

**TEXAS MEDICAL BOARD**  
Austin, Texas

**ANNUAL INTERNAL AUDIT REPORT**

Fiscal Year 2015



TEXAS MEDICAL BOARD  
Austin, Texas

Annual Internal Audit Report  
Fiscal Year 2015

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS



Board Members and  
Executive Committee  
Texas Medical Board  
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the Licensing of Physicians area of the Texas Medical Board (TMB); and, its compliance with applicable statutes, rules, and TMB's established policies and procedures for the 9 months ended May 31, 2015.

The results of our tests disclosed that such controls were adequate and no material instances of noncompliance were noted; however, we noted certain matters, which are included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements, and TMB's established policies and procedures. We also performed a follow-up of a finding that was reported and presented in a prior year internal audit report by TMB's predecessor internal auditor and this report reflects the implementation status of that matter; and, includes all information required for the Annual Internal Audit Report.

We have discussed the comments and recommendations from the Licensing of Physicians area audit; and, the implementation status from the follow-up performed, with various TMB personnel, and we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.

*Garza/Gonzalez  
& Associates*

July 22, 2015

## INTRODUCTION

The Texas Medical Board (TMB), formerly the Texas State Board of Medical Examiners, is an agency statutorily empowered to regulate the practice of medicine in Texas. The purpose of TMB is to protect the public's safety and welfare through the regulation of the practice of medicine. The Texas Occupations Code (TOC) Chapters 151 through 168, also known as the Medical Practice Act, includes enabling statutes for TMB as the primary means of licensing, regulating, and disciplining physicians. TMB also provides oversight and support for the Texas Physician Assistant Board and the Texas State Board of Acupuncture Examiners.

In 1837, the first Medical Practice Act was written, and the Congress of the Republic of Texas then created the Board of Medical Censors for the purposes of administering examinations and granting medical licenses. The Board was discontinued by legislative act in 1848, but another regulatory law for physicians was enacted in 1873. The Texas State Board of Medical Examiners was formed in 1907, and the 79<sup>th</sup> Legislature changed its name to Texas Medical Board, effective September 1, 2005.

TMB's governing board consists of 19 members that serve staggered 6 year terms and who are appointed by the Texas Governor (the Governor) with the advice and consent of the Texas Senate. The board consists of 9 physicians with a degree of doctor of medicine (M.D.) and licensed to practice medicine in Texas for at least 3 years; 3 physicians with a degree of doctor of osteopathic medicine (D.O.) and licensed to practice medicine in Texas for 3 years; and, 7 members who represent the public. The Governor designates a member of the board to serve as the President of the board. The board is statutorily required to meet at least 4 times a year, although it currently meets 5 times a year. Many of the board's duties are carried out in committee; recommendations made in committee are then accepted, modified, or rejected by the full board. The board's standing committees consist of the following:

- Disciplinary Process Review Committee (DPRC)
- Executive Committee
- Finance Committee
- Licensure Committee

Each board committee is composed of board members appointed by the President of the board and includes at least one physician member who is a D.O. and one public member.

### **2015 Internal Audit Plan**

Following are the internal audits and other functions performed, as identified in TMB's approved 2015 Internal Audit Plan:

- Licensing of Physicians
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of our audit of the Licensing of Physicians area, reflects the follow-up performed in the current year, and meets the Annual Internal Audit Report requirements.

## INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of TMB's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

## EXECUTIVE SUMMARY

### BACKGROUND

#### Licensing of Physicians Area

The Texas Medical Board (TMB) is responsible for issuing full medical licenses in the state of Texas to physicians who meet all licensing requirements to practice medicine in Texas. A person may not practice medicine in Texas unless the person holds a physician license. The Licensing of Physicians area is governed by the Texas Occupations Code (TOC) Chapter 155 – License to Practice Medicine and Texas Administrative Code (TAC) Title 22, Part 9, Chapter 163 – Licensure.

#### Physician Licensing

##### Organizational Structure

Physician license applications are processed in 2 stages: screening and licensing. These stages are managed by two departments within the Licensure and Consumer Service Division that closely work together; the Pre-Licensure, Registration and Consumer Services (PRC) Department, and the Licensure Department.

