

**TEXAS STATE BOARD OF PHARMACY**  
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2019



**TEXAS STATE BOARD OF PHARMACY**  
Austin, Texas

Internal Audit Plan  
For Fiscal Year 2019

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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Board Members  
Texas State Board of Pharmacy  
Austin, Texas

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 2019. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2019. 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.

A handwritten signature in black ink that reads "Garza/Gonzalez & Associates". The signature is written in a cursive, flowing style.

October 16, 2018

# TEXAS STATE BOARD OF PHARMACY

Austin, Texas

## Internal Audit Plan For Fiscal Year 2019

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### I. Methodology

TSBP's fiscal year 2019 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/Secretary; 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 Monitoring Reports from Third-Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by TSBP's Board President, the Executive Director/Secretary, division directors; and, other staff, to update our 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 auditable unit's staffing level as it relates to the achievement of its objectives.                                                                                                                                                                                |

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## Internal Audit Plan

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 for ensuring 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 identified potential audit topics:

HIGH RISK	MODERATE RISK	LOW RISK
Complaints & Investigations Accounting & Financial Reporting IT Inspections	Prescription Monitoring Program (PMP) HR & Payroll Licensing: Pharmacists & Interns Purchasing & Travel	Compliance Monitoring & Peer Assistance Fixed Assets & Fleet Management Licensing: Pharmacies Licensing: Pharmacy Tech & Trainees Records Management Risk 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 2018 for the above 14 potential audit topics. In the prior year<sup>1</sup>, the *internal audit and other functions* performed were as follows:

### Fiscal Year 2018:

- Prescription Monitoring Program (PMP)
- Preparation on the 2018 Annual Internal Audit Report

<sup>1</sup> Pursuant to the Texas Internal Auditing Act (Texas Government Code Chapter 2102) Sec. 2102.004, TSBP established an internal audit activity, for the first time, effective fiscal year 2018.

# TEXAS STATE BOARD OF PHARMACY

## Internal Audit Plan

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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, 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

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### III. Internal Audit Plan

In addition to performing the 2019 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes one audit to be performed; a follow-up of the Post-Payment Audit dated July 20, 2018; a follow-up of the prior year audit recommendations; 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 2019.

The area recommended for internal audit and other functions to be performed for fiscal year 2019 are as follows:

1. Completion of the Fiscal Year 2018 Risk Assessment and Preparation of this Internal Audit Plan
2. Accounting & Financial Reporting  
The planned audit procedures include the following:
  - a. Obtain an understanding of the Texas Comptroller's Fiscal Management requirements applicable to the Accounting & Financial Reporting area (the Area).
  - b. Review the Area's accounting and financial reporting procedures and processes, collect available documentation, and conduct interviews to document and assess formal/informal processes and controls, as implemented by the Area.
  - c. Select a sample of revenues, expenditures, and manual journal entries recorded in the general ledger to test for accuracy, and to determine whether internal controls are operating effectively.
  - d. Review the Area's reconciliation activities and approval processes to ensure compliance with established policies and procedures.
  - e. Obtain an understanding of the Asset Forfeiture Funds – Appropriations and assess the propriety for the accounting of the funds.
  - f. Select a sample of the financial and budgetary reports prepared by the Area and agree significant balances to supporting documentation.
  - g. Other procedures that may be deemed necessary during audit fieldwork.
3. Other Activities – Follow-up of Post-Payment Audit Dated July 20, 2018  
Perform follow-up procedures to verify that the actions taken to address the recommendations, as reported by TSBP in its Corrective Action Plan, were implemented.
4. Follow-up of Prior Year Internal Audit and Prepare the 2019 Annual Report  
Perform follow-up procedures to determine the status of the fiscal year 2018 internal audit comments and recommendations, and prepare the 2019 Annual Report. The audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or, (4) Not Implemented.
5. 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 2019

		RISK FACTOR WEIGHT																
		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									
Potential Audit Topic	Materiality	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Compliance with Contracts, Laws & Regulations	Susceptibility of Theft or Fraud	Existence of Issues or Concerns	Total									
<b>High Risk: &gt; 186</b>																		
1	Complaints & Investigations†	3	30.00	2	33.00	1	16.00	2	30.00	2	25.00	3	36.00	2	16.00	2	20.00	206.00
2	Accounting & Financial Reporting	3	30.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	3	30.00	204.00
3	IT	2	20.00	2	33.00	2	32.00	1	15.00	2	25.00	3	36.00	2	16.00	2	20.00	197.00
4	Inspections	3	30.00	1	16.50	2	32.00	2	30.00	1	12.50	3	36.00	2	16.00	2	20.00	193.00
<b>Moderate Risk: 166-186</b>																		
5	Prescription Monitoring Program (PMP)	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
6	HR & Payroll	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
7	Licensing: Pharmacists & 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
8	Purchasing & Travel	3	30.00	1	16.50	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	1	10.00	167.50
<b>Low Risk: &lt; 166</b>																		
9	Compliance Monitoring & Peer Assistance†	2	20.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	159.00
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	Licensing: Pharmacies†	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	152.00
12	Licensing: Pharmacy Tech & Trainees†	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	130.00
13	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
14	Risk 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.

<b>Risk Factor Rating:</b>
1 - Low Risk
2 - Moderate Risk
3 - High Risk

**TEXAS STATE BOARD OF PHARMACY**  
**History of Areas Audited**  
**For Fiscal Year 2019**

	<b>POTENTIAL AUDIT TOPIC</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
1	Accounting & Financial Reporting				B*				B*
2	Complaints & Investigations†			D*			C*		
3	Compliance Monitoring & Peer Assistance†						C*		
4	Fixed Assets & Fleet Management				B*				B*
5	HR & Payroll			H*	B*				B*
6	Inspections					D	C		
7	IT			D*		G	C*		
8	Licensing: Pharmacists & Interns†						C		
9	Licensing: Pharmacies†						C		
10	Licensing: Pharmacy Tech & Trainees†						C		
11	Prescription Monitoring Program (PMP) (Effective FY 2017)								A
12	Purchasing & Travel				B				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** Internal audit performed by Garza/Gonzalez & Associates
- B** Post-payment audit performed by the Comptroller of Public Accounts (CPA)
- C** Sunset review performed by the Sunset Advisory Commission
- D** Audit performed by the State Auditor's Office (SAO)
- E** Records retention schedule review performed by the Texas State Library & Archives Commission (TSLAC)
- F** Risk Management Program Review (RMPPR) performed by the State Office of Risk Management (SORM)
- G** IT Security Assessment conducted by Gartner
- H** Personnel policies and procedural systems review performed by the Texas Workforce Commission (TWC) Civil Rights Division