Legislative Requirement:

An Efficiency Audit of the Cancer Prevention and Research Institute of Texas

To address the requirements in Texas Government Code, Section 327.004, the State Auditor's Office reviewed the Cancer Prevention and Research Institute of Texas' use of state resources in the following areas: financial resources, personal and real property assets, technology, and staffing.

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

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This audit was conducted in accordance with Texas Government Code, Sections 327.002 and 327.004.

The Cancer Prevention and Research Institute of Texas (Institute) directs most of its financial resources toward awarding grants related to cancer research and prevention, with grant payments representing approximately 92 percent of total Institute expenses in fiscal years 2023, 2024, and 2025.

However, the Institute has opportunities to improve efficiency through continued automation and streamlining of its operations related to:

- Reducing cumbersome, manual workarounds and bottlenecks in the financial status report review and reimbursement processes to improve the timeliness of reimbursements to grantees.
- Strengthening the automated monitoring and reconciliation of revenue-sharing payments owed to ensure that all funds due to the state are received.

Auditors did not identify any issues relating to duplication of effort with external agencies; office space and staff utilization; management of personal property; duplication of services provided by external vendors; or misalignment between the Institute's strategic plan and use of resources and its statutory authority and mission.

TIMELINESS OF EXPENDITURE REVIEW AND DISBURSEMENT OF FUNDS

The Institute has an opportunity to improve the efficiency of its financial status report review process to reduce reimbursement delays and streamline review activities.

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MONITORING AND RECONCILING REVENUE SHARING

Strengthening processes around potential intellectual property developed through Institute grants and resulting revenue sharing would allow the Institute to ensure that all funds owed to the state are received.

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For more information about this audit, contact Audit Manager Amadou Ngaide or State Auditor Lisa Collier at 512-936-9500.

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Summary of Implementation Plan

Auditors made recommendations to address the inefficiencies identified during this audit (see Page 7). The Institute agreed with the recommendations and provided information on its planned implementation of them (see the Institute's Management Implementation Plan starting on Page 8).

Background Information

Cancer Prevention and Research Institute of Texas

The Cancer Prevention and Research Institute of Texas (Institute) was established after Texas voters approved a 2007 constitutional amendment to invest $3 billion to fund cancer research and prevention grants. In 2019, voters approved a second constitutional amendment to invest an additional $3 billion.

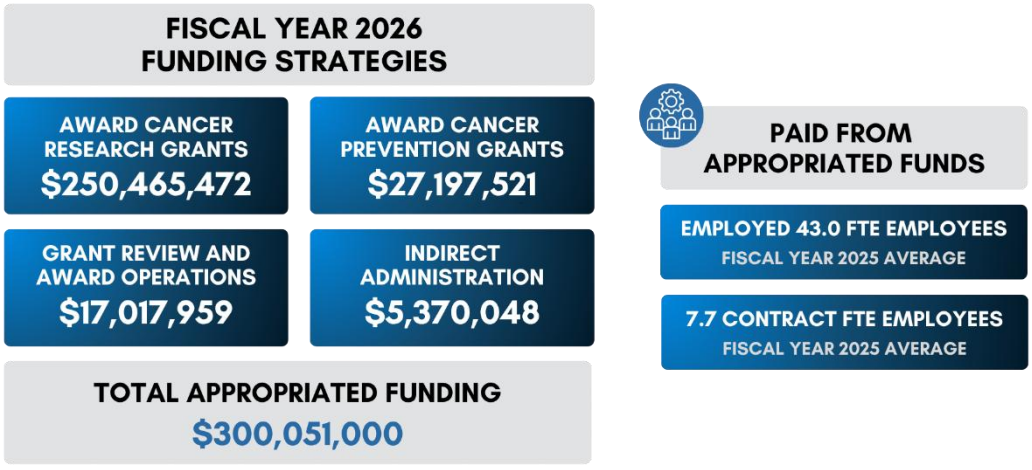
The Texas Legislature tasked the Institute with a three-part mission:

- Invest in the research prowess of Texas universities and research organizations;
- Create and expand life science infrastructure across the state; and
- Expedite innovation in research and enhance the potential of breakthroughs in prevention and cures.