The PRC Department is responsible for the screening process and is comprised of one Manager, 2 PRC Specialists, 4 PRC Analyst IIs, 10 PRC Analyst Is, and 2 PRC Administrative Assistants. The Licensure Department is responsible for the licensing process and is comprised of one Manager, one Team Leader II, one Team Leader, 2 Licensure Quality Assurance (QA) Specialists, 8 Licensure Analyst IIs, 8 Licensure Analyst Is, and 2 Administrative Assistants. Managers of both departments report directly to the Executive Director.

##### Software

The following software applications are used during the screening and licensing processes:

**Structured Query Language (SQL) Tracer** is TMB's in-house application that contains physician license processing systems and maintains complete profiles of all applicants. TMB staff members use SQL Tracer throughout the course of the licensing process to keep track of and update an applicant's status.

**Laserfiche (LF)** is a document management system used throughout the licensing process to manage documents in electronic format. All physician license applications submitted on or after December 31, 2010 are electronic and are stored in LF. When licensing related documents are received, they are scanned into an applicant's file in LF by a PRC staff member and later accessed by analysts when reviewing applications.

**Licensure Inquiry System of Texas (LIST)** is the public facing system which allows TMB staff to correspond with applicants during the screening and licensing process. After an applicant creates a LIST account, LIST allows them to view the items needed to complete the application process and check their application status. LIST is linked to SQL Tracer, which allows the missing information assembled by an analyst in SQL Tracer to be displayed in LIST.

Physician License Requirements

To practice medicine in Texas, a person must:

- Submit to TMB a license application;
- Present satisfactory proof of eligibility requirements; and,
- Satisfy the examination requirements.

Eligibility requirements vary depending on the types of applicants. TAC Subsections 163.2 (a) – 163.2 (e) define the requirements for the following 5 types of applicants:

1. Graduates of medical schools in the U.S. or Canada (Domestic)
2. Graduates of medical schools outside the U.S. or Canada (IMG)
3. Fifth Pathway Program\* applicants
4. Alternative license procedures for qualifying military spouse
5. Education and training requirements consideration for applicants with military service, training, or education

\* *Fifth Pathway Program was created by the American Medical Association (AMA) to allow eligible international medical students to complete their supervised clinical work at a U.S. medical school; to become eligible for entry to U.S. residency training; and to obtain a license to practice in the U.S.*

To meet eligibility requirements, all applicants must meet the following general requirements:

- Be at least 21 years of age;
- Be of good professional character;
- Have completed 60 semester hours of college courses;
- Be a graduate of a medical school approved or accepted by TMB;
- Completed 1 or 2 years, depending on the country of the medical school, of post graduate training; and,
- Pass the Texas Jurisprudence Exam.

All applicants must also provide documentation that demonstrates the applicant has, on a full time basis, actively practiced medicine in either of the last 2 years (Active Practice of Medicine).

To meet the examination requirements, an applicant must generally satisfy the following:

- Pass the exams that are accepted for licensure;
- Pass each part of an examination within 3 attempts;
- The time frame between the first passed step and the last passed step must be within 7 years; and,
- The last passed step must be within 10 years from application date (Ten Year Rule).

To demonstrate that these requirements are met, all applicants, both domestic and IMG, must provide the following documentation:

- Birth document such as birth certificate or passport;
- Proof of name change, if applicable;

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- Examination scores;
- Dean's Certification (TMB Form D) and accompanying transcript from medical school;
- Training and Work Evaluations (TMB Form L);
- Physician Profile Reports from the American Medical Association (AMA for M.D.s) or the American Osteopathic Association (AOA for D.O.s), used to verify physician credentials;
- Reports from the National Practitioner Data Bank and Health Integrity and the Protection Data Bank (NPDB-HIPDB), used to search such issues as medical malpractice and state licensure actions;
- Fingerprint results from the Texas Department of Public Safety (DPS) and the Federal Bureau of Investigation (FBI); and,
- Specialty Board Certification, if applicable.

IMG applicants are required to submit all items listed above in addition to the following:

- Educational Commission for Foreign Medical Graduates (ECFMG) Status report (Form M), used to verify international medical education credentials.
- Clinical Clerkship Affidavit (Form J), used to identify applicants for whom verifying eligibility is more complex than other IMG applicants.

