

TEXAS STATE BOARD OF PHARMACY
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2019



TEXAS STATE BOARD OF PHARMACY
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2019

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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 Accounting & Financial Reporting Area (the Area) of the Texas State Board of Pharmacy (TSBP); and, its compliance with the requirements set by the Texas Comptroller of Public Accounts, and TSBP's established policies and procedures, as applicable to the Area, for the 4 months ended December 31, 2018.

The results of our tests disclosed that TSBP's internal control structure over the Area 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 11 of this report.

We also performed a follow-up of the findings and recommendations that were presented in the prior year annual internal audit report; and, in the post-payment audit report dated July 20, 2018, performed by the Texas Comptroller of Public Accounts (Comptroller's Office). This report reflects the implementation status of those matters; and, includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements.

We have discussed the comments and recommendations from the audit of the Area; and, the implementation status from the follow-up performed, 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.



March 1, 2019

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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 is 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."

2019 Internal Audit Plan

Following is the internal audit and other functions performed, as identified in TSBP's *Internal Audit Plan for Fiscal Year 2019*, dated October 16, 2018, and approved by the Board on November 6, 2018:

- Completion of the Fiscal Year 2019 Risk Assessment and Preparation of the Internal Audit Plan
- Accounting & Financial Reporting
- Other Activities – Follow-up of Post-Payment Audit Dated July 20, 2018
- Follow-up of Prior Year Internal Audit and Prepare the 2019 Annual Report

This report contains the results of our audit of the Accounting & Financial Reporting Area; reflects the follow-up procedures performed of the prior year internal audit and of the Comptroller's Office post-payment audit dated July 20, 2018; and, meets the State of Texas Internal Audit Annual Report requirements.

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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: Required Posting of Internal Audit Information**

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

- An approved fiscal year 2020 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2019 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 November 16, 2018, 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 2019**

The approved Internal Audit Plan (Plan) included one audit to be performed during the 2019 fiscal year. The Plan also included a follow-up of prior year internal audit recommendations and of the post-payment audit dated July 20, 2018 performed by the Comptroller's Office; other tasks, as assigned by the Board members; and, preparation of the Annual Internal Audit Report for fiscal year 2019.

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
Complaints & Investigations	Prescription Monitoring Program (PMP)	Compliance Monitoring & Peer Assistance
Accounting & Financial Reporting	HR & Payroll	Fixed Assets & Fleet Management
IT	Licensing: Pharmacist/Interns/Preceptor	Licensing: Pharmacies
Inspections	Purchasing & Travel	Licensing: Pharmacy Tech & Trainees
		Records Management
		Risk 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. Internal audits were performed in the following area:

Fiscal Year 2018:

- Prescription Monitoring Program (PMP)

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

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Report Date</u>
1.	Accounting & Financial Reporting Objective: To determine whether TSBP's policies and procedures and internal controls in place over the accounting and financial reporting area provide reasonable assurance of compliance with state requirements; and, that complete and accurate financial information is prepared and reported to the Board and various state agencies.	3/1/2019
1.	Follow-Up of Comptroller's Office Post-Payment Audit dated July 20, 2018	3/1/2019
1.	Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits	3/1/2019
--	Other Tasks Assigned by the Board or Management	None

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V. Executive Summary

Accounting & Financial Reporting

Background

State agencies are subject to various accounting and fiscal management requirements set by the State. The Texas Comptroller of Public Accounts (the Comptroller) is tasked with developing fiscal management policies and procedures that ensure compliance with state requirements and that are available to all state agencies at the Comptroller's website.

TSBP'S Accounting & Financial Reporting Area (the Area) is supervised by a Financial Services Manager who reports directly to the Executive Director. The Financial Services Manager is also TSBP's Security Coordinator, who is responsible for managing employees' access to the statewide financial systems. The Financial Services Manager, 2 accountants, 1 payroll accountant, and 1 purchaser, in coordination with 2 staff services officers, are responsible for the Area's operational activities. As part of the statewide effort to modernize financial systems, effective September 1, 2018, TSBP implemented the Centralized Accounting and Payroll/Personnel System (CAPPS) Financials module. TSBP's accounting transactions are entered from CAPPS into the Uniform State Accounting System (USAS), daily, via automated batch process.

