

TEXAS STATE BOARD OF PHARMACY
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2018



TEXAS STATE BOARD OF PHARMACY
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2018

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Board Members
Texas State Board of Pharmacy
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the Prescription Monitoring Program (PMP) of the Texas State Board of Pharmacy (TSBP); and, its compliance with the Texas Controlled Substances Act, and TSBP's established policies and procedures, as applicable to PMP, for the 7 months ended March 31, 2018.

The results of our tests disclosed that TSBP's internal control structure over the PMP and its established policies and procedures, were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters that are included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements and TSBP's established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations", which is included in page 12 of this report.

This report includes all information required to comply with the State of Texas Internal Audit Annual Report requirements.

We have discussed the comments and recommendations from the PMP audit with various TSBP personnel, and we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.



April 27, 2018

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INTRODUCTION

The Texas State Board of Pharmacy (TSBP) is a state agency under the authority of the Texas Pharmacy Act (Texas Occupations Code Title 3, Subtitle J) and is responsible for:

- licensing/registration of Texas pharmacists, pharmacy technicians, and pharmacies;
- establishing regulations for pharmacy practice; and,
- investigating and resolving complaints against licensees and registrants, and taking disciplinary action when necessary.

TSBP is governed by an 11 member Board that statutorily required to meet at least once every 4 months; although, currently, it meets quarterly. The Board consists of 7 pharmacists, 1 pharmacy technician, and 3 members who represent the public. Board members are appointed for staggered 6 year terms by the Texas Governor with the advice and consent of the Texas Senate.

TSBP's mission is "to promote, preserve, and protect the public health, safety, and welfare by fostering the provision of quality pharmaceutical care to the citizens of Texas, through the regulation of: the practice of pharmacy; the operation of pharmacies; and, the distribution of prescription drugs in the public interest."

2018 Internal Audit Plan

Following is the internal audit and other functions performed, as identified in TSBP's *Internal Audit Plan for Fiscal Year 2018*, dated January 3, 2018, and approved by the Board on February 6, 2018:

- Completion of the Fiscal Year 2018 Risk Assessment and Preparation of this Internal Audit Plan
- Prescription Monitoring Program (PMP)
- Other Tasks

This report contains the results of the Prescription Monitoring Program (PMP) audit; and, meets the State of Texas Internal Audit Annual Report requirements.

INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed 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 included the following objectives:

- **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 Organization's 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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I. **Compliance with Texas Government Code 2102.015: Required Posting of Internal Audit Information**

To comply with the provisions of Texas Government Code 2102.015 and the State Auditor's Office, within 30 days of approval by the TSBP's Board, TSBP will post the following information on its website:

- An approved fiscal year 2019 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2018 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor as well as the summary of the action taken by TSBP to address such concerns.

II. **Consulting and Nonaudit Services Completed**

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards*, December 2011 Revision, Sections 3.33-3.58.

III. **External Quality Assurance Review**

The internal audit department's most recent *System Review Report*, dated October 7, 2015, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

IV. **Internal Audit Plan for Fiscal Year 2018**

The approved Internal Audit Plan (Plan) included one audit to be performed during the 2018 fiscal year. The Plan also included other tasks as may be assigned by the Board members, and preparation of the Annual Internal Audit Report for fiscal year 2018.

Risk Assessment

Utilizing information obtained through the inquiries and background information reviewed, 14 audit areas were identified as the potential audit topics. A risk analysis utilizing 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

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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)	Human Resources/Payroll	Fixed Assets/Fleet Management
Complaints/Investigations	Purchasing/Travel	Monitoring Compliance with Disciplinary Orders/Peer Assistance
Inspections	IT	Licensing: Pharmacy Tech & Trainee
Accounting/Financial Reporting	Licensing: Pharmacist/Interns/Preceptor	Risk Management
	Licensing: Pharmacy	Records Management

TSBP met the criteria as established by the *Texas Internal Auditing Act* (Texas Government Code, Chapter 2102), for the implementation of an internal audit activity, for the first time, effective fiscal year 2018. As such, there are no previous internal audits that have been conducted.