TMB staff may request additional support if determined necessary.

#### Online Application

Individuals applying for a physician license must complete an online application available through TMB's website, within 15 days from the start of the application process.

Upon completion of the application, the applicant is directed to Texas.gov website to pay the application fee, which is currently \$1,017. Once the fee is paid, the screening process begins. Applications expire in one year, and the fee for incomplete application is forfeited unless an extension is granted by TMB.

#### Screening Process

Once an application is submitted, LIST provides the applicant with a list of items or documents required to be submitted to TMB.

PRC staff members are responsible for the screening process and ensure an applicant has submitted all required items. When documents are received from applicants, schools, hospitals and others, PRC staff members scan them into the applicant's application folder in LF. The PRC staff members update LIST by entering a "Received Date," as items are received. They will then notify the applicant of the update through LIST's messaging system. Applications are reviewed by an analyst in the Licensure Department only after the screening process is complete.



## Licensing Process

### *Assigning files to analysts*

About 2-3 times a week, an assigner who could be a Licensure Quality Assurance Specialist, a Team Leader, or an Analyst II, assigns screened applications to Licensure Analysts.

The assignment is based on current workload as well as potential complexity of the application based on responses to questions and the skill level of the Licensure Analyst. The Licensure Department uses the "Training Stage" system based on an analysts' skill level to ensure the analysts' outputs are adequately monitored and applications with certain complexity levels are assigned only to those who are capable of properly processing them.

### *Processing applications*

Analysts primarily work on applications inside SQL Tracer. When an application is assigned, the analyst first verifies general information and then reviews all required documents in detail to ensure they are acceptable, up to date, authentic, and complete. The analyst verifies the following documents as well as any additional items considered necessary:

- **Birth Document**
- **Form D, Dean's Certification** – The medical school is requested to complete Form D, affix a school seal over the applicant's photo, and return it to the applicant along with the official transcript in a sealed official envelope. Upon verification of the seal on the hard copy, the analyst inserts a personal electronic stamp (LF stamp) to the imaged file of Form D to indicate the hard copy was verified.
- **Form(s) L, Post Graduate Training and Professional Evaluation** – An applicant requests every facility he or she had been affiliated with in the past 5 years to complete evaluations. The evaluating physician is asked to place the evaluation in a sealed official envelope and mail it directly to TMB. For postgraduate training evaluation, the analyst ensures it was accredited by the Accreditation Council for Graduate Medical Education (ACGME), American Osteopathic Association (AOA) or Royal College of Physicians (RCP). When verified, analysts insert an LF stamp under the Work History section of the application along with a note indicating the accreditation. The analyst also ensures the applicant meets the Active Practice of Medicine requirement.
- **Reports** – The analyst reviews the following reports to identify potential issues that may or may not have been reported by the applicant:
  - **AMA/AOA profile reports** – A Licensure's Administrative Assistant generates these reports and scans them into LF for the analyst to review.
  - **NPDB/HIPDB reports** – Applicant performs a self-query at each website, and submits a copy directly to TMB.
  - **Fingerprint results from DPS and FBI**
- **Exam Eligibility** – The analyst verifies the number of attempts, length of time between attempts, and the Ten Year Rule. If an applicant qualifies for an exception to the general rules, the analyst documents it in LF. The analyst also verifies the applicant passed the Texas Medical Jurisprudence Examination.

Based on the review, an analyst may request additional documentation from an applicant.

#### *Completion*

When the review is complete, the applicant is eligible for a temporary license if requested, until a permanent license is issued on the next scheduled License Issuance Date found on TMB's website. License issuance dates are the 1st and the 15th or the next business day of each month, or at the board meeting.

#### *Quality Assurance (QA) Checks*

QA Specialists perform an Initial Check and/or Final Check for the applications processed by analysts who require such checks based on the analysts' training stages and the complexity of the applications. In addition, prior to issuance of a permanent license, QA Specialists conduct a 3-Point QA Check for all applications, which consists of a review of the examination, training, and Ten Year Rule requirements. QA Specialists review each of these 3 areas and provide feedback to an analyst if necessary. QA Specialists also perform, on a test basis, more detailed QA checks for less supervised analysts to monitor their quality of work.

