

Summary of Request:

The Texas Internal Audit Act requires a state agency that receives over \$10 million or more in revenue and has more than 100 employees must comply with the Texas Government Code, Section 2102.005 and conduct a program of internal auditing that includes an annual internal audit plan and report. Attached is a report on the outcomes of the annual internal audit conducted by Rupert & Associates.

Historical Perspective:

The Board voted in their January, 2012 meeting to secure the services of Rupert & Associates as the agency internal auditor. In April, 2012 the Texas Board of Nursing voted to approve the Internal Audit Plan for fiscal year 2012 which included an audit of TPAPN performance measures, a TPAPN third party financial audit, an audit of the Board of Nursing Enforcement procedures and a report on Board of Nursing evaluation of other program areas of concern.

Pros: The Board of Nursing will be in compliance with the Texas Internal Audit Act.

Cons: None.

Staff Recommendation:

Board Action: Move to accept the annual internal audit report as prepared by Rupert & Associates for fiscal year 2012.



TEXAS BOARD OF NURSING

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2012

Prepared by:
Rupert & Associates, PC
Certified Public Accountants
Austin, Texas

BOARD OF NURSING (BON)
ANNUAL INTERNAL AUDIT REPORT – FY-2012

Table of Contents

I.	Internal Audit Plan for Fiscal Year 2012.....	1
II.	External Quality Assurance Review (Peer Review).....	1
III.	Consulting Engagements and Non-audit Services Completed.....	1
IV.	Internal Audit Plan for Fiscal Year 2013.....	2
V.	External Audit Services	3
VI.	Reporting Suspected Fraud and Abuse.....	3
	Exhibit 1: TBON Risk Foot Print.....	4
	Report Distribution List.....	5

BOARD OF NURSING (BON)
ANNUAL INTERNAL AUDIT REPORT – FY-2012

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for your governing board. The purpose of the Annual Internal Audit Report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual internal audit report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, Sections 2102.009 and 2102.0091, the annual internal audit report for fiscal year 2012 is due November 1, 2012.

I. Internal Audit Plan for Fiscal Year 2012

The areas of concern identified by the agency for inclusion in the FY-2012 internal audit plan were:

1. Audit existing performance measures for the Texas Peer Assistance Program for Nurses (TPAPN);
2. Review, analyze and report findings on the TPAPN third party financial audit;
3. Audit BON Enforcement procedures with respect to disciplined, new and accepted nurse students;
4. Report to the BON for evaluation of any other program areas of concern.

Audit Report #2012-1, dated March 30, 2012, titled Audit of Two TPAPN Performance Measures and Review and Analysis of TPAPN's Third-Party Financial Statement Audit Report, covered the first two items in the FY-2012 internal audit plan. This audit was completed and the report was provided to the Board, management, and the oversight agencies.

The third item in the FY-2012 plan was an audit of enforcement procedures. This audit is still in process and is being carried forward into the FY-2013 internal audit plan, with completion expected early in 2013.

The last item in the audit plan was a contingency item on which no action was taken.

There were no consultations, reviews or special projects in FY-12. There were also no deviations from the audit plan that was previously submitted in fiscal year 2011.

II. External Quality Assurance Review (Peer Review)

The Texas Board of Nursing is in their first year of being required to have an internal audit function. The External Quality Assurance Review will be engaged after the auditing function has been in place for a period of three years, in accordance with the Texas Internal Auditing Act.

III. Consulting Engagements and Non-Audit Services Completed

There were no consulting engagements, as defined in *The International Standards for the Professional Practice of Internal Auditing*, and non-audit services, as defined in *Government Auditing Standards, December 2011 Revision* (Reissued on January 20, 2012), Sections 3.33 – 3.58 for the Board of Nursing in fiscal year 2012.

BOARD OF NURSING (BON)
ANNUAL INTERNAL AUDIT REPORT – FY-2012

IV. Internal Audit Plan for Fiscal Year 2013

The fiscal year 2013 Audit Plan is scheduled to be reviewed and approved at the October 2012 Board meeting, along with this Annual Internal Audit Report.

The areas of concern identified by the agency in their annual risk assessment update, and recommended for inclusion in the FY-2013 internal audit plan are:

1. Audit of BON Enforcement procedures with respect to disciplined, new and accepted nurse students (carried forward from FY-2012);
2. Audit of the Education Program Approval processes and controls.

Alternate audit areas are presented for consideration in the event that budgets allow us to do more than anticipated, or a selected primary audit is found to be not feasible for some reason. The proposed alternative audit area for this year is an audit of the Governance function.

