



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

An Audit Report on

Grants Management at the Cancer Prevention and Research Institute of Texas

September 2021
Report No. 22-001



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Overall Conclusion

The Cancer Prevention and Research Institute of Texas (CPRIT) had processes and related controls in place to help ensure that it awards and monitors grants in accordance with state law, rules, and CPRIT policies and procedures.

Specifically, CPRIT had adequate controls to ensure that:

- Conflicts of interest were documented and addressed as required.
- Justification was provided for award recommendations.
- Recommendations, approvals, and disqualifications of grant awards were documented and addressed as required.
- The Oversight Committee approved peer reviewers.
- Reimbursement and advance payments were reviewed, approved, and supported.

CPRIT should strengthen its processes to ensure that it consistently performs a needs assessment for each contract.

Table 1 on the next page presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Background Information

The Cancer Prevention and Research Institute of Texas (CPRIT) is a \$6.0 billion, 20-year initiative that was created after voters (1) approved in 2007 investing \$3.0 billion in state funding for cancer research and treatment and (2) approved in 2019 a constitutional amendment to invest an additional \$3.0 billion.

CPRIT accepts applications and awards grants to public and private entities in Texas for cancer-related research and product development and for the delivery of evidence-based cancer prevention programs and services.

For fiscal year 2021 CPRIT was appropriated 36 full-time equivalent positions. CPRIT is governed by an oversight committee that consists of:

- Three members appointed by the governor.
- Three members appointed by the lieutenant governor.
- Three members appointed by the speaker of the House of Representatives.

Sources: CPRIT and the General Appropriations Act (86th Legislature).

Table 1

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating ^a
1	CPRIT Had Adequate Processes in Place to Review and Award Grant Applications	Low
2	CPRIT Had Adequate Processes to Ensure That Grantees Use State Funds Properly	Low
3	CPRIT Had Contract Planning Processes to Ensure That It Complied With Applicable Requirements	Low
4	CPRIT Overall Had Effective Information Technology Controls	Low

^a A chapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter is rated **Low** if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to CPRIT management.

Summary of Management's Response

At the end of Chapter 3 in this report, auditors made a recommendation to address the issue identified during this audit. CPRIT agreed with the recommendation.

Audit Objective and Scope

The objective of this audit was to determine whether CPRIT has processes and related controls to help ensure that it awards and monitors grants in accordance with state law, rules, and CPRIT policies and procedures.

The scope of this audit covered grants that were closed out between April 1, 2018, and April 19, 2021, that originated from a Request for Application cycle after June 2014. The scope also covered the key third-party contracts related to CPRIT's grant processes. The scope also included a review of significant internal control components related to grant management.

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Detailed Results

Chapter 1

CPRIT Had Adequate Processes in Place to Review and Award Grant Applications

Chapter 1
Rating:

Low¹

The Cancer Prevention and Research Institute of Texas (CPRIT) had processes and related controls in place to ensure that it reviewed and awarded grant applications appropriately. Specifically, CPRIT:

- Had adequate policies and procedures in place to ensure that its grant scoring process was effective and free from conflicts of interest.
- Ensured that its honorarium payments were appropriate.
- Had processes to ensure that grant applications were appropriately authorized and that fund matching requirements were met.

Figure 1 on the next page provides an overview of CPRIT's grant award process.

