

Agenda Item: 7.13

Prepared by: Mark Majek, Kathy Thomas, Deborah Bell, Tamara Cowen and David MacCabe

Meeting Date: July 2015

Summary of Request:

The BON Internal Audit Charter requires conformance with the *Government Auditing Standards* developed by the United States Government Accountability Office and the *International Professional Practices Framework (IPPF)* of The Institute of the Internal Auditors. The *IPPF* is comprised of the *International Standards for the Professional Practice of Internal Auditing*, the Definition of Internal Auditing and the Code of Ethics.

Government Auditing Standard 3.62 Requires audit organizations to maintain a system of quality control that includes having an external peer review performed by reviewers independent of the organization at least once every three years. The review is conducted to appraise the quality of BON internal audit activities and to assess conformance with professional auditing standards.

Historical Perspective:

The current engagement is the first external peer review conducted at the BON. A periodic peer review, or quality assurance review, of the internal audit function is an essential component of a comprehensive quality assurance and improvement program.

Pros:

The Board of Nursing will be in compliance with the Internal Auditing code of ethics and auditing standards.

Cons:

None.

Staff Recommendation:

Board Action: Move to accept the external quality assurance review report as prepared by David J. MacCabe dated May 6, 2015.



EXTERNAL QUALITY ASSURANCE REVIEW REPORT
INTERNAL AUDIT FUNCTION

May 6, 2015

CONDUCTED BY

David J. MacCabe, CIA, CGAP, CRMA, MPA
Internal Audit Consultant

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May 6, 2015

Kathy Shipp, MSN, RN, FNP, Board President
Texas Board of Nursing
333 Guadalupe Street, Suite 3-460
Austin, Texas 78701

Dear Ms. Shipp,:

Attached for your information is the report of the Quality Assurance Review of the Internal Audit function of the Texas Board of Nursing (BON)

Congratulations to you and your organization on an excellent effort in preparing for this peer review. In my opinion, the BON Internal Audit function **generally conforms** to the *International Professional Practices Framework* of The Institute of Internal Auditors.

This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the *Standards* and other requirements necessary for ensuring a professional Internal Audit activity.

Thank you for the courtesy and assistance provided by you and BON Board members, management, and staff members during this review. Please let me know if I can provide further information.

Sincerely,



David J. MacCabe, CIA, CGAP, CRMA, MPA
Internal Audit Consultant

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EXECUTIVE SUMMARY

An external quality assessment review (QAR) of the Internal Audit function (IA) at the Texas Board of Nursing (BON) was conducted during the period April 22-28, 2015. The principal objectives of the QAR were:

- To assess the IA function's conformance with the *Government Auditing Standards* and The Institute of Internal Auditors' (IIA's) *International Professional Practices Framework (IPPF)*;
- To assess the IA function's conformance with the requirements of the *Texas Internal Auditing Act*, Government Code 2102;
- To evaluate IA's effectiveness in carrying out its responsibilities as identified in the Internal Audit Charter; and
- To identify opportunities to enhance IA work processes and its value to the BON.

OPINION AS TO CONFORMANCE WITH STANDARDS

Based on the information received and evaluated during this external QAR, it is my opinion that the BON IA function generally conforms with the *Government Auditing Standards*, the *Texas Internal Auditing Act*, and The IIA's *IPPF*.

This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the *IIA Standards* and other requirements necessary for ensuring a professional Internal Audit activity. The Conformance Rating Criteria is described in Attachment A to this report.

The reviewer found that the IA is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The internal auditor is qualified, proficient, and knowledgeable in the areas audited. Individual audit engagements are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

Interviews conducted during the QAR indicate that BON management and the Board consider the IA function a value-added program and believe that the audit process and audit report recommendations add value and help improve the agency's operations.

The reviewer identified three opportunities for improvement that will assist the IA function in more fully conforming with professional auditing standards and providing enhanced services to BON business partners:

- Update the Internal Audit Charter to include the Definition of Internal Auditing as an important component of the IPPF. Also provide information on Board roles and responsibilities regarding internal audit oversight, and consider including other appropriate sections of The IIA's Model Audit Committee Charter (IIA Standard 1100 discussed on **pages 5 and 6**).

