

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

TEXAS STATE BOARD OF PHARMACY Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2018

TEXAS STATE BOARD OF PHARMACY
Austin, Texas

Internal Audit Plan
For Fiscal Year 2018

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CERTIFIED PUBLIC ACCOUNTANTS

Board Members
Texas State Board of Pharmacy
Austin, Texas

The *Texas Internal Auditing Act* (Texas Government Code, Chapter 2102) applies only to a state agency that:

- 1) has an annual operating budget that exceeds \$10 million;
- 2) has more than 100 full-time equivalent employees as authorized by the General Appropriations Act; or
- 3) receives and processes more than \$10 million in cash in a fiscal year.

Since the Texas State Board of Pharmacy (TSBP) met criteria 3 above, it has established an internal audit activity, for the first time, to be effective for fiscal year 2018.

Enclosed is the Texas State Board of Pharmacy's (TSBP) proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2018. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2018. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised as necessary by the Board.

This Plan has been prepared by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted Auditing Standards and International Standards for the Professional Practice of Internal Auditing, as determined by the Institute of Internal Auditors.



January 3, 2018

TEXAS STATE BOARD OF PHARMACY

Austin, Texas

Internal Audit Plan For Fiscal Year 2018

I. Methodology

TSBP's fiscal year 2018 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by TSBP's Board President, Executive Director; and, staff, as documented below.

The following documents were reviewed and considered in our risk assessment process:

- Organizational Charts
- Budgets
- Financial and Non-Financial Reports
- Policies and Procedures
- Applicable Laws and Regulations
- Audits and/or Reviews Performed by Third-Party Agencies
- Fiscal Year 2017 Risk Assessment Performed by TSBP

Questionnaires were developed for completion by the Board President, the Executive Director, division directors; and, other staff, to gain an understanding of each division, and its role within the overall scheme of TSBP. The questionnaires included topics; such as, issues and/or concerns, recent changes in key personnel, time elapsed since last audit or review, status of past audit findings, and regulatory compliance requirements (i.e. TAC 202, *Information Security Standards*; and, benefits proportionality). Utilizing information obtained through the completed questionnaires and background information reviewed, 14 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 14 individual potential audit topics and then compiled to develop TSBP's overall risk assessment.

The following 8 risk factors were considered for each potential audit topic:

- | | |
|------------------------------------|---|
| 1. Materiality | Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the area is responsible; or, <i>non-financial</i> materiality based on the degree of its responsibility related to the agency's primary mission. |
| 2. Time since Last Audit or Review | Measure of the number of years between the date of the previous audit or review and the date of the risk assessment. |
| 3. Results of Last Audit or Review | Measure of the results of the previous audit or review. |
| 4. Adequacy of Staffing Levels | Measure of the adequacy of the staffing level of the auditable unit as it relates to the achievement of its objectives. |

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- | | |
|---|---|
| 5. Policies and Procedures | Measure of the existence of policies and procedures documenting the auditable unit's activities. |
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the existence of contracts, laws, and/or regulations for which the auditable unit is responsible to ensure compliance. |
| 7. Susceptibility of Theft or Fraud | Measure of the auditable unit's risk and controls in place as it relates to theft or fraud. |
| 8. Existence of Issues or Concerns | Measure of issues or concerns expressed by management or the Board. |

Risk Assessment

Following are the results of the risk assessment performed for the 14 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Prescription Monitoring Program (PMP) Complaints / Investigations Inspections Accounting / Financial Reporting	HR / Payroll Purchasing / Travel IT Licensing: Pharmacist / Interns Licensing: Pharmacy	Fixed Assets / Fleet Management Monitoring Compliance with Disciplinary Orders / Peer Assistance Licensing: Pharmacy Tech & Trainee Risk Management Records Management

This report includes the "Risk Assessment Summary" as Attachment A; and, the "History of Areas Audited" as Attachment B, which lists audits and/or reviews performed from fiscal year 2011 through 2017 for the above 14 potential audit topics.

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II. Audit Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of TSBP's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, and regulations and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organizations Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

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Internal Audit Plan

III. Internal Audit Plan

In addition to performing the 2018 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes one audit to be performed; other tasks that may be assigned by the Board or management during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2018.

