



# **TEXAS BOARD OF NURSING**

**Fiscal Year 2016**

## **INTERNAL AUDIT ANNUAL REPORT**

Prepared by:  
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October 27, 2016

Executive Committee Members  
Texas Board of Nursing

Internal Audit is pleased to submit the Internal Audit Annual Report of the Texas Board of Nursing for the year ended August 31, 2016 in compliance with *Texas Government Code, Section 2102.009* and specific guidelines established by the Texas State Auditor's Office.

This report provides information on the assurance services, consulting services, and other activities of the internal audit function at the Board of Nursing during the 2016 fiscal year.

Respectfully submitted,

*Jaye Stepp*

E. Jaye Stepp, CPA, CIA, CGAP, CRMA  
Internal Auditor for BON  
Austin, Texas

EC: Governor's Office of Budget, Planning, and Policy  
State Auditor's Office  
Legislative Budget Board  
Sunset Advisory Commission

## Texas Board of Nursing (507) Internal Audit Annual Report – FY-2016

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The Texas Internal Auditing Act requires agencies to submit an internal audit annual report each year to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the agency's governing board and chief executives.

The Internal Audit Annual Report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, the annual internal audit report is due by November 1 of each year. The following information is reported in the format prescribed by the SAO.

### **I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Website**

TGC 2102.015 requires state agencies to post certain information on their Internet websites. At the time and in the manner provided by the state auditor, a state agency shall post the following information on its Internet website:

- (1) The approved internal audit plan, as required by TGC §2102.008.
- (2) The internal audit annual report required by TGC §2102.009

The above reports are considered to be approved if they are approved by the agency's governing board.

TGC 2102.015 also requires entities to update the posting described above to include the following information on the website:

- A 'detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, 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.'

BON complies by posting the approved Internal Audit Plan and Annual Internal Audit Report on the BON website within 30 days after review and approval by the Board. No weaknesses or concerns resulting from the audit plan or annual report were identified for posting on the BON's Internet website. The following link is provided to the reports: [http://www.bon.texas.gov/about\\_publications.asp](http://www.bon.texas.gov/about_publications.asp)

Individual audits in 2016 resulted in one recommendation from the TAC-202 audit for an annual report to the agency head on the status and effectiveness of security controls. That recommendation is currently being implemented. The review of performance measure reporting suggests training backup staff for the IRM functions related to reporting, and documenting the process in a departmental procedure. All prior year audit recommendations have been implemented.

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**II. Internal Audit Plan for Fiscal Year 2016**

The FY-2016 audit plan was completed as proposed with no deviations from the audit plan as submitted in the FY-2015 Annual Internal Audit Report. Audit Reports presented to the Board and provided to the oversight agencies upon approval included:

#2016-1 TAC-202 Compliance Audit was completed; report date of 3/31/16.

The BON has over thirty IS Security Policies currently in place or in process of implementation, providing general compliance with DIR's control standards and implementation schedule for the revised TAC 202. The BON has limited IT staff to work on the control standards compliance and ASP documentation in addition to their daily responsibilities at the agency. The agency recently increased IT staff FTE from 2 to 3. Agency efforts to document security policies and procedures and implement the revised TAC 202 requirements are commendable and efforts are ongoing. The DIR Control Standards Catalog and Agency Security Plan will guide the agency through the process.

There was one recommendation relating to the requirement for an annual report to the agency head on information security. Management agreed and is preparing an official report from the ISO on the status of information security measures and procedures at the BON, with implementation by fiscal year-end.

**III. Consulting Services and Non-audit Services Completed**

The Internal Auditor performed one advisory project which would be considered a consulting engagement, 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. The Performance Measures Review was completed during fiscal year 2016 and reported to the Board in July 2016.

#2016-2 Performance Measures Review was completed; report date of 6/23/16.

The high-level objective of the review was to independently verify that performance measures results reported could be accurately reproduced at a later date, using the BON's prescribed methods and procedures. The selected performance measures rely on dynamic database information, so a small variance in results was expected. The variance noted in our tests of the results was less than one percent. The SAO allows a variance of up to 5% in their audits of performance measures. We concluded that the performance measure results produced by the BON are reliable.

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

The Texas Board of Nursing had their first external Quality Assurance Review in FY-2015, in accordance with professional standards and the Internal Auditing Act. The External Quality Assurance Review was performed by a qualified, independent internal audit consultant and was completed in May of 2015. The overall opinion of ‘generally conforms’, which is the highest of three possible ratings, was reported to the Board at their July 2015 meeting.

