesigned the Revenue Sharing form in the CPRIT Grants Management System (CGMS) including a required field for the payment calculation and information about when the payment has been or is anticipated to be made. The finance team will develop a process for Grant Accountants to maintain a comprehensive list of grants with reported revenue sharing from grantees and with a corresponding verification of the revenue payment amount and receipt confirmation by the Accountant in the document with corresponding internal notifications.

Responsible Party: Chief Executive Officer, Deputy Executive Officer and General Counsel, Chief Product Development Officer, Chief Operating Officer, and Chief Compliance Officer

Implementation Date: March 1, 2017

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Finding 2 – LOW – Reconciliation of Bond Issuance Proceeds: CPRIT does not formally document the Accountant's reconciliation of bond issuance proceeds to ensure they are received by CPRIT and agree to the amounts requested. Receipts of bond issuance proceeds are informally monitored by the Accountant, but there is no documented evidence of reconciliation of the amounts received to the amounts requested.

Recommendation: CPRIT should ensure that bond issuance proceeds received by CPRIT agree to the amounts requested. When bond issuance proceeds are received, the Accountant should reconcile the amounts received listed on the USAS DAFR report to the amounts requested in the Disbursement Certificate. Any discrepancies should be followed up on in a timely manner.

CPRIT Management Response: CPRIT management agrees that the Accountant's reconciliation of bond proceed receipts from general obligation bond and commercial paper note issuances should be documented. The Accountant will begin documenting the reconciliation process with the next commercial paper issuance.

Responsible Party: Chief Operating Officer, Accountant

Implementation Date: September 1, 2016

Objective B: Effectiveness of Controls

Ensure that the controls in place over high-risk processes are operating effectively to ensure that revenue is appropriately recorded, monitored, and reported.

1. **Procedures Performed:** We selected the last Legislative Appropriations Request that was submitted on August 4, 2014, for testing. We verified that the request was properly reviewed and approved for accuracy and completeness and that it was submitted in a timely manner.

Results: No findings identified.

2. **Procedures Performed:** We selected a sample of 50 revenue transactions recorded during the scope period of June 1, 2014 – May 31, 2016 and verified the following:
 - Revenues were supported by actual occurrences
 - Revenues were accurately calculated and have proper supporting documentation
 - Revenues were accurately reconciled
 - Revenue sharing proceeds were identified and calculated accurately

Results: We identified two revenue sharing deposits did not have adequate supporting documentation to evidence occurrence and validate that the shared revenues were accurately calculated.

Finding 1 – LOW – Monitoring of Revenue Sharing Obligations

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.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
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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

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS

IA # 04-16 – INTERNAL AUDIT REPORT OVER CASH MANAGEMENT

REPORT DATE: AUGUST 12, 2016

ISSUED: AUGUST 26, 2016

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The Oversight Committee
Cancer Prevention and Research Institute of Texas
1701 North Congress Avenue, Suite 6-127
Austin, Texas 78701

This report presents the results of the internal audit procedures performed for the Cancer Prevention and Research Institute of Texas (CPRIT) during the period July 25, 2016, through August 12, 2016, relating to CPRIT's Cash Management process.

The objectives of this internal audit were to evaluate the design and effectiveness of CPRIT's Cash Management process. The objectives were organized as follows:

- A. Verify that internal controls over the cash management processes, including cash forecasting, electronic funds transfer and cancellation of warrants, are designed to ensure the effective management of the processes and address all key risks.
- B. Ensure that the controls in place over high-risk processes and procedures are operating effectively to ensure that Cash Management functions are appropriately forecasted, recorded, monitored, and reported.

To accomplish these objectives, we conducted interviews with key personnel responsible for the Cash Management process. We also reviewed documentation and performed specific testing procedures to assess controls. Procedures were performed at the Cancer Prevention and Research Institute of Texas office and were completed on August 12, 2016.

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
August 26, 2016

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 04-16 INTERNAL AUDIT REPORT OVER CASH MANAGEMENT
REPORT DATE: AUGUST 12, 2016
ISSUED: AUGUST 26, 2016

BACKGROUND

CPRIT's Chief Operating Officer (COO) is responsible for tracking and forecasting agency cash inflows and outflows. The COO maintains a workbook which contains a schedule of past and future bond issuances based on anticipated grant expenditures and approved agency funding. Expenditures considered in the workbook are broken down into the following three categories:

- Academic and Product Development Research Grants
- Prevention Grants
- Administrative Expenditures

Key inputs of the workbook include past bond issuance amounts and expenditures made to-date for all three categories. CPRIT bases its cash flow requirements on authorizing approximately \$300,000,000 per year in grant expenditures. The output from the forecast indicates the anticipated amount of bond funding required for the next quarter. Based on the forecast, CPRIT submits a request to the Texas Public Finance Authority (TPFA) to issue bonds on CPRIT's behalf.

