

TEXAS MEDICAL BOARD
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2017



TEXAS MEDICAL BOARD
Austin, Texas

Internal Audit Plan
For Fiscal Year 2017

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Executive Committee and
Board Members
Texas Medical Board
Austin, Texas

Enclosed is the Texas Medical Board's (TMB) proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2017. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2017. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised as necessary by the Board or Executive Committee.

This Plan has been prepared by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted Auditing Standards and International Standards for the Professional Practice of Internal Auditing, as determined by the Institute of Internal Auditors.

A handwritten signature in cursive script that reads "Garza/Gonzalez & Associates".

February 7, 2017

TEXAS MEDICAL BOARD

Austin, Texas

Internal Audit Plan For Fiscal Year 2017

I. Methodology

TMB's fiscal year 2017 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by TMB's Board President (as of December 2016); the Presiding Officers for the Acupuncture Examiners, Physician Assistant, Medical Radiologic Technology, Respiratory Care, and Texas Physician Health Program Boards; and staff, as documented below.

The following documents were reviewed and considered in our risk assessment process:

- Organizational Charts
- Budgets
- Financial and Non-Financial Reports
- Policies and Procedures
- Applicable Laws and Regulations
- Audits and/or Monitoring Reports from Third Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by TMB's Board President; the 5 Presiding Officers, as listed above; executive management, department managers; and, other staff, to update our understanding of each department, and its role within the overall scheme of TMB. The questionnaires included topics; such as, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements (i.e. TAC 202, Information Security Standards; and, benefits proportionality). Utilizing information obtained through the completed questionnaires and background information reviewed, 21 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 21 individual potential audit topics and then compiled to develop TMB's overall risk assessment.

The following 8 risk factors were considered for each potential audit topic:

- | | |
|------------------------------------|---|
| 1. Materiality | Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the unit is responsible; or, <i>non-financial</i> materiality based on the number of licensees for which the unit is responsible, or the degree of its responsibility related to the agency's primary mission. |
| 2. Time since Last Audit or Review | Measure of the number of years between the date of the previous audit or review and the date of the risk assessment. |

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- | | |
|---|--|
| 3. Results of Last Audit or Review | Measure of the results of the previous audit or review. |
| 4. Adequacy of Staffing Levels | Measure of the adequacy of the staffing level of the auditable unit as it relates to the achievement of its objectives. |
| 5. Policies and Procedures | Measure of the existence of policies and procedures documenting the auditable unit's activities. |
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the existence of contracts, laws, and/or regulations for which the auditable unit is responsible for ensuring compliance. |
| 7. Susceptibility of Theft or Fraud | Measure of the auditable unit's risk and controls in place as it relates to theft or fraud. |
| 8. Issues or Concerns | Measure of issues or concerns by management, the Board, or Executive Committee. |

Risk Assessment

Following are the results of the risk assessment performed for the 21 potential audit topics identified:

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

This report includes the “Risk Assessment Summary” as Attachment A; and, the “History of Areas Audited” as Attachment B, which identifies audits and/or reviews performed from fiscal year 2007 through 2016 for the above 21 potential audit topics.

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Internal Audit Plan

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

Fiscal Year 2016:

- Compliance Department
- Follow-up on Post-Payment Audit Dated October 13, 2015
- Follow-up on Prior Year Internal Audits

Fiscal Year 2015:

- Licensing – Physicians
- Follow-up on Prior Year Internal Audits

Fiscal Year 2014:

- Mail Processing and Cash Receipts Controls

II. Audit Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass 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:

- **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 Organizations 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.

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Internal Audit Plan

III. Internal Audit Plan

In addition to performing the 2017 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes one audit to be performed, a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Board, Executive Committee, or management during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2017.

The area recommended for internal audit and other activities and functions to be performed for fiscal year 2017 are as follows:

1. Completion of the Fiscal Year 2017 Risk Assessment and Preparation of this Internal Audit Plan
2. Litigation
The planned audit procedures include the following:
 - a. Review and obtain an understanding of the rules, laws, and regulations of the Texas Occupations Code (TOC), and Texas Administrative Code (TAC), as applicable to the Litigation Department.
 - b. Obtain and review established policies and procedures, collect documentation, and conduct interviews to obtain an understanding of the processes and current practices in place applicable to the Litigation Department.
 - c. Obtain a listing of open and closed cases and select a sample to test for—
 - i. Compliance with established policies and procedures;
 - ii. Compliance with applicable rules, laws, and regulations; and,
 - iii. Timeliness of resolution.
 - d. Review and assess the process in place for managing and monitoring cases (i.e. assignments, scheduling, and referrals to SOAH).
 - e. Other procedures that may be deemed necessary during audit fieldwork.
3. Follow-up of Prior Year Internal Audits and Prepare the 2017 Annual Report
Perform follow-up procedures to determine the status of prior year comments and recommendations that were not fully implemented as of fiscal year 2016 and prepare the 2017 Annual Report. The audit procedures will result in a determination that the recommendation is (1) Implemented; (2) Partially Implemented; (3) Implementation Delayed; (4) No Action Taken; (5) Do Not Plan to Take Corrective Action; or, (6) Other.
4. Other Tasks
Other tasks as may be assigned by the Board, Executive Committee, or management during the fiscal year.