Figure 1 provides additional details about the Institute.

Figure 1

Cancer Prevention and Research Institute of Texas Funding and Size



Sources: The General Appropriations Act (89th Legislature, Regular Session) and the Institute's self-reported full-time equivalent (FTE) data.

Timeliness of Expenditure Review and Disbursement of Funds

The Institute's financial status report (FSR) review process (see text box) contains workflow inefficiencies that contribute to delayed reimbursements and require staff to spend additional time correcting errors and managing manual processes.

> The FSR review process is a significant bottleneck for the Institute.

The Institute established an internal goal to review quarterly FSR submissions and issue reimbursements to grantees within 30 business days. However, only 50 percent of FSRs that were received between September 1, 2022, through December 31, 2025, were reviewed and approved for reimbursement within 30 business days of grantee submissions. Grantee submission timing, the design of the review process, and grant management system limitations create bottlenecks that affect the Institute's ability to consistently meet that goal.

Financial Status Reports (FSR) Review and Disbursement of Grant Funds Processes

Grantees must submit quarterly FSRs and supporting documentation in the grant management system to document expenses incurred.

Grant accountants perform an initial review of the FSRs and supporting documentation to determine whether expenses are allowable, allocable, reasonable, and adequately documented. A grant compliance specialist then performs a secondary review of the FSR review file manually compiled by the grant accountant.

A grant compliance specialist and an operations specialist must also manually verify in the system that other compliance and reporting requirements have been met before the Institute releases the reimbursement to the grantee.

Sources: The Institute's *Grant Policies and Procedures Guide* (September 2025), the Institute's *Internal Operating Guidelines* (September 2025), and the Institute.

Approximately 66 percent of grantee FSRs submissions that were due between September 1, 2022, through December 31, 2025, were submitted within 2 weeks of the due date, and 15 percent were submitted on the due date. The Institute receives more than 500 FSRs each quarter with supporting

documentation that can include hundreds of pages requiring manual, detailed review. As a result of the surge in submissions leading up to FSR deadlines, grant accountants must complete a large volume of complex FSR reviews within a short timeframe, making it difficult to consistently achieve the Institute's goal of reviewing FSR submissions and reimbursing grantees within 30 days of submission.

Grant accountants identified and resolved most issues with grantees during the initial review, which sometimes required additional documentation or clarification from the grantees. However, grant compliance specialists identified errors or missing information requiring additional input from the grantee in approximately 15 percent of their secondary reviews. The additional follow-up required in both the initial and secondary reviews contributed to longer review times.

Additionally, the grant management system creates increased administrative effort and processing delays, and restricts the Institute's ability to increase automation of the FSR review process. The system lacks functionalities that would allow the Institute to:

- Implement edit checks and additional data validation.
- Update form templates.
- Create flexible data reports.
- Streamline workflow and approval procedures.
- Store documents in a manner that allows collaboration and version control.

The Institute is developing a new grant management platform that is expected to be available by January 2027.

The Institute should evaluate its processes for prioritizing and reviewing FSRs to identify opportunities to manage workload surges and improve review timeliness. In addition, as the Institute develops the new grant management platform, it should ensure that it addresses current operational challenges and supports more streamlined, automated, and efficient business processes. Once implemented, the Institute will have configuration rights for the platform and, therefore, should continue to update and tailor it to the Institute's operational needs.

Monitoring and Reconciling Revenue Sharing

The Institute has an opportunity to strengthen its monitoring and reconciliation of revenue owed and received under contractual intellectual property and revenue-sharing agreements (see text box for additional information).