- Obtain a minimum of 80 hours continuing professional education (CPE) for each two-year period including 24 hours in government auditing topics (IIA Standard 1230 and Government Auditing Standard 3.76 discussed on **page 6**).
- Continue progress in implementing a more complete Quality Assurance and Improvement Program (IIA Standard 1311 and 1321, and Government Auditing Standard 3.95 discussed on **page 7**).

During the course of the engagement the reviewer also provided informal suggestions and examples of leading practices from other Internal Audit organizations.

ACKNOWLEDGEMENTS

I appreciate the courtesy and cooperation extended to me by the BON Board members, management, and staff members and especially those persons who participated in the interviews. The feedback from the interviews provided valuable information regarding the IA function and the internal auditor's relationship with management and members of the Board of Nursing.

The internal auditor serves the BON and its many stakeholders with a high degree of professionalism.



David J. MacCabe, CIA, CGAP, CRMA, MPA
Quality Assurance Reviewer



Date

BACKGROUND

Agency Profile

The Texas Board of Nursing (BON) was established in March 1909 and protects the public from unsafe nursing practice, provides approval for more than 200 nursing education programs, issues licenses to more than 27,000 nurses per year by examination, and by endorsement to licensees from other states seeking a Texas license. The BON also provides nursing practice and education guidance to more than 350,000 currently licensed nurses practicing in the state of Texas. BON currently has an annual budget in of almost \$9 million budget and about 110 employees.

Internal Audit Requirements

The IA function was created in 2012 in response to the requirements of Texas Government Code 2102. Jaye Stepp has provided contract internal audit services to the BON over the past three years – initially as a partner with Rupert & Associates and more recently as an individual practitioner.

The BON Internal Audit Charter requires conformance with the *Government Auditing Standards* developed by the United State Government Accountability Office and the *International Professional Practices Framework (IPPF)* of The Institute of Internal Auditors. The IPPF is comprised of the *International Standards for the Professional Practice of Internal Auditing*, the Definition of Internal Auditing, and the Code of Ethics

Government Auditing Standard 3.62 requires audit organizations to maintain a system of quality control that includes having an external peer review performed by reviewers independent of the organization at least once every three years. The review is conducted to appraise the quality of BON internal audit activities and to assess conformance with professional auditing standards.

The current engagement is the first external peer review conducted at the BON. A periodic peer review, or quality assurance review, of the internal audit function is an essential component of a comprehensive quality assurance and improvement program.

Qualifications and Independence of the External Reviewer

The external reviewer meets the requirements for qualified, independent external assessors as defined in IIA Standard 1312. The reviewer previously served as a chief audit executive for about 27 years at three Texas state government agencies including a public pension fund and has participated in approximately 65 QARs throughout the United States. The external reviewer also meets the independence requirements specified in IIA Standard 1312.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of the QAR was to evaluate the IA function's conformance with the *Government Auditing Standards* and The IIA's *IPPF*. Additional objectives of the review included identifying leading practices as well as suggesting areas where improvements may be beneficial.

The review focused primarily on Internal Audit work activities performed during the period from March 2012 through March 2015. The methodology for this QAR included:

- Reviewing the self-assessment report prepared by the internal auditor as part of the planning and preparation for this external QAR;
- Reviewing the Internal Audit Charter for conformance with professional standards;
- Reviewing and validating the IA function's process for assuring auditor objectivity and independence;
- Reviewing continuing professional education (CPE) earned by the internal auditor to ensure conformance with professional auditing standards;
- Reviewing the IA function's procedures for administering and tracking CPE;
- Conducting personal interviews with six key stakeholders including the Board chair, the Board audit liaison, the executive director, the operations director, the nursing consultant for education, the executive assistant, and the internal auditor.
- Reviewing the IA function's policies and procedures pertaining to the audit engagement process and communications through the audit project phases of planning, field work, and reporting;
- Reviewing two sets of engagement work papers of audits completed during the period of review for conformance with professional internal auditing standards;
- Providing examples of leading practices found in other leading internal audit activities including local and state government agencies, public pension funds, and private sector entities; and
- Reviewing the following IA function products:
 - Master peer review documentation
 - Risk assessment matrices,
 - Audit Recommendation Tracking System (ARTS) reports;
 - Internal Audit procedures manual; and
 - Other relevant documents.

