

# Fiscal Year 2013 Internal Audit Annual Report

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January 24, 2014



CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

# **Cancer Prevention and Research Institute of Texas Annual Report for the year ended August 31, 2013**

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# I. Compliance with House Bill 16

House Bill 16 requires state agencies and higher education institutions, as defined in the bill, to post their Internal Audit Plan, Internal Audit Annual Report, and other audit information on the Internet.

The CPRIT Oversight Committee will review and approve the agency's internal audit plan and internal audit annual report at the recommendation of the Audit Subcommittee. Once the Oversight Committee has approved these reports at an open meeting, the reports will be posted to the agency's website in a section designated for audit reports within 30 days of approval. In addition, the agency will post to the website the individual internal audit reports related to the internal audit annual report.

## II. Internal Audit Plan for Fiscal Year 2013

The internal audits planned for fiscal year 2013 were selected to address the agency's highest risk areas, based on the risk assessment process conducted during the summer of 2012, which included input from CPRIT management. The audits conducted during fiscal year 2013 are listed below, along with a brief description of each.

Audit Name & Description	Report #	Report Date	Status
<p><b>Grants Management</b> – this audit consisted of a review of the grants management processes and controls to determine whether controls are in place to help validate that the grant application process and the subsequent review of programmatic and financial activities are operating effectively. The audit will also review whether grantee activity is adequately monitored periodically and throughout the duration of grant programs.</p>	2013 – 01	7/19/13	Completed
<p><b>Expenditures</b> – this review took into consideration whether controls are in place to help validate that the Agency's expenditure process and controls are operating effectively to mitigate the risk of fraudulent activity.</p>	2013 – 02	7/19/13	Completed
<p><b>Information Technology</b> – this audit considered whether controls are in place to help validate that the Agency's IT environment is compliant with Texas Administrative Code. The internal audit will also consider whether general computer controls are in place and operating effectively.</p>	2013 – 03	8/9/13	Completed

<b>Audit Name &amp; Description</b>	<b>Report #</b>	<b>Report Date</b>	<b>Status</b>
<b>Grantee Field Audit – Cooper</b> – this audit validated if the grantee had a clear understanding of CPRIT’s policies and procedures and reviewed whether CPRIT funds were used in accordance with the established guidelines.	2013 – 04	7/18/13	Completed
<b>Grantee Field Audit – Baylor College of Medicine</b> – this audit validated if the grantee had a clear understanding of CPRIT’s policies and procedures and reviewed whether CPRIT funds were used in accordance with the established guidelines.	2013 – 05	8/29/13	Completed
<b>Grantee Field Audit – Texas Tech</b> – this audit validated if the grantee had a clear understanding of CPRIT’s policies and procedures and reviewed whether CPRIT funds were used in accordance with the established guidelines.	2013 – 06	8/5/13	Completed
<b>Grantee Field Audit – MD Anderson</b> – this audit validated if the grantee had a clear understanding of CPRIT’s policies and procedures and reviewed whether CPRIT funds were used in accordance with the established guidelines.	2013 – 07	8/28/13	Completed
<b>Grantee Field Audit – University of Houston</b> – this audit validated if the grantee had a clear understanding of CPRIT’s policies and procedures and reviewed whether CPRIT funds were used in accordance with the established guidelines.	2013 – 08	8/30/13	Completed
<b>Grantee Field Audit – Caliber Biotherapeutics, LLC</b> – this audit validated if the grantee had a clear understanding of CPRIT’s policies and procedures and reviewed whether CPRIT funds were used in accordance with the established guidelines.	2013 – 09	8/29/13	Completed

There were no deviations from the audit plan that was previously submitted in the fiscal year 2012 internal audit annual report.

### III. Consulting Services & Non-Audit Services Completed

As defined in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, CPRIT completed the following consulting and non-audit services for FY 2013:

- CPRIT engaged Grant Thornton as the third party to observe each in-person and telephone conference peer review meeting. The following meetings were attended:

<b>Review Panel</b>	<b>Report #</b>	<b>Report Date</b>	<b>Status</b>
Peer Review – Scientific Basic Cancer Review Committee 1A/2A	2013 – 10	9/11/12	Completed
Peer Review – Scientific Basic Cancer Review Committee 3A	2013 – 11	9/18/12	Completed
Scientific Translational and Clinical Cancer Review Committee 3A	2013 – 12	9/20/12	Completed
Peer Review – Interfaces Review Committee A	2013 – 13	9/26/12	Completed
Peer Review – Basic Cancer Review Committee 1A	2013 – 14	9/26/12	Completed
Peer Review – Basic Cancer Review Committee 2A	2013 – 15	9/28/12	Completed
Peer Review – Commercialization Panel A, FY 13 Cycle 1 Screening	2013 – 16	9/27/12	Completed
Peer Review – Commercialization FY 13 Cycle 1	2013 – 17	9/30/12	Completed
Peer Review – Prevention Peer Review Panel – FY13 Cycle 1	2013 – 18	11/13/12	Completed
Peer Review – Prevention Program Peer Review FY13 Cycle 1	2013 – 19	11/15/12	Completed

<b>Review Panel</b>	<b>Report #</b>	<b>Report Date</b>	<b>Status</b>
Peer Review – Commercialization Panel B, FY13 Cycle 2 Screening Teleconference	2013 – 20	12/3/12	Completed
Peer Review – Commercialization Program Peer Review FY13 Cycle 2	2013 – 21	12/17/12	Completed
Peer Review – Prevention Peer Review Council Meeting	2013 – 22	12/18/12	Completed

- The purpose of the peer review panel observations was to document that:
  - § Procedures on conflict of interest are followed during peer review sessions (e.g., reviewers leave room or do not participate in the telephone conference if they are conflicted on a certain proposal, etc.);
  - § CPRIT program staff participation is appropriate, offering points of information when asked by the peer review panel and not engaging in the panel’s discussion on the merits of applications; and
  - § The discussion by the peer review panel is appropriately focused on the merits of each application.
  