Grantees with active grants submit annual revenue-sharing reports through the grant management system. A grantee's revenue-sharing obligations may continue for years after the grant is closed, but they are no longer required to submit annual reports. As a result, the Institute must manually monitor intellectual property activity for grantees, review supporting documentation included with payments, and communicate with grantees to identify and reconcile revenue-sharing payments owed to the Institute.

Intellectual Property and Revenue Sharing

State law requires that all Institute grant contracts include an intellectual property agreement that entitles the state to financial benefits from potential intellectual property, such as patents, royalties, licenses, and other revenue resulting from grant-funded activities for academic, prevention, and product development research.

Academic research and product development research grants are the most likely to generate intellectual property that meets the threshold for revenue sharing, but the triggering events for those grant projects may not occur until years after a grant period has ended.

Source: Texas Health and Safety Code, Section 102.256; the Institute's *Grant Policies and Procedures Guide* (September 2025); and the Institute.

The Institute should reduce the manual effort for monitoring and reconciling intellectual property and revenue-sharing agreements to ensure all funds owed to the state are received.

Grantees are required to submit revenue-sharing payments with supporting documentation that identifies the applicable grant and the calculation supporting the payment. However, grantees do not always provide complete identifying information, which limits the Institute's ability to efficiently reconcile amounts received with amounts owed at the individual grant level.

As a result, Institute staff spend additional time communicating with grantees to resolve issues; monitoring revenue-sharing obligations for active and closed grants; and reconciling payments to determine whether all revenue owed has been identified, collected, and properly recorded.

In addition, the Institute's current grant management system lacks automated processes for monitoring and reconciling intellectual property activity and revenue-sharing payments.

The Institute should evaluate opportunities to improve communication with grantees regarding documentation requirements for revenue-sharing payments. It should also ensure that the grant management platform under development includes automated edit checks to verify the mathematical accuracy of revenue-sharing forms and compliance with contractual requirements, integrates with the intellectual property database, and tracks revenue-sharing payments owed and received at the individual grant level to efficiently track and reconcile payments beyond the grant period.

Recommendations

The Institute should:

- Evaluate its processes for prioritizing and reviewing quarterly financial status reports to identify opportunities to manage workload surges and improve review timeliness.
- Evaluate opportunities to strengthen revenue-sharing monitoring and reconciliation by improving communication with grantees on payment submission requirements.
- Ensure that the grant management platform under development addresses the current system's limitations by incorporating automated workflows and edit checks, improved document management, reporting capabilities, and integration with other Institute systems such as the intellectual property database.
- Continue to customize the new platform once implemented to meet the Institute's operational needs.

Management's Implementation Plan

Timeliness of Expenditure Review and Disbursement of Funds

CPRIT agrees with the State Auditor's recommendations to evaluate its processes for prioritizing and reviewing financial status reports (FSRs) to identify opportunities to manage workload surges and improve review and reimbursement timeliness. We believe the development and release of CPRIT's new end-to-end grant management platform (GMP) in January 2027 will address the limitations in CPRIT's current grant management system ("legacy system") that affect CPRIT's ability to consistently review quarterly financial status reports (FSRs) and process payments within 30 days. CPRIT will ensure that the development of the new GMP incorporates automated workflows, edit checks, and improved capabilities that resolve workflow inefficiencies inherent in CPRIT's legacy system.

At any given time, CPRIT funds up to 600 active academic research, product development research, and prevention projects. CPRIT's portfolio of active grant projects totals approximately $1.5 billion. As noted by the State Auditor, CPRIT's legacy system, which the agency has used since 2011, lacks certain functionalities and creates operational challenges. The deficiencies increase the administrative burden on CPRIT staff and CPRIT grantees, particularly during workload surges, ultimately affecting the time necessary for review and payment processing.