Check Processing

TSBP accepts checks and money orders (collectively "checks") from licensees and applicants for payment of licensing, renewal, and various fees. Mail is opened daily by 2 accountants who document and batch all checks enclosed in the mail. All mail is date-stamped and checks are number-stamped. TSBP utilizes a batch header to track and account for checks and to document completion of control activities. TSBP's licensing database (Versa Regulation, or VR) assigns the batch number for each batch of checks. Accountants document the batch number along with the number of checks and total dollar amount in the batch header and initial it. Accountants then enter the number of checks and total dollar amount of the batch of checks into VR.

A staff services officer will then enter payment information for each check, by batch, into VR, ensuring that the number of checks and total dollar amount of checks agree to the information documented by the accountants. Based on this VR entry, the *Business Objects* system, which is administered by the Health Professions Council (HPC), processes the check information and assigns payments to applicable licensees and/or applicants; and, based on payment type, allocates payments to the applicable revenue type in USAS.

The Area prepares daily deposits. A staff services officer manually enters information from the Cash Deposit Detail Report that is generated by the *Business Objects* system, into a deposit worksheet. The completed deposit worksheet generates a deposit header, deposit voucher, and deposit slip. Deposit summary information is documented in an internal log for tracking purposes. All relevant documentation and reports, along with a CAPPS printout of the deposit entry approval, are retained by the Area.

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CAPPS-USAS Reconciliation

The Financial Services Manager prepares a monthly reconciliation of revenues and expenditures as reported in USAS to those reported in CAPPS to ensure accounting information in USAS is accurate. The Area has developed a worksheet for the reconciliation process, which captures and summarizes revenues and expenditures, by strategy. Revenue and expenditure balances in USAS, as reflected in the State Internet Reporting System (SIRS) reports, are compared to the balances from CAPPS, and any differences are researched. The worksheet is also the source data for the quarterly financial reporting presented to TSBP's governing board.

ABEST-USAS Reconciliation

The Legislative Budget Board (LBB) requires state agencies to reconcile quarterly and annual (4th quarter) expenditures as reported in USAS, to those reflected in LBB's *Automated Budget and Evaluation System of Texas* (ABEST). The Financial Services Manager performs this quarterly reconciliation by generating a SIRS report, which reflects information in USAS, and comparing the balances to quarterly expenditures in ABEST. State agencies contact LBB only if discrepancies are found in the reconciliation process.

Annual Financial Report (AFR)

The AFR is prepared using financial information from USAS. Under the authority of the Texas Government Code Chapter 2101, the Comptroller prescribes uniform accounting and financial reporting procedures that each state agency must follow in preparation and submission of the AFR. State agencies submit various financial information through web applications developed by the Comptroller. The following are significant requirements in the AFR preparation process:

- **Year-End USAS Adjustments:** Agencies must review USAS balances to ensure financial information in USAS is accurate, and prepare certain fiscal year-end USAS adjustments.
- **General Revenue (GR) Reconciliation:** A GR reconciliation determines original and additional general revenue appropriated to the agency. Agencies will utilize the GR Reconciliation reports, generated by the Comptroller, to determine the appropriation authority amounts reported as revenue and asset in the AFR.
- **Preparation of Notes to the Financial Statements:** Agencies must format and submit applicable notes and related schedules via the Comptroller's web applications.
- **Global Certification:** Each agency must ensure and certify that its financial data is accurate and correctly reflects the agency's financial position as of August 31 as recorded in USAS and the agency's accounting system. Agencies also certify for disclosure and USAS balances.
- **AFR Submission:** The Texas Government Code Sec. 2101.011 requires the AFR be submitted no later than November 20 of each year; however, since TSBP is a *Simplified Reporting Agency*, as designated by the Comptroller, its AFR submission is due on October 1 of each year.

As part of the AFR preparation, TSBP refers to the Comptroller's checklist to ensure all required steps, as applicable, are followed and completed.