DETAILED RESULTS

The results of the QAR for the IA function are presented in the order of the *Standards* listed in the IIA's *International Standards for the Professional Practice of Internal Auditing*.

No significant weaknesses were identified during the review that would prevent the IA function from fulfilling its responsibilities. The detailed results include identification of leading practices as well as some opportunities for improvement that the internal auditor may wish to consider.

IIA CODE OF ETHICS

The internal auditor demonstrates her commitment to the IIA *Code of Ethics* and the *Ethical Principles* provided in the *Government Auditing Standards*. This is attained through a professional and respectful demeanor, attending periodic ethics training classes, and practicing ethical behavior in the course of audit work.

IIA ATTRIBUTE STANDARDS

Standard 1000: Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

The IA function **generally conforms** with the requirements of this Standard.

The BON approved the current Internal Audit Charter on October 23, 2014. It outlines the purpose, authority, and responsibility of the Department and covers considerable details about the processes, policies, procedures of the IA Department. The charter defines assurance and consulting services and recognizes the mandatory nature of The IIA's Definition of Internal Auditing, the Code of Ethics, and the *Standards*.

The internal auditor indicated she will present a proposed charter revision to the Board of Nursing in the near future to incorporate suggestions from this external QAR project.

Opportunity for Improvement 1 – Update the Internal Audit Charter to include appropriate sections of The IIA's *Model Internal Audit Charter*

The Internal Audit Charter should be further refined to include:

- the Definition of Internal Auditing as an important component of the IPPF.
- include specific information on Board roles and responsibilities in providing internal audit oversight,
- include relevant BON policies and procedures and the Internal Audit Procedures Manual in the "Standards of Internal Audit Practice" section, and
- consider including other appropriate sections of The IIA's *Model Audit Committee Charter*.

Internal Audit Response:

The Internal Audit Charter will be updated and an amended version will be presented to the Board for their approval at the next available Board meeting. Updates to include:

- *the definition of Internal Auditing;*
- *Board roles and responsibilities related to Internal Audit Oversight, and*
- *Recognition of the BON policies and procedures and Internal Audit Procedures Manual as standards followed in the practice of Internal Audit.*

Standard 1100: Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

The IA function **generally conforms** with the requirements of this Standard.

The IA function is independent both in terms of the BON organizational structure and in internal audit practices. The internal auditor is an independent contractor who reports functionally to the BON and administratively to the executive director. This organizational arrangement provides authority to promote independence, ensures adequate consideration of audit reports, and encourages appropriate action and oversight on audit issues and recommendations.

The BON Internal Audit Charter helps ensure continued independence by specifying that IA Department staff members “are not authorized to perform any operational duties for the organization, its sub-grantees or contractors.”

Standard 1200: Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

The IA function **generally conforms** with the requirements of this Standard.

The internal auditor possesses the knowledge, skills, and abilities to perform assigned responsibilities as she is a Certified Public Accountant (CPA) and a Certified Internal Auditor (CIA) with 14 years internal auditing experience in Texas state government conducting and directing internal audits. She also holds two other professional certifications.

The internal auditor meets the Texas State Board of Public Accountancy requirements for 120 hours training every three years. However, she is a few hours short of meeting the requirements of the *Government Auditing Standards* and the IIA *IPPF*. Internal auditors are required professional standards to enhance their knowledge, skills, and abilities by obtaining at least 80 hours of continuing professional education (CPE) each year.

Opportunity for Improvement 2 – Obtain a minimum of 80 hours continuing professional education (CPE) for each two-year period including 24 hours in government auditing topics (IIA Standard 1230 and Government Auditing Standard 3.76).

Internal Audit Response:

Continuing education hours are monitored to ensure that the required hours are met to maintain professional certifications. Extra emphasis has been placed on the timing of the training to ensure that the reporting periods are more evenly weighted to ensure eighty hours every two years, with approximately forty in each period.

Standard 1300: Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

The IA function **generally conforms** with the requirements of this Standard.

The internal auditor has developed a quality assurance and improvement program (QAIP) that (1) helps ensure that the function adds value and improves the agency's operations and (2) provides assurance that the IA function conforms with *Standards*. The QAIP involves a well-developed audit policies and procedures, checklists, periodic client surveys, and external QARs to be scheduled every three years. The internal auditor also provides a QAIP annual report to the BON.

