

FINANCIAL SERVICES ADMINISTRATION
Auditing Staff



2016 SUPPLEMENTAL BUDGET

Request	FY16	FY17	15-17
FTE	0.0	6.0	3.0
GF-State	\$0	\$589,000	\$589,000
Total	\$0	\$717,000	\$717,000

DECISION PACKAGE SUMMARY

DSHS Financial Services Administration (FSA) requests funding to hire five Internal Auditor FTEs and one Information Technology Auditor to be specifically charged with assisting the Chief Audit Executive to conduct internal audits as referenced in RCW43.88.160, SAAM20.40.40 and Institute of Internal Auditors (IIA) Standard 2000.

PROBLEM STATEMENT

The DSHS Internal Audit Section has decreased in FTEs from 41 in 1988 to its current staffing level of 8.5. There are approximately 250 identified audit areas on the Internal Audit universe which is constantly expanding. Internal Audit conducts audits of these 250 areas to ensure that assets are safeguarded, policies and procedures are followed, there is accuracy and reliability of its accounting data, client health and safety procedures for residents are followed and operational efficiency is promoted. Background Checks, Client Resident Funds, Contracts Administration and Monitoring are significant risk areas to DSHS and should be audited frequently. There are currently 77,209 contracts valued at \$490 Million at DSHS. In addition to the approved annual audit plan each fiscal year, Internal Audit has done significant work in areas of fraud investigation and consultation engagements. It is increasingly difficult, if not impossible, to meet all of the audit and consultation demands in a timely manner.

Institutions and 24/7 Facilities: There is currently a combination of 24 locations including state psychiatric hospitals, institutions, state operated living alternatives (SOLA) and juvenile rehabilitation community facilities in our audit universe. Internal Audit's goal is to audit these type facilities once every three years. Current resources do not enable the agency to reach this goal, and several institutions have not been audited in over five years. The period of time between audits of community facilities is even greater.

Community and Regional Offices: DSHS provides services in over 100 community and regional offices across the state. Many of these have not been audited, or it has been several years since an audit was completed. A Change of Administrator self-assessment tool was created to help enhance internal controls. Additional resources will allow Internal Audit to provide internal audits of the community and regional offices on a rotational basis working towards a goal of once every three years.

Special Projects: Administrations often request additional work to be completed during the course of the audit year. During the Fiscal Year 15 (FY15) Audit Year there were 10 special projects not identified in the Audit Plan for a total of 3,457 hours worked by Internal Audit that were requested from the Secretary or executive management.



DSHS VISION
People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION
To transform lives

DSHS VALUES
Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

Information Systems Risk Assessments: The requirements by the Office of Civil Rights and the Code of Federal Regulations (CFR) 164.308 (A) states: "A Risk analysis is required. Conduct an accurate and thorough assessment of the potential risk and vulnerabilities to the confidentiality, integrity and availability of electronic protected health information held by the covered entity or business associate".

Currently, there are 87 systems in which a risk analysis has been completed by the Security Rules Office. Internal Audit has coordinated with the Security Rule Program Manager to conduct audits of the completed risk analysis for each system to satisfy requirements. Internal Audit has one system on the FY16 Audit and Consultation Plan scheduled in January 2016. However, a lack of Internal Audit IT Staff will prohibit the completion of this project in its entirety for the 87 systems in the near term. As the Security Rule Program Manager continues to expand the number of systems that will require a risk assessment, the number of required audit hours will continue to be of demand.

Quality Assurance Review: Internal Audit recently completed a Quality Assurance Review (QAR) by an independent external assessor as required by the Institute of Internal Auditors Professional Standards. This is required every five years. The last review prior to Internal Audit's 2014 QAR was completed in 2006. One of the findings in the report was the following;

"DSHS Executive Management recognizes the need and budgets for a larger, well qualified internal audit staff over the next several biennia. A staff that is suitable to the whole agency and can audit more strategically, has an in depth knowledge of current business and management practices, uses data analytics and IT audits, uses advanced risk assessment and program performance outcomes to increase Internal Audit's value to the whole agency".

PROPOSED SOLUTION

FSA intends to hire five Internal Auditors and one Information Technology Auditor. These positions will provide statewide coverage. They will be assigned internal audit and consultation engagements outlined on the annual audit plan as directed by the Internal Audit Manager and the IIA Standards and described in RCW 43.88.160(4).

The six auditors will provide an independent and objective review of internal controls of an assigned audit or consultation engagement with respect to safeguarding of assets, compliance with policies and procedures, accuracy and reliability of its accounting data and promoting operational efficiency. The additional audit capacity could potentially lead to cost savings and cost avoidance. These additional resources will allow for enhanced performance audit capabilities as well.

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EXPECTED RESULTS

Both internal audits and consultations can assist executive and mid-level management to ensure proper internal controls are in place to support the strategic goals of each administration. Internal Audit can provide an independent, objective assurance and consulting activity designed to add value and improve DSHS' operations. Internal Audit can help DSHS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and their governance processes.

STAKEHOLDER IMPACT

It is anticipated that there would be only positive reinforcement related to the proposed investment from stakeholders. The increase of six FTEs will give increased internal audit coverage, align with both DSHS and FSA's strategic plan and add value to DSHS. They will assist executive and mid-level management in safeguarding assets, following policies and procedures and promoting efficiencies as outlined in RCW 43.88.160(4) and the IIA Standards.