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Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to determine whether TSBP's policies and procedures and internal controls in place over the accounting and financial reporting area provide reasonable assurance of compliance with state requirements; and, that complete and accurate financial information is prepared and reported to the Board and various state agencies.

Scope

The scope of the audit was to review TSBP's established policies and procedures; and, review and test the processes and controls in place over accounting and financial reporting for the 4-month period from September 1, 2018 through December 31, 2018 (audit period); to include, the review and testing of the fiscal year 2018 annual financial report.

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 Accounting staff; and, interviewing and corresponding with selected TSBP employees.

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

- a. Texas Comptroller of Public Accounts (the Comptroller) Fiscal Policies and Procedures available through the Management Division website (FMX):
 - *Reporting Requirements for Annual Financial Reports of State Agencies and Universities (A.036)*
 - *Fiscal Management Agency Contacts Update Process (C.021)*
- b. Legislative Budget Board *ABEST/USAS Reconciliation Reporting Instructions*, January 2017.
- c. TSBP Policy & Procedure Manual – Accounting, as revised in October 2017.
- d. TSBP Security Coordinator Policy, as revised in September 2017.
- e. Fiscal year 2019 Administrative Services Organizational Chart and staff job descriptions.
- f. CAPPS revenue & expenditure listing, TSBP deposit log, and TSBP Journal Voucher log for the audit period.

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- g. For the 6 cash deposits selected for testing, obtained deposit packets, which consist of the following:
 - Deposit Batch Header
 - General Ledger Posting Worksheet
 - Deposit Voucher
 - Cash Deposit Summary Report (6-016E) and Cash Deposit Detail Report (6-016F)
 - Cash Receipts Batch Forms
 - Versa Regulation (VR) Cash Listing Report
 - USAS & CAPPs Screenshots (denoting proper approval)
 - Explanation Letter (for returned checks)
- h. For the 10 expenditures selected for testing, obtained the invoice, purchase order, receiving report if applicable, and documentary evidence of proper approval.
- i. For the 4 journal entries selected for testing, obtained the journal entry and applicable reports to support the entries, and evidence of proper approval.
- j. CAPPs-USAS Reconciliation for the month of November 2018, and its supporting documentation.
- k. ABEST-USAS Reconciliation for quarter 1, fiscal year 2019, and its supporting documentation.
- l. *Summary of Estimated Budget less YTD Expenditures* report for quarter 1, fiscal year 2019, as included in the February 5, 2019 Board Meeting packet.
- m. *TSBP Annual Financial Report (AFR) For The Year Ended August 31, 2018*, and applicable supporting documentation, to include:
 - Various State Internet Reporting System (SIRS) Reports
 - Various Detailed Accounting Financial Reports (DAFRs)
 - Capital Asset/Asset Balance (CAAB) Reports from the State Property Accounting System
 - Payroll Voucher from the Standardized Payroll/Personnel Reporting System
 - TSBP Accounts Payable Listing
 - TSBP Supply Inventory Listing
 - AFR submission records; such as, screenshots and confirmations

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

1. Obtained an understanding of the Comptroller's Fiscal Policy and Procedures as applicable to the Area.
2. Reviewed the Area's accounting and financial reporting procedures and processes, collected available documentation; including, worksheets and templates, and conducted interviews and walk-throughs to document and assess formal/informal processes and controls, as implemented by the Area.