#### *File Reviews*

All applicants who answer "yes" to any of the professionalism questions, called "review issues" on the application will require a "file review" by either the File Review Meeting, which includes the Licensure Manager, the Licensure Team Leaders and the Assistant General Counsel; or, the Licensure Manager alone, depending on the type and number of issues reported. Typically, applications that have a single issue require a file review only by the Licensure Manager.

If the application requires review by the File Review Meeting, the analyst prepares a review summary (ED Summary) and presents the application file before the File Review Meeting. Possible outcomes of the review include:

- Approved/Denied/Deferred for More Information
- Referred to the Executive Director, on complex application issues
- Referred to the Medical Director, on clinical issues
- Referred to the Licensure Committee Chair by the Executive Director
- Referred to the Licensure Committee

The Executive Director signs the ED Summary once a final determination is made, and the scanned copy is filed in the application file.

#### Policy Review and Reporting Requirements

TOC subsection 155.007 (h) requires not later than January 1 of each year, the Executive Director must review the policy and procedures on issuing licenses and TMB must perform a needs assessment and determine the performance goals. TMB performs policy and procedure reviews and a needs assessment on an ongoing basis.

Additionally, TOC Subsections 155.007 (i), (j), and (l) require not later than August 1 of each even-numbered year, the Executive Director must issue a report to the governor, the Legislative Budget Board, and the relevant committees of state senate and the house, on the state of the board's licensing process. The report must include:

- Projected yearly budget for staffing and technology improvements;
- Any specialty certification information collected from applicants;
- The location where each applicant intends to practice; and,
- In aggregate form, data collected since the prior report relating to criminal offenses.

TMB submitted its most recent Biennial Report on Physician Licensure to the oversight offices in August 2014.

TMB is statutorily required by TOC Subsection 155.007 (m) to ensure the average time to process physician license application during each reporting period does not exceed 51 days. During the first 3 quarters of fiscal year 2015 ended May 31, 2015, TMB reported that it licensed 2,847 new physicians and that the average number of days for issuance was 35 days. TMB recorded \$3,400,909 in application fee revenue during the same period.

### **Physician Registration/Renewals**

The PRC Department is responsible for registration and renewals of physician permits. One Analyst II and two PRC specialists are assigned to physician registrations/renewals.

#### *Initial Registration*

Per TAC §166.1(a), each licensed physician is required to register with TMB, submit a current physician profile, and pay a fee. Once issued a license, physicians are given 90 days to register their license. The PRC Department is responsible for sending the newly licensed physician a letter informing them of the registration requirement.

A licensed physician can apply for registration/renewal by completing an application form that is available on TMB's website and paying the applicable registration fee. Registration is an automated process, whereby upon completion of an application, the physician's profile is automatically updated with the information submitted.

The first registration period is assigned by TMB and can be for 6 to 24 months. Initial registration fees are prorated in accordance with the registration period.

Once the physician has registered and paid the fee, the PRC Analyst II will send a list of the names and addresses of the physicians who registered, to a third-party vendor who will print and mail the permits to the physicians.

If the physician has not registered their license after 90 days, the PRC Analyst II will change the license status to "delinquent" in the SQL Tracer system and a \$150 penalty fee will be assessed. After one year, the status will be changed to "cancelled" and the physician's license will be cancelled.

### *Renewals*

In accordance with TOC §156.001, TMB requires each licensed physician to renew their registration permit every 2 years. Physician licenses expire on one of the following dates as assigned at the time of licensure: February 28<sup>th</sup>; May 31<sup>st</sup>; August 31<sup>st</sup>; or November 30<sup>th</sup>.

Even numbered licenses expire in even numbered years; while, odd numbered licenses expire in odd numbered years.

Once every quarter, a list from the SQL Tracer system, documenting the names and addresses of the physicians whose permits will expire within 60 to 90 days is generated by the PRC Department and sent to a third-party vendor, who prints and mails registration reminder postcards to the physicians. The postcard informs the physician the date their permit will expire; become delinquent; and, be canceled, if not renewed. The postcard also documents the renewal and penalty fees, if not renewed.

