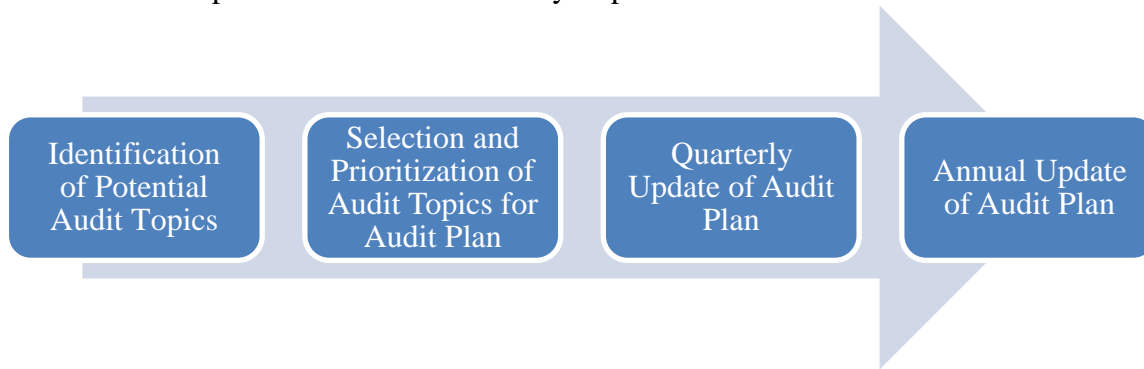


**Health and Human Services Commission
Inspector General Audit Division
Risk Assessment**

The IG Audit Division conducts a continuous risk assessment to identify potential audit topics for inclusion in its Two-Year Rolling Audit Plan. Potential audit topics represent areas with an elevated potential for fraud, waste, and abuse, and include (a) programs, (b) processes and systems, (c) contracts, and (d) services delivered by providers and contractors. The continuous risk assessment process consists of four key steps:



Identification of Potential Audit Topics

Potential audit topics are identified from a variety of sources. Some of the sources are described in the table below.

Source	Description
Data Analytics	<ul style="list-style-type: none"> • Use data analytics to identify high risk types of services and programs. • Work with the IG Data Analytics unit to develop algorithms for a specific service or program to identify anomalies relating to service utilization, providers, contractors, and payment methodologies.
Internal and External Audit Activities	<p><u>Internal Audit Activities</u></p> <ul style="list-style-type: none"> • Meet with the HHS System Internal Audit Divisions to discuss the results of their Annual Risk Assessments and if there are any high risk audit topics that will not be covered due to limited resources. • Review the HHS System Internal Audit Divisions' Annual Audit Plans to identify audits planned for the next fiscal year to minimize any potential duplication of audit activities. • Review final audit reports to identify any information that might be beneficial to planned IG audits, or risks that indicate a need for a future audit.

**Health and Human Services Commission
Inspector General Audit Division
Risk Assessment**

Source	Description
	<p><u>External Audit Activities</u></p> <ul style="list-style-type: none"> • Review annual work plans to identify current and planned external audits, when available, to minimize any potential duplication of audit activities. • Review issued audit reports to identify any information relevant to identify any information that might be beneficial to planned IG audits, or risks that indicate a need for a future audit. External audit organizations include: <ul style="list-style-type: none"> ○ Texas State Auditor's Office ○ U.S. Department of Health and Human Services (DHHS) Office of Inspector General (OIG) ○ U.S. Department of Agriculture OIG ○ U.S. Government Accountability Office ○ U.S. DHHS Centers for Medicare and Medicaid Services Medicaid Integrity Contractors
Interviews and Requests	<ul style="list-style-type: none"> • Conduct interviews with HHS management and staff, and external stakeholders to solicit input about high risk areas and potential audit topics. • Receive requests from internal and external stakeholders.
Outsourced MCO Audits and Reviews	<ul style="list-style-type: none"> • Review the results of outsourced audits and reviews performed by external audit firms of managed care organizations (MCO), which include agreed-upon procedure engagements of Financial Statistical Reports (FSRs), performance audits, and risk assessments.
Other IG Divisions	<ul style="list-style-type: none"> • Receive referrals from the IG Investigations Division and IG Inspections Division.

**Health and Human Services Commission
Inspector General Audit Division
Risk Assessment**

Selection of Audit Topics for Audit Plan

After compiling the list of potential audit topics, the IG will consider several factors to select audits for the audit plan, and to prioritize audits within the plan:

- Requests from the legislature and executive management
- Current oversight activities, including internal and external audits
- Public interest
- Available resources

The audit plan consists of two components and covers a two-year period. The first component focuses on the audits the IG plans to initiate during the next six months. The second component covers the balance of the two year period and includes potential audit topics that represent possibilities for future consideration.

Quarterly Update of Audit Plan

The audit plan is updated quarterly to reflect changing risks and priorities, and to accommodate executive management requests for audit services.

With each update, the IG will share a draft of its plan with the Medicaid and CHIP Services Department, HHS System internal audit directors, and other applicable program areas, to obtain their input and to help ensure there is no duplication of planned audit work. The plan is approved each quarter by the Inspector General.

The current approved audit plan is published on the public IG website.

Annual Update of Audit Plan

Annually, the IG shares a draft audit plan with HHS executive management, including the HHSC Chief Deputy Executive Commissioner, the HHSC Chief of Staff, the HHSC Chief Operating Officer, the HHSC Chief Counsel, the HHSC Deputy Executive Commissioners, and the HHS System agency commissioners. The draft audit plan is then shared with the HHSC Executive Commissioner for review and acknowledgement before the plan is submitted to the Inspector General for final approval.