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3. Agreed the fee schedule listed in batch forms to the current TSBP fee schedule.
4. Selected a sample of 6 deposits, 10 expenditures and 4 journal entries, for a total of 20 transactions, from the audit period, and reviewed supporting documentation to—
 - a. ensure compliance with established internal controls; and,
 - b. ensure transactions were properly approved, adequately supported, and accurately recorded in the accounting system.
5. For the 6 deposits selected above, tested for prompt deposit to the state treasury, which is within 3 business days of the receipt.
6. Selected a sample of the monthly CAPPs-USAS reconciliations, quarterly ABEST-USAS reconciliations, and financial reporting to the Board, and tested information for accuracy.
7. For the fiscal year 2018 AFR:
 - a. Traced financial statement balances to USAS Financial Statements and DAFRs.
 - b. Traced the AFR capital asset balances to the Capital Asset/Asset Balance (CAAB) reports.
 - c. Agreed the AFR cash in bank balance to the August 2018 bank statement.
 - d. Agreed the AFR consumable inventories, accounts payable, and payroll payable balances to FY18 Supply Inventory, Accounts Payable Listing, and the Standardized Payroll/Personnel Reporting System (SPRS) reports, respectively.
 - e. Reviewed various system screenshots and confirmations to test for timely submission.
8. Reviewed the most recent SFS Users Semiannual Security Access Attestation (Form 73-326) to ensure timely submission to the Comptroller.
9. Reviewed the Confidential Treatment of Information Acknowledgement (CTIA) form signed by each current and former Administrative Services employee, as required.
10. Asset Forfeiture Funds – Appropriations – Reviewed correspondence between TSBP and the Comptroller relating to the account profile setting in USAS that was not allowing the unexpended (Asset Forfeiture) funds to be re-appropriated from one biennium to the next. Based on our review of various correspondence and adjusting journal entries made by the Comptroller; and, discussions with TSBP's management, it was determined that the issue has been resolved

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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	Semiannual Security Attestation Submission	Low
2	AFR/USAS Balances	Low
<i>Observation</i>		
1	AFR Submission Deadlines	--
<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	3/1/ 2019	Accounting & Financial Reporting	<p>1. Semiannual Security Attestation Submission</p> <p>The Texas Comptroller of Public Accounts (the Comptroller) requires the Security Coordinator of each state agency to verify security access levels of the agency's statewide information systems users, and semiannually certify authorized access by submitting the <i>SFS Users Semiannual Security Access Attestation</i> (the Attestation) to the Comptroller by a certain date. TSBP's most recent Attestation, due November 5, 2018 was not submitted to the Comptroller until December 17, 2018.</p> <p>Recommendation We recommend that TSBP implement procedures to ensure the Attestation is submitted to the Comptroller in a timely manner.</p> <p>Management's Response The <i>SFS Users Semiannual Security Access Attestation</i> was due to the Comptroller's office on November 5, 2018. At the time the agency employees responsible for submitting the attestation were involved in CAPPs implementation training which delayed submission of the information. In the future, once the agency is notified of the due date by the Comptroller's office, the date will be added to the Finance and Executive calendars. Reminders will be set prior to the due date to ensure the report is submitted by the established due date.</p> <p>2. AFR/USAS Balances</p> <p>TSBP's Annual Financial Report (AFR) balances accurately reflect the balances included in the Detailed Accounting Financial Reports (DAFRs), which are generated from the Uniform Statewide Accounting System (USAS). However, our testing of selected AFR balances disclosed the following instances where AFR/USAS balances differed from the supporting data sources. Although the differences were below the amount considered material for fair presentation of TSBP's AFR, the differences could not be explained.</p> <p>1) The AFR accounts payable balance of \$266,336 was \$76,431 greater than TSBP's (adjusted) Accounts Payable (AP) Listing balance of \$189,905.</p> <p>2) The AFR payroll payable balance of \$793,661 was \$41,253 less than the total payroll payable balance of \$834,914 as reflected in the Standardized Payroll/Personnel Reporting System reports.</p> <p>Recommendation We recommend that TSBP implement procedures that ensure financial information in USAS reconciles to supporting data sources.</p>		<p>Ensure the Semiannual Security Attestation is submitted timely, in accordance with dates established by the Comptroller.</p> <p>To ensure AFR/USAS balances are consistent with other data sources.</p>

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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	3/1/ 2019	Accounting & Financial Reporting	Management's Response Variations may be caused by lump sum payroll and other items crossing fiscal years. The agency will work with the Comptroller's financial analyst to ensure data is updated properly and is consistent between reports		

