

TEXAS STATE BOARD OF PHARMACY
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2021



TEXAS STATE BOARD OF PHARMACY
Austin, Texas

Internal Audit Plan
For Fiscal Year 2021

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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 2021. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2021. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by the Board, as necessary.

This Plan has been prepared by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted Auditing Standards, International Standards for the Professional Practice of Internal Auditing, and the Institute of Internal Auditors' Code of Ethics contained in the Professional Practices Framework.



Garza/Gonzalez
& Associates

January 6, 2021

TEXAS STATE BOARD OF PHARMACY

Austin, Texas

Internal Audit Plan For Fiscal Year 2021

I. Methodology

TSBP's fiscal year 2021 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 other staff, as documented below.

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

- Organizational Charts
- 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*; contract management; and, benefits proportionality). Utilizing information obtained through the completed questionnaires and background information reviewed, 13 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 13 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 Previous 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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- | | |
|---|--|
| 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 magnitude of contracts, laws, and/or regulations for which the auditable unit is responsible for complying. |
| 7. Susceptibility of Theft, Waste, Abuse, or Fraud | Measure of the auditable unit's risk and controls in place as it relates to theft, waste, abuse, or fraud. |
| 8. Existence of Issues or Concerns | Measure of issues or concerns expressed in completed questionnaires. |

Risk Assessment

Following are the results of the risk assessment performed for the 13 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Inspections Information Technology	Licensing: Pharmacies [†] Licensing: Pharmacists/ Interns/ Preceptors [†] HR/ Payroll Procurement/ Contract Management/ HUB Accounting & Financial Reporting/ Travel	Complaints/ Investigations [†] Prescription Monitoring Program (PMP) Compliance Monitoring/ Peer Assistance [†] Licensing: Pharmacy Tech & Trainees [†] Fixed Assets/ Fleet Management Records Management

[†] Includes review of relevant performance measures.

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 2013 through 2020 for the above 13 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2020

- Risk Assessment & Preparation of the Internal Audit Plan
- Inspections
- Follow-up of Prior Year Internal Audit Recommendations
- Preparation of the Annual Internal Audit Report

Fiscal Year 2019

- Risk Assessment & Preparation of the Internal Audit Plan
- Accounting & Financial Reporting
- Follow-up of Post-Payment Audit Recommendations Dated July 20, 2018
- Follow-up of Prior Year Internal Audit Recommendations
- Preparation of the Annual Internal Audit Report

Fiscal Year 2018:

- Risk Assessment & Preparation of the Internal Audit Plan
- Prescription Monitoring Program (PMP)
- Preparation of the Annual Internal Audit Report

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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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III. Internal Audit Plan

In addition to performing the 2021 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes one audit to be performed; 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 2021.

The area recommended for internal audit and other functions to be performed for fiscal year 2021 are as follows:

1. Completion of the Fiscal Year 2021 Risk Assessment and Preparation of this Internal Audit Plan
2. Compliance Monitoring/Peer Assistance Area (Area)
The planned audit procedures include the following:
 - a. Review and obtain an understanding of the laws and regulations applicable to the Area.
 - b. Review the Area's written policies and procedures, collect available documentation, and conduct interviews to document and assess formal/informal processes and internal controls, as implemented by the Area. This will include the review and assessment of the peer assistance vendor oversight and safeguarding confidential information.
 - c. Perform tests to determine whether TSBP's internal controls identified in procedure b. above are operating effectively.
 - d. Perform tests to determine whether performance measure(s) relevant to the Area is/are accurately and adequately documented and reported.
 - e. Other procedures that may be deemed necessary during audit fieldwork.
3. Follow-up of Prior-Year Internal Audits and Preparation of the 2021 Annual Internal Audit Report
Perform follow-up procedures to determine the status of the prior year comments that were not fully implemented as of fiscal year 2020, and prepare the 2021 Annual Internal Audit 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.
4. 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 2021

		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 Previous Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Compliance with Contracts, Laws & Regulations	Susceptibility of Theft, Waste, Abuse or Fraud	Existence of Issues or Concerns	Total									
High Risk: > 184																		
1	Inspections	3	30.00	1	16.50	2	32.00	3	45.00	1	12.50	3	36.00	2	16.00	1	10.00	198.00
2	Information Technology	2	20.00	1	16.50	2	32.00	2	30.00	2	25.00	3	36.00	2	16.00	1	10.00	185.50
Moderate Risk: 170-184																		
3	Licensing: Pharmacies [†]	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	3	36.00	2	16.00	1	10.00	181.00
4	Licensing: Pharmacists/ Interns/ Preceptors [†]	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	3	36.00	2	16.00	1	10.00	181.00
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	Procurement/ Contract Management/ HUB	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	Accounting/ Financial Reporting/ Travel	3	30.00	1	16.50	2	32.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	171.00
Low Risk: < 170																		
8	Complaints/ Investigations [†]	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	168.50
9	Prescription Monitoring Program (PMP)	3	30.00	1	16.50	1	16.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	167.00
10	Compliance Monitoring/ Peer Assistance [†]	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	3	30.00	166.50
11	Licensing: Pharmacy Tech & Trainees [†]	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
12	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
13	Records Management	1	10.00	3	49.50	1	16.00	1	15.00	2	25.00	1	12.00	1	8.00	1	10.00	145.50

[†] Includes review of relevant performance measures.

Risk Factor Rating:
 1 - Low Risk
 2 - Moderate Risk
 3 - High Risk

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History of Areas Audited
For Fiscal Year 2021

	POTENTIAL AUDIT TOPIC	2013	2014	2015	2016	2017	2018	2019	2020
1	Accounting/ Financial Reporting/ Travel		B*				B*	A	
2	Complaints/ Investigations [†]	D*			C*				
3	Compliance Monitoring/ Peer Assistance [†]				C*				
4	Fixed Assets/ Fleet Management		B*				B*		
5	HR/ Payroll	F*	B*				B*	F*	
6	Inspections			D	C				A
7	Information Technology	D*		E	C*			E	
8	Licensing: Pharmacies [†]				C				
9	Licensing: Pharmacists/ Interns/ Preceptors [†]				C				
10	Licensing: Pharmacy Tech & Trainees [†]				C				
11	Prescription Monitoring Program (PMP) (Effective FY 2017)						A		
12	Procurement/ Contract Management/ HUB		B*				B*		
13	Records Management								

[†] 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, CPAs.
- B** Post-payment audit performed by the Comptroller of Public Accounts.
- C** Sunset review performed by the Sunset Advisory Commission.
- D** Audit performed by State Auditor's Office.
- E** IT Assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through DIR.
- F** Policy review performed by the Texas Workforce Commission.