



An Audit Report on

Performance Measures at the Cancer Prevention and Research Institute of Texas

December 2017
Report No. 18-009



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Overall Conclusion

The Cancer Prevention and Research Institute of Texas (Institute) reported reliable results for three of the five key performance measures tested; however, it should improve controls to help ensure that it consistently reports reliable performance measure results. A performance measure result is considered reliable if it is certified or certified with qualification.

For all five key performance measures tested, the Institute did not have sufficient controls over the entry and review of data it entered into the Automated Budget and Evaluation System of Texas (ABEST). As a result, the Annual Age-adjusted Cancer Mortality Rate key performance measure was certified with qualification.

In addition, a control in the Institute's grant management system was not operating effectively to require grantees to appropriately submit and review progress report information. As a result, the following two key performance measures were certified with qualification:

- Number of Published Articles on CPRIT-Funded Research Projects.
- Number of People Served by Institute Funded Prevention and Control Activities.

The Institute did not report reliable results for the remaining two key performance measures results tested. Specifically:

- Factors prevented certification of the Number of Entities Relocating to Texas for Cancer-Research Related Projects key performance measure. The Institute did not follow its procedures and did not obtain supporting **documentation to ensure that entities were "Texas-based" before** including them in the performance measure results.
- The Number of New Jobs Created and Maintained key performance measure was inaccurate because the Institute reported results that, when compared to **auditors' recalculation using** Institute documentation, had an error rate that exceeded 5 percent.

Background Information

In 2007, Texas voters approved a constitutional amendment establishing the Cancer Prevention and Research Institute of Texas (Institute) and authorizing the State to issue \$3 billion in bonds to fund the Institute and the grants that it awards.

As of September 2017, the Institute reported that it had awarded 1,189 grants totaling approximately \$1.9 billion.

Agencies report results for their key performance measures to the Legislative Budget Board's Automated Budget and Evaluation System of Texas, or ABEST.

Key performance measures are:

- Budget drivers that are generally externally focused.
- Closely related to the goals identified in the statewide strategic plan.
- Reflective of the characteristics of good performance measures.

Sources: **The Institute's** Web site and *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).

Table 1 summarizes the certification results for the key performance measures tested.

Table 1

Performance Measure Results for the Cancer Prevention and Research Institute of Texas (Agency No. 542)					
Related Objective or Strategy, Classification	Description of Performance Measure	Fiscal Year	Results Reported in ABEST	Certification Results ^a	Chapter in This Report
A. 1.2, Explanatory	Annual Age-adjusted Cancer Mortality Rate	2016	152.8 ^b	Certified with Qualification	Chapter 1
A. 1.1, Explanatory	Number of Published Articles on CPRIT-Funded Research Projects	2016	1,281	Certified with Qualification	Chapter 1
A. 1.2, Output	Number of People Served by Institute Funded Prevention and Control Activities	2016	557,856	Certified with Qualification	Chapter 1
		2017 - First, Second, and Third Quarters ^c	589,269	Certified with Qualification	Chapter 1
A. 1.1, Output	Number of Entities Relocating to Texas for Cancer-Research Related Projects	2016	2	Factors Prevented Certification	Chapter 2
		2017 - First, Second, and Third Quarters ^c	0	Factors Prevented Certification	Chapter 2
A. 1.1, Explanatory	Number of New Jobs Created and Maintained	2016	3,835	Inaccurate	Chapter 2

^a A performance measure is certified if reported performance is accurate within plus or minus 5 percent of actual performance and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data. A performance measure is certified with qualification when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A performance measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure is also certified with qualification if agency calculation of performance deviated from the performance measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result. A performance measure is inaccurate when the actual performance is not within 5 percent of the reported performance, or when there is a 5 percent or greater error rate in the sample of documentation tested. A performance measure also is inaccurate if the agency's calculation deviated from the performance measure definition and caused a 5 percent or greater difference between the number reported to ABEST and the correct performance measure result. A factors prevented certification designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the performance measure definition and the auditor cannot determine the correct performance measure result.

^b The Institute reported that rate using information from the Department of State Health Services' Cancer Epidemiology and Surveillance Branch. The calculation of that rate was based on the age-adjusted mortality rate for all malignant cancer, males and females combined, in 2013. The rate was per 100,000 people and was age-adjusted to the 2000 U.S. standard population.

^c The Institute reported that performance measure in ABEST on a quarterly basis; therefore, auditors tested that performance measure for fiscal year 2016 and the first three quarters of fiscal year 2017. The results reported for fiscal year 2017 are cumulative through the first three quarters.

