

TEXAS BOARD OF NURSING

INTERNAL AUDIT PLAN - FISCAL YEARS 2020 - 2021

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TEXAS BOARD OF NURSING
Internal Audit Plan – Fiscal Years 2020 - 2021

MONDAY RUFUS & CO., P.C.
Certified Public Accountants & Advisors
Member: American Institute of Certified Public Accountants

January 6, 2020

The Board Members
Texas Board of Nursing
Austin, Texas

Dear Board Members:

As required by the Internal Auditing Act (Texas Government Code, Section 2102.008), we have prepared the internal audit plan for fiscal years 2020 and 2021.

We prepared a risk assessment to determine the areas in the Texas Board of Nursing that should be considered for audit. Based on that risk assessment, the following areas are recommended for audit in Fiscal Years 2020 and 2021, respectively:

Fiscal Year 2020

Enforcement

Fiscal Year 2021

Peer Assistance Program

Your approval of the areas above will enable us to commence internal audit activities for fiscal years 2020 and 2021.

Sincerely,



Monday N. Rufus, CISA, CPA, Ph.D
Audit Director
MONDAY RUFUS & CO., P.C., CPAs

CC: 1. Katherine Thomas, MSN, RN, Executive Director
 2. James (Dusty) Johnston, General Counsel
 3. Mark Majek, Director of Operations
 4. Anthony Diggs, Director of Enforcement
 5. Kristin Benton, Director of Nursing

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I. Purpose

The Purpose of this internal audit plan is to document the development, risk assessment, scope of assignments and implementation timetable for fiscal years 2020 and 2021 internal audit activities. This document will serve as a primary tool to carry out internal audit responsibilities in an efficient manner and prioritize the audit areas based on risk assessments agreed to by the Board members of the Texas Board of Nursing (Board). Due to the nature, scope and timing of audit procedures contemplated here, planning for specific aspects of the audits is a continuing process. Accordingly, the plan will be revised as necessary and reviewed at least annually.

This plan has been prepared to meet planning guidelines as required by both generally accepted governmental auditing standards and conforms to the *International Standards for the Professional Practice of Internal Auditing* as determined by the Institute of Internal Auditors, Inc.

II. Background Information

In 1909 the Nursing Practicing Act (NPA) was passed which gives authority to regulate the practice of nursing. In 1909 the Board of Nurse Examiners was established in Texas after the passing of SB111. In 2004 the Board of Nurse Examiners and the Board created by the Vocational Nursing Act (1951) merged, creating the Texas state agency regulating the largest number of health care providers. In 2007, the Board of Nurse Examiners was renamed to the Texas Board of Nursing (Board) after the passing of HB 2426. The Board regulates over 410,000 nurses and 209 schools of nursing. The Board's key functions are:

- Licensing & Accreditation
 - Licensing & Examination
 - Accreditation
- Enforcement
 - Protect Public

The Board's Mission

The mission of the Texas Board of Nursing (Board) is to protect and promote the welfare of the people of Texas by ensuring that each person holding a license as a nurse in the State of Texas is competent to practice safely. The Board fulfills its mission through the regulation of the practice of nursing and the approval of nursing education programs. This mission, derived from Chapters 301, 303 and 304 of the Occupations Code, supersedes the interest of any individual, the nursing profession, or any special interest group.

Acting in accordance with the highest standards of ethics, accountability, efficiency, effectiveness, and openness, the Texas Board of Nursing approaches its mission with a deep sense of purpose and responsibility and affirms that the regulation of nursing is a public and private trust. The Board assumes a proactive leadership role in regulating nursing practice and nursing education. The Board serves as a catalyst for developing partnerships and promoting collaboration in addressing regulatory issues. The public and nursing community alike can be assured of a balanced and responsible approach to regulation.

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To carry out its mission, the Board has appropriations approval to hire 124.7 positions. The Board has 48 FTEs in the Enforcement Department, 43.7 FTEs in the Operations Department, 16 in the Nursing Department and 17 Administrative Employees including the Executive Director. There is an additional FTE (1) for each fiscal year due to the enactment of the HB 2174, 86th Legislature, Regular Session, relating to controlled substance prescriptions which results in \$43,149 out of the General Revenue Funds.

