

Agenda Item: 1.3
Prepared by: Kathy Thomas
Meeting Date: January 19-20, 2006

State Auditor's Office Audit of the BNE

Summary:

This is an informational item. No action is necessary.

The State Auditor's Office has selected the BNE for an audit of payroll, purchasing and travel processes, procedures, documentation and appropriateness of expenditures. The auditors came to our offices the week after Christmas and will complete their audit on Monday, January 9, 2006. A final report will not be issued until the end of January or the beginning of February. The report will be contained in a letter to the Board.

The attached engagement letter is also addressed to each Board member and will be furnished to you along with the information mailed to you for the January Board meeting.



December 27, 2005

Ms. Katherine Thomas, M.N., R.N., Executive Director
Board of Nurse Examiners
333 Guadalupe Street, Suite 3-460
Austin, Texas 78701

Dear Ms. Thomas:

The State Auditor's Office will be auditing the Board of Nurse Examiners (Board). The audit objective is to determine whether selected expenditures for goods and services are properly authorized, processed correctly and in a timely manner, and reasonable for the performance of agency functions. Our work will include the automated systems and processes that support the functions being audited. We will conduct the audit in accordance with generally accepted government auditing standards.

The audit is currently in the planning phase, and we are gathering information to help us understand the Board's operations. To avoid duplicating audit efforts, we will coordinate our work with the Board's chief audit executive. Audit fieldwork is tentatively scheduled from December 2005 through January 2006. We expect to release the audit report in February 2006.

We will meet periodically with the Board's management to discuss interim and final audit results. Before releasing the report, we will provide management with a confidential draft and request formal written responses. These responses should objectively address the audit results and include a corrective action plan, if necessary. The responses should be written on Board letterhead and submitted to the State Auditor's Office within 10 working days. The published, public audit report will include management's formal responses.

The State Auditor's Office is implementing new procedures to comply with revised auditing standards, which emphasize that auditors should exercise professional skepticism and increased awareness to detect potential violations, fraud, and abuse. As a result, our interviews will include specific questions to help us assess fraud risk at your agency. We will also request a representation letter signed by management at the end of this engagement that affirms management's responsibility for a number of key areas and affirms that the information provided to the audit team is complete and correct to the best of management's knowledge.

Our office has also implemented an electronic reporting process and has discontinued the production of hard copy audit reports. Therefore, we will need to obtain up-to-date information to allow us to transmit the audit report to executive management and Board members in an electronic format.

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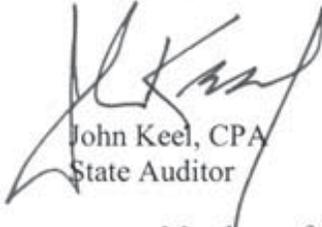
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Board of Nurse Examiners
December 27, 2005
Page 2

If you have any questions, please contact Susan Riley, CPA (the audit manager overseeing the audit), Robert Kiker (the project manager directing the audit on-site), or me at (512) 936-9500. Our office looks forward to working with Board personnel over the next few weeks.

Sincerely,



John Keel, CPA
State Auditor

cc: Members of the Board of Nurse Examiners
Mr. Mark W. Majek, Chief Audit Executive