Auditors communicated another, less significant issue regarding the performance measures audited to the Institute separately in writing.

Summary of **Management's Response**

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The Institute agreed with the recommendations in this report.

Audit Objectives and Scope

The objectives of this audit were to determine whether the Institute:

- Is accurately reporting its performance measures to ABEST.
- Has adequate controls in place over the collection, calculation, and reporting of its performance measures.

The scope of this audit included three key performance measures that the Institute reported for fiscal year 2016 (September 1, 2015, through August 31, 2016) and two key performance measures the Institute reported for fiscal year 2016 and the first three quarters of fiscal year 2017 (September 1, 2016, through May 31, 2017).

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Detailed Results

Chapter 1

The Institute Reported Reliable Results for Three Performance Measures Tested, But It Should Implement Segregation of Duties and Improve Certain Controls

The Cancer Prevention and Research Institute of Texas (Institute) reported reliable results for three key performance measures tested. However, results for those three key performance measures were certified with qualification as a result of control weaknesses discussed below.

Annual Age-adjusted Cancer Mortality Rate

The Institute accurately reported the number it received from the Department of State Health Services' Cancer Epidemiology and Surveillance Branch for the Annual Age-adjusted Cancer Mortality Rate key performance measure for fiscal year 2016.

Certified with Qualification

A performance measure is certified with qualification when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A performance measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A performance measure is also certified with qualification if agency calculation of performance deviated from the performance measure definition but caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

Source: *Guide to Performance Measure Management (State Auditor's Office Report No. 12-333, March 2012)*.

However, the Institute did not have documented policies related to or adequate segregation of duties between the entry and release of performance measure data into the Automated Budget and Evaluation System of Texas (ABEST). In addition, it did not perform independent reviews of performance measure data before entering that data into ABEST. The *Guide to Performance Measure Management (State Auditor's Office Report No. 12-333, March 2012)* requires documented policies and independent reviews. The Institute's chief operating officer was solely responsible for entering and releasing performance measure data into ABEST for fiscal year 2016 and the first three quarters of fiscal year 2017.

As a result of the control weakness described above, the Annual Age-adjusted Cancer Mortality Rate performance measure was certified with qualification for fiscal year 2016.

Number of Published Articles on CPRIT-Funded Research Projects

Number of People Served by Institute Funded Prevention and Control Activities

The Institute reported reliable results for the Number of Published Articles on Institute Funded Research Projects key performance measure for fiscal year 2016 and the Number of People Served by Institute Funded Prevention and Control Activities key performance measure for fiscal year 2016 and the

first three quarters of fiscal year 2017. Auditors were able to recalculate the results of those performance measures with less than a 5 percent difference between the auditors' recalculation and the amounts reported in ABEST.

However, auditors identified an application control that the Institute should improve to help ensure that it consistently reports reliable results for its key performance measures. Specifically, an application control in the Institute's CPRIT Grant Management System (CGMS) related to grantee input and approval of progress reports was not adequately designed to prevent grantees from having the same individual both enter and release the information in a progress report. Auditors noted that some grantees' processes to submit progress reports for each performance measure did not involve separate individuals submitting and reviewing data that the Institute used to report performance measures.

The *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012) states that data input and review should include multiple individuals and ensure that entities "...review information entered into the computer system for accuracy and document this review." Because the Institute relies on the control described above to help ensure that grantees report accurate information, it may be relying on information that has not been properly reviewed at the grantee level to report its performance measures.

As a result of the application control issue and the ABEST entry and review issue discussed above:

- The Number of Published Articles on CPRIT-Funded Research Projects performance measure was certified with qualification for fiscal year 2016.
- The Number of People Served by Institute Funded Prevention and Control Activities performance measure was certified with qualification for fiscal year 2016 and the first three quarters of fiscal year 2017.

Recommendations

The Institute should:

- Update its policies and procedures to ensure that an individual who is independent of the individual who enters data conducts and documents a review of performance measure data entry prior to releasing that data into ABEST.
- Implement controls that are effective in ensuring that grantees report accurate data for its performance measures.

Management's Response

CPRIT management agrees that it should update its procedures to have a separate staff member verify the data input into ABEST by another staff member and will update its policies to reflect this revised procedure. CPRIT has already taken steps to implement a secondary review of data input into ABEST.