TOC §156.004(b) provides a 30 day grace period for renewing the registration permits from the date of expiration; therefore, permits will not become delinquent until after the 30 day grace period.

The current physician renewal registration fee is \$852. After the 30 day grace period, an additional penalty fee of \$75 to \$150, based on the number of days expired, is assessed.

Renewal applications are processed in the same manner as the initial registration applications; whereby, the information is automatically updated. However, if the physician answers “yes” to any of the enforcement questions asked on the application, an email is sent to the Analyst II for review. The Analyst II will determine whether or not it should be forwarded to the Investigations Department for further action. The Analyst II records all “yes” answers in the Disciplinary Questions spreadsheet and documents the action taken.

### *Continuing Medical Education*

TAC §166.2(a) states that a prerequisite to the registration of a physician’s permit is to complete 48 credits of continuing medical education (CME) every 24 months. The physician is only required to denote that they have satisfied the CME requirement on the application but not required to submit supporting documentation. On a quarterly basis, the PRC Department conducts a random CME audit of 1% to 2% of the renewal applications received by requesting physicians to submit the supporting documentation of CME reported.

During the first 3 quarters of fiscal year 2015 ended May 31, 2015, 27,840 physicians registered/renewed their permits and \$10,088,876 in renewal fee revenue was recorded.

### **Audit Scope/Objective**

The scope of our audit was the Licensing of Physicians area (Area) for the 9 months ended May 31, 2015. The objective of our audit was to gain an understanding of the processes and controls in place over the Area to determine whether they provide reasonable assurance for compliance with applicable state requirements and TMB's established policies and procedures.

The procedures performed to achieve the objective of our audit were as follows:

#### Physician Licensing

1. Obtained an understanding of Texas Occupations Code Chapter 155 and the Texas Administrative Code Chapter 163 related to the licensing of physicians.
2. Reviewed TMB's established policies and procedures relating to physician licensing, collected various documents, and conducted interviews to obtain an understanding of the processes and current practices in place for processing, approving or denying applications for physician licensing.
3. Reconciled TMB's recorded license application fees revenue to the expected revenue based on the number of applications.
4. Selected a sample of 10 new physician applications the Licensure Department received during the period from September 1, 2014 through May 31, 2015 and performed the following:
  - a. Reviewed source documents to ensure the applicant's eligibility and examination requirements were adequately supported.
  - b. Tested fees collected to ensure proper application and registration fees were collected and the new licensee registered within 90 days from the licensing date.
  - c. Reviewed file reviews to ensure applications requiring file reviews were reviewed by the appropriate party, which could be either the Licensure Manager or the File Review meeting.
5. Selected a sample of 15 new physician applications the Licensure Department received during the period from September 1, 2014 through May 31, 2015 and performed the 3 point QA Check by reviewing source documents, and ensuring all missing items had completion dates prior to the issuance of a license.
6. Selected a sample of 5 physician license applications that were over one year old as of June 30, 2015, and tested the following:
  - Ensured applications were granted an extension and reviewed TMB's documented reason for the extension to ensure the extension was granted for a reasonable cause.
  - Reviewed time sensitive documents to ensure documents had been updated, if necessary.

7. Reviewed TMB's most recent Biennial Report on Physician Licensure to ensure the Licensure Department's compliance with reporting requirements, as described in TOC Section 155.007 (i), (j), and (l).
8. Inquired of TMB's employees about the Licensure Department's policy and procedure review and needs assessment to ensure compliance with TOC Section 155.007 (h).
9. Reviewed the Licensure Department's performance measures for the 3<sup>rd</sup> quarter of fiscal year 2015 ended May 31, 2015, and assessed the accuracy and reliability of the following two key performance measures:
  - Number of new physician licenses issued to individuals; and,
  - Average number of days for individual physician licenses issuance.