The Texas Board of Nursing board consists of 13 members from throughout the State of Texas appointed by the Governor for 6-year terms with the advice and consent of the senate as follows:

- (1) six nurse members, including:
 - (A) one advanced practice nurse;
 - (B) two registered nurses who are not advanced practice nurses or members of a nurse faculty; and
 - (C) three vocational nurses who are not members of a nurse faculty;
- (2) three members who are nurse faculty members of schools of nursing:
 - (A) one of whom is a nurse faculty member of a school of nursing offering a baccalaureate degree program in preparing registered nurses;
 - (B) one of whom is a nurse faculty member of a school of nursing offering an associate degree program in preparing registered nurses; and
 - (C) one of whom is a nurse faculty member of a school of nursing at an institution of higher education preparing vocational nurses; and
- (3) four members who represent the public.

The Board's operating budget is prepared and approved by the Board on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature. The Board's departments consist of the Administration, Enforcement, Operations, and Nursing. Each department head reports to the Executive Director.

A. Administration Department

The Administration Department includes the Executive Director, Executive Assistant, Human Resource Director and the Legal Team. The Legal Team duties include advising the Board and Executive Director on interpretation and compliance with all administrative laws affecting the Board. Additionally, the litigation and contested case process for licensure discipline cases is another primary process. The legal department is supervised by the General Counsel.

B. Enforcement Department

The Enforcement Department has three primary teams:

- a. Investigations—comprised of Criminal Justice and Registered Nurse Investigators responsible for investigating violations of the Nursing Practice Act.
- b. Eligibility—comprised of investigators responsible for investigating individuals who may have some issues in their past that may prevent them from becoming licensed or retaining a license due to criminal history, substance use or mental illness.

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- c. Monitoring—comprised of case workers responsible for monitoring compliance/non-compliance of individuals who have received a Board Order that requires monitoring.
 - a. License qualified students and licensees
 - b. Account for agency funds
 - c. Provide information technology support to agency

The enforcement department is supervised by the Director of Enforcement.

C. Operations Department

The Operations Department’s duties include licensing qualified students and licensees, accounting for the Board’s funds, and providing information technology support to the Board. The operation’s department is supervised by the Director of Operations.

D. Nursing Department

The nursing department is comprised of three teams who work collectively to help achieve the Board’s mission of public protection by ensuring that each nurse issued a license is safe to practice in Texas:

1. The Education team contributes to the Board’s mission through the regulation of pre-licensure education programs and remedial education providers. This includes the approval of new nursing education programs as well as ongoing regulation of currently approved programs.
2. The Practice team contributes through establishing standards of practice and providing education to the Board’s constituents, as well as supporting the legal team in disciplinary proceedings involving nursing practice.
3. The Advanced Practice Registered Nurse (APRN) Licensing team reviews applications for APRN licensure and prescriptive authority in order to license only those individuals who meet rule requirements. The nursing department is supervised by the Director of Nursing.

The Board’s initial appropriations (General Revenue Fund and Appropriated Receipts) for the fiscal year 2020 and 2021 are as follows:

	<u>For the Year Ending</u> <u>August 31, 2020</u>	<u>For the Year Ending</u> <u>August 31, 2021</u>
Salaries and Wages	\$7,656,082	\$7,656,082
Other Personnel Costs	140,579	140,580
Professional Fees and Services	930,000	930,000
Consumable Supplies	49,700	49,700
Utilities	30,000	30,000
Travel	103,500	103,500
Rent – Building	17,650	17,650
Rent – Machine and Other	29,000	29,000
Other Operating Expenses	4,180,138	4,182,140
Capital Expenditures	<u>57,600</u>	<u>55,600</u>
Total Appropriated Budget	<u>\$13,194,249</u>	<u>\$13,194,252</u>

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III. Internal Audit Plan Methodology

This section summarizes the methodology used in preparing the internal audit plan. In order to understand the Board and develop our risk assessment process, we reviewed the Board's:

- Enabling Legislation
- Strategic plan
- Legislative appropriations request/operating budget
- Prior internal audit reports
- Reports from the State Auditor's Office
- Sunset Advisory Commission Report
- Other documents obtained from the Board