Types of Grants

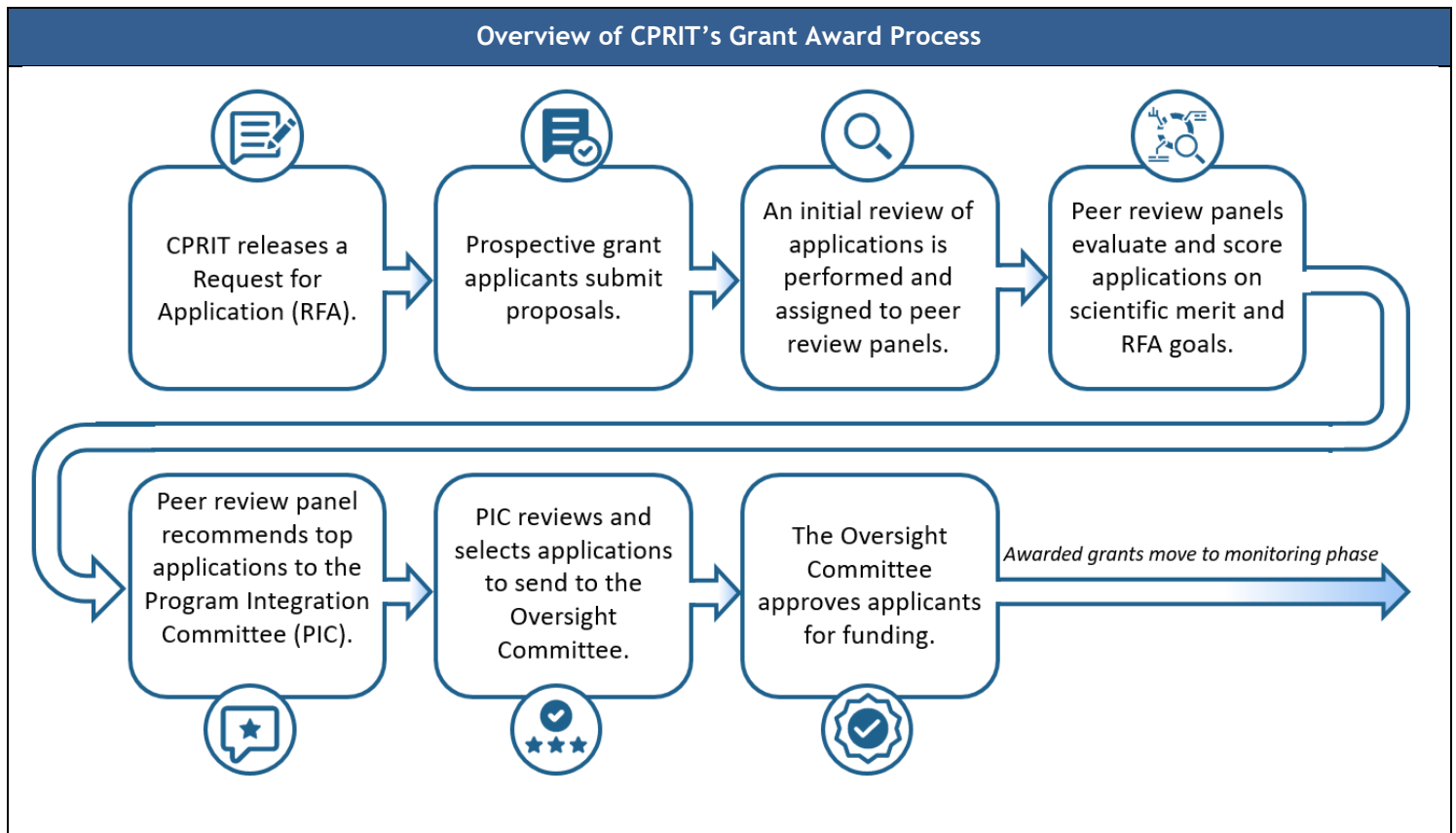
CPRIT awards three types of grants:

- **Academic Research Grants:** These grants support various types of cancer research projects that can lead to prevention, early detection, and more effective treatments. These grants also translate new and existing discoveries into practical advances in cancer diagnosis, treatment, and survivorship.
- **Prevention Grants:** These grants fund projects that offer effective prevention interventions based on the existing body of knowledge about evidence for cancer prevention ("evidence based") and deliver primary, secondary, or tertiary (includes survivorship) prevention interventions that provide state of the art preventive clinical services to the public and health professionals.
- **Product Development Research Grants:** These grants fund the commercial development of novel products in Texas that address unmet cancer diagnosis and treatment needs. CPRIT supports early stage and startup companies that are converting a one-time phenomenon discovered in a laboratory into a product usable in a clinical setting.