IIA Standard 1311 requires IA functions to develop and implement a formal periodic internal QAR process. Such assessments typically include reviews of a number of key IA functional areas to assure conformance with the *IPPF* and *Government Auditing Standards*. This requirement is more difficult for one-person, part-time IA functions to accomplish.

The internal auditor noted the difficulties in meeting the internal assessment standard since no one else at the BON has an audit background to review the workpapers in a meaningful way. The auditor further indicated she relied on the review of the draft report with management to identify anomalies or content errors. The internal auditor's experience in governmental auditing and in quality assurance processes compensates somewhat for not having a typical internal assessment activity.

The internal auditor completed a comprehensive self-assessment in preparation for this external QAR. In that report she identified one area of non-conformance that is being corrected. IIA Standard 1321 states, "The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support this statement."

Specifically, the internal auditor noted that she had included this wording in BON internal audit reports although the QAIP had not been fully implemented since no external QAR had been conducted prior to the current review. That is no longer problematical with the publication of this QAR report.

Opportunity for Improvement 3 -- Continue the progress made in implementing a more complete Quality Assurance and Improvement Program.

Consideration should be given to developing an internal quality assessment component to meet *Standards* requirements. Some one-person internal audit activities have developed cooperative relationships with similar small shops for annual or biennial reviews of audit engagement workpapers.

Internal Audit Response:

The QAIP will be updated after a review of the suggested materials, including considerations for alternative methods of internal QA processes. The updated format will be used for reporting on the Quality Assurance and Improvement Program for 2015.

IIA PERFORMANCE STANDARDS

Standard 2000: Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

The review of Standard 2000 incorporates the following specific Standards:

- 2010 – Planning
- 2020 – Communication and Approval
- 2030 – Resource Management
- 2040 – Policies and Procedures
- 2050 – Coordination
- 2060 – Reporting to Senior Management and the Board

The IA function **generally conforms** with the requirements of this Standard.

The IA Director has implemented policies and procedures to conduct internal audit work efficiently and effectively. Audits have been completed in the following areas during the past three years:

- Texas Peer Assistance Program for Nurses (March 2012 report)
- Enforcement Procedures (February 2013 report)
- Education Program Approvals (November 2013 report)
- Governance (April 2014 report)

The internal auditor recently initiated a contract management audit and a report will be provided at a future Board meeting.

The internal auditor conducts a formal risk assessment to establish the annual Audit Plan, which is adjusted annually in response to emerging risks or based on changing agency or Board priorities. Input is obtained from key business partners including the executive director, the operations director, and other BON managers prior to finalizing the proposed Audit Plan each year. The internal auditor believes that this approach allows for a comprehensive assessment of all auditable activities in an efficient manner with relative risks being assessed at the same time.

The internal auditor has developed useful policies and procedures including standard forms and workpaper models; and audit programs for internal control evaluations, engagement planning, communicating results, and project closeout.

The internal auditor reports to the BON twice each year to discuss Internal Audit activities relative to the approved Internal Audit Plan. These practices are in keeping with Standard 2060 guidance that “The CAE must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan.”

Standard 2100: Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

The review of Standard 2100 incorporates the following specific Standards:

- 2110 – Governance
- 2120 – Risk Management
- 2130 – Control

The IA function **generally conforms** with the requirements of this Standard.

The internal auditor evaluates risks related to financial, investment, and operating information as well as the effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws and regulations. The internal auditor also evaluates the extent to which operating and program objectives have been achieved.

The IA function contributes to the organization’s governance, risk management and control processes by providing information and assistance. Particularly noteworthy is the periodic risk assessment exercise that engages key BON staff members in discussing key business risks and evaluating the sufficiency of internal controls to mitigate those risks.

IIA Standard 2110 pertaining to governance states “The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization;
- Ensuring effective organizational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organization; and
- Coordinating the activities of and communicating information among the board, external and internal auditors, and management.”

The internal auditor completed a governance audit in April 2014. The audit focus was on evaluating Board member compliance with state government training and filing requirements.

Standard 2200: Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.

The review of Standard 2200 incorporates the following specific Standards:

- 2201 – Planning Considerations
- 2210 – Engagement Objectives
- 2220 – Engagement Scope
- 2230 – Engagement Resource Allocation
- 2240 --Engagement Work Program

The IA function **generally conforms** with the requirements of this Standard.

