

**Agenda Item: 7.8**  
**Prepared by: Mark Majek, Kathy Thomas, Deborah Bell & Jaye Stepp**  
**Meeting Date: October 2013**

**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 at the October, 2012 board meeting to approve the Internal Audit Plan for fiscal year 2013 which included an audit of the Board of Nursing Enforcement procedures and a report on the Education Approval process.

**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 2013.



# **TEXAS BOARD OF NURSING**

## **ANNUAL INTERNAL AUDIT REPORT**

**Fiscal Year 2013**

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

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**ANNUAL INTERNAL AUDIT REPORT – FY-2013**

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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 2013 is due November 1, 2013.

**I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site**

The Texas Board of Nursing will develop a procedure for implementing House Bill 16 that includes measures to ensure that within 30 days of approval BON will post internal audit reports to their website. The reports will include the 2014 Internal Audit Plan and the 2013 Annual Internal Audit Report. All future internal audit annual reports and audit plans will also be posted on the BON website within 30 days of approval. Beginning with the FY-14 internal audit, each BON internal audit annual report will include the following summaries as required by HB-16:

- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns 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

**II. Internal Audit Plan for Fiscal Year 2013**

The areas of concern identified by the agency in their annual risk assessment update, and included in the FY-2013 internal audit plan were:

1. Audit of BON Enforcement procedures with respect to disciplined, new and accepted nurse students (carried forward from FY-2012). The audit report was issued in February; report #2013-1 was approved by the Board in April 2013.
2. Audit of the Education Program Approval processes and controls. This audit is in process and being carried forward into the current fiscal year. A report will be issued upon completion.

There were no deviations from the fiscal year 2013 audit plan the BON submitted as part of its Annual Internal Audit Report for FY-2012.

**III. 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 2013.

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**IV. External Quality Assurance Review (Peer Review)**

The Texas Board of Nursing is not yet required to undergo an external Quality Assurance Review. BON is beginning their third year with an internal audit function. The External Quality Assurance Review will be engaged in FY-2015, after the auditing function has been in place for a period of three years in accordance with the Texas Internal Auditing Act.

**V. Internal Audit Plan for Fiscal Year 2014**

The fiscal year 2014 Audit Plan is scheduled to be reviewed and approved at the October 2013 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-2014 internal audit plan are:

1. A Governance Audit to assess board member compliance with training and filing requirements. A Governance audit will also satisfy professional standards that require a periodic governance project.
2. Follow up on prior audit recommendations implementation status.

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 Update & Annual Audit Plan	20 hrs
• Activity Reporting – Periodic, Annual, QA	20 hrs
• Audit Planning, Performance, and Reporting	120 hrs
• Follow Up on PY Recommendations	10 hrs
• Quality Control Procedures	8 hrs
• Management Meetings	8 hrs
• Board Meetings	4 hrs

The risk footprint, which is included as an exhibit in the Internal Audit Plan, shows any additional audit risks ranked as “high” that are not included in the fiscal year 2014 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 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.

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**VI. External Audit Services**

External audit services procured in fiscal year 2013 consisted of the internal audit function.

**VII. 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 at

<http://www.bon.state.tx.us/rpt-fraud.html> .

The agency has also included this information in their human resource manual which is distributed to all staff.

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**Texas Board of Nursing**

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