The area recommended for internal audit and other functions to be performed for fiscal year 2018 are as follows:

1. Completion of the Fiscal Year 2018 Risk Assessment and Preparation of this Internal Audit Plan
2. Prescription Monitoring Program (PMP)
The planned audit procedures include the following:
 - a. Obtain an understanding of laws, rules, and regulations applicable to the PMP.
 - b. Review applicable policies and procedures; collect available documentation; and, conduct interviews to document the PMP's formal/informal processes and controls; to include, the *Report of the Interagency Council*.
 - c. Review policies and procedures, and test controls in place, that ensure pharmacies report information in a timely manner to allow the PMP to effectively collect and monitor the controlled substance prescription data.
 - d. Review the process in place to ensure access to PMP information is restricted only to authorized groups.
 - e. Review the contract with the vendor who operates the PMP to ensure compliance with contract terms and to assess the effectiveness of contract oversight.
 - f. Obtain an understanding of any additional fees assessed to licensees that access the PMP and ensure they are properly and timely assessed and collected.
 - g. Other procedures that may be deemed necessary during audit fieldwork.
3. Other Tasks
Other tasks as may be assigned by the Board or management during the fiscal year.

ATTACHMENTS

TEXAS STATE BOARD OF PHARMACY
 Risk Assessment Summary
 For Fiscal Year 2018

Potential Audit Topic	RISK FACTOR WEIGHT																	Total
	10.00%		16.50%		16.00%		15.00%		12.50%		12.00%		8.00%		10.00%			
	Risk Factors																	
	1	2	3	4	5	6	7	8	Compliance with Contracts, Laws & Regulations		Susceptibility of Theft or Fraud		Existence of Issues or Concerns					
Materiality	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures														
High Risk: > 173																		
1	Prescription Monitoring Program (PMP)	3	30.00	3	49.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	185.00
2	Complaints / Investigations†	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	183.50
3	Inspections	3	30.00	1	16.50	2	32.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	183.00
4	Accounting / Financial Reporting	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	2	20.00	181.50
Moderate Risk: 162-173																		
5	HR / Payroll	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	171.50
6	Purchasing / Travel	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	171.50
7	IT	2	20.00	1	16.50	2	32.00	2	30.00	1	12.50	2	24.00	2	16.00	2	20.00	171.00
8	Licensing: Pharmacist / Interns†	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	168.00
9	Licensing: Pharmacy†	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	168.00
Low Risk: < 162																		
10	Fixed Assets / Fleet Management	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
11	Monitoring Compliance with Disciplinary Orders / Peer Assistance†	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	146.50
12	Licensing: Pharmacy Tech & Trainee†	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	146.00
13	Risk Management	1	10.00	2	33.00	2	32.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	132.50
14	Records Management	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	116.50

† Includes review of relevant performance measures.

Risk Factor Rating:

- 1 - Low Risk
- 2 - Moderate Risk
- 3 - High Risk

TEXAS STATE BOARD OF PHARMACY
History of Areas Audited
For Fiscal Year 2018

POTENTIAL AUDIT TOPIC		2011	2012	2013	2014	2015	2016	2017
1	Accounting / Financial Reporting				B			
2	Complaints / Investigations†			A*			C*	
3	Fixed Assets / Fleet Management				B*			
4	HR / Payroll			D*	B*			
5	Inspections					A	C	
6	IT			A*		G	C*	
7	Licensing: Pharmacist / Interns / Preceptor†						C	
8	Licensing: Pharmacy†						C	
9	Licensing: Pharmacy Tech / Trainees†						C	
10	Monitoring Compliance with Disciplinary Orders / Peer Assistance†						C*	
11	Prescription Monitoring Program (PMP) (Effective FY 2017)							
12	Purchasing / Travel				B			
13	Records Management			E*	E*	E*	E*	E*
14	Risk Management	F*			F*			F*

† Includes review of relevant performance measures.

Legend (audits/reviews with asterisk (*) are considered limited scope for the audit area)

- A** Audit performed by the State Auditor's Office (SAO)
- B** Post-payment audit performed by the Comptroller of Public Accounts (CPA)
- C** Sunset review performed by the Sunset Advisory Commission
- D** Personnel policies and procedural systems review performed by the Texas Workforce Commission (TWC) Civil Rights Division
- E** Records retention schedule review performed by the Texas State Library & Archives Commission (TSLAC)
- F** Risk Management Program Review (RMPR) performed by the State Office of Risk Management (SORM)
- G** IT Security Assessment conducted by Gartner