Workpaper reviews identified documentation of thorough planning by the internal auditor. Detailed programs and templates guide the auditor through the process of collecting information, identifying risks and controls, and developing objectives appropriate for the audit engagement. These efforts are enhanced with the cooperation and assistance of BON managers and staff members.

During engagement planning, the internal auditor considers the objectives of the activity being reviewed and the related risks and controls. Engagement risk assessments are used to develop the objectives of each audit. Interviews conducted during this quality assurance review indicated that the objectives of audits are clearly communicated to business partners. An Engagement Planning Audit Program is developed, followed and documented for each audit. The scope of audits is adequately addressed in planning documents and audit reports.

Standard 2300: Performing the Engagement

Internal auditors must identify, analyze, and document sufficient information to achieve the engagement's objectives.

The review of Standard 2300 incorporates the following specific Standards:

- 2310 – Identifying Information
- 2320 – Analysis and Evaluation
- 2330 – Documenting Information
- 2340 – Engagement Supervision

The IA function **generally conforms** with the requirements of this Standard.

Review of the internal QAR engagement and two sets of workpapers identified that the IA function conducts adequate analysis and review to obtain sufficient, reliable, relevant, and useful information to meet the audit objectives and draw logical and supportable conclusions. Workpapers are detailed and relevant and link back to the engagement objectives. A field work audit program is developed, followed and documented for each audit. Audit programs, procedures, and forms contain useful templates for the planning, field work, reporting, and closeout phases of an audit engagement.

Audits are appropriately planned and conducted by the IA Department staff. Typical duties include conducting planning meetings, preparing appropriate documentation, and documenting interviews, observations, and record reviews in the working papers to ensure the sufficiency of the evidence and conformance with the *Standards*.

Standard 2400: Communicating Results

Internal auditors must communicate the results of engagements.

The review of Standard 2400 incorporates the following specific Standards:

- 2410 – Criteria for Communicating
- 2420 – Quality of Communications
- 2421 – Errors and Omissions
- 2430 – Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”
- 2431 – Engagement Disclosure of Nonconformance
- 2440 – Disseminating Results
- 2450 – Overall Opinions

The IA function **generally conforms** with the requirements of this Standard.

Potential issues and concerns are communicated throughout the audit engagements giving management the opportunity to provide additional information and/or initiate corrective actions.

Audit reports typically contain an executive summary, introduction, background, audit objectives, scope and methodology, and audit results and recommendations. Interviews conducted with management indicated that IA reports are accurate, objective, clear, concise, and complete.

The internal auditor distributes reports to the BON, the executive director, the operations director, and the management of the activities being audited. In addition, audit reports are also provided to the Governor's Office, the Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Commission.

Standard 2500: Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

The IA function **generally conforms** with the requirements of this Standard.

The internal auditor has established an effective process to monitor and ensure that management actions have been taken to address audit recommendations. Progress is tracked in the Audit Recommendations Follow-Up System (ARFUS) and is coordinated with appropriate managers. The internal auditor provides an annual report on this subject to the BON.

Standard 2600: Management's Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

The IA function **generally conforms** with the requirements of this Standard.

During the external QAR, no instances were identified of management accepting an inappropriate level of risk that would require the internal auditor to notify the Board IA Liaison.

BOARD MEMBER AND MANAGEMENT COMMENTS

Interviews were conducted with the Board President, a Board Audit Liaison, the executive director, the operations director, the nursing consultant for education, and the executive assistant. Listed below are the representative comments offered by the persons interviewed. Comments were generally complimentary of the services and support provided by the internal auditor

Overall Impression of Internal Audit's Service to the BON

"She helps us protect the public and assure accountability."

"I am very impressed with Jaye."

"Jaye is timely, persistent, helpful, and consistent."

"She is very direct, straightforward, and asks the hard questions."

"We are always eager to see what she has to say."

"She has an auditor's personality and is very objective."

"She lets people know what is required by state law."

Auditor Independence & Objectivity

"Yes, Jaye has been independent and objective definitely and clearly from the get go."

"No restrictions since Jaye works for the Board and keeps the Board informed."

"Yes, she is a Board employee and does not report to management."

"Jaye is very independent and very direct."

"Reporting to the Board assures no roadblocks."

Does Internal Audit Make a Difference?