Other Cash Management functions include payment processing and management of access to key treasury systems. CPRIT utilizes a direct deposit payment method for the majority of payments to grantees and vendors. The Accountant is responsible for setting up direct deposits in the Texas Identification Number System (TINS). All direct deposits payments approved by the COO are processed in the Uniform Statewide Accounting System (USAS) by the Accountant.

For payments not processed through the direct deposit method, CPRIT issues warrants to grantees or vendors. In cases of lost or old warrants, the Accountant is responsible for cancelling these warrants in the Treasury Operations System Service (TOSS) after the COO's approval is obtained. The cancellations are automatically recorded in the Uniform Statewide Accounting System (USAS), the agency's accounting system, upon processing in TOSS.

User access privileges in USAS are determined and monitored by the Operations Manager. Currently, the access to the system is available to the Accountant and Grant Accountants. Semiannually, the Operations Manager reviews the USAS Access Report to ensure that access is appropriate and up to date based on the user's position and job responsibilities.

AUDIT OBJECTIVE AND SCOPE

The audit focused on the Cash Management processes in place at CPRIT. We reviewed the procedures for appropriate risk and regulatory coverage and compliance. Key functions and sub-processes within the Cash Management process that were reviewed include:

- Cash Forecasting
- Electronic Funds Transfer (EFT) Processing
- Cancellation of Warrant Review and Approvals
- Uniform Statewide Accounting System (USAS) Privileges

The audit did not include authorization of expenditures, or the review, validation, reporting, or classification of payable invoices as these procedures were covered in the 2015 Internal Audit over Expenditures and the 2016 Internal Audit over Commodity and Service Contracts.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
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ISSUED: AUGUST 26, 2016

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

- All appropriate and key factors are considered when cash forecasting
- Cash forecasting is performed on an appropriate frequency and covers an appropriate time period
- Anticipated cash shortfalls are addressed appropriately and timely
- EFT disbursement requests are reviewed for accuracy and appropriateness
- Cancelled warrants are approved and accurately recorded
- Access to the USAS system is appropriate

The objectives of this internal audit were as follows:

- A. Verify that internal controls over the cash management processes, including cash forecasting, electronic funds transfer and cancellation of warrants, are designed to ensure the effective management of the processes and address all key risks.
- B. Ensure that the controls in place over high-risk processes and procedures are operating effectively to ensure that Cash Management functions are appropriately forecasted, recorded, monitored, and reported.

Our procedures included interviewing key personnel within Financial Operations to gain an understanding of the current processes in place, examining existing documentation, evaluating the internal controls over the process, and testing the effectiveness of the controls in place. We evaluated the existing policies, procedures and processes in their current state. The coverage period of the internal audit was from September 1, 2014, through June 30, 2016.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 04-16 INTERNAL AUDIT REPORT OVER CASH MANAGEMENT
REPORT DATE: AUGUST 12, 2016
ISSUED: AUGUST 26, 2016

EXECUTIVE SUMMARY

Through our interviews, evaluation of internal control design and testing of transactions we identified one finding. A finding is an item that has been identified and is considered to be a non-compliance issue with documented CPRIT policies and procedures, 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. This issue could have 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
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SSCOPE AREA	RESULT	RATING
Objective A: Verify that internal controls over the cash management processes, including cash forecasting, electronic funds transfer and cancellation of warrants, are designed to ensure the effective management of the processes and address all key risks.	We identified 13 controls to be in place in the process. We identified one opportunity for improvement: <ul style="list-style-type: none"> Ensure that the duties of preparing and reviewing the cash forecasting workbook are appropriately segregated 	STRONG
Objective B: Ensure that the controls in place over high-risk processes and procedures are operating effectively to ensure that Cash Management functions are appropriately forecasted, recorded, monitored, and reported.	Controls in place were operating as designed.	STRONG

Other opportunities for improvement were identified through our interviews, evaluation of internal control design, and transactional testing. These observations include those items that are not considered to be non-compliance issues with documented agency policies and procedures. These are considered process improvement observations and the intent of the recommendations are to strengthen current agency processes and controls. These observations were provided to management separately.

CONCLUSION

Based on our evaluation, the Cash Management function has procedures and controls in place to conduct effective management of the significant processes within CPRIT. However, we identified one opportunity to improve the effectiveness of the controls within the Cash Management process. Specifically, CPRIT should establish segregation of duties in preparing and reviewing the cash forecasting workbook.

Internal Audit will conduct follow-up procedures to validate remediation efforts in Fiscal Year 2017.

