



TEXAS
Health and Human
Services

Texas Department of State Health Services

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Commissioner

Fiscal Year 2017

Annual Internal Audit Report

October 2017

Department of State Health Services
Annual Internal Audit Report

Table of Contents

Section I: Compliance with Texas Government Code, Section 2102.015:
Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit
information on Internet Web site..... 1

Section II: Internal Audit Plan for Fiscal Year 2017 1

Summary of Completed Projects 1

Section III: Consulting Services and Non-audit Services Completed..... 3

Section IV: External Quality Assurance Review 4

Section V: Internal Audit Plan for Fiscal Year 2018 4

Section VI: External Audit Services Procured in Fiscal Year 2017..... 4

Section VII: Reporting Suspected Fraud and Abuse 5

Department of State Health Services

Annual Internal Audit Report

Section I

Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

The Texas Department of State Health Services (DSHS) is committed to compliance with Texas Government Code, Section 2102.015. DSHS has posted the DSHS Internal Audit Plan for Fiscal Year 2018 within the Reports and Publications page of the HHSC public home page within 30 days after the DSHS Internal Audit Plan approved date.

The DSHS Annual Report for Fiscal Year 2017 will be posted on the Reports and Publications page of the HHSC public home page within 30 days after October 31, 2017.

Section II

Internal Audit Plan for Fiscal Year 2017

Report Number	Project Title	Release Date
2016-11	Safety and Security of Mobile Employees	6/30/2017
2017-05	Safeguarding of Vital Statistics Records	6/30/2017
2017-08	Oversight of Local Registrars	8/30/2017
2017-14	Verification Audit	9/29/2017
	Pre-Implementation of TxEVER	Removed from Plan
	Contract Management and Oversight	Removed from Plan
	Controls over Administrative Functions of the Vital Statistics Unit (VSU)	Removed from Plan
	State Hospital Organization Structure	Removed from Plan

Summary of Completed Projects

2016-11 Safety and Security of Mobile Employees

The audit focused on the regions' compliance with Health and Human Services (HHS)/DSHS safety policies, including (a) general safety policies in the HHS Safety Manual, (b) the Occupational Exposure to Blood and Other Potentially Infectious Materials (OPIM) Policy, and (c) the HHS Enterprise Fleet Management Policy. The review of Occupational Exposure to Blood and OPIM Policy compliance identified that though the policy addressed the entire process of exposure incident management, several areas were not clearly written and statements about the same topic seemed to contradict

Department of State Health Services

Annual Internal Audit Report

each other. Secondly, the policy did not include a definition of the term Evaluating Licensed Healthcare Professional (ELHP) or state who could be designated an ELHP, a key player in treating an exposure. In addition, documentation required by the policy was frequently not available to regional employees once the required forms were filled out and electronically submitted.

2017-05 Safeguarding of Vital Statistics Records

The audit focused on the whether the Vital Statistics Unit (VSU) has established controls to ensure the (a) safeguarding of physical security of vital records throughout the unit, (b) accountability of bank note paper, and (c) management of the lifetime counter for birth certificate requests to prevent fraudulent activity. Identified issues are associated with the physical access approvals and periodic reviews of individuals possessing access to the vital records location, inconsistency of following controls over the bank note paper, and the documenting of Inspector General's review of excess of ten printed certificates in Texas Electronic Registrar.

2017-08 Oversight of Local Registrars

The audit focused on whether VSU management had developed a risk based process for monitoring and evaluation vital statistics functions at the local registrar offices. Local registrars are not completing the self-assessment. Risk assessment existing variables are not based on core functions or statutory requirements and its overall risk score is highly dependent on the score of the self-assessment, resulting in field representatives having to conduct more onsite visits rather than desk audits. The advance preparation for the onsite visit is not adequate to ensure that core functions are monitored by DSHS field representatives. VSU has not developed a centralized system to monitor the overall risk of local registrars or designed a formal system to monitor findings statements and responses from local registrars. Additionally, VSU management has not developed procedures for scoring self-assessments or revised procedures and developed training for scoring and application of the risk assessment.

2017-14 Verification Audit Work

Verification of 20 recommendations was conducted this year. Of the 20 recommendations verified, 19 were deemed fully implemented and one was closed due to more recent, similar issue communicated to management.

Department of State Health Services

Annual Internal Audit Report

Section III

Consulting Services and Non-audit Services Completed

Laboratory Cost and Budget Analysis

To determine whether the funding shortfall amounts reported by the State Laboratory and determine the adequacy of processes used to gather and compile the data for state fiscal years 2014 through 2016.

State Hospital Organization Structure

To identify best practices and consider whether the use of similar positions and job functions can be standardized across state hospitals as of April 2017.

Cancer Registry Security Policy

To analyze the Texas Cancer Registry TCR Security Policy dated April 2017 and provide recommendations to improve the policy.

TxEVER Implementation

To review information related to the causes for the delay of the TxEVER implementation.

Assist with Transition

To address managerial requests from DSHS executive management and the HHS Transformation team to assist with the consolidation of Internal Audit. A report was not distributed.

Department of State Health Services

Annual Internal Audit Report

Section IV External Quality Assurance Review

DSHS Internal Audit's External Quality Assurance Review was completed in December 2016. The opinion that was reported was as follows:

*Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of State Health Services, Office of Internal Audit receives a rating of "**pass/generally conforms**" and is in compliance with the Institute of Internal Auditors (IIA) International Professional Practices Framework and Code of Ethics, the United States Government Accountability Office (GAO) Government Auditing Standards, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.*

Section V Internal Audit Plan for Fiscal Year 2018

Effective September 1, 2017, the State Hospitals and other administrative functions of the DSHS were reorganized under HHSC. As part of this, the DSHS Office of Internal Audit was consolidated with the HHSC Internal Audit Division. As a result, the risk assessment and development of the audit plan was conducted as a combined process.

The DSHS specific audits and consulting projects identified to be conducted are included in the HHSC Audit Plan for fiscal year 2018. Additional audits and consulting projects will be identified throughout the year as risk changes and resources permit. A detailed discussion of the process is included in the HHSC Annual Internal Audit Report.

Section VI External Audit Services Procured in Fiscal Year 2017

The Texas Department of State Health Services procured external audit services in fiscal year 2017. The one external audit procured was with

Department of State Health Services

Annual Internal Audit Report

Weaver and Tidwell for Cancer Prevention and Research Institute of Texas (CPRIT).

Section VII

Reporting Suspected Fraud and Abuse

The HHSC intranet and intranet, HHS Circular C-027, and HHS Enterprise Fraud Prevention and Awareness provide information on how to report suspected fraud, waste, and abuse. Employees must report suspected fraud, waste, or abuse in health services programs to the HHSC Inspector General and the Texas State Auditor's Office (SAO).

To our knowledge, these reports are being made in accordance with Section 7.09, Fraud Reporting, in the General Appropriations Act.