For this reason, CPRIT requested and the 89th Texas Legislature and Governor Greg Abbott approved an $11.6 million capital budget to utilize the Department of Information Resources' (DIR) Data Center Services Program for Technology Solution Services (TSS) to develop a customized GMP to replace CPRIT's legacy system.

After receiving legislative approval in June 2025, CPRIT pursued an aggressive timeframe for developing the new GMP. In July 2025, the TSS initiated an assessment of CPRIT's needs and requirements to create more efficient workflows, automate manual processes currently performed outside of CPRIT's legacy system, and incorporate automated validation rules to inspect, flag, and prevent errors in data entry in required grant reports. Development and configuration of the

new GMP began in October 2025, with CPRIT staff and TSS working continuously to achieve final deployment of the new GMP in 2027.

We believe the capabilities and features incorporated in the new GMP will address the issues that the auditors discerned from their analysis of CPRIT financial status report (FSR) review, approval, and payment documentation, and significantly increase the efficiency of CPRIT's processes. We will continue to customize the new GMP to meet CPRIT's operational needs.

Person responsible for implementing corrective action: Chief Compliance Officer

Timeline for implementation: August 31, 2027

Monitoring and Reconciling Revenue Sharing

CPRIT agrees with the State Auditor's recommendation relating to strengthening grant award revenue-sharing monitoring and reconciliation by improving communication with grantees on revenue sharing payment submission requirements.

CPRIT's grant contract requires the grantee to share a portion of the revenue received by the grantee as a result of a transaction involving the CPRIT-funded technology. As noted by the State Auditor, CPRIT's academic research and product development research grantees, as opposed to prevention grantees, are most likely to generate intellectual property (IP) that meets the threshold for revenue sharing.

For the past several years, CPRIT has been actively addressing ways to improve monitoring the submission of research grantees' intellectual property (IP) reporting and revenue sharing documentation. In 2021, CPRIT hired on staff an attorney with extensive expertise in the life science industry and related IP issues to assist the agency in the tracking and management of CPRIT's growing portfolio of grantee-created IP.

For CPRIT's product development research grantees, the company receives revenue generated by sales of the product developed with CPRIT funding. It is relatively easy for CPRIT to track revenue-generating events associated with product development grants. Not only is the market introduction of a new cancer treatment, diagnostic, or device developed with CPRIT funding publicly announced by the company and

often reported widely in the media, the company has already produced a steady stream of press releases reporting completion of the regulatory steps preceding market release, such as clinical trial stage completion and FDA approval. However, as noted by the State Auditor, some product development grantees fail to provide enough information when submitting their revenue sharing payments to CPRIT for our accounting staff to easily correlate the payment with the underlying project. As a result, CPRIT's accounting staff must repeatedly contact the company for additional information. This process is further complicated when the payor is not the original CPRIT-funded company but has acquired the company and the contractual obligation to pay CPRIT as a result of transaction occurring subsequent to the termination of CPRIT's grant contract.

In contrast to the product development grant projects, revenue-generating events for academic research grant projects – typically execution of license agreements – is not well publicized and must be self-reported to CPRIT. Virtually all revenue that CPRIT-funded academic research projects may ultimately generate will arise from the underlying IP. Therefore, a complete and accurate record of the IP developed during the course of the CPRIT research project is necessary to facilitate tracking the revenue sharing obligations associated with academic research grants.

CPRIT requires grantee institutions to report all information related to IP developed with CPRIT grant funding. CPRIT currently licenses a commercially available IP tracking database to assist the academic research grantees' IP reporting obligations. The database compiles in one repository all information self-reported by grantee institutions related to the IP developed with CPRIT academic research grant funding, including new invention disclosures, patents and patent applications, and license agreements. The grantee institution and CPRIT can access, review, and update the information reported in the database.

CPRIT staff recently completed a project with the IP database manager and grantee institutions to confirm accuracy and completeness of all required IP information associated with CPRIT academic research grants in the IP tracking database. This process, completed in 2025, also provided the grantee institutions an opportunity to update self-reported IP information and submit any previously unreported new

invention disclosures, patents, patent filings, and licenses resulting from CPRIT-funded grant discoveries.