Source: CPRIT.

¹ The risk related to the issues discussed in Chapter 1 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Figure 1



Source: CPRIT.

Scoring Process

For all 25 applications tested, CPRIT followed its processes for scoring applications. For example, every peer reviewer scored each application tested as required, and all applications resulting in an award scored higher than the lowest score awarded for that cycle.

In addition, 19 of the applications² also were tested to verify that:

- CPRIT's Oversight Committee approved the peer reviewers who evaluated grant applications, as required.
- Peer reviewers, CPRIT employees, and Oversight Committee members signed conflict of interest statements; for conflicts identified, the individual(s) did not participate in the evaluation process.

² CPRIT's internal audit contractor previously reviewed portions of the Peer Review Panel Approvals and Conflict of Interest Processes for 6 of the 25 applications selected for testing. Therefore, the State Auditor's Office did not test the six applications for those attributes.

Honoraria Payments

CPRIT ensured that the honoraria payments to peer review council chairs and peer reviewers were reasonable, adequately supported, and approved by CPRIT staff as required by its policies (see text box for more information about honoraria payments to peer reviewers). For example, for each of the 50 honoraria payments tested³, CPRIT:

- Obtained support for the work performed.
- Ensured that the payment amount was reasonable, supported by the honoraria policy, and appropriately approved.

In addition, for the 25 quarterly payments made to Review Council and Committee Chairs, CPRIT verified that the payment was to a location outside Texas. CPRIT policies and procedures require that peer reviewers live and work outside of Texas in order to help minimize conflicts of interests arising during the peer review process.

Approval and Fund Matching Requirements

CPRIT has processes in place to ensure that the 25 grants tested (1) were appropriately approved by the Program Integration Committee and Oversight Committee and (2) met fund matching requirements. For example, for the 25 funded grants tested:

- The Program Integration Committee chairperson wrote a letter of recommendation to the Oversight Committee.
- CPRIT verified that the grantees had matching funds of at least half of the grant award amounts prior to contract finalization, where applicable.
- The Oversight Committee authorized all grant contracts.

The grant application amounts that the Oversight Committee approved were documented and in agreement with the published funding limits submitted with the application and Request for Application. In addition, for the 25 disqualified grant applications tested, CPRIT consistently complied with its policies and procedures by maintaining relevant documentation and by ensuring that the disqualification was reasonable and communicated to the applicant.

Honoraria Payments

CPRIT recruits peer reviewers who are (1) world-renowned experts and (2) who live and work outside Texas. In recognition of the work undertaken by the peer reviewers, state law authorizes CPRIT to pay honoraria to its peer reviewers.

Additionally, Review Council and Committee Chairs receive quarterly honoraria payments directly from CPRIT, while a third-party administrator pays peer reviewers for each review cycle in which they participate.

Source: CPRIT's fiscal year 2021 honoraria policy.

³ Testing included 25 quarterly honoraria payments that CPRIT made to Review Council and Committee Chairs, and 25 payments that its third-party administrator paid to peer reviewers.

CPRIT Had Adequate Processes to Ensure That Grantees Use State Funds Properly

**Chapter 2
Rating:**

Low ⁴

CPRIT had processes and related controls over its post-award payments and the monitoring of grant funds to verify that funds were spent in accordance with applicable rules, requirements, and grant provisions. Specifically, CPRIT:

- Had processes in place to monitor that grantees submitted progress, financial status, and Matching Compliance Certifications according to policy.
- Ensured that processes for reimbursement and advanced payments were operating effectively and ensured that those payments were approved and sufficiently supported.
- Had adequate policies and procedures in place for the completion of desk/on-site reviews, approval of no cost extensions⁵, and the close out of grant contracts.

