

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 Jaye Stepp, CPA.

Historical Perspective:

The Board voted at the October, 2014 board meeting to approve the Internal Audit Plan for fiscal year 2015 which included an external quality review and contract management audit.

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 for fiscal year 2015.



TEXAS BOARD OF NURSING

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2015

Prepared by:
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Internal Auditor
Austin, Texas

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E. J. STEPP, CPA

305 CARGILL DRIVE, SPICEWOOD, TEXAS 78669-2450

October 22, 2015

Board Members
Board of Nursing (BON)

Internal Audit is pleased to submit the Annual Internal Audit Report of the Texas Board of Nursing (BON) for the year ended August 31, 2015 in compliance with *Texas Government Code, Section 2102.009* and in accordance with guidelines established by the Texas State Auditor's Office.

As required by the Texas Internal Auditing Act, this report provides information on the assurance services, consulting services, and other activities of the internal audit function during the 2015 fiscal year.

If you have questions regarding the annual report please contact me at (512) 689-5212.

Respectfully,

Jaye Stepp

E. Jaye Stepp, CPA, CIA, CGAP, CRMA
Internal Auditor for BON
Austin, Texas

EC: Governor's Office of Budget, Planning, and Policy
State Auditor's Office
Legislative Budget Board
Sunset Advisory Commission

Texas Board of Nursing (507) Annual Internal Audit Report – FY-2015

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for their 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 2015 is due November 1, 2015.

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Website

TGC 2102.015 requires state agencies to post certain information on their Internet websites. At the time and in the manner provided by the state auditor, a state agency shall post the following information on its Internet website:

- (1) The internal audit plan approved as provided by TGC §2102.008
- (2) The internal audit annual report required by TGC §2102.009

The above reports are considered to be approved if they are approved by the agency's governing board.

TGC 2102.015 also requires entities to update the posting described above to include the following information on the website:

- A 'detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.'
- A 'summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.'

BON complies by posting our Internal Audit Plan and our Annual Internal Audit Report on the BON website within 30 days after review and approval by the Board of Directors. No weaknesses or concerns resulting from the audit plan or annual report were identified for posting on the BON's Internet website. The following link is provided to the reports: http://www.bon.texas.gov/about_publications.asp

Individual audits had no significant findings. There were two recommendations for improvement resulting from this audit, both relating to establishing written procedures and guidance to ensure that contract management and administration activities align with the State's Contract Management Guide. Recommendations are currently being addressed by management, with a Contract Management Policy recently drafted and approved for implementation.

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II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions

This reporting requirement is not applicable to BON.

III. Internal Audit Plan for Fiscal Year 2015

The FY-2015 planned audit was completed as planned with no deviations from the audit plan as submitted in the FY-2014 Annual Internal Audit Report.

The External Quality Assurance Review was completed in May of 2015, with a rating of 'generally conforms', which is the highest of three possible ratings.

Audit report #2015-1 on Contract Management, was completed as planned with a report date of July 10, 2015.

IV. Consulting Services and Non-audit Services Completed

The Internal Auditor did not perform any advisory projects which would be considered 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, 2011 Revision*, Sections 3.33 – 3.58, that were completed during fiscal year 2015.

V. External Quality Assurance Review (Peer Review)

The Texas Board of Nursing had their first external Quality Assurance Review in FY-2015, in accordance with professional standards and the Internal Auditing Act. The External Quality Assurance Review was performed by a qualified, independent internal audit consultant and was completed in May of 2015. The overall opinion of 'generally conforms' was reported and accepted by the Board at their July meeting.

There were no significant findings from the review, but three opportunities for improvement were identified. All suggested actions have been implemented by the Internal Auditor. The opportunities identified and actions taken for each follows:

1. Update the Internal Audit Charter to include the Definition of Internal Auditing as an important component of the IPPF (International Professional Practices Framework), and provide information on Board roles and responsibilities regarding internal audit oversight and other appropriate sections of the IIA's Model Audit Committee Charter (IIA

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Standard 1100). COMPLETED: Internal Audit Charter updated, reviewed and approved by the Board at the July 23, 2015 meeting.

2. Obtain a minimum of 80 hours continuing professional education for each two-year period including 24 hours in government auditing topics (IIA Standard 1230 and Government Auditing Standard 3.76). COMPLETED: The auditor typically exceeds the eighty hour requirement. One period referenced during the audit (2012-13) was light on hours (22) due to an exceedingly high number of hours (93) in the 2011-2012 period preceding the period in question (four years ago). All two-year reporting periods since that time have exceeded the 80 hour requirement.

3. Continue progress in implementing a more complete Quality Assurance and Improvement Program (IIA Standard 1311 and 1321, and Government Auditing Standards 3.95). COMPLETED: The QAIP report is reviewed and updated annually to ensure the information provided is not only informative but of value to the agency.

VI. Internal Audit Plan for Fiscal Year 2016

The fiscal year 2016 Internal Audit Plan is to be presented at the October 2015 Board meeting for approval. The areas of concern identified in the annual risk assessment update, and included in the proposed internal audit plan are:

1. A TAC-202 audit of baseline security standards for information security. This area has not been previously audited at BON, and will address the IA Act's requirement to periodically cover electronic data processing systems and controls. The area ranks high on the agency risk assessment due to limited IT resources.
2. An audit of select performance measures to provide assurance that measurement system controls are in place to provide accurate and timely reports on performance to management and oversight agencies.
3. Follow up on prior audit recommendations implementation status.

The budgeted time for all internal audit activities is approximately 192 hours. A rough estimate of how these hours translate into specific activities follows:

- | | |
|---|---------|
| • Risk Assessment Update & Annual Audit Plan | 15 hrs |
| • Other Required Reports – Annual, QAIP, ARTS | 16 hrs |
| • Audit Planning, Performance, and Reporting | 150 hrs |
| • Admin & Quality Control Procedures | 7 hrs |
| • Board Meetings | 4 hrs |

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The risk footprint, which is included as an exhibit in the annual Internal Audit Plan, shows any additional audit risks ranked as “high” that are not included in the fiscal year 2016 Internal Audit Plan. The risk assessment methodology consists of an annual meeting with or survey of management to update the risk assessment footprint and control tables. Input is also solicited from the State Auditor’s Office and Board liaisons. 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 provided to management, the Board, oversight agencies, and posted on the agency website.

VII. External Audit Services Procured in Fiscal Year 2015

External audit services procured in fiscal year 2015 consisted of the internal audit function.

VIII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (83rd Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, the Texas Board of Nursing has posted information on how to report suspected fraud, waste or abuse of state funds on their website.

The BON also includes information on the prevention and detection of fraud in their Fraud Policy which is available in the human resource manual which is distributed to all staff.

TGC 321.022, Coordination of Investigations, is also addressed in BON’s Fraud Policy, which states:

“If the Executive Director determines that: (a) the findings warrant referral to outside enforcement and/or prosecutorial agencies, of (b) money received from the state by the BNE may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operations of the BNE, then Mark Majek or the Executive Director, where appropriate, will contact such agencies, including the State Auditor’s Office, and fully cooperate with them.”

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Texas Board of Nursing

Kathy Shipp, MSN, RN, FNP, Board President
Deborah Bell, CLU, ChFC, Board Liaison for Internal Audit

Katherine Thomas, MN, RN, FAAN, Executive Director
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