ATTACHMENTS

**TEXAS MEDICAL BOARD
Risk Assessment Summary
For Fiscal Year 2017**

Potential Audit Topic	RISK FACTOR WEIGHT																Total	
	10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%	RISK FACTORS									
	1	2	3	4	5	6	7	8	Materiality	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Compliance with Contracts, Laws & Regulations	Susceptibility of Theft or Fraud	Existence of Issues or Concerns		
High Risk: > 166																		
1	Litigation	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	3	30.00	178.50
2	Licensing - Physician Assistants	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	3	30.00	178.50
3	Purchasing/Procurement/Cash Disbursements	3	30.00	2	33.00	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	172.50
4	Licensing - Physicians	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	168.00
Moderate Risk: 154 - 166																		
5	Texas Physician Health Program	1	10.00	1	16.50	2	32.00	2	30.00	1	12.50	2	24.00	1	8.00	3	30.00	163.00
6	Investigations/Enforcement Support	3	30.00	1	16.50	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	1	10.00	159.00
7	Information Resources	2	20.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	159.00
8	Licensing - Other Types	1	10.00	2	33.00	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	156.50
9	Fixed Asset Management	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
10	Human Resources & Payroll	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
11	Travel	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.50
Low Risk: < 154																		
12	Licensing - Physicians in Training	2	20.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	150.50
13	Compliance	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	150.00
14	Licensing - Surgical Assistants	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	148.50
15	Quality Assurance (Licensing Department)	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	148.50
16	Records Retention	1	10.00	3	49.50	1	16.00	1	15.00	2	25.00	1	12.00	1	8.00	1	10.00	145.50
17	Financial Reporting	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	145.00
18	Governmental Affairs & Communications	1	10.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	1	8.00	1	10.00	141.00
19	Licensing - Acupuncturists	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	140.50
20	Mail & Cash Receipts Processing	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
21	Performance Measures	1	10.00	1	16.50	1	16.00	1	15.00	2	25.00	1	12.00	1	8.00	1	30.00	112.50

Risk Factor Rating:

- 1 - Low Risk
- 2 - Moderate Risk
- 3 - High Risk

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History of Areas Audited
For Fiscal Year 2017

POTENTIAL AUDIT TOPIC	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1 Compliance										A
2 Financial Reporting										
3 Fixed Asset Management									C1	
4 Governmental Affairs & Communications					B					
5 Human Resources & Payroll				C		B			C	
6 Information Resources		B		B/E			D/E			
7 Investigations/Enforcement Support							E			F
8 Licensing - Acupuncturists										F1
9 Licensing - Other Types							E			F1
10 Licensing - Physicians									A	F1
11 Licensing - Physician Assistants										F1
12 Licensing - Physicians in Training										F1
13 Licensing - Surgical Assistants										F1
14 Litigation										F1
15 Mail & Cash Receipts Processing								B		
16 Performance Measures								E		F
17 Purchasing/Procurement/Cash Disbursements			B	C					C	
18 Quality Assurance (Licensing Department)									A1	F1
19 Records Retention										
20 Texas Physician Health Program										F
21 Travel				C					C	

Notes:

Senate Bill (SB) 202 transferred the following license types from the Department of State Health Services (DSHS) to TMB effective September 1, 2015. These license types are combined and referred to by TMB as *Allied Health Professionals*.

- Medical Physicists
- Medical Radiologic Technologists
- Perfusionists
- Respiratory Care Practitioners

Although TMB implemented all aspects of the transfers for these license types as required by the provisions of SB 202, they were not considered in the fiscal year 2017 risk assessment since internal efforts; such as, aligning information systems, are ongoing. Therefore, these license types will be considered in the fiscal year 2018 risk assessment.

Legend

- A** Audit performed by Garza/Gonzalez & Associates, CPAs
- A1** Limited review performed by Garza/Gonzalez & Associates, CPAs
- B** Audit performed by Rupert & Associates, P.C.
- C** Post payment audit performed by the Comptroller of Public Accounts
- C1** Limited review performed by the Comptroller of Public Accounts
- D** Review performed by the Department of Information Resources
- E** Audit performed by the State Auditor's Office
- F** Review performed by the Sunset Advisory Commission
- F1** Limited review performed by the Sunset Advisory Commission