

Agenda Item: 7.4

Prepared by: Mark Majek, Kathy Thomas, Deborah Bell, Tamara Cowen & Jaye Stepp
Meeting Date: October 2014

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, 2013 board meeting to approve the Internal Audit Plan for fiscal year 2014 which included a Board of Nursing Governance 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 2014.



TEXAS BOARD OF NURSING

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2014

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

BOARD OF NURSING (BON)
ANNUAL INTERNAL AUDIT REPORT – FY-2014

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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 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 2014 is due November 1, 2014.

**I. Compliance with House Bill 16 (Texas Government Code, Section 2102.015):
Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit
information on Internet Web site**

House Bill 16 amended Chapter 2102, Texas Government Code, by adding Section 2102.015, requiring state agencies to post certain information on their Internet Web sites. Within 30 days of approval, an agency should post the following information on its Internet Web site:

- An approved fiscal year 2015 audit plan (Texas Government Code, Section 2102.008).
- A fiscal year 2014 internal audit annual report (Texas Government Code, Section 2102.009).

The Texas Board of Nursing complies with the provisions of House Bill 16 by posting their Annual Internal Audit Report and their Annual Internal Audit Plan on their website, within 30 days after approval by the Board. The risk footprint in the annual plan includes a summary of the high risk areas identified in the risk assessment process. The risk footprint and plan are updated annually prior to presentation to the Board.

II. Planned Work Related to the Proportionality of Higher Education Benefits

Not applicable to BON: *an explanation of the procedures your entity will follow to comply with Governor Perry's letter requesting that internal auditors for higher education institutions conduct work related to the proportionality of benefits and related risks.*

III. Internal Audit Plan for Fiscal Year 2014

The FY-2014 planned audit was completed as planned. There were no deviations from the audit plan as submitted in the FY-2013 Annual Internal Audit Report. The Governance Audit report, #2014-1, was completed as planned with a report date of March 7, 2014.

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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 2014.

V. External Quality Assurance Review (Peer Review)

The Texas Board of Nursing will be required to undergo an external Quality Assurance Review in FY-2015, after their third year with an internal audit function. The External Quality Assurance Review will be engaged in FY-2015 in accordance with the Texas Internal Auditing Act.

VI. Internal Audit Plan for Fiscal Year 2015

The fiscal year 2015 Audit Plan is scheduled to be reviewed and approved at the October 2014 Board meeting, along with this Annual Internal Audit Report.

The areas of concern identified in the annual risk assessment update, and recommended for inclusion in the FY-2015 internal audit plan are:

1. A Contract Management Audit to evaluate processes and controls around the contract management function at the agency. This audit will also address the Act's requirement to periodically audit accounting systems and controls.
2. A self-assessment in preparation for the external Quality Assurance Review (peer review) of the Internal Audit function will be performed during this fiscal period, as required by the Act and in compliance with Internal Auditing standards.
3. 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	107 hrs
• Self-Assessment for QAR	20 hrs
• Follow Up on PY Recommendations	10 hrs
• Quality Control Procedures	5 hrs
• Management Meetings	4 hrs
• Board Meetings	4 hrs

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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.

VII. External Audit Services Procured in Fiscal Year 2014

External audit services procured in fiscal year 2014 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 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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