



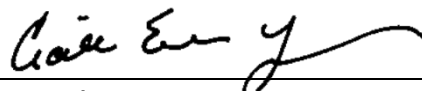
Internal Audit Plan

Fiscal Year 2022

September 1, 2021



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Cecile Erwin Young
Executive Commissioner



TEXAS
Health and Human
Services

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1. Process Description

To facilitate more timely response to shifting risks, the Internal Audit Division has implemented a continuous risk assessment process and plans to update the audit plan as needed throughout the fiscal year. The process description for audit plan approval follows:

1. **Define the audit universe.** Develop a comprehensive list of "auditable units" (i.e., program areas/units, activities, processes, etc.). This includes an ongoing review of organizational charts, agency reports, and the Health and Human Services Commission and Department of State Health Services Strategic Plans. Criteria for selecting "auditable units" includes: level of contribution to HHS Goals and Strategies, the magnitude of impact on the organization, the level of importance to justify the cost of control, and the efficiency in minimizing auditable units when possible.
2. **Select and weight risk factors.** Risk factors are specific and identifiable sources of uncertainty or potential negative consequences. Risk is inherent to every auditable unit - what varies among units is the degree or level of risk. Level of risk is determined by the extent of impact to the agency as a whole, should the specific risk occur. Risk factors are selected by consideration of current issues by the Director of Internal Audit.
3. In addition, HHS Internal Audit **staff assesses risk on five additional risk factors** based on the Committee of Sponsoring Organizations' (COSO) Internal Control Framework:
 - Control Environment
 - Assessing Risk
 - Control Activities
 - Information and Communication
 - Monitoring Activities
4. **Prioritize auditable units** to assess overall risk level.
 - **Score:** HHS Internal Audit scored each auditable unit using the Internal Audit Risk Factors and Scoring Guide.
 - **Additional Points:** Areas identified as of interest or concern by executive management team members or the Director of Internal Audit received additional points at the discretion of the scoring team.

- **Rank:** Calculate based on the sum of all scores and rank all units relative to one another. Identify high, medium and low risk areas.
5. **Monitoring and Updating Risk Assessment.** Information is gained and added to the risk assessment tool through routine meetings with agency management, information learned during audit work, external reports and notifications, and other sources that identify risks. Risks are perpetually monitored, and the risk assessment is updated as often as needed, to address the most current risks at HHS. The audit plan is monitored and assessed routinely, and amendments are proposed as appropriate.
 6. **Identify Areas of Audit for the Proposed Fiscal Year 2022 Internal Audit Plan.** Based on available staff hours, review of audit history, input from executive management, and other factors develop a proposal for the Executive Commissioner's review and input.

2. HHS Internal Audit Services

Audits provide an independent assessment of processes or activities based on evaluation of management controls, testing of transactions, and review of evidence. Internal Audit management determines the nature and scope of each audit. Internal Audit projects conclude with written reports that provide information to management detailing the results of the audit and offer suggestions and recommendations for improvement. The audit projects planned for fiscal year 2022, including projects started in a previous fiscal year and planned to be completed in fiscal year 2022, are listed below with a brief description of each project.

Carry-Forward Audits

Health and Human Services System

Audit of Procurement Cards

To determine whether the controls regarding the use of agency procurement cards are sufficient to (1) prevent or detect misuse; (2) ensure transactions are allowed, reviewed, and approved; and (3) ensure adequate records are maintained to support purchases.

Audit of IT Infrastructure

To provide reasonable assurance on the adequacy and effectiveness of cloud computing controls. The audit will specifically assess whether the:

- IT framework and strategy for cloud services are adequately designed and are in line with business and operational needs;
- risks associated with cloud computing are effectively managed; and
- HHS IT division ensures IT controls at the cloud providers are adequate and effective for optimal performance and security.

Audit of CAPPS Procurement Scoring

To determine the effectiveness of the design, implementation and utilization of the Procurement and Contracting Services (PCS's) CAPPS Scoring Tool in competitive procurements.

Health and Human Services Commission

Audit of Adult Mental Health and Crisis Services

Determine whether Adult Mental Health and Crisis services are delivered in accordance with contract requirements.

Audit of Utilization Review

Determine if Managed Care Utilization Review monitors that MCOs are using prior authorization and utilization review processes to ensure only necessary and appropriate services are authorized.

Audit of Home and Community-Based Services-Adult Mental Health (HCBS-AMH)

Determine if the HCBS-AMH Waiver program has efficient contract monitoring processes that are designed to ensure services delivery in accordance with contract requirements and effective utilization of resources.

Audit of Youth Empowerment Services (YES) Waiver Programs

Determine if the YES Waiver program has effective contract monitoring processes that are designed to ensure services delivery in accordance with contract requirements and efficient utilization of resources.

Audit of Select Contracts

To determine if select contracts are established, executed and managed in accordance with appropriate procedures and regulations.

Audit of Premiums Payable System

Assess the adequacy of select general, business process application, and user management controls in the Premiums Payable System.

Audit of Provider Finance – Hospital Supplemental Payments

Determine whether Hospital Services Uncompensated Care (UC) processes are designed to result in accurate, timely, and allowable payments to hospitals.

New Audits

Health and Human Services System

Incident Reporting

Determine if Information Technology security incidents are being identified, communicated, and reported by vendors and their subcontractors as required

Vulnerability and Patch Management

Assess the existence, design and effectiveness of information security controls implemented to detect, evaluate and remediate IT vulnerabilities including the patch management processes.