With regard to implementing controls to ensure that grantees report accurate data, CPRIT's program managers have been implementing more rigorous review of the data submitted in the respective progress reports by prevention, academic research, and product development research grantees. Furthermore, CPRIT's Compliance Program will include additional questions around segregation of duties for progress reporting within the Onsite Review Checklist. Additionally, future trainings for new grantees and yearly training sessions for all grantees will include segregation of duties as a topic of discussion. Given the time and cost to modify CGMS as well as potential ramifications on system business rules, it is not feasible to implement segregation of duties on grant data entry at the grantee level in the system.

Person Responsible: *Chief Operating Officer, Prevention Program Manager, Academic Research Program Manager, and Product Development Program Manager, Chief Compliance Officer*

Target Date for Implementation: *April 1, 2018*

The Institute Reported Unreliable Results for Two Performance Measures Tested

The Institute reported unreliable results for two performance measures tested. Specifically, factors prevented certification of one key performance measure and the Institute reported inaccurate results for the other key performance measure.

Number of Entities Relocating to Texas for Cancer-Research Related Projects

Factors Prevented Certification

A factors prevented certification designation is used if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the performance measure definition and the auditor cannot determine the correct performance measure result.

Source: *Guide to Performance Measure Management (State Auditor's Office Report No. 12-333, March 2012)*.

Factors prevented certification of the Number of Entities Relocating to Texas for Cancer-Research Related Projects key performance measure for fiscal year 2016 and the first three quarters of fiscal year 2017.

The Institute requires an entity that receives a product-development grant to either establish as a new company in Texas or relocate to Texas to receive the grant. Further, the Institute's product-development grant agreement requires the entity to meet a majority of the seven criteria to be considered "Texas-based" (see text box for additional details).

The Institute's Seven Criteria for an Entity to Be Considered "Texas-based"

- The U.S. headquarters is physically located in Texas.
- The chief executive officer resides in Texas.
- **A majority of the company's** personnel, including at least two other C-level employees (or equivalent), reside in Texas. A C-level employee is a high-level employee in a position **with the letter "C" in the job title** (such as chief financial officer).
- Manufacturing activities take place in Texas.
- At least 90 percent of grant award funds are paid to individuals and entities in Texas, including salaries and personnel costs for employees and contractors.
- At least one clinical trial site is in Texas.
- The entity collaborates with a medical research organization in Texas, including a public or private higher education institution.

Source: The Institute.

Institute policy requires that entities meet a majority of the seven criteria to be reported for the Number of Entities Relocating to Texas for Cancer-Research Related Projects performance measure. However, the Institute did not obtain documentation to show that entities met those criteria. Therefore, auditors were unable to determine whether the entities the Institute included in the number reported in that performance measure met a majority of the criteria listed above for being considered Texas-based.

In addition, see issues related to ABEST data entry and review discussed in Chapter 1.

Number of New Jobs Created and Maintained

Inaccurate

A performance measure is inaccurate when the actual performance is not within 5 percent of the reported performance, or when there is a 5 percent or greater error rate in the sample of documentation tested. A performance measure also is inaccurate if **the agency's calculation deviated from the performance measure definition and caused a 5 percent or greater difference between the number reported to ABEST and the correct performance measure result.**

Source: *Guide to Performance Measure Management* (State Auditor's Office Report No. 12-333, March 2012).

The Institute reported inaccurate data for the Number of New Jobs Created and Maintained key performance measure for fiscal year 2016. The Institute submitted results to ABEST for that performance measure that varied from the actual performance that auditors calculated using Institute documentation by more than 5 percent. That occurred because the Institute's report to extract data from the CPRIT Grant Management System (CGMS) for that performance measure inappropriately counted certain jobs twice.

The Institute requires grant recipients to submit progress reports annually to CGMS to report the number of new jobs created and maintained as a result of Institute funding. However, the Institute double-counted jobs held by Texans in reporting that performance measure to ABEST, leading to an overstatement of 24.2 percent of the number of jobs that the Institute reported in ABEST.

In addition, see issues related to ABEST data entry and review and application controls discussed in Chapter 1.

Recommendations

The Institute should:

- Establish controls to determine and document when entities meet a majority of grant criteria to become Texas-based before reporting them in its performance measures.
- Ensure that the method it uses to collect data for its performance measures produces reliable results.

Management's Response

CPRIT management agrees that it must implement additional controls to ensure that performance measure results are reliable. The Product Development Program staff will implement a verification checklist for each company receiving a grant award, including the seven location criteria as applicable, and provide an internal quarterly report to other Institute staff on the status of these grantees. The CEO and Chief Product Development Officer have visited and will continue to visit newly relocated companies to verify compliance with the location criteria for a physical office in Texas.