There were no significant findings from the review, but three opportunities for improvement were identified. All suggested actions have been implemented by the Internal Auditor. The opportunities identified and actions taken for each follows:

1. Update the Internal Audit Charter to include the Definition of Internal Auditing as an important component of the IPPF (International Professional Practices Framework), and provide information on Board roles and responsibilities regarding internal audit oversight and other appropriate sections of the IIA’s Model Audit Committee Charter (IIA Standard 1100). COMPLETED: Internal Audit Charter updated, reviewed and approved by the Board at the July 23, 2015 meeting. An amended charter for FY-17 is being presented for approval at the October 2016 meeting.
2. Obtain a minimum of 80 hours continuing professional education for each two-year period including 24 hours in government auditing topics (IIA Standard 1230 and Government Auditing Standard 3.76). COMPLETED: All two-year reporting periods since that time have met or exceeded the 80 hour requirement.
3. Continue progress in implementing a more complete Quality Assurance and Improvement Program (IIA Standard 1311 and 1321, and Government Auditing Standards 3.95). COMPLETED: The QAIP report is reviewed and updated annually to ensure the information provided is not only informative but of value to the agency.

**V. Internal Audit Plan for Fiscal Year 2017**

The fiscal year 2017 Internal Audit Plan is being presented at the October 2016 Board meeting for approval. The areas of concern identified in the annual risk assessment update, and included in the proposed internal audit plan are:

1. A Human Resources audit to assess the effectiveness of the Human Resources function and to ensure regulatory compliance. The stated risk of non-compliance with state and federal laws and rules carries a high impact and high probability ranking on the risk footprint. This area has not been previously audited at BON.

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2. An advisory project to comply with IIA Standard 2110.A1 which provides, “the internal audit activity must evaluate the design, implementation, and effectiveness of the organization’s ethics-related objectives, programs, and activities.”
3. Follow up on prior audit recommendations implementation status.

The available time for all internal audit activities is approximately 192 hours. A rough estimate of how these hours translate into specific activities follows:

• Risk Assessment Update & Annual Audit Plan	15 hrs
• Other Required Reports – Annual, QAIP, ARTS	16 hrs
• Engagement Planning, Performance, and Reporting	150 hrs
• Admin & Quality Control Procedures	7 hrs
• Board Meetings	4 hrs

The risk footprint, which is included as an exhibit in the annual Internal Audit Plan, shows any additional audit risks ranked as “high” that are not included in the fiscal year 2017 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 liaisons. 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 provided to management, the Board, oversight agencies, and posted on the agency website.

#### **VI. External Audit Services Procured in Fiscal Year 2016**

External audit services procured in fiscal year 2016 consisted of the internal audit function.

#### **VII. Reporting Suspected Fraud and Abuse**

In accordance with the fraud reporting requirements of Section 7.09, page IX-39, the General Appropriations Act (84th Legislature), 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 BON also includes information on the prevention and detection of fraud in their Fraud Policy which is available in the human resource manual which is distributed to all staff.

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TGC 321.022, Coordination of Investigations, is also addressed in BON's Fraud Policy, which states:

“If the Executive Director determines that: (a) the findings warrant referral to outside enforcement and/or prosecutorial agencies, of (b) money received from the state by the BON may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operations of the BON, then Mark Majek or the Executive Director, where appropriate, will contact such agencies, including the State Auditor's Office, and fully cooperate with them.”

This concludes the Annual Internal Audit Report for the Board of Nursing for FY-2016.

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**Texas Board of Nursing**

Kathy Shipp, MSN, RN, FNP, Board President  
Deborah Bell, CLU, ChFC, Board Liaison for Internal Audit

Katherine Thomas, MN, RN, FAAN, Executive Director  
Mr. Mark Majek, Director of Operations

**Oversight Agencies**

Governor's Office of Budget, Planning, and Policy  
[budgetandpolicyreports@gov.texas.gov](mailto:budgetandpolicyreports@gov.texas.gov)

Legislative Budget Board  
[audit@lbb.state.tx.us](mailto:audit@lbb.state.tx.us)

State Auditor's Office  
[iacoordinator@sao.texas.gov](mailto:iacoordinator@sao.texas.gov)

Sunset Advisory Commission  
[sunset@sunset.texas.gov](mailto:sunset@sunset.texas.gov)