**DETAILED PROCEDURES PERFORMED, FINDINGS,
RECOMMENDATIONS AND MANAGEMENT RESPONSE**

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
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REPORT DATE: AUGUST 12, 2016
ISSUED: AUGUST 26, 2016

**DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS
AND MANAGEMENT RESPONSE**

Our procedures included interviewing key personnel responsible for the Cash Management process to gain an understanding of the current processes in place, examining existing documentation, evaluating the internal controls over the process, and testing the effectiveness of the controls in place. We evaluated the existing policies, procedures and processes in their current state.

Objective A: Design of Internal Controls

Verify that internal controls over the cash management processes, including cash forecasting, electronic funds transfer and cancellation of warrants, are designed to ensure the effective management of the processes and address all key risks.

1. **Procedures Performed:** We gained an understanding of the current Cash Management processes by conducting interviews with key personnel; reviewing existing procedures, standardized forms and documents used by CPRIT's personnel; and assessing CPRIT's administrative rules to identify key controls. We examined the following sub-processes:

- Cash Forecasting
- Electronic Funds Transfer (EFT) Processing
- Cancellation of Warrant Review and Approvals
- Uniform Statewide Accounting System (USAS) Privileges

We evaluated the controls identified against expected controls to determine whether the identified reoccurring cash management procedures and internal controls are sufficiently designed to mitigate the critical risks associated with the Cash Management process. 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 13 controls in place over the significant activities within the Cash Management function. We identified one finding where improvements in the process can be made.

Cancer Prevention and Research Institute of Texas Cash Management - Control Design Evaluation		
Sub-Process	Identified Controls	Findings
Cash Forecasting	2	Finding 1
Electronic Funds Transfers (EFT) Processing	5	
Cancellation of Warrant Review and Approvals	3	
Uniform Statewide Accounting System (USAS) Privileges	3	
Total	13	1

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
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ISSUED: AUGUST 26, 2016

Finding 1 – MODERATE – Cash Forecasting Segregation of Duties: The CPRIT cash forecasting workbook, including critical inputs, assumptions, and calculations, is not reviewed and approved for accuracy and completeness by another CPRIT employee. The Chief Operating Officer (COO) manually enters data into the workbook, which is used to plan the timing of bond issuance to meet the needs of the agency.

Recommendation: CPRIT should ensure that the cash forecasting workbook is reviewed and approved by another CPRIT employee. The workbook could be prepared by the Operations Specialist and reviewed by the Chief Operating Officer, or prepared by the Chief Operating Officer and reviewed by the Chief Executive Officer or Deputy Executive Officer and General Counsel. The review should be documented and evidence evaluation of the assumptions, inputs, and outputs used in the cash forecasting workbook. The reviewer should ensure that the timing and amounts of all cash inflows and cash outflows identified in the cash forecasting workbook agree to supporting documentation. Finally, the reviewer should ensure that any cash shortfalls identified are addressed timely.

CPRIT Management Response: CPRIT management agrees that there should be a secondary evaluation review of and sign off on the general obligation bond proceeds cash forecasting workbook. Management will determine how best to accomplish the secondary review.

Responsible Party: Chief Executive Officer, Chief Operating Officer
Implementation Date: December 1, 2016

Objective B: Effectiveness of Controls

Ensure that the controls in place over high-risk processes and procedures are operating effectively to ensure that Cash Management functions are appropriately forecasted, recorded, monitored, and reported.

1. **Procedures Performed:** We obtained the current cash forecasting workbook and verified the following:

- All appropriate and key factors were considered, including the following:
 - Period beginning balances
 - Anticipated cash inflows
 - Anticipated cash outflows
 - Comparison of predicted cash flows to actual cash flows
 - Comparison of current cash flows to historical cash flows
 - Shortfalls are identified and resolved timely
 - Forecasts are made conservatively
- Cash forecasting was performed on a quarterly basis
- Cash forecasting covered appropriate Fiscal Year and Appropriations Year durations and that durations were consistent
- Bond issuance amounts included in the workbook were accurate

Results: No findings identified.

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2. **Procedures Performed:** We selected a sample of 50 EFTs during the scope period of September 1, 2014, through June 30, 2016, and verified the following:

- EFT disbursement request was reviewed for accuracy and appropriateness
- EFT disbursement was accurately recorded in USAS
- EFT disbursement was reviewed, approved, and released by a separate user than the preparer

Results: No findings identified.

3. **Procedures Performed:** We selected all four warrants cancelled during the scope period of September 1, 2014, through June 30, 2016, and verified the following:

- Cancelled warrant was appropriately approved
- Cancelled warrant was accurately recorded

Results: No findings identified.