We made inquiries of key personnel of the Board and Board members. The main purpose of our inquiries was to obtain a generalized overview of how each department fits financially and non-financially into the framework of the Board. One of the major factors in performing our inquiries, rather than relying solely on the amounts budgeted to each program or function in determining risk assessment, was to identify how much effect one program or function has on another program or function, thereby identifying the total impact that a particular department has on the Board. These inquiries were standardized to achieve responses to basic questions concerning each department, function, or overall activities of the Board. Questions asked related to business objectives, inputs, outputs, systems, critical factors, fraud, abuse, process activities and business risks and controls. An assessment of the function's risk was also included, based on our inquiries.

In planning internal audit procedures, financial, operational, as well as compliance issues are considered in determining processes/systems of interest. Functional areas that cross many departments and the interaction between departments are key criteria in the process of identifying areas of interest. Board financial reports, planning documents, laws, rules, and regulations, in addition to soliciting input from management, were all considered in developing the list of areas of interest. Upon completion of this list, each area was subjected to our risk analysis process.

The following Board processes/systems have been considered during the development of the areas of interest list:

Information Systems Technology
Performance Measures Reporting
Finance and Accounting
Licensing
Human Resource Management
Purchasing and Contract Management (excl. Peer Asst. Prog.)
Enforcement
Education Program Approval
Open Records Requests
Peer Assistance Program

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There are numerous other areas that may be identified during the process of performing internal audit procedures during the fiscal year. Continuing input from both the Board members and management will be essential in identifying additional or new areas of risk that should be considered in the future.

Our risk assessment was performed through the consideration of various factors, including:

1. Exposure Level
2. Complexity of Unit
3. Budgeted Revenues and Expenditures
4. Results of Last Audit
5. Extent of other Coverage or Oversight
6. Quality of Internal Controls/Adherence to Laws
7. Changes in Systems and Processes
8. Normal Audit Interval

Although all the above factors were considered in the assessment of risk for each process/system, some of the factors were weighed more heavily and considered to be more critical to the Board's internal control structure. The following critical factors were weighted more heavily in our assessment.

- Exposure Level
- Quality of Internal Controls/Adherence to Laws
- Changes in Systems and Processes

The other factors noted are not considered to be as critical to the internal control structure of the Board. However, all factors were considered in assessing risk and were taken into consideration for each process/system as to their impact on the Board. Once each area of interest was evaluated, it was assigned a risk factor of high, moderate or low. The following is the result of our risk assessment process.

Processes Identified as High Overall Risk

Peer Assistance Program
Enforcement

Processes Identified as Moderate Overall Risk

Information Systems Technology
Performance Measures Reporting
Licensing
Human Resource Management
Education Program Approval
Open Records Requests
Finance and Accounting
Purchasing and Contract Management (excl. Peer Asst. Prog.)

Processes Identified as Low Overall Risk

None

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IV. Internal Audit Plan

The internal audit plan is designed to provide a review of all areas considered to be of higher risk. Although the plan is structured in this manner, it should not prevent the review of areas on a more frequent basis, in the case of future restructuring or development of new processes/systems. Also, special reviews might be added in the future as requested by the Board members or when deemed necessary by the internal audit function after performance of in-depth review of the specific divisions/systems.

Internal audit activities will be primarily concerned with documenting, testing and evaluating each department or system's internal control policies and procedures and the quality of performance in carrying them out. This will include reporting conditions and suggestions to management and evaluating management's response and plans for corrective actions. Opportunities for improved efficiency identified as a result of performing internal audit activities will be communicated to management and the Board members as part of the reporting process.

Internal Audit activities for the fiscal years ending 2020 – 2021 are planned for the following processes/systems, respectively:

Fiscal Year 2020

Enforcement

Fiscal Year 2021

Peer Assistance Program

The audits for fiscal year 2020 will take place between March 2020 and August 2020 with final reporting occurring in September 2020. The audits for fiscal year 2021 will take place between September 2020 and December 2020 with final reporting occurring in January 2021. The above plan does not preclude the internal audit function from identifying and assessing risk relating to new departments or systems added to the Board.