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

Report No.	Audits/Report Titles	Report Date
1.	Prescription Monitoring Program (PMP) <i>Objective:</i> To determine whether TSBP has developed and implemented policies and procedures; and, internal controls to ensure compliance with state and federal laws and regulations in administering the PMP.	4/27/2018
1.	Annual Internal Audit Report	4/27/2018
--	Other Tasks Assigned by the Board or Management	None

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V. Executive Summary

Prescription Monitoring Program (PMP)

Background

The Prescription Monitoring Program (PMP) was preceded by the Texas Prescription Program (TPP) created by the 67th Texas Legislature in 1981 to monitor Schedule II controlled substance prescriptions. Effective September 1, 2008, the Texas Legislature expanded the TPP to include the monitoring of Schedule III through V controlled substance prescriptions. Effective September 1, 2016, SB 195, 84th Legislature, transferred the PMP from the Texas Department of Public Safety (DPS) to TSBP. The enabling statute of the PMP is the Texas Health and Safety Code Chapter 481 (the Texas Controlled Substances Act, or TCSA); and, the related board rules are found in Title 22, Part 15 of the Texas Administrative Code (TAC) Chapter 315.

The PMP collects and monitors prescription data for all Schedule II, III, IV and V controlled substances dispensed by a pharmacy in Texas or to a Texas resident from a pharmacy located in another state. Although controlled substances have valid medical uses, they also have potential for abuse and addiction; as such, the PMP's goal is to be an efficient, cost effective tool for investigating and preventing drug diversion. The PMP database may be used by practitioners and pharmacists (see table below) to verify their own records and inquire about patients. The database may also be used by regulatory agencies to generate and disseminate information regarding prescription trends. Below is a list of licensees that are authorized by the TCSA to prescribe or dispense the referenced controlled substances; and, the state agencies that regulate those license types as of fiscal year 2018:

	Regulating State Agency	Licensees
1	Texas Medical Board	Physician; Physician Assistant
2	Texas Optometry Board	Optometrist
3	State Board of Dental Examiners	Dentist
4	Texas Board of Nursing	Advanced Practice Registered Nurse
5	State Board of Veterinary Medical Examiners	Veterinarian
6	Texas Department of Licensing and Regulation	Podiatrist
7	Texas State Board of Pharmacy	Pharmacist

The PMP's total budgeted expenditures for fiscal year 2018 are approximately \$1.2 million and is jointly funded by each of the regulating state agencies listed above.

In addition to the above authorized users, the PMP database may also be accessed by authorized officers and employees of the DPS for administration, investigation and law enforcement. The TCSA requires authorized DPS officials to access the PMP database through its own secure portal and prohibits TSBP from collecting any information related to database activity performed by DPS. As such, DPS contracts with and is billed separately by Appriss, the private vendor that manages the PMP database, for its own interface to the database.

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Organizational Structure

The TCSA has established the Interagency Prescription Monitoring Work Group, that meets quarterly to evaluate the effectiveness of the PMP and make recommendations for improvement. The Work Group is comprised of a representative from each regulating state agency, the Department of State Health Services and a medical examiner.

TSBP's current Executive Director/Secretary continues to oversee the PMP since she performed this function in her previous position as the Director of Professional Services, when the PMP was initially transferred from DPS to TSBP. The PMP is managed by a PMP Manager, who reports to the Executive Director/Secretary; and, staffed with 3 Research Analysts and 2 Administrative Assistants, all of whom perform operational activities.

AWARxE System

AWARxE is a Software as a Service (SaaS) application developed and managed by Appriss. The application –

- (a) facilitates collection of prescription records from pharmacies;
- (b) allows practitioners and pharmacists to view patient information in the PMP database and assist in decision-making when prescribing and dispensing controlled substances; and,
- (c) allows regulating state agencies to investigate and monitor possible patient abuse and identify high-risk prescription and/or dispensing patterns.