Following the completion of that project, CPRIT conducted its annual internal audit risk assessment process in the of summer 2025. We directed CPRIT's outsourced internal audit firm, Weaver & Tidwell, LLP, to provide an advisory audit over IP reporting compliance by both CPRIT and academic research grantees. Weaver & Tidwell included in CPRIT's FY 2026 Internal Audit Plan the first phase of the internal advisory audit, which covered CPRIT's processes for monitoring IP developed by CPRIT-funded academic research grantees and any required payments to the agency from agreements that monetized the IP, such as licensing or royalty agreements. The CPRIT Oversight Committee approved the phase one advisory audit report on August 19, 2026.

Weaver & Tidwell included the second phase of the advisory audit in CPRIT's FY 2027 Internal Audit Plan, which the Oversight Committee approved at its recent meeting. The second phase will cover academic research grantees' compliance with CPRIT's IP reporting requirements as well as the payments due to CPRIT from the monetization of the CPRIT-funded IP. We expect the advisory audit to identify additional opportunities for CPRIT to communicate with grantees, increase grantees' understanding of IP reporting and revenue sharing payment obligations, and note areas for improvement.

The new GMP will also provide significant opportunities to improve communication with both academic research grantees and product development research grantees regarding revenue sharing obligations and payment processes. One planned enhancement to the new GMP will create an IP database within the GMP. Collecting this information in the new GMP, rather than in the separate, unconnected IP database tracker that CPRIT currently uses, provides CPRIT with truly centralized grant progress reporting. As a result, the agency's ability to track the discoveries produced by research grantees and monitor revenue sharing payments due to CPRIT from the monetization of those discoveries will significantly improve. Merging this IP database capability into the new GMP also alleviates the need for a separate IP database for CPRIT to manage, which will further increase efficiency. Finally, the new GMP will facilitate communication with all grantees, including product development grantees, which will ensure that grantees submit full and

complete information with revenue sharing payments so that CPRIT can accurately record the payment associated with the project.

Person responsible for implementing corrective action: Chief Intellectual Property and Due Diligence Officer

Timeline for implementation: February 29, 2028

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Cancer Prevention and Research Institute of Texas (Institute) is administering selected state resources in an efficient manner according to best practices and applicable requirements.

Scope

The scope of this audit consisted of the Institute's procedures and operations from September 1, 2022, through December 31, 2025.

Internal control was not significant to the audit objective.

Methodology

We conducted this performance audit from January 2026 through July 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient,

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

- Taylor L. Huff, CFE (Project Manager)
- Kevin Mack, CFE (Assistant Project Manager)
- Victor Isoh, MPA, CFE (Assistant Project Manager)
- Geddy Emery, CFE
- Olivia Delgado
- Rebecca Franklin, CFE, CGAP, CISA
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Amadou Ngaide, MBA, CIDA, CFE, CICA (Audit Manager)

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. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to the Institute's management for consideration.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed, surveyed, and conducted walkthroughs with the Institute's management and staff to gain an understanding of the Institute's functions, activities, and processes.
- Identified the relevant criteria:
  - Section 67, Article III, Texas Constitution.
  - Texas Health and Safety Code, Chapter 102.
  - Texas Government Code, Chapters 322, 572, 2056, 2101, and 2254.
  - Texas Administrative Code, Title 25, Chapters 701, 702, and 703.
  - Office of the Comptroller of Public Accounts' *SPA [State Property Accounting System] Process User's Guide*, May 2025 revision.
  - The Institute's standard grant award contract language.
  - Institute policies and procedures.

In addition, to address the requirements for efficiency audits in Texas Government Code, Section 327.004, we performed work in the following areas.