IT Contract Management

Determine if contract monitoring effectively ensures vendors are providing agreed upon services and information per contract requirements for select systems.

IT General Controls Audit of Select Systems

Determine if IT general controls for select systems minimize risk and comply with applicable standards and policies.

Audit Verifications

Perform verification on select prior audit recommendations reported by management as implemented.

Health and Human Services Commission

Petty Cash

Determine whether effective controls exist over selected petty cash accounts to ensure transactions are appropriate and in compliance with policy.

Office of the Ombudsman

Determine if the Office of the Ombudsman processes support the effective and timely resolution of contacts made by HHS clients or consumers.

2-1-1 Texas Information and Referral Network (TIRN)

Determine if monitoring effectively ensures information communicated is accurate and contractors are providing services in accordance with contract terms.

Community Care Services Eligibility

Determine if processes are in place to ensure compliance with eligibility requirements and HHSC policies for obtaining, verifying, and retaining support for eligibility determinations.

Audit of COVID-19 Funding at HHSC

Determine if COVID-19 funding was appropriately distributed and utilized in accordance with federal requirements.

Business Management of SSLC's and SH's

Determine whether business services has effective monitoring in place to ensure state hospital and state supported living center expenditures are within appropriation levels.

Medicaid and CHIP Services - Program Support & Interest List

Determine whether processes in place to manage interest list activities and facilitate the eligibility and enrollment processes are timely and effective in preventing service delays and disruptions.

Guardianship Program

Determine whether Guardianship Program and agency policies and procedures ensure guardianship is created, transferred, maintained, and closed in accordance with applicable state requirements.

Office of Inspector General Investigations and Reviews Section's Referral Process

Determine if Investigations and Reviews has adequate processes to receive referrals regarding allegations of fraud, waste, and abuse from a variety of sources and that the referrals provided are reviewed, communicated, and followed up on according to applicable federal, state, and program requirements.

Leasing Activities

Assess the effectiveness of leasing activities to ensure that:

- Lease contracts contain standard language to provide for the agency's best interests, and contracts are properly approved, monitored, and recorded for tracking.

- Rates and terms in the lease contracts are best value for the state and/or fair market value.
- Conflict of Interest forms are signed and contain language that demonstrates that conflicts of interest that are not disclosed will face penalties.
- Renters/lessees comply with financial and special terms of contracts.
- Timely follow-up is performed on missed or late lease/rental payments.
- Collection and/or deposit of lease/rental payments are in compliance with agency policy.

Cost Reporting, Time, and Accountability Review

Determine whether cost report reviews performed help ensure data is complete, accurate, allowable and timely for use in developing select rates.

Payroll, Time, Labor, and Leave

Determine whether processes over payroll, time, labor, and leave ensure employees are compensated accurately and any overpayments are effectively recouped.

Emergency Procurement of Contracts

Determine whether emergency procurements comply with state requirements, policy, and allow for the proper procurement of goods and services.

Department of State Health Services

COVID-19 Funding at DSHS

Determine if COVID-19 funding was appropriately distributed and utilized in accordance with federal requirements.

Newborn Screening Care Coordination

Determine if Newborn Screening Care Coordination has processes to:

- support accurate, complete, and timely testing of all babies born in Texas
- address all abnormal screening results appropriately through follow-up and case management services.

Select Contracts at DSHS

Determine if select contracts are established and executed in accordance with appropriate procedures and regulations.

Consulting Services

In addition to audit services, Internal Audit Division also performs consulting services intended to add value and improve governance, risk management, and control processes. Consulting services are advisory in nature and are generally performed at the specific request of management. The work performed is subject to Internal Audit's agreement with management regarding project scope and objectives and is based on Internal Audit's consideration of potential impairments to independence and objectivity. When performing consulting services, Internal Audit maintains independence and objectivity and does not assume management responsibilities. The Director makes the determination to accept these engagements based on resources available in the Internal Audit Division subject to Executive Commissioner approval.

HHS Fiscal Year 2022 Internal Audit Plan Revisions

The following changes were approved to the Fiscal Year 2022 Internal Audit Plan by Executive Commissioner Cecile Erwin Young.

Effective October 1, 2021

Audit of IT Infrastructure (removed from plan)

To provide reasonable assurance on the adequacy and effectiveness of cloud computing controls. The audit will specifically assess whether the:

- IT framework and strategy for cloud services are adequately designed and are in line with business and operational needs;
- risks associated with cloud computing are effectively managed; and
- HHS IT division ensures IT controls at the cloud providers are adequate and effective for optimal performance and security.

Effective February 3, 2022

Incident Reporting (removed from plan)

Determine if Information Technology security incidents are being identified, communicated, and reported by vendors and their subcontractors as required.

Effective April 12, 2022

Leasing Activities (removed from plan)

Assess the effectiveness of leasing activities to ensure that:

- Lease contracts contain standard language to provide for the agency's best interests, and contracts are properly approved, monitored, and recorded for tracking.
- Rates and terms in the lease contracts are best value for the state and/or fair market value.
- Conflict of Interest forms are signed and contain language that demonstrates that conflicts of interest that are not disclosed will face penalties.
- Renters/lessees comply with financial and special terms of contracts.
- Timely follow-up is performed on missed or late lease/rental payments.
- Collection and/or deposit of lease/rental payments are in compliance with agency policy.

HHS Fiscal Year 2022 Internal Audit Plan Revisions

Audit of State Supported Living Center and State Hospital Differential Pay (added to plan)

Determine whether state supported living center and state hospital processes for shift differential and maximum-security pay ensures only eligible staff receive this compensation.