Access to AWARxE/PMP Database

TCSA allows access to the PMP database to only statutorily authorized persons (practitioners and pharmacists), to protect patient privacy. An authorized person must register through AWARxE's online portal to gain access to the database. During the automated online registration process, AWARxE verifies the credentials of the authorized person by comparison to the verification information provided by the respective regulating state agency. Upon approval, a user will have a unique user ID and an appropriate level of access to the database, based on his/her registered role. Registration of an agent (delegate) for these authorized persons must be approved by the delegating practitioner and/or pharmacist. An example of this would be a pharmacy technician who is registered as a delegate of a pharmacist.

Before Texas licensed practitioners and pharmacies are able to prescribe or dispense controlled substances, they must register with the Federal Drug Enforcement Administration (DEA) and obtain a DEA number.

Any practitioner and dispenser are authorized to search a patient's prescription information in the PMP database. Each time a practitioner, a pharmacist, or a delegate (user) logs into AWARxE, it validates the status of the user's professional license information, which is updated by each regulating state agency nightly. If the license files indicate the license associated with an authorized user is no longer valid, the user's login attempt will fail. As an added safeguard, the PMP staff review disciplinary board orders for practitioners and pharmacists, and manually restricts access to AWARxE, when applicable.

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TCSA also allows employees (i.e., investigators) of the regulating state agencies to access AWARe for the purpose of investigating a specific license holder or monitoring potentially harmful prescribing or dispensing patterns or practices. AWARe registration for such users must always be approved manually by PMP staff, who verify credentials and approval with the applicant's supervisor or manager. The regulating state agencies are required to inform TSBP of any changes to the employees granted access; and, as an added safeguard, TSBP request these agencies to annually verify the need for continued access granted to them. Similarly, registration for use of AWARe by medical examiners and coroners conducting an investigation are approved through the same manual process.

Prescription Data Collection

Pharmacies must register with the DEA and obtain a DEA number if it dispenses controlled substances. Pharmacies that obtain a DEA number must submit controlled substances dispensing data; typically, in an electronic file, to Appriss' "PMP Clearinghouse", where prescription records are entered into the applicable state's PMP database. For the first 6 months of FY2018, ended February 28, 2018, the PMP database reflected a total of 19,928,194 controlled substance prescriptions dispensed by registered pharmacies.

A pharmacy's timely reporting of prescription data plays a crucial role for all users of the PMP database in making better prescription decisions and effectively identifying risky prescription behavior. Effective September 1, 2017, to improve timeliness of prescription data, Texas-licensed pharmacies are required to report all dispensed controlled substance records into the PMP database no later than the next business day after the prescription is filled. Prior to this change, pharmacies were allowed 7 days after the prescription was filled to submit the information. Pharmacies who do not dispense controlled substances on a given day must still submit the "Zero Dispensing Report", unless exempted. Pharmacies that have obtained a DEA number but do not dispense controlled substances may request for exemption from the daily zero reporting requirement if the pharmacy's Pharmacist-in-Charge:

- (a) reasonably explains why the pharmacy has a DEA registration but does not dispense controlled substances; and,
- (b) acknowledges that if a controlled substance is dispensed by the pharmacy, it must be reported to the PMP within 1 business day after the prescription is filled.

The PMP staff monitor pharmacies' compliance with the daily reporting requirement, and contacts delinquent pharmacies to offer guidance and assistance as needed.

Push Notification

Each month, a PMP Analyst generates a "threshold report" from AWARe that lists patients who exceeded predetermined thresholds of various attributes, indicative of risky behavior. Prescribers and pharmacists who prescribed or dispensed controlled substances for the reported patients will receive an automated email from Appriss or a letter from TSBP if an email address is not on file with AWARe. The PMP staff email the list of practitioners who received the push notification to the regulating state agencies to assist in the investigation of their respective licensee(s), as TSBP does not regulate prescribers.