Strategic Planning. Evaluated the Institute's *Agency Strategic Plan for Fiscal Years 2025 to 2029*; reviewed the Institute's rules to determine whether they aligned with its statutory authority and mission; and compared the Institute's mission and responsibilities with those of other related state agencies.

Financial Resources. Evaluated the Institute's internal financial efficiency monitoring and reviewed the Institute's financial data from the Uniform Statewide Accounting System (USAS); audited annual financial reports for fiscal years 2022, 2023, 2024, and 2025; operating budgets for fiscal years 2022, 2024, and 2026; revenue-sharing agreements and submitted revenue-sharing

forms; financial status report (FSR) reimbursements and supporting documentation; and *Legislative Appropriations Request for Fiscal Years 2026 and 2027*.

We also compared revenue-sharing payments recorded in USAS to internal tracking documents and evaluated revenue-sharing form submission data from the grant management system and compared it to grant contract requirements.

Operations. Evaluated the Institute's operational efficiency monitoring; reviewed Oversight Committee meeting minutes and the Institute's *Annual Report of Nonfinancial Data for the Year Ended August 31, 2025*; evaluated the results of interviews, walkthroughs, and survey results; reviewed process maps; performed data analysis on data from the grant management system and evaluated efficiency of key grant operations; evaluated and performed data analysis on internal tracking documents; and performed data analysis on contract transactions from the Centralized Accounting and Payroll/Personnel System (CAPPS) and software subscription transactions from USAS vendor payments to identify potential instances of duplicated effort that could be eliminated or other opportunities for the Institute to improve operational efficiency.

Personal and Real Property. Conducted walkthroughs of the Institute's office and reviewed floor plans for those spaces; reviewed the Institute's space allocation plans for fiscal years 2023 and 2025; compared available workspace to staff in-office days as documented in staff telework agreements; and reviewed the Institute's asset transactions from CAPPS and internal tracking documents. Auditors also reviewed assets determined to be high risk for theft or loss from a combined listing in CAPPS and internal tracking documents.

Technology. Reviewed the Institute's current information technology systems; evaluated the Institute's plans and processes for opportunities to improve efficiency through increased automation; and reviewed process maps for the current grant management system and proposed process maps for the grant management platform under development.

Staffing. Reviewed data for compensatory time earned as well as annual leave and compensatory leave taken from CAPPS and reviewed information on the Institute's staffing, employee turnover, and other workforce information published in recent reports by the State Classification Team within the State Auditor's Office. While those reports are not audits, the data and information

presented in them were subject to certain procedures performed by the SAO Classification Team to ensure accuracy.

Data Reliability and Completeness

USAS. Auditors independently generated expenditure reports, vendor payment reports, and revenue reports and verified report parameters and control totals. The data was sufficiently reliable for the purposes of this audit.

CAPPS. Auditors verified report parameters, control totals, and key fields for time reports, contract transactions, and asset transactions. For the Institute's reports on contract and asset transactions, auditors independently generated the reports. The data was sufficiently reliable for the purposes of this audit.

Grant Management System Data. Auditors verified report parameters, control totals, and key fields for grant award, grant status, FSR, and revenue-sharing data. The data was sufficiently reliable for the purposes of this audit.

Internal Inventory Tracking Spreadsheet. Auditors analyzed key fields and compared information to CAPPS asset data as applicable. The data was sufficiently reliable for the purposes of this audit.

Internal FSR Resubmission Tracking Spreadsheets. Auditors analyzed key fields and compared information to Oversight Committee meeting minutes. The data was sufficiently reliable for the purposes of this audit.

Internal Revenue-sharing Deposit Log and Revenue-sharing Detail Spreadsheets. Auditors compared these spreadsheets to USAS revenue records and analyzed them for reasonableness. The data was sufficiently reliable for the purposes of this audit.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, 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 Institution of Texas

Members of the Oversight Committee

Ms. Kristen Doyle, Chief Executive Officer

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