Required Reports and Certification

The reports that CPRIT grantees are required to submit include:

- **Progress Reports** - CPRIT requires grantees to report programmatic progress towards the grant objective via annual progress reports (or quarterly progress reports for prevention grants).
- **Financial Status Reports** - CPRIT requires grantees to report costs in eight expense categories in quarterly Financial Status Reports. Those categories are: Personnel, Fringe Benefits, Travel, Equipment, Supplies, Contractual, Indirect Costs, and Other.
- **Matching Compliance Certification** - CPRIT requires recipients of Product Development Research and Academic Research grants to demonstrate annually that they have spent funds in an amount equal to or greater than one-half of the grant expenditures for that given year.

Source: CPRIT.

Reports and Certifications

CPRIT requires each grantee to submit various financial and performance reports on a quarterly and annual basis to support the financial expenditures charged to the grant along with programmatic progress of the grant. It also requires recipients of Product Development Research and Academic Research grants to submit annual Matching Compliance Certifications, which show compliance with matching fund requirements (see text box for more information about the reports).

For the 25 grants tested, CPRIT ensured that:

- Grantees submitted all required financial and performance reports and, if applicable, Matching Compliance Certifications.

⁴ The risk related to the issues discussed in Chapter 2 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

⁵ CPRIT uses a no cost extension to extend the termination date of a grant agreement without expending additional funds.

- Staff reviewed and approved the reports.
- It withheld payments until the grantees submitted the reports, when applicable.

In addition, all 25 grants tested had an Authorized Signing Official or at least one other person employed by the grantee who had completed compliance training on an annual basis.

Reimbursement and Advanced Payments

CPRIT had adequate controls in place over grant reimbursement payments and the approval of advance payments to product development research grants. Specifically, for all 25 grant reimbursement payments tested, totaling \$7,457,808, CPRIT complied with applicable statutes, rules, and its policies and procedures. For example, CPRIT management authorized the payments and CPRIT verified that the costs were incurred while the grant was active, allowable, and adequately supported.

In addition, auditors tested 1 advance payment of \$3,982,943⁶. CPRIT ensured that payment was properly authorized, adequately supported, allowable, and made while the grant contract was active. The grant contract associated with the advance payment was terminated prior to the grantee expending all funds, and CPRIT ensured that all unexpended funds from the advance payment were returned prior to closing the grant.

Desk and On-Site Reviews

CPRIT established a desk and on-site review process to assess grantees' financial controls and reported expenditures. For the 25 grants tested, CPRIT consistently followed its policies and procedures for all 21 grants that received at least one desk or on-site review, as required. For example, the reviews tested were complete and received a secondary review, and it communicated significant compliance issues to the grantees. Four of the 25 grants tested were not selected during CPRIT's risk assessment process to receive a desk or on-site review.

No Cost Extensions

CPRIT had procedures in place to ensure that approved No Cost Extensions complied with applicable rules and policies. A No Cost Extension allows a grant to be extended without the grantee obtaining additional funding from CPRIT. Of the 25 grants tested, 12 obtained at least one No Cost Extension. All of those extensions were appropriately approved and requested within

⁶ This was the only advance payment CPRIT made for the 25 grants selected for testing.

the required timeframes, and each grantee provided reasonable justification when required⁷.

Grant Closeout

For 24 grants tested, the grantee provided all required close out documents prior to CPRIT closing the grant. CPRIT requires each grantee to submit final reports related to various financial and programmatic areas prior to finalizing the closing of the grant. One grant was terminated prior to the grantee receiving any funds.

⁷ If a grantee requests a second extension, or an extension of greater than six months, the grantee must provide good cause for the request.

CPRIT Had Contract Planning Processes to Ensure That It Complied With Applicable Requirements

**Chapter 3
Rating:**

Low⁸

CPRIT had processes in place to help ensure that it performed most required activities related to contract planning and formation as required by the *State of Texas Procurement and Contract Management Guide*⁸. CPRIT uses multiple third party contractors to assist with its grant administration process, such as the review of grant applications.