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Interstate Prescription Data Sharing

TCSA allows TSBP to enter into an interoperability agreement with one or more states or an association of states. TSBP has signed an MOU with the National Association of Boards of Pharmacy (NABP), who manages InterConnect, a national-level prescription data exchange network. Under this single MOU, state PMPs may individually enter into bilateral agreements with another state PMP to share prescription information. Terms of agreement are documented in the "InterConnect Participant Worksheet." Currently, Texas has an agreement with 21 other states in the U.S.

Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to determine whether TSBP has developed and implemented policies and procedures; and, internal controls to ensure compliance with state and federal laws and regulations in administering the Prescription Monitoring Program (PMP).

Scope

The scope of the audit was to review TSBP's established policies and procedures and the processes and controls in place over administration of the PMP and AWARe for the 7-month period from September 1, 2017 through March 31, 2018, with certain reports provided that were dated in April 2018.

Methodology

The audit methodology included a review of applicable laws and regulations; TSBP's established policies and procedures; other internal and external documentation; observation of certain functions performed by analysts; and, interviewing and corresponding with selected TSBP employees.

We obtained and/or reviewed the following internal and external documentation:

- a. Texas Health and Safety Code Chapter 481 (The Texas Controlled Substances Act or TCSA), as amended.
- b. Title 22, Part 15 of the Texas Administrative Code Chapter 315.
- c. *TSBP Prescription Monitoring Program Policies and Procedures*, as revised on April 10, 2018.
- d. The Program's organizational chart and job descriptions.
- e. The fiscal year 2018 PMP budget.

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- f. Interagency Prescription Monitoring Work Group minutes for the meetings held from April 25, 2016, through January 30, 2018; and, the agenda for the meeting held on April 24, 2018.
- g. NABP PMP InterConnect Participant Worksheet
- h. List of internal and external reports prepared by the PMP, including performance measures.
- i. *Report of the Interagency Prescription Monitoring Work Group* dated December 1, 2016.
- j. PMP statistical information presented at the board meetings held on November 7, 2017 and February 6, 2018.
- k. Appriss contract documents; including, award letter, purchase order, and Appriss proposal for RFP No. 515-16-0002.
- l. Worksheet used to calculate the PMP agency cost allocation for the 2018-2019 biennial.
- m. List of pharmacies exempted from “Zero Dispensing Reporting” as of April 23, 2018.
- n. List of practitioners, pharmacists, and pharmacies for whom a disciplinary order was issued.

We performed various procedures to achieve the objective of our audit; to include, the following:

- 1. Obtained an understanding of the Texas Controlled Substances Act and Title 22, Part 15 of the Texas Administrative Code Chapter 315, as applicable to the PMP.
- 2. Reviewed the PMP policies and procedures, templates and other documentation; and, conducted interviews with selected employees, to document and evaluate the PMP's formal and informal processes and controls.
- 3. Reviewed the PMP's policies and procedures over prescription data collection for improving pharmacies' timely reporting that will allow the PMP to effectively monitor prescriptions for controlled substances.
- 4. Reviewed the AWARxE account management process in place to ensure access to the PMP database is restricted only to authorized individuals.
- 5. Reviewed contract documents with Appriss to determine whether adequate application controls are included in the specification to ensure compliance with the TCSA requirements.

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6. Reviewed and assessed effectiveness of TSBP's ongoing vendor oversight.
7. Obtained an understanding of the PMP cost allocation among state agencies that regulate licensees authorized to access the PMP database and evaluated reasonableness of the allocation.
8. Reviewed and observed the process in place to determine whether reasonable controls are developed and implemented to ensure reliability of the PMP data reporting, including performance measures reporting.
9. On a sample basis, compared the PMP statistics presented at the TSBP board meetings to supporting documentation to ensure reported information was substantiated.
10. Reviewed the *Report of the Interagency Prescription Monitoring Work Group* dated December 1, 2016, to ensure compliance with the reporting requirement in TCAS Sec. 481.354.
11. Obtained a list of pharmacies exempted from the Zero Dispensing Report as of April 23, 2018 and selected 10 to determine whether TSBP's internal control procedures over exemption approval are effectively applied.
12. Obtained a list of disciplinary orders received by TSBP during the period from September 1, 2017, to March 31, 2018, and selected 10 to determine whether TSBP's internal control procedures over disabling AWAxE accounts are effectively applied.