4. **Procedures Performed:** We obtained the user access list to USAS as of April 1, 2016, and the semiannual reviews of user access completed during the audit period of September 1, 2014, through June 30, 2016, and verified the following:

- Access was appropriate based on job roles and responsibilities
- User access was reviewed on a semiannual basis
- Inappropriate access was identified and addressed timely

Results: No findings identified.

APPENDIX

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 04-16 INTERNAL AUDIT REPORT OVER CASH MANAGEMENT
REPORT DATE: AUGUST 12, 2016
ISSUED: AUGUST 26, 2016

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.

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS
IA# 04-16 INTERNAL AUDIT REPORT OVER CASH MANAGEMENT
REPORT DATE: AUGUST 12, 2016
ISSUED: AUGUST 26, 2016

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

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS

IA # 04-16 – INTERNAL AUDIT REPORT OVER INFORMATION SECURITY

REPORT DATE: AUGUST 3, 2016

ISSUED: AUGUST 26, 2016

This report will be available under separate cover at the meeting.



CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

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MEMORANDUM

TO: OVERSIGHT COMMITTEE MEMBERS
FROM: HEIDI MCCONNELL, CHIEF OPERATING OFFICER
SUBJECT: APPROVAL OF FY 2017 INTERNAL AUDIT SERVICE CONTRACT
DATE: SEPTEMBER 6, 2016

Recommendation

Staff recommends that the Oversight Committee approve a contract renewal for FY 2017 internal audit services with Weaver and Tidwell for an amount not to exceed \$236,250. The proposed FY 2017 audit plan includes audits over procurement and P-cards, pre-award grant management, training, and internal agency compliance as well as follow-up procedure audits over information security, commodity and service contracts, revenue, and cash management.

Background

CPRIT awarded the initial contract to Weaver and Tidwell in FY 2016 following the completion of the competitive Request for Proposal procurement that year. CPRIT would exercise the first renewal option for services in FY 2017.



CANCER PREVENTION & RESEARCH
INSTITUTE OF TEXAS

MEMORANDUM

TO: CPRIT OVERSIGHT COMMITTEE
FROM: REBECCA GARCIA, PHD, CHIEF PREVENTION AND COMMUNICATIONS OFFICER
SUBJECT: 2017 CONFERENCE VENUE CONTRACT
DATE: SEPTEMBER 1, 2016

Recommendation:

Staff recommends that the Oversight Committee approve a contract for an estimated \$230,000 with the Austin Renaissance Hotel as the 2017 CPRIT Conference venue.

The largest expense is for food and beverages followed by audiovisual costs.

- \$170,000 in estimated food and beverage costs. Pricing for food has continued to rise in hotels and final costs will be based on the number of attendees and the menus selected. Food costs must be offset by conference registration fees.
- \$60,000 in estimated audiovisual (AV) costs. AV costs will be finalized as the schedule and needs of the program are determined.

As is customary with hotel contracts, CPRIT is expected to guarantee a certain amount of overall expenditures and/or room occupancy in order to achieve cost savings in other areas. The guarantees are based on experience and careful projection; however, in the unlikely event that conference attendance is far less than projected, CPRIT will be responsible for additional costs.

Background:

CPRIT's annual conference is designed to provide educational and networking opportunities for grantees, highlight the accomplishments of CPRIT grantees, and communicate to the public how CPRIT uses its state appropriations. CPRIT has held four conferences in the past, during the fall of 2010, 2011, 2012 and 2015. The largest conference expenses are the venue costs. Once we have the conference venue contract finalized, I can finalize an overall conference budget that I will present to the Oversight Committee in November.

Venue Search

CPRIT issued a competitive Request for Proposal (RFP) for a conference venue on August 1, 2016, notifying hotels and convention and visitors bureaus in Austin, Dallas/Fort Worth, Houston and San Antonio about the bidding opportunity in addition to posting it on the Electronic State Business Daily. Based on responses received, returning to the Austin Renaissance, the site of the last two conferences, is CPRIT's best option.

Conference Audience

Each conference has attracted about 850 people. The primary audience for the conference has been CPRIT grantees with about two-thirds being researchers and one-third being public health

professionals. CPRIT grantees are encouraged to attend and, in general, may use grant funds to register up to two people involved in a funded project. CPRIT's training grants are an exception to this rule because institutions with a training grant may use grant funds to pay for all of their participating trainees who attend the conference.

Conference Program Structure

The proposed conference dates are November 13-15, 2017. I anticipate the program to be similar to 2015 and include keynote speakers in plenary sessions, poster presentations as well as in concurrent breakout sessions for each program-- Prevention, Academic Research and Product Development Research. However, program planning has not begun so the RFP requested space over 3 days to give us maximum flexibility in designing the program.