CPRIT complied with contract formation requirements for all three contracts tested (see text box for more information about those contracts). Specifically, CPRIT ensured that:

- The scope of work was consistent among the request for proposal, best and final offer, and the final contract.
- CPRIT management properly authorized the contracts. In addition, the Oversight Committee authorized the 2 contracts that were for more than \$100,000, as required by CPRIT policy.
- It included all essential provisions and clauses required by the *State of Texas Procurement and Contract Management Guide*⁹ in the final contract.

Three Contracts Tested

A contract with each of the following three contractors was tested:

- General Dynamics Information Technology (\$9,980,376) - This contractor assists CPRIT with the grant awarding and monitoring process, and it also provides the information technology systems used in those processes.
- ICON Clinical Research Limited (\$317,370) - This contractor assists CPRIT with performing due diligence review services to verify that the applicant has all the business processes necessary to ensure they are a viable company to provide an award for product development research grants.
- Business and Financial Management Solutions (\$71,400) - This contractor assists CPRIT with monitoring of the peer review process for grant applications.

Source: CPRIT.

CPRIT also performed a needs assessment for two of the three contracts audited. It did not perform a needs assessment for the contract with Business and Financial Management Solutions. The *State of Texas Procurement and Contract Management Guide* requires a needs assessment to be performed to reduce the risk of a contract resulting in unnecessary spending or the hiring of contractors that do not fit the agency's business needs.

⁸ The risk related to the issues discussed in Chapter 3 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

⁹ The *State of Texas Contract Management Guide*, Version 1.15, was in effect when the contract with General Dynamics Information Technology was executed. The *State of Texas Contract Management Guide*, Version 1.16, was in effect when the contract with ICON Clinical Research Limited was executed. The *State of Texas Procurement and Contract Management Guide*, Version 1.3, was in effect when the contract with Business and Financial Management Solutions was executed.

Recommendation

CPRIT should consistently perform a needs assessment for its contracts.

Management's Response

CPRIT management agrees that a needs assessment must be consistently performed for every contract. CPRIT will adjust its procurement procedures to confirm that a needs assessment is completed prior to proceeding with the contract solicitation process. Responsible Staff: Chief Operating Officer and Purchaser

Implementation Date: February 28, 2022

CPRIT Overall Had Effective Information Technology Controls

**Chapter 4
Rating:**

Low ¹⁰

CPRIT primarily uses three information systems to support the pre-award and post-award grant management processes audited (see text box for information about those three systems).

While a third-party vendor administers each of the three systems, CPRIT ensured that the vendor had appropriate user access controls and a disaster recovery process over those systems. In addition, CPRIT had appropriate controls in place to manage employees' and contractors' access to the CPRIT Grant Management System.

In addition, for the Uniform Statewide Accounting System and the Centralized Accounting and Payroll/Personnel System, CPRIT had adequate segregation of duties and user access controls over the approval and release of payments to grantee organizations.

CPRIT Information Systems

Three information systems support the processes audited:

- The **CPRIT Grant Management System** is the system that CPRIT uses as a system of record for most post award management processes and is where grantees can directly upload required information such as Financial Status Reports and Progress Reports.
- The **CPRIT Application Receipt System** is the system used by organizations and institutions to submit grant applications to CPRIT.
- The **P²RMIS** (pronounced Premise) is the system used by CPRIT's third-party vendor, General Dynamics Information Technology, to record the peer review process for all grant applications. This includes information such as peer reviewers' comments and scores.

Source: CPRIT.

¹⁰ The risk related to the issues discussed in Chapter 4 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Cancer Prevention and Research Institute of Texas (CPRIT) has processes and related controls to help ensure that it awards and monitors grants in accordance with state law, rules, and CPRIT policies and procedures.

Scope

The scope of this audit covered grants that were closed out between April 1, 2018, and April 19, 2021, that originated from a Request for Application cycle after June 2014. The scope also covered the key third-party contracts related to CPRIT's grant processes. The scope also included a review of significant internal control components related to grant management (see Appendix 3 for more information about internal control components).