Note: TSBP's written PMP policies and procedures are well-organized, thorough, and up-to-date; and, reflect statutory changes that took effect on September 1, 2017.

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VI. Observations/Findings and Recommendations**SUMMARY and RELATED RATING of OBSERVATIONS/FINDINGS and RECOMMENDATIONS**

As TSBP's internal auditors, we used our professional judgment in rating the audit findings identified in this report. The rating system used was developed by the Texas State Auditor's Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings in this report and the related rating, as applicable.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
1	Vendor Oversight	High
2	PMP Agency Cost Allocation	Low
3	AWARxE Account Management	Low
<i>Observation</i>		
1	Delinquent Pharmacy Review	--
<p><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the programs(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the programs(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer programs(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity's ability to administer the programs(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the programs(s)/function(s) audited.</p>		

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OBSERVATIONS/FINDINGS and RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented)	Fiscal Impact/Other Impact
1	April 27, 2018	PMP	<p>1. Vendor Oversight</p> <p>TSBP has a contract with a private vendor who provides the web-based PMP application, AWARe, to facilitate an authorized user's access to the PMP database. Since AWARe collects confidential information of prescribers, dispensers, and patients, it is subject to the Health Insurance Portability and Accountability Act (HIPAA) and the state's privacy and information security requirements. As such, in its response to the respective Request for Proposals (RFP), which became part of the contract, the said vendor indicated that it complies with all federal and state of Texas privacy and security laws, rules and regulations; and, that AWARe is a HIPAA-compliant product.</p> <p>However, other than the inclusion of these security requirements in the contract, TSBP currently does not perform other oversight functions to ensure the vendor's continued compliance with HIPAA and other security and privacy requirements.</p> <p>Recommendation We recommend that TSBP strengthen its oversight of the vendor's compliance with the applicable security and privacy requirements by establishing an ongoing monitoring strategy; such as, obtaining and reviewing AWARe's annual privacy, security, and HIPAA compliance assessment that is conducted by a third-party.</p> <p>Note: Subsequent to audit field work, TSBP obtained from Appriss a copy of its December 13, 2017, <i>HIPAA Security Rule Compliance Assessment Report</i>, which was completed by Coalfire Systems. The report concluded that "Appriss is MATERIALLY COMPLIANT" with the "HIPAA Security and Breach Notification Rules requirements."</p> <p>Management's Response As noted in the Recommendation notes, TSBP has obtained from Appriss a copy of its December 13, 2017, <i>HIPAA Security Rule Compliance Assessment Report</i>, which was completed by Coalfire Systems. The report concluded that "Appriss is MATERIALLY COMPLIANT" with the "HIPAA Security and Breach Notification Rules requirements." TSBP will continue to monitor AWARe's annual privacy, security, and HIPAA compliance assessment that is conducted by a third-party.</p>		Ensure the vendor's continued compliance with applicable security and privacy requirements.

