

Internal Audit Plan

Fiscal Year 2021

September 1, 2020

Nicole Guerrero

Digitally signed by Nicole
Guerrero
Date: 2020.09.04 18:32:54 -05'00'

Nicole M. Guerrero, MBA, CIA, CGAP
Director of Internal Audit and Compliance

Cecile Erwin Young

Digitally signed by Cecile Erwin
Young
Date: 2020.09.04 18:18:29 -05'00'

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.

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- **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 2021 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 2021, including projects started in a previous fiscal year and planned to be completed in fiscal year 2021, are listed below with a brief description of each project.

Carry-Forward Audits

Health and Human Services System

IT Preparedness for Malware Threats and Malicious Software

Objective: Determine whether HHS has effective controls to prevent, detect and respond to malware threats and malicious software infecting their computer systems.

Health and Human Services Commission

Contract Expenditures

Objective: To determine whether contract expenditures are:

- Properly authorized;
- Processed correctly; and
- Not in excess of the contracts maximum current value

Data Use Agreements (DUA)

Objectives:

- Determine whether DUAs are utilized as required.
- Determine whether the HHS System effectively enforces based on DUA requirements.
- Determine if there are established processes to evaluate, prioritize, and approve data, research, and publication requests for fulfillment by HHS.

Office of Civil Rights

Objective: Determine if the Civil Rights Office has processes in place to ensure compliance with applicable requirements, timely processing of resolution and complaints, and consistent application of remedial action.

Office of Inspector General's Benefits Program Integrity

Objectives:

- Determine whether Benefits Program Integrity investigations and reporting result in the identification and recovery of program funds.
- Determine whether the Benefits Program Integrity processes are effective and efficient.

Rate Analysis - School Health and Related Services (SHARS)

Objective: Determine whether SHARS processes are designed to result in accurate, timely, and allowable payments to school districts.

Access and Eligibility Services' Community Access

Preliminary objective: Determine whether Aging Services effectively monitors subrecipients to ensure service delivery in accordance with contract requirements.

C-061 External Data Sharing Compliance

Preliminary objective: Determine whether HHSC appropriately complies with C-061 requirements and ensures HHS data is adequately protected and appropriately distributed.

Information Security Office Exceptions

Preliminary objective: Determine whether the process over granting or denying Information Security Office exceptions meets minimum federal or state security requirements.

Department of State Health Services

Consumer Protection-Business Filing and Verification

Preliminary objectives:

- Determine whether the department is meeting established objectives.
- Determine whether performance measures accurately reflect intended program activity and are used to effectively monitor the program.

DSHS Pharmacy

Preliminary objective: Determine whether controls over intake, medication dispensing and physical security ensures that pharmacy services are provided as required.

New Audits

Health and Human Services System

Audit of Procurement Cards

Preliminary objective: 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 TAC 202 Requirements

Preliminary objective: To evaluate the controls and processes in place to ensure compliance with Texas Administrative Code Title 1, Part 10, Chapter 202 Subchapter B (TAC 202) and assess the adequacy and effectiveness of policies and procedures.

Audit of IT Infrastructure

Preliminary objective:

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

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

Audit of Select Contracts

Preliminary objective: To determine if select contracts are established and executed in accordance with appropriate procedures and regulations.

Audit Verifications

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

Health and Human Services Commission

Audit of Healthcare Regulation

Preliminary objective: Determine whether the Health Care Regulation Section ensures that state-issued licenses for facilities and behavioral health professionals are granted in accordance with internal processes, state rules and regulations.

Audit of the Women's, Infant, and Children's Program (WIC)

Preliminary objective: Determine whether WIC has effective contract monitoring processes in place to ensure service delivery in accordance with contract requirements.

State Plan for Independent Living

Preliminary objective: Determine whether Independent Living Services has processes in place to monitor contracts to ensure services are provided in accordance with contract requirements.

Premium Payables System

Preliminary objective: Assess the adequacy of select general and business process application controls in the Premium Payables System.

Audit of Adult Mental Health and Crisis Services

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

Audit of Utilization Review

Preliminary objective: 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.

Rate Analysis - Hospital Supplemental Payments

Preliminary objective: Determine whether Hospital Services supplemental payments are calculated accurately, distributed timely, and allowable.

Department of State Health Services

Audit of Texas HIV Medication Program (THMP)

Preliminary objective: Determine whether the Texas HIV Medication Program provides services to eligible clients in accordance with established rules, 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.

The following changes were approved as an addition to the Fiscal Year 2021 Internal Audit Plan by Executive Commissioner Cecile Young on March 12, 2021:

Audit of Learning Resource Network (LRN) (add to plan)

Objective: Determine if LRN has efficient and effective processes in place to ensure the training needs of the agency are identified, prioritized and met.

Audit of Home and Community-Based Services-Adult Mental Health (HCBS-AMH) and the Youth Empowerment Services (YES) Waiver Programs (add to plan)

Objective: To determine if the HCBS-AMH and the YES Waiver programs have efficient contract monitoring processes that are designed to ensure service delivery in accordance with contract requirements and effective utilization of resources.