

CANCER PREVENTION & RESEARCH INSTITUTE OF TEXAS

**IA # 07-17 – INTERNAL AUDIT FOLLOW-UP PROCEDURES REPORT OVER
PRIOR YEAR CASH MANAGEMENT FINDINGS**

REPORT DATE: JUNE 21, 2017

ISSUED: JULY 13, 2017

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The Oversight Committee
Cancer Prevention and Research Institute of Texas
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This report presents the results of the internal audit follow-up procedures performed for the Cancer Prevention and Research Institute of Texas (CPRIT) during the period May 8, 2017 through June 21, 2017 relating to the findings from the 2016 Internal Audit Report over Cash Management, dated August 26, 2016.

The objective of these follow-up procedures was to validate that adequate corrective action has been taken in order to remediate the issues identified in the 2016 Internal Audit Report over Cash Management.

To accomplish this objective, we conducted interviews with key personnel responsible for Cash Management. We also reviewed documentation and performed specific testing procedures to validate actions taken. Procedures were performed at the Cancer Prevention and Research Institute of Texas office and were completed on June 21, 2017.

The following report summarizes the findings identified, risks to the organization, recommendations for improvement and management's responses.

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WEAVER AND TIDWELL, L.L.P.
Austin, Texas
July 13, 2017

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BACKGROUND

In 2016, internal audit procedures over CPRIT’s cash management process were completed and reported to the Oversight Committee. The internal audit report over CPRIT’s cash management procedures and activities identified one area for improvement related to the review and approval of the cash forecasting workbook.

The 2017 Internal Audit Plan included performing procedures to validate that CPRIT management has taken steps to address the internal audit findings.

FOLLOW-UP PROCEDURES OBJECTIVE AND SCOPE

The follow-up procedures focused on the remediation efforts taken by CPRIT management to address the findings included in the 2016 Internal Audit Report over Cash Management, and to validate that appropriate corrective action had been taken. The 2016 report identified the following finding:

1. The CPRIT cash forecasting workbook is not reviewed and approved for accuracy and completeness by another CPRIT employee.

Our follow-up procedures included the following:

- Inquiry with the COO to validate that a secondary review of the cash forecasting workbook has been implemented
- Review of cash forecasting workbook updates from February 2017 and April 2017

EXECUTIVE SUMMARY

The findings from the 2016 cash management internal audit included non-compliance issues with 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 financial or operational implications.

In the 2016 internal audit, we identified one finding, which was risk rated as **Moderate**.

Through our interviews, review of documentation, observations, and testing, we determined that the 2016 cash management finding was remediated.

Risk Rating	Finding	Remediated	Partially Remediated	Open
High	-	-	-	-
Moderate	1	1	-	-
Low	-	-	-	-
Total	1	1	-	-

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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.*

FOLLOW-UP ASSESSMENT		STRONG
SCOPE AREA	RESULT	RATING
Objective: Validate that adequate corrective action has been taken in order to remediate the issues identified in the 2016 Internal Audit Report over Cash Management.	We identified that procedures implemented by management adequately addressed and remediated the prior open findings.	STRONG

CONCLUSION

Based on our evaluation, CPRIT management has made satisfactory effort to remediate the findings from the 2016 Internal Audit Report. We recommend continued diligence in maintaining internal controls of cash management processes.

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

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DETAILED PROCEDURES PERFORMED, FINDINGS, RECOMMENDATIONS
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Our procedures included interviewing key personnel, examining existing documentation or communication, and performing test procedures to validate corrective actions taken. In addition, we evaluated the existing policies, procedures and processes.

Objective: Validate Remediation

Validate that adequate corrective action has been taken in order to remediate the issues identified in the 2016 Internal Audit Report over Cash Management.

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.

Procedures Performed: CPRIT has implemented a secondary review of updates to the cash forecasting workbook. Updates are prepared by the COO and reviewed by the Chief Executive Officer (CEO).

COO prepared the following two updates since the implementation date of December 1, 2016:

- February 2017 update
- April 2017 update

We verified the CEO reviewed the April 2017 cash forecasting workbook with the COO on May 4, 2017. We also verified that the workbook included the critical inputs and assumptions and was mathematically accurate.

Results: Finding remediated.

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.

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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