Methodology

The audit methodology included conducting interviews with CPRIT management, staff, oversight members, and grant management contractor staff; collecting information and documentation on grants; performing selected tests and other procedures; and analyzing and evaluating the results of the tests. In addition, the methodology included performing a limited review of CPRIT's general and application controls for user access over selected information systems it used to manage grant-related financial and programmatic data.

Data Reliability and Completeness

Auditors used CPRIT data from selected information systems to test the grant pre-award and post-award process. Those systems included (1) CPRIT's Grant Management System, which CPRIT used to monitor grants; (2) the CPRIT Application Receipt System, which entities used to submit grant applications; and (3) the scientific peer review management system (P²RMIS) that CPRIT used to manage and document peer reviews and awards. All three information systems were proprietary systems supported by CPRIT's grant management contractor. As a result, auditors (1) reviewed appropriate System and Organization Controls reports, (2) reviewed disaster recovery reports, (3) reviewed user access to CPRIT's Grant Management System, (4) observed data being extracted, and (5) reviewed queries associated with the

data. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

Auditors also used data from CPRIT's Centralized Accounting and Payroll/Personnel System (CAPPS) and the Uniform Statewide Accounting System (USAS) to help verify the accuracy of grant-related reimbursement and advance payments. To determine the reliability of that data, auditors (1) obtained and reviewed user access, (2) verified whether there was an appropriate segregation of duties over payments, and (3) reconciled USAS to CAPPS. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors selected nonstatistical samples for testing of the following:

- **Awarded grants:** From a population of 130 grants that were within the audit scope, auditors selected a nonstatistical sample of 25 grants to assess CPRIT's grant management processes and related controls. This sample design was chosen to ensure coverage throughout the audited fiscal years and to ensure that the sample included items with specific characteristics, such as the largest grants by award program and award mechanism. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.
- **Grant reimbursements and advance payments:** From a population of 293 grant reimbursements and advance payments from the awarded grants, auditors selected a nonstatistical sample of 25 payments to assess CPRIT's payment processes and related controls. This sample design was chosen to ensure coverage throughout the fiscal years of payments and to ensure that the sample included items with specific characteristics, such as the largest payment amount, dates of payments, and/or program type. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.
- **Honoraria payments made by CPRIT and its third-party contractor (General Dynamics Information Technology):** From a population of 840 CPRIT honoraria payments and 210 third-party contractor honoraria payments, auditors selected a nonstatistical sample of 25 payments from each population to assess CPRIT's honoraria process and related controls. This sample design was chosen to ensure that the sample included items in each fiscal year and that the sample included items with specific characteristics, such as payments made in specific review cycles, grant types, peer reviewers, and large amounts. The sample items were not necessarily representative of

the population; therefore, it would not be appropriate to project the test results to the population.

- **Disqualified grant applications:** From a population of 1,294 grant applications, auditors selected a nonstatistical sample of 25 applications to assess CPRIT's application disqualification process and related controls. This sample design was chosen to ensure that the sample included items in each fiscal year and coverage of specific characteristics, such as reason for disqualification, when in the awarding process the application was disqualified, type of grant application, and CPRIT awarding cycles. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Information collected and reviewed included the following:

- Grant agreements between CPRIT and grantees.
- Contracts between CPRIT and selected contractors.
- CPRIT's strategic plan.
- CPRIT's grant management policies and procedures.
- CPRIT's Oversight Committee meeting minutes.
- Award documentation, including requests for applications, grant applications, pre-meeting and post-meeting conflict of interest statements, peer reviewer scores, summary statements, due diligence reports, and limited information on intellectual property reviews.
- CPRIT internal audit reports.
- Annual progress reports, financial deliverables, and other information that grantees prepared.
- Award recommendations made by CPRIT's prevention, academic research, and product development review councils.
- CPRIT and grantee expenditure data.
- CPRIT honorarium payment data for April 1, 2018, through April 19, 2021.
- Grant management contractor honorarium payment data for April 1, 2018, through April 19, 2021.