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Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented)	Fiscal Impact/Other Impact
1	April 27, 2018	PMP	<p>2. PMP Agency Cost Allocation</p> <p>In accordance with the General Appropriations Act, 85th Legislature, the PMP is to be jointly funded by the 7 state agencies that regulate the licensees who are statutorily authorized to access the PMP database. However, since the statute does not dictate the method of allocation among the 7 state agencies, it is performed at TSBP's discretion.</p> <p>To ensure funding of the PMP was equitably shared amongst the 7 state agencies for the 2018-2019 biennial, TSBP allocated the costs proportionately using each agency's respective biennial licensee population, as estimated and provided by the state agencies.</p> <p>In its funding allocation methodology, for each year of the 2018-2019 biennial, TSBP used half of the estimated annual (vs biennial) renewals for optometrist licensees to avoid duplication during the biennial, which appears reasonable. However, this same methodology was not applied to other licensees who also renew annually (vs biennially): Physician Assistant¹, Dentist, Veterinarian, and Podiatrist. As a result, several agencies contributed, in varying amounts, up to \$146,000 more while, others contributed, in varying amounts, up to \$88,000 less, than what would have been required if the funding allocation methodology was consistently applied.</p> <p>Recommendation We recommend that TSBP evaluate the current funding allocation method and revise it, as considered necessary, to establish a cost sharing method that is equitable to all 7 participating state agencies.</p> <p>Management's Response TSBP has evaluated the current funding allocation method and revised it, to consider each agency's total number of licensees with prescriptive authority, as the formula to establish the cost sharing method for all seven participating state agencies.</p> <p>3. AWAxE Account Management</p> <p>Although TSBP has implemented procedures to ensure medical examiners are provided access to the PMP database (AWAxE) only upon approval by an authorized state or local government agency/employee, such users/accounts remain active until TSBP is notified by the state or local government agency/employee to disable the account. However, since TSBP or the applicable state/local agency do not periodically verify the need of the active medical examiner accounts, changes in their status; such as, a change in employment status, could go undetected and these users could have continued <i>unauthorized</i> access to the PMP database.</p>		<p>Ensure the cost allocation method is consistently and equitably applied to all 7 participating state agencies.</p> <p>Ensure only authorized users have access to the PMP database.</p>

¹ Physician Assistant (PA) licensees were renewed annually at the time TSBP calculated the allocation for the 2018-2019 biennial. Effective September 1, 2017, PA licensees are renewed biennially.

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Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented)	Fiscal Impact/Other Impact
1	April 27, 2018	PMP	<p>Recommendation We recommend that TSBP establish and implement a periodic review process over the medical examiner accounts to safeguard the PMP database from potential unauthorized use.</p> <p>Management's Response TSBP has implemented a procedure to audit medical examiner accounts on an annual basis in the same manner that agency investigators are audited. TSBP will contact the Medical Examiner offices on an annual basis to verify the accounts.</p> <p>Observation</p> <p>1. Delinquent Pharmacy Review</p> <p>In accordance with the Texas Controlled Substances Act as amended, effective September 1, 2017, pharmacies are required to submit dispensing records of controlled substance prescriptions to TSBP through AWARe Clearinghouse, no later than the next business day. AWARe generates a <i>Delinquent Pharmacy Review Report</i> that reflects pharmacies considered delinquent in reporting, during a specified timeframe, which is used by the PMP staff to research and/or follow up with each pharmacy.</p> <p>While the report helps PMP staff identify pharmacies that are truly delinquent, it also contains many pharmacies that timely report but not recognized by AWARe due to the pharmacy's profile data included in the prescription reporting files, not matching the information in AWARe. In such cases, AWARe will continue identifying the pharmacy as delinquent until PMP staff manually researches and if applicable, updates the profile information in AWARe.</p> <p>During our audit, as of April 16, 2018, we observed that PMP staff was experiencing a large backlog of 2,175 delinquent pharmacies that, are either in the process of or queued for manual research. This large backlog not only strains PMP staff's limited resources but also hampers their efforts in identifying true delinquent pharmacies in a timely manner.</p> <p>Recommendation We recommend that the PMP staff continue their effort, as resources permit, in reducing the number of pharmacies identified as delinquent; and, that TSBP explore alternative solutions, possibly from the technology side, to automate and/or streamline the pharmacy profile update process in AWARe.</p> <p>Management's Response TSBP is continuing to audit and renew delinquent pharmacies to reduce the number of pharmacies that are delinquent in reporting prescription information to TSBP. TSBP is sending educational letters to delinquent pharmacies in order to get the pharmacies in compliance with reporting.</p>		Improve efficiency in identifying delinquent pharmacy reporting.