Physician registration/renewals

1. Obtained an understanding of Texas Occupations Code Chapter 156 and the Texas Administrative Code Chapter 166 related to physician registration.
2. Reviewed TMB's established policies and procedures relating to physician registration, collected various documents, and conducted interviews to obtain an understanding of the processes and current practices in place for processing physician license registrations..
3. Reconciled TMB's recorded registration fees revenue to the expected revenue based on the number and lengths of registrations.
4. Selected a sample of 25 registration renewal applications processed during the period from September 1, 2014 through May 31, 2015 and tested for the following attributes:
  - a. Ensured the physician renewed within 2 years of the last registration;
  - b. Ensured the renewal application contained all the information required by TOC §156 and TAC §166;
  - c. Ensured the proper renewal fee was submitted;
  - d. Ensured the physician was eligible to renew online; and,
  - e. If a physician answered "yes" to an enforcement question, ensured the Analyst II evaluated the response(s) and forwarded the response(s) to the Investigations Department, as considered necessary.

**I. Compliance with Texas Government Code 2102: Required Posting of Internal Audit Information**

To comply with the provisions of Texas Government Code, 2102.015 and the State Auditor's Office, within 30 days after approval by TMB's Board, TMB will post the following information on its website:

- An approved fiscal year 2016 audit plan, as provided by Texas Government Code, Section 2102.008.

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- A fiscal year 2015 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor as well as the summary of the action taken by TMB to address such concerns.

**II. Internal Audit Plan for Fiscal Year 2015**

The Internal Audit Plan (Plan) included one audit to be performed during the 2015 fiscal year. The Plan also included a follow-up of the prior year audit recommendations as reported by TMB's predecessor internal auditor, other tasks as may be assigned by the Executive Committee and the Board members, and preparation of the Annual Internal Audit Report for fiscal year 2015.

**Risk Assessment**

Utilizing information obtained through the inquiries and background information reviewed, 22 audit areas were identified as potential audit topics. A risk analysis utilizing our 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 22 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Litigation  Licensing – Physicians  Fixed Asset Management	Compliance  Texas Physician Health Program  licensing – Physician Assistants  Quality Assurance (Licensing Department)  Licensing – Surgical Assistants  Licensing – Acupuncturists  Licensing – Physicians in Training  Purchasing/Procurement/Cash Disbursements	Investigations/Enforcement Support  Information Resources  Financial Reporting  Records Retention  Licensing – Other Types  Mail & Cash Receipts Processing  Human Resources & Payroll  Pre-Licensure, Registration, & Consumer Services  Governmental Affairs & Communications  Travel  Performance Measures

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In the prior three years, internal audits were performed in the following areas:

Fiscal Year 2014:

- Mail Processing and Cash Receipts Controls

Fiscal Year 2013:

- Governance

Fiscal Year 2012:

- Human Resources Data Security

The areas recommended for internal audit and other tasks to be performed for fiscal year 2015 were as follows:

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Report Date</u>
1.	Licensing of Physicians Area	7/22/2015
1.	Follow-up of Prior Year Internal Audits	7/22/2015
-	Other Tasks Assigned by the Board, Executive Committee, or Management	None

**III. Consulting and Nonaudit Services Completed**

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Audit Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards, December 2011 Revision*, Sections 3.33-3.58.

**IV. External Quality Assurance Review**

The internal audit department's most recent *System Review Report*, dated October 26, 2012, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.



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**V. Observations/Findings and Recommendations**