These processes/systems were identified for review through risk assessment methodology. As discussed above, this methodology included inquiries of key personnel of the Board, identifying financial and non-financial risks, identifying interaction of departments amongst each other, identifying rules and regulations the various functions must comply with, identifying the volume of transactions and personnel involved within each function.

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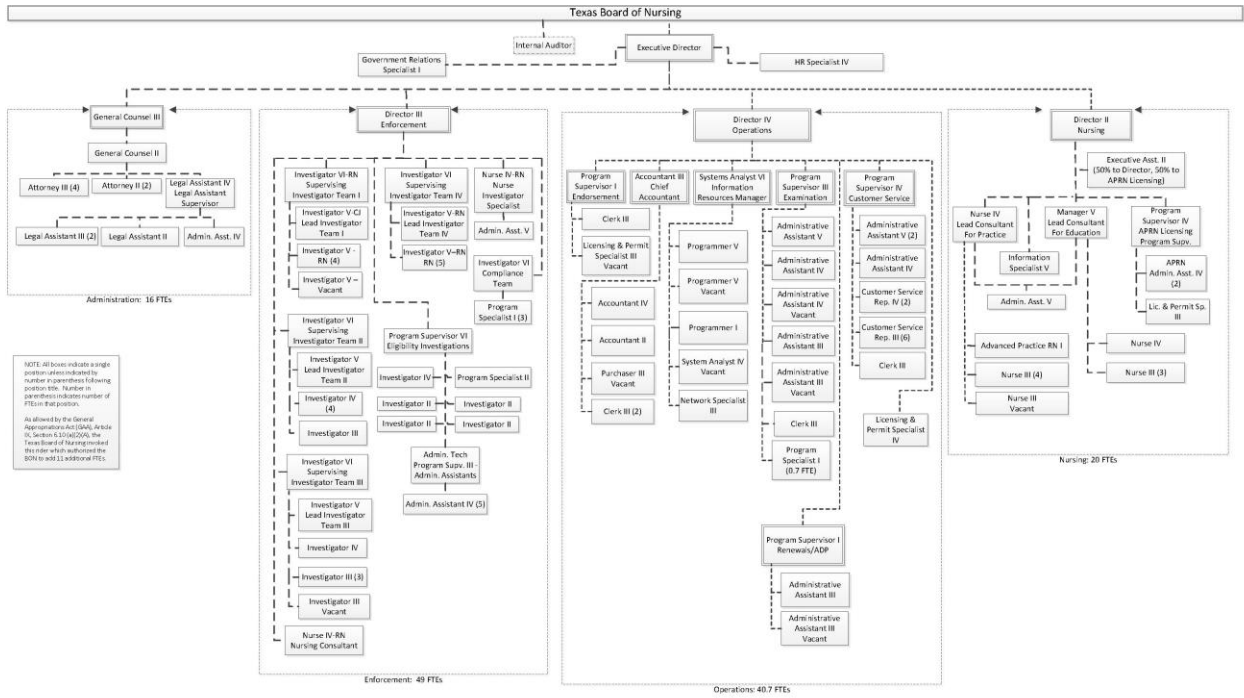
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V. Reporting

In compliance with the Texas Internal Auditing Act, the annual internal audit report will be filed with the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor, the Board members of the Board and the Board’s Executive Director by November 1, 2020 and 2021, respectively. The annual internal audit report will be in the form specified by the State Auditor and will include all relevant items noted in the Texas Internal Auditing Act.

Appendix A: Organizational Chart

Texas Board of Nursing Organization Chart



NOTE: All boxes indicate a single position unless indicated by number in parentheses following position title. Number in parentheses indicates number of FTEs in that position.

As defined by the Special Representative Act (SRA), Article IX, Section 5.01(a)(2)(D), the Texas Board of Nursing received the BON to add 11 additional FTEs.

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Appendix B: Risk Assessment Summary

High = 38 and up
Moderate = 30-37
Low = less than 30

	<u>Weighted Risk Rank</u>
Peer Assistance Program Enforcement	38
Information Systems Technology	36
Performance Measures Reporting	36
Licensing	36
Human Resource Management	34
Education Program Approval	34
Open Records Requests	34
Finance and Accounting	32
Purchasing and Contract Management (excl. Peer Asst. Prog.)	32