CPRIT's Compliance Program has already updated the Onsite Review Checklist and Onsite Review Questionnaire to include compliance verifications measures for product development research grantees to provide supporting documentation related to the seven Texas location criteria. The Texas location criteria have also been included in the annual attestation, which is sent out to all active grantees on an annual basis. Additionally, future trainings for new product development research grantees will include Texas location criteria requirements and reporting.

CPRIT has already taken steps to correct the report query which extracted the new jobs data from CGMS and resulted in some double-counting of that data.

Person Responsible: Chief Operating Officer, Chief Product Development Officer, Chief Compliance Officer

Target Date for Implementation: April 1, 2018

Appendix

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether the Cancer Prevention and Research Institute of Texas (Institute):

- Is accurately reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST).
- Has adequate controls in place over the collection, calculation, and reporting of its performance measures.

Scope

The scope of this audit included three key performance measures that the Institute reported for fiscal year 2016 (September 1, 2015, through August 31, 2016) and two key performance measures the Institute reported for fiscal year 2016 and the first three quarters of fiscal year 2017 (September 1, 2016, through May 31, 2017).

Methodology

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions; evaluating controls over the Institute's performance measure calculation processes; testing documentation; and assessing the reliability of the data obtained from the Institute's CPRIT Grant Management System (CGMS), which supported the reported performance measure results. Auditors also tested support in CGMS for progress reports that grantees submitted for fiscal year 2016 and the first three quarters of fiscal year 2017.

Data Reliability and Completeness

Auditors assessed the reliability of the data from CGMS related to the following key performance measures:

- Number of Published Articles on CPRIT-Funded Research Projects.
- Number of People Served by Institute Funded Prevention and Control Activities.
- Number of New Jobs Created and Maintained.

To do that, auditors (1) determined population completeness and reasonableness; (2) reviewed the process to generate data related to the calculation of the performance measures from CGMS; (3) interviewed and obtained information from Institute staff; (4) reviewed source documentation for performance measure data; and (5) evaluated information technology general controls, including user access, change management, and backup and recovery controls. In addition, auditors reviewed application controls in CGMS. Auditors determined that for fiscal year 2016 and the first three quarters of fiscal year 2017, the CGMS data was sufficiently reliable for purposes of this audit.

The Institute did not use CGMS to track the results for the other two key performance measures tested. It manually tracked information for the Number of Entities Relocating to Texas for Cancer-Research Related Projects performance measure. In addition, the Department of State Health Services reported information for the Annual Age-adjusted Cancer Mortality Rate performance measure, and auditors did not verify the accuracy of that information.

Sampling Methodology

For the Number of Published Articles on CPRIT-Funded Research Projects and Number of People Served by Institute Funded Prevention and Control Activities performance measures, auditors selected nonstatistical samples of grantees primarily through random selection. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population. Auditors used the sample to test whether controls over the performance measures were operating effectively to ensure that performance measure results were accurate and to determine whether the Institute was accurately reporting its performance measures in ABEST.

Information collected and reviewed included the following:

- Performance measure data in CGMS and ABEST.
- The Institute's summary documents and CGMS-generated reports.
- Supporting documentation that the Institute retained in emails from grantees and the Department of State Health Services.

Procedures and tests conducted included the following:

- Interviewed Institute staff to gain an understanding of the processes the Institute used to calculate performance measures.

- Interviewed Institute staff to gain an understanding of CGMS, which the Institute used to collect performance measure data and generate reports it used to calculate performance measure results.
- Audited performance measure calculations for accuracy and to determine whether the calculations were consistent with the definitions on which the Institute; the Legislative Budget Board; and the Governor’s Office of Budget, Planning, and Policy agreed.
- Tested documentation to verify the accuracy of reported performance measures and the effectiveness of controls.
- Assessed performance measure results in one of the four categories: certified, certified with qualification, inaccurate, and factors prevented certification. For this audit, a result was considered reliable if it was certified or certified with qualification.

Criteria used included the following:

- *Guide to Performance Measure Management* (State Auditor’s Office Report No. 12-333, March 2012).
- ABEST performance measure definitions.
- The Institute’s policies and procedures.

Project Information

Audit fieldwork was conducted from August 2017 through November 2017. 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:

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- Krista L. Steele, MBA, CPA, CFE, CIA, CGAP (Assistant Project Manager)
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