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Current Status (Implemented, Partially Implemented, Action Delayed, No Action Taken, Do Not Plan to Take Corrective Action or Other) with brief description if no yet implemented	Fiscal Impact/Other Impact
1	7/22/2015	Licensing of Physicians	<p>1. Verification Stamping (LF stamp) in Laserfische</p> <p>The Licensure Department's written procedures require that analysts insert a personal LF stamp—</p> <ul style="list-style-type: none"> <li>• To the imaged file of the Dean's Certification (Form D), to denote their verification that the school seal was affixed to the original Form D, as completed by the medical school, and that it along with the official transcript was received in a sealed official envelope; and,</li> <li>• In the work history section of the application, to denote their verification that postgraduate training was obtained from an accredited institution.</li> </ul> <p>Of the 10 physician license applications selected for detailed eligibility testing and the 15 applications selected for testing using TMB's 3-Point QA Check criteria, 4 exceptions were identified since the LF stamp was not included on Form D in 2 instances or in the work history section of the application in 2 other instances.</p> <p><b>Recommendation</b>          We recommend that the 3-Point QA Check, as performed by QA Specialists, include a review for the required LF stamps.</p> <p><b>Management's Response</b>          Management agrees with the recommendations and will implement a 4 point verification of physician licensure applicant files to include verification of seal by 12/31/15. In regards to verification of work history, currently staff will verify the training if the stamp is missing. Management will reiterate to staff that documentation should always include stamp to indicate training verified, and applications without the stamp will be rejected from the QA 4 point check, and returned to the analyst to verify training and stamp the application.</p> <p>2. Review of Written Procedures</p> <p>In accordance with TOC Subsection 155.007 (h), no later than January 1 of each year, the Executive Director shall review the policy and procedures TMB uses to issue licenses. Our review of the Licensure Department's written policies and procedures for physician licensing indicated that 33 of the 44 procedures did not reflect dates indicative of the date the procedure was established, last reviewed, or last modified. Therefore, we were unable to determine compliance with the TOC requirement.</p>		<p>To ensure policies and procedures are followed.</p> <p>To ensure required review of policies and procedures are documented.</p>

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Current Status (Implemented, Partially Implemented, Action Delayed, No Action Taken, Do Not Plan to Take Corrective Action or Other) with brief description if no yet implemented	Fiscal Impact/Other Impact
1	7/22/2015	Licensing of Physicians	<p><b>Recommendation</b>            We recommend the Licensure Department include a revision and review date on each procedure to provide evidence of compliance with the TOC requirement; and, ensure that staff members refer to only the most recent procedures.</p> <p><b>Management's Response</b>            Management agrees with the recommendation and will update existing procedures, by 12/31/15, with a date and provide a date for all future revisions.</p> <p>3. Performance Measures – Year-to-Date Average Number of Days for Individual License Issuance – Physicians</p> <p>Currently, the YTD method of calculation for this performance measure is not defined. As such, the YTD number is calculated using the simple average of the quarterly average number of days. By using this method instead of the weighted average method, the fluctuation in the number of licenses issued each quarter may not be considered, which could result in significant discrepancies in the number reported.</p> <p><b>Recommendation</b>            We recommend TMB consider defining the YTD method of calculation using the weighted average method, which would better account for fluctuations in the number of licenses issued each quarter.</p> <p><b>Management's Response</b>            Management agrees and will review the definition of the performance measure for the average number of days to issue a physician license with Legislative Budget Board (LBB) staff during the strategic planning process in the spring of 2016. That is the designated time to change measure definitions since any changes must be approved by LBB. TMB staff will review best practices and other background information to determine the method of calculation that a weighted average would entail.</p> <p>4. Incomplete Scanned Image in Laserfische (LF)</p> <p>The instructions on Form D (Dean's Certificate) state that the school is to send the completed form back to the applicant in a sealed official envelope with a school seal or school official's signature affixed across the envelope seal. When the applicant submits the unopened envelope to TMB, a PRC staff member scans the front and back of the envelope along with its contents into LF.</p>		<p>To ensure reported performance measures represent actual efficiency.</p> <p>To ensure policies and procedures are followed.</p>

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1	7/22/2015	Licensing of Physicians	<p>Of the 10 physician license applications selected for detailed eligibility testing, the back of the envelope for one Form D did not have the school seal or the school official's signature, which caused the image in LF to be blank and made it difficult to verify the authenticity of Form D. It is our understanding that the Licensure staff have additional measures in place to verify the authenticity of a form, and the envelope it was sent in, if there is no signature on the back of the envelope.</p> <p><b>Recommendation</b>            We recommend that procedures be implemented to verify inclusion of such images in LF or that other procedures be implemented to provide evidence that Form D was provided from a third party.</p> <p><b>Management's Response</b>            Management agrees with the recommendation and will implement a procedure by 12/31/15 to include either verification of envelope image or other confirmation that form was sent directly from third party. The original documentation received is maintained for the life of the application, specifically for this reason. If a file is corrupted, or incomplete, the original documentation can be checked and verified.</p>		