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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																					
4			<p style="text-align: center;"><u>Observation</u></p> <p>1. AFR Submission Deadlines</p> <p>The Texas Government Code Sec. 2101.012 grants the Comptroller the authority to adopt rules on implementing uniform accounting and reporting procedures for state agencies. As such, the Comptroller has established various AFR submission deadlines for state agencies to ensure timely preparation of the State of Texas Comprehensive Annual Financial Report.</p> <p>Our review of TSBP's AFR submission records indicated the following instances where submissions were made after the respective deadlines:</p> <table border="1" data-bbox="643 848 1214 1220"> <thead> <tr> <th>Submission Requirement</th> <th>Deadline</th> <th>Submission</th> </tr> </thead> <tbody> <tr> <td>Capital asset and/or long-term liability basis conversion</td> <td>9/9/18</td> <td>9/24/18-10/1/18</td> </tr> <tr> <td>Physical inventory of capital assets certification</td> <td>9/20/18</td> <td>9/21/18</td> </tr> <tr> <td>General revenue certification</td> <td>9/28/18</td> <td>10/4/18</td> </tr> <tr> <td>Other Notes and Disclosures (ONDSS)</td> <td>10/1/18</td> <td>10/4/18</td> </tr> <tr> <td>Long-Term Liability Note certification (LTLN)</td> <td>10/1/18</td> <td>10/2/18</td> </tr> <tr> <td>Disclosure, USAS and Global certification (CNRC)</td> <td>10/1/18</td> <td>10/4/18</td> </tr> </tbody> </table> <p>Recommendation We recommend that TSBP implement procedures to ensure compliance with the Comptroller's AFR submission deadlines.</p> <p>Management's Response Upon notice from the Comptroller's office of the due dates, the dates will be added to the Finance and Executive calendars. Reminder prior to the due date will be set for applicable agency employees to ensure the information is submitted in a timely manner.</p>	Submission Requirement	Deadline	Submission	Capital asset and/or long-term liability basis conversion	9/9/18	9/24/18-10/1/18	Physical inventory of capital assets certification	9/20/18	9/21/18	General revenue certification	9/28/18	10/4/18	Other Notes and Disclosures (ONDSS)	10/1/18	10/4/18	Long-Term Liability Note certification (LTLN)	10/1/18	10/2/18	Disclosure, USAS and Global certification (CNRC)	10/1/18	10/4/18		To ensure compliance with AFR submission deadlines, as determined by the Comptroller.
Submission Requirement	Deadline	Submission																								
Capital asset and/or long-term liability basis conversion	9/9/18	9/24/18-10/1/18																								
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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	3/1/ 2019	2019 Follow-up	<p>Follow-Up of Comptroller’s Office Post-Payment Audit</p> <p><i>Following is the status of the recommendation made in the Post-Payment audit dated July 20, 2018 performed by the Comptroller’s Office.</i></p> <p>1. Incorrect Longevity Payment Amounts</p> <p>TSBP should ask all new employees if they have any prior state service as part of the Board’s new-hire process and document the employee’s answer to this question. The Board should review employees’ responses and contact any agencies identified for PSSV. The Board should review its controls and personnel records to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent any incorrect compensation to an employee. See 34 TAC Section 5.40(c). The Board must compensate the employee for the underpaid amount.</p> <p>Follow-Up of Prior Year Audits</p> <p><i>Following is the status of the recommendations made during fiscal year 2018 that had not been fully implemented.</i></p> <p><u>PMP</u></p> <p>1. Vendor Oversight</p> <p>TSBP should strengthen its oversight of PMP vendor’s compliance with the applicable security and privacy requirements by establishing an ongoing monitoring strategy; such as, obtaining and reviewing AWARxE’s annual privacy, security, and HIPPA compliance assessment that is conducted by a third-party.</p> <p>2. PMP Agency Cost Allocation</p> <p>TSBP should 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>3. AWARxE Account Management</p> <p>TSBP should establish and implement a periodic review process over the medical examiner accounts to safeguard the PMP database from potential unauthorized use.</p> <p>4. Delinquent Pharmacy Review [Observation]</p> <p>PMP staff should 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 AWARxE.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	

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VII. External Audit Services Procured in Fiscal Year 2019

TSPB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2019. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

TSBP 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. TSBP 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 2020

The risk assessment performed during the 2019 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 2020. The Internal Audit Plan for Fiscal Year 2020 will be developed and presented to the Board, for acceptance and approval, at a later date.

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

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X. Organizational Chart