The budgeted time for all internal audit activities is approximately 190 hours. A rough estimate of how these hours might translate into specific activities follows:

- Risk Assessment and Internal Audit Plan (40 hrs)
- Annual Internal Audit Report (6 hrs)
- Audit Report Tracking Schedule (6 hrs)
- Audit Planning, Fieldwork, and Reporting (120 hrs)
- Administration and Quality Control (6 hrs)
- Board Meetings (8 hrs)

There attached risk footprint (Exhibit 1) shows all risks ranked as “high” that are not included in the fiscal year 2013 Internal Audit Plan.

The risk assessment methodology consists of an annual meeting with management to update the risk assessment footprint and control tables. Input is also solicited from the State Auditor’s Office as well as from Board members. The risk footprint is updated and used to guide the selection of specific audit areas for the current year. The risk assessment methodology is described in greater detail in the Internal Audit Plan document that is also provided to management, the Board, and oversight agencies.

BOARD OF NURSING (BON)
ANNUAL INTERNAL AUDIT REPORT – FY-2012

V. External Audit Services

External audit services procured in fiscal year 2012 consisted of the internal audit function.

VI. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Article IX, Section 17.05, and Article XII, Section 5 (c), the General Appropriations Act (81st Legislature) and Texas Government Code, Section 321.0-22, the Texas Board of Nursing has posted information on how to report suspected fraud, waste or abuse of state funds on their website at <http://www.bon.state.tx.us/rpt-fraud.html>. The agency has also included this information in the agency human resource manual for staff.

Exhibit 2: RISK FOOTPRINT - Texas Board of Nursing (507) - FY-2013 (With Controls)

PRIORITY	CONSOLIDATED ACTIVITY	IMPACT		RISKS	PROBABILITY RATING		RISKS	IMPACT		RISKS	PROBABILITY RATING		RISKS	IMPACT		RISKS	PROBABILITY RATING		RISKS
		1	2		3	4		5											
5	Human Resource Management	H	H	Non-compliance with state and federal laws and rules change.	M	M	Inability to retain qualified staff.	M	L	Non-compliance with agency rules.									
1	Enforcement	H	M	Cases are not processed in a timely manner with high volume of complaints and limited staff.	H	L	Large number of Student eligibility cases not resolved in a timely manner due to volume.	H	L	Board disciplinary matrix could be interpreted differently with each department.	H	L	Legislative expectations of timely disposition of cases are not met.	M	L	Lack of remediation to address deficiency with nursing protocol.			
3	Education Program Approval	H	M	Number of new program proposals from variety of inexperience providers	H	L	Low staff availability to monitor program compliance.	H	L	Relying on other agencies and accrediting organizations to review nurse education programs.	M	M	Growth in nursing programs with limited clinical capacity and qualified nursing faculty.						
2	Information Technology	H	M	Have limited IT could result in computer downtime.	M	M	Loss of knowledge of IT systems and programs.	M	L	Loss of data upon preliminary systems failure.	M	L	Inability to hire and retain appropriate staff.						
6	Finance and Accounting	M	L	Risk of misappropriated funds received in office.	L	L	Unauthorized expenditures may be made.	L	L	Misclassified expenditures limited due to the lack of internal and external audits.	L	L	The lack of sufficient review of the four layers of financial reports						
4	Licensing	M	L	Over 80% of licensing applications are completed online without human review.	L	L	Licensing staff review paper documents and miss eligibility issues.	L	L	All exceptional items for licensing criteria are not forwarded to department director.	L	L	All licensing procedures are not reviewed against agency rules.						
7	Purchasing	M	L	Risk of Purchasing unauthorized supplies due to the lack of agency policy of triplicate reviews.	L	L	Purchasing vouchers are not reviewed by staff for accuracy.	L	L	Purchaser not certified on current state procedures.									

**BOARD OF NURSING (BON)
ANNUAL INTERNAL AUDIT REPORT – FY-2012**

Report Distribution Page

Texas Board of Nursing

Kristin K. Benton, MSN, RN, Board President
Deborah Bell, Board Liaison for Internal Audit

Katherine Thomas, MN, RN, FAAN, Executive Director
Mr. Mark Majek, Director of Operations

Oversight Agencies

Governor's Office of Budget and Planning, and Policy

Mr. Jonathan Hurst

Legislative Budget Board

Mr. Ed Osner

Sunset Advisory Commission

Mr. Joey Longley

State Auditor's Office

Internal Audit Coordinator