Procedures and tests conducted included the following:

- Interviewed members of CPRIT’s Oversight Committee, management, and staff.
- Interviewed grant management contractor staff.
- Reviewed payment documentation.
- Reviewed information technology controls and documents.
- Reviewed pre-meeting and post-meeting conflict of interest statements, peer reviewer scores, and summary statements.
- Reviewed annual progress reports and financial deliverables.
- Tested samples of advance payments and reimbursements to grantees from April 1, 2018, through April 19, 2021.
- Tested a sample of honorarium payments CPRIT and its third-party grant management contractor made from April 1, 2018, through April 19, 2021.
- Tested a sample of grants closed between April 1, 2018, and April 19, 2021.
- Compared a sample of grant agreements to the requirements in the appropriate *State of Texas Contract Management Guide* or *State of Texas Procurement and Contract Management Guide*.
- Compared a sample of grant amounts recommended by peer review councils and the Program Integration Committee to final grant amounts.
- Reviewed a sample of disqualified grant applications.
- Tested a sample of no cost extensions for grant contracts.
- Reviewed close-out procedures for a sample of grant contracts that expired between April 1, 2018, and April 19, 2021.
- Reviewed procurement files for selected third-party contractors.

Criteria used included the following:

- Texas Constitution, Article III, Section 67.
- Texas Health and Safety Code, Chapter 102.
- Title 25, Texas Administrative Code, Chapters 701, 702, and 703.

- *Uniform Grant Management Standards*, Texas Office of the Comptroller of Public Accounts, adopted June 2004.
- CPRIT's grant agreements with grantees and contracts with contractors.
- CPRIT's grant management policies and procedures.
- The *State of Texas Contract Management Guide*, Versions 1.13, 1.14, 1.15, and 1.16.
- The *State of Texas Procurement and Contract Management Guide*, Versions 1.1 and 1.3.

Project Information

Audit fieldwork was conducted from December 2020 through June 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Eric Ladejo, MPA, CFE, CIA (Project Manager)
- John Felchak (Assistant Project Manager)
- Kirstin Adamcik, MBA
- Justin Brister
- Erica Chapa
- Lauren Ramsey
- Michelle Ann Duncan Feller, CPA, CIA (Quality Control Reviewer)
- Michael Simon, MBA, CGAP (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Internal Control Components

Internal control is a process used by management to help an entity achieve its objectives. The U.S. Government Accountability Office's *Government Auditing Standards* require auditors to assess internal control when internal control is significant to the audit objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a framework for 5 integrated components and 17 principles of internal control, which are listed in Table 3.

Table 3

Internal Control Components and Principles		
Component	Component Description	Principles
Control Environment	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.	<ul style="list-style-type: none"> ▪ The organization demonstrates a commitment to integrity and ethical values. ▪ The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. ▪ Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. ▪ The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. ▪ The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment	Risk assessment is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.	<ul style="list-style-type: none"> ▪ The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. ▪ The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. ▪ The organization considers the potential for fraud in assessing risks to the achievement of objectives. ▪ The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities	Control activities are the policies and procedures that help ensure that management's directives are carried out.	<ul style="list-style-type: none"> ▪ The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. ▪ The organization selects and develops general control activities over technology to support the achievement of objectives. ▪ The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Internal Control Components and Principles		
Component	Component Description	Principles
Information and Communication	Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.	<ul style="list-style-type: none"> ▪ The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. ▪ The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control. ▪ The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities	Monitoring is a process that assesses the quality of internal control performance over time.	<ul style="list-style-type: none"> ▪ The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. ▪ The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Source: Internal Control - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, May 2013.

Related State Auditor's Office Reports

Table 4

Related State Auditor's Office Reports		
Number	Report Name	Release Date
18-009	<i>An Audit Report on Performance Measures at the Cancer Prevention and Research Institute of Texas</i>	December 2017
13-018	<i>An Audit Report on Grant Management at the Cancer Prevention and Research Institute of Texas and Selected Grantees</i>	January 2013

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dade Phelan, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Greg Bonnen, House Appropriations Committee
The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Cancer Prevention and Research Institute of Texas

Member of the Oversight Committee

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