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VII. External Audit Services Procured in Fiscal Year 2018

TSPB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2018. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

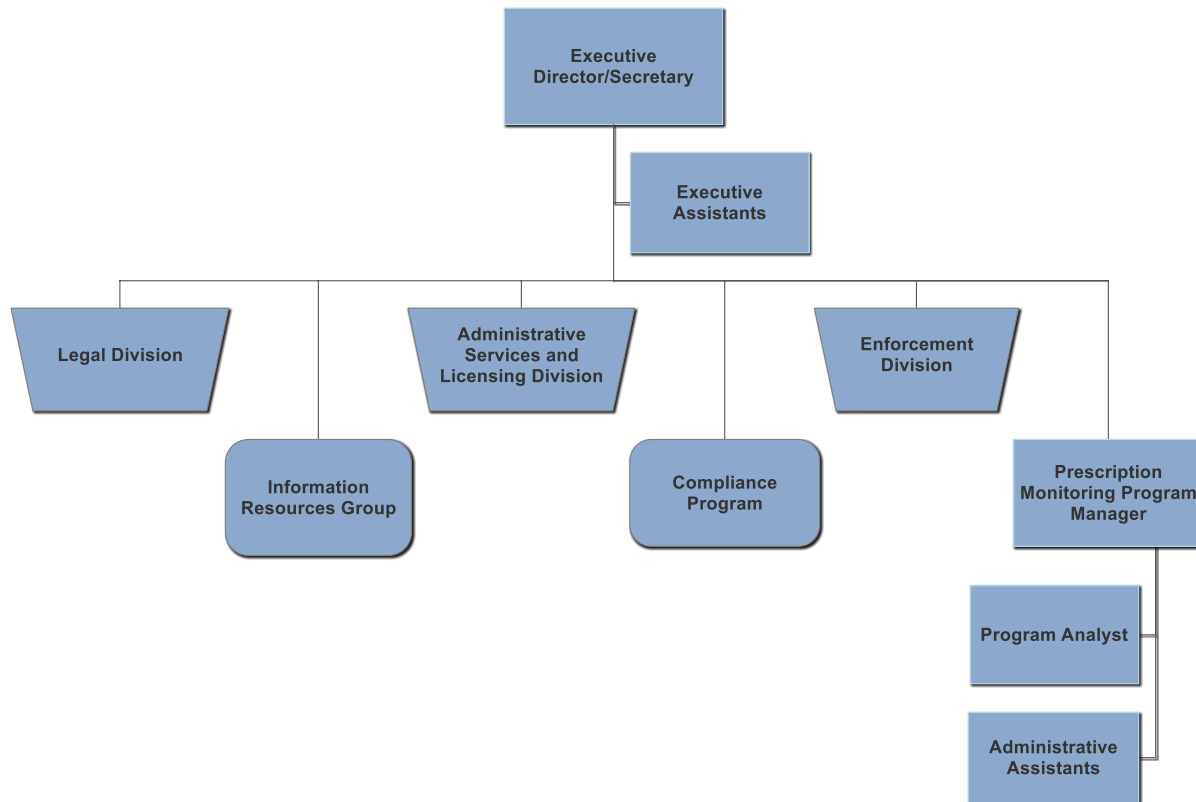
TSPB has provided information on their website home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. TSPB has also developed a Fraud Reporting Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

IX. Proposed Internal Audit Plan for Fiscal Year 2019

The risk assessment performed during the 2018 fiscal year was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2019. The Internal Audit Plan for Fiscal Year 2019 will be developed and presented to the Board, for acceptance and approval, at the November 2018 Board Meeting.

- Complaints/Investigations
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Board

X. Organizational Chart



Source: TSBP