"We couldn't ask for anybody better!"

"She makes a big difference. She is quick to respond to questions and does her work succinctly."

"This is a value-added function. That is particularly important as we prepare for Sunset review."

"Jaye gives us pointers on how to do better and we implement her suggestions."

"Yes, she keeps the agency on track by helping us be aware of areas for possible improvement."

“IA validates staff efforts. We are getting a huge value for the purchase.”

“Her audits often validate what we are doing and increase the trust between the Board and staff.”

Audit Process (Planning, Execution, Reporting)

“Her reports are clear, articulate, and easy to understand.”

“She helps us keep moving during a period of rapid expansion and growth.”

“Jaye communicates well and is straight =forward in working with staff.”

“She works well with the team and accommodates people’s schedules.”

“Jaye presents to the Board in a professional manner and provides her deliverables on time.”

“The audit in my area was very beneficial as she brought up issues we had not previously considered.”

“Jaye is an excellent communicator, very comfortable, flexible, and responsive.”

“She wants to understand our business responsibilities.”

Risk Assessment & Audit Planning

“Jaye explained her business process model using heat maps when she came in and then interviewed key staff. This was a beneficial process.”

“She encourages us to look at business risks with fresh eyes and re-prioritize potential problem areas.”

“Her risk assessment methodology is thorough and interactive and management is comfortable with the process.”

“She encourages participation and feedback.”

What Could IA Do Better?

“We need to try to increase the budget so she could do more audits.”

LEADING PRACTICES OBSERVED

The BON IA function is committed to continuous improvement. During the QAR, a number of leading practices were observed that demonstrate an outstanding level of service and professionalism:

- The internal auditor fosters an excellent working relationship with the Board members, executive management, and operating staff. This relationship has developed as an outgrowth of an audit process that serves the needs of management and the Board.
- Audit reports are well written and include background on units reviewed.
- Agenda materials developed for BON meetings are excellent in terms of content, format, and overall quality.
- Audit work efforts are well documented in electronic working papers, logically organized, and easily followed. The auditor documents relevant information that supports the audit conclusions and engagement results.
- The internal auditor prepared a comprehensive self-assessment as part of the planning and preparation for the external QAR.
- The internal auditor is active and well respected in the Texas State Agency Internal Audit Forum and currently serves on the Peer Review Committee.
- The internal auditor has earned four professional certifications and regularly attends training provided by local professional auditing and accounting organizations including the State Auditor's Office, the IIA, the Information Systems Audit and Control Association, and the Association of Certified Fraud Examiners.

ATTACHMENT A

Conformance Rating Criteria

“Generally Conforms” means that the assessor has concluded the following:

For individual Standards, that the internal audit activity conforms to the requirements of the standard (e.g. 1000, 1010, 2000, 2010, etc.) or elements of the Code of Ethics (both Principles and Rules of Conduct) in all material respects.

For the sections (Attribute and Performance) and major categories (e.g. 1000, 1100, 2000, 2100, etc.) , the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the Code of Ethics, and at least partial conformity to others, within the section/category.

For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards or Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

“Partially Conforms” means that the assessor has concluded the following:

For individual Standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g. 1000, 1010, 2000, 2010, etc.) or element of the Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.

For the sections (Attribute and Performance) and major categories (e.g. 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual standards within the section/category and/or elements of the Code of Ethics.

For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving these objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

“Does Not Conform” means that the assessor has concluded the following:

For individual Standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard (e.g. 1000, 1010, 2000, 2010, etc.) and/or element of the Code of Ethics (both Principles and Rules of Conduct).

For the sections (Attribute and Performance) and major categories (e.g. 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the Code of Ethics.

For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

REPORT DISTRIBUTION

Texas Board of Nursing

Ms. Kathy Shipp, MSN, RN, FNP, Board President

Ms. Deborah Hughes Bell, CLU, CHFC, Board Liaison to Internal Audit

Ms. Tamara Cowen, MSN, RN, Board Liaison to Internal Audit

Executive Management and Internal Audit

Ms. Katherine A. Thomas, MN, RN, FAAN, Executive Director

Mr. Mark Majek, MA, PHR, SHRM-CP, Operations Director

Ms. Jaye Stepp, CPA, CIA, CGAP, CGMA, Internal Auditor