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1	7/22/2015	2015 Follow-Up	<p><u>Follow-Up of Prior Year Audits</u></p> <p>Following is the status of the recommendations made during fiscal year 2014 that had not been implemented.</p> <p><u>Finance Audit (dated May 22, 2014)</u></p> <p>Mailroom Morning Procedure for Mail and Cash Items procedures should be reviewed and updated to ensure processes, controls, and security procedures are current, communicated, and followed.</p>	<p><b>Implemented</b></p> <p>We obtained TMB's revised mailroom procedures, which indicated they were reviewed and approved by the Executive Director on June 19, 2014.</p>	<p>Ensure policies and procedures are current.</p>

**VI. External Audit Services Procured in Fiscal Year 2015**

TMB procured the internal audit services documented in the Internal Audit Plan for fiscal year 2015.

**VII. Reporting Suspected Fraud and Abuse**

TMB has provided information on its home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. TMB has also developed a Fraud Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

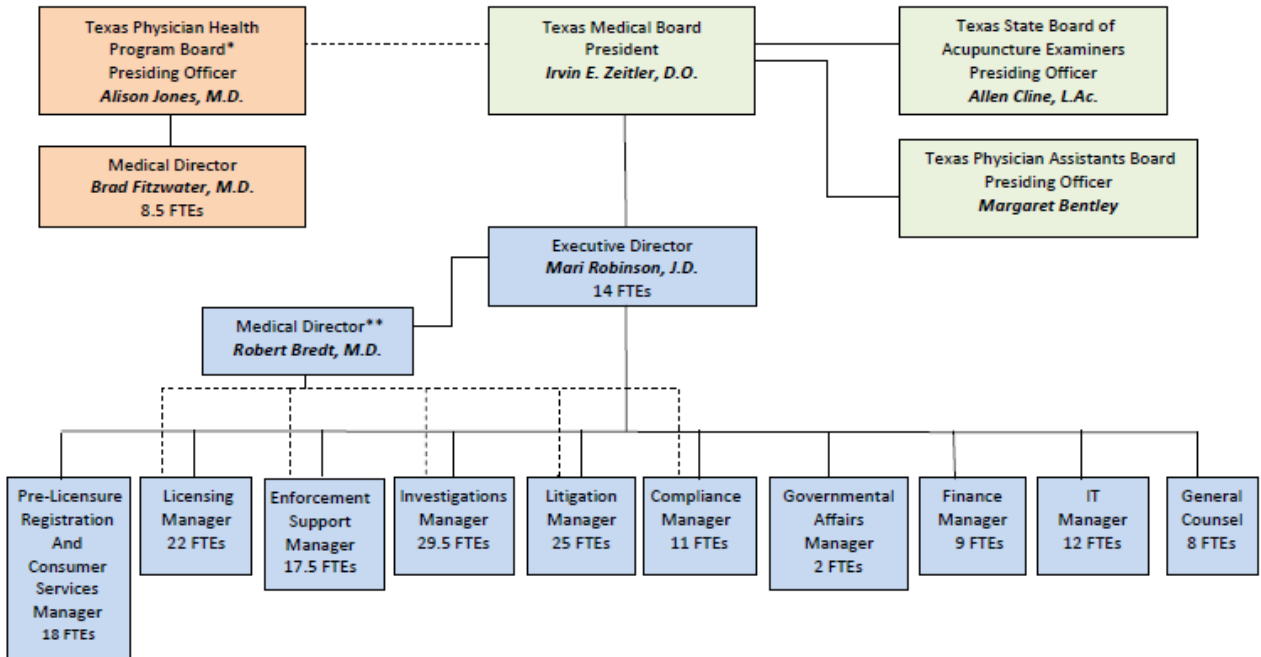
**VIII. Proposed Internal Audit Plan for Fiscal Year 2016**

The risk assessment performed during the 2015 fiscal year was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2016. The Internal Audit Plan for fiscal year 2016 will be developed and presented to the Board, for acceptance, at a later date.

- Litigation
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Board

**IX. Organizational Chart**

**Texas Medical Board Organizational Chart**



\* The Texas Physician Health Program, which is administratively attached to the TMB, has a governing board appointed by the president of the Medical Board  
 \*\* The Medical Director has oversight on standard of care issues within these departments.