- CPRIT engaged Mr. Billy Hamilton as a consultant to perform an operational review of the agency and provide independent findings and recommendations to the CPRIT Oversight Committee and Interim Executive Director. The services he performed related to the operational review consisted of:
  - Reviewing the agency’s processes and past issues, interviewing key staff, and reviewing relevant documents;
  - Meeting with members of the Legislature, stakeholders, and others involved in the agency’s work as necessary to complete the assignment;
  - Providing the CPRIT Oversight Committee with a written report of findings and recommendations; and
  - Testifying before the Legislature.

## IV. External Quality Assurance Review (Peer Review)

In accordance with professional standards, and to meet the requirements of the Texas Internal Auditing Act, Internal Audit is required to undergo an external quality assurance review at least once every three years. CPRIT did not engage in an external quality assurance review during FY 2013.

## V. Internal Audit Plan for Fiscal Year 2014

The internal audits planned for fiscal year 2014 were selected to address the agency's highest risk areas, based on the agency's risk assessment. Although the Internal Audit Plan contains various audits, it is not intended to cover every risk, and it does not provide coverage for all CPRIT's activities. This internal audit plan may be adjusted if significant changes in risk occur. Additional projects, such as management requests, may be conducted or some of the audits included may not be performed. Adjustments in the audit plan will be communicated to the CPRIT Audit Subcommittee, as appropriate.

Internal Audit performed an enterprise risk assessment (ERA) of the agency in the summer of 2013. The assessment was performed in collaboration with agency management, using a combination of management interviews and a web-based survey. The ERA also included an evaluation of issues identified during prior audits and took into consideration the current risks within the Agency's environment.

Internal Audit combined the assessed risks identified in the ERA with additional information obtained from prior internal audits and other business risks, to identify the higher risk areas within the agency. These lists were presented to agency executives for review and agreement, combined into a comprehensive list, and then ranked in order to identify those areas that warrant focus by internal audit for the current fiscal year.

<b>Internal Audit</b>	<b>Description</b>	<b>Budgeted Hours</b>
Grants Management	An internal audit of grants management processes and controls will consider whether controls are in place to help validate that the grant application process and the subsequent review of programmatic and financial activities are operating effectively. The audit will also review whether grantee activity is adequately monitored periodically and throughout the duration of grant programs.	200

<b>Internal Audit</b>	<b>Description</b>	<b>Budgeted Hours</b>
Expenditures	An internal audit of expenditures will consider whether controls are in place to help validate that the Agency's expenditure process and controls are operating effectively to mitigate the risk of fraudulent activity.	150
Information Technology	An internal audit of expenditures will consider whether controls are in place to help validate that the Agency's IT environment is compliant with Texas Administrative Code. The internal audit will also consider whether general computer controls are in place and operating effectively.	100
Governance	An internal audit of the Agency's governance will consider whether controls are in place to help ascertain if there is coordination of activities and communication of information among the board, external parties and management in order to promote appropriate ethics and values within the organization. Areas to review may include conflict of interest disclosures, on-boarding and training of Oversight Committee members, and understanding of policies and procedures.	200
Grantee Field Audits	Internal audits of various grantees will help validate if the grantees have a clear understanding of CPRIT's policies and procedures and will review whether CPRIT funds have been used in accordance with the established guidelines.	800
Special Projects	To be determined by Management or the Audit Subcommittee	TBD

## **VI. External Audit Services Procured in Fiscal Year 2013**

CPRIT engaged CliftonLarsonAllen, a certified public accounting and consulting firm, as their external auditors for FY 2013. CliftonLarsonAllen is registered with the Public Company Auditor Oversight Board (PCAOB) and is a member of the Government Audit Quality Center and the Employee Benefit Plan Audit Quality Center.

## VII. Reporting Suspected Fraud and Abuse

<b>Reference</b>	<b>Description of Entity's Actions</b>
Fraud Reporting (Article IX Section 7.09, 83rd Legislature, Conference Committee Report)	On the CPRIT website, the agency provides the State Auditor's Office toll free fraud, waste, and abuse hotline and website address for individuals to anonymously and directly report suspected fraud, waste, and abuse involving CPRIT or other state resources.
Coordination of Investigations (Chapter 321, Texas Government Code, §321.022)	The CPRIT Chief Compliance Officer is the designated staff member within the agency to receive written or verbal allegations of suspected fraud, waste, and abuse. The Compliance Officer has the authority to examine and investigate those allegations and turn over information of verified instances of fraud, waste, or abuse to the State Auditor's Office.