

TEXAS MEDICAL BOARD

Austin, Texas

INTERNAL AUDIT ANNUAL REPORT

Fiscal Year 2024

TEXAS MEDICAL BOARD
Austin, Texas

Internal Audit Annual Report
Fiscal Year 2024

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditor’s Report	1
Introduction.....	2
I. Compliance with Posting Requirements	3
II. Consulting and Nonaudit Services Completed	3
III. External Quality Assurance Review	3
IV. Internal Audit Plan for Fiscal Year 2024	3-4
V. Executive Summary	
Licensure	
Background.....	5-7
Audit Objective, Scope, and Methodology.....	8-9
VI. Observations/Findings and Recommendations	
Summary and Related Rating of Observations/Findings and Recommendations.....	10
Observations/Findings and Recommendations.....	11-12
VII. External Audit Services Procured in Fiscal Year 2024.....	13
VIII. Reporting Suspected Fraud and Abuse	13
IX. Proposed Internal Audit Plan for Fiscal Year 2025	13

Garza/Gonzalez & Associates, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Board Members and
Executive Committee Members
Texas Medical Board
Austin, Texas

We performed procedures to assess the effectiveness and efficiency of the Texas Medical Board's (TMB) internal control structure of the Licensure Area (the Area) and its compliance with the applicable sections of the Texas Occupations Code, Texas Administrative Code, and the Area's established policies and procedures related to the licensure of Full Texas Medical Licenses for the nine months ended May 31, 2024.

The results of our procedures disclosed that TMB's internal control structure over the Area, as well as its compliance with the various requirements and established policies and procedures, were adequate. No instances of noncompliance were noted. The accompanying report provides a summary of the Area, outlines the audit objective, scope, and methodology; and, describes the procedures performed to achieve the objective of our audit.

We also conducted a follow-up on the findings and recommendations presented in the prior year's internal audit report that were not fully implemented. This report reflects the results and implementation status of our follow-up procedures, and includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements. It has been prepared by Garza/Gonzalez & Associates, LLC, an independent Certified Public Accounting firm, following Generally Accepted Government Auditing Standards, International Standards for the Professional Practice of Internal Auditing, and the Institute of Internal Auditors' Code of Ethics contained in the Professional Practices Framework.

We have discussed the implementation status from the follow-up procedures performed with TMB personnel and will be pleased to discuss the details further with you.



July 26, 2024

TEXAS MEDICAL BOARD
Internal Audit Annual Report
Fiscal Year 2024

INTRODUCTION

The Texas Medical Board (TMB) is an agency statutorily empowered to regulate the practice of medicine in Texas to protect the public’s safety and welfare. TMB carries out this duty primarily through the licensure and discipline of physicians and other allied health care providers as mandated by law.

The “Texas Medical Board” is both the official name of the agency and the name of its governing board (Board). The Board consists of 19 members, as follows:

- 9 physicians with a degree of doctor of medicine (M.D.) and 3 physicians with a degree of doctor of osteopathic medicine (D.O.), who have been licensed to practice medicine in Texas for at least 3 years.
- 7 members who represent the public.

Board members serve staggered 6-year terms and are appointed by the Texas Governor with the advice and consent of the Texas Senate. Many of the Board’s duties are carried out in the Board’s 4 standing committees: Executive, Finance, Disciplinary Process Review, and Licensure. Recommendations made in the standing committees are then accepted, modified, or rejected by the full board. The Board also provides oversight and support for the following 4 other boards and 2 advisory committees:

- Texas Physician Assistant Board
- Texas State Board of Acupuncture Examiners
- Texas Board of Medical Radiologic Technology
- Texas Board of Respiratory Care
- Medical Physicists Licensure Advisory Committee
- Perfusionist Licensure Advisory Committee

2024 Internal Audit Plan

TMB’s 2024 Internal Audit Plan (Plan), dated October 31, 2023, was developed and prepared by TMB’s senior management prior to procuring a contracted internal auditor and was approved by the Board President on behalf of the Board. The following internal audits were to be performed, as identified in the Plan:

AUDIT AREA	FY24 STATUS
Licensure	Completed.
Compliance	Recommended for audit in FY25 based on available resources.
Texas Physician Health Program	Recommended for audit in a subsequent year based on available resources.
Follow-up of 2020 SAO Cybersecurity Audit	Follow-up deferred to a subsequent year since the implementation target date is December 2025.

This report contains the results of the Licensure Area Audit, reflects the results of the follow-up procedures performed this year on the findings from the 2023 internal audit report on Enforcement, and meets the State of Texas Internal Audit Annual Report requirements.

I. Compliance with Posting Requirements

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

- An approved fiscal year 2025 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2024 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 a summary of the actions taken by TMB to address such concerns.

II. 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*, 2018 Revision, Technical Update April 2021, Sections 3.64-3.106.

III. External Quality Assurance Review

The internal audit department's most recent Peer Review Report, dated December 15, 2021, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

IV. Internal Audit Plan for Fiscal Year 2024

The approved 2024 Internal Audit Plan (Plan) was developed by TMB's senior management prior to procuring a contracted internal auditor. The Plan included 3 audits representing the agency's highest risk areas, which were scheduled to be performed during fiscal year 2024. It also included a follow-up on the SAO's fiscal year 2020 Cybersecurity Audit recommendations.

Two of the 3 audits in the Plan, the Compliance audit and the Texas Physician Health Program audit, have been deferred to fiscal year 2025 or later due to resource availability. The Follow-up on the SAO's Cybersecurity Audit has also been deferred since TMB management's current implementation target is December 2025.

In the prior 3 years, the following internal audits and functions were performed by the predecessor internal auditor:

Fiscal Year 2023:

- Risk Assessment & Preparation of the Internal Audit Plan
- Enforcement Audit
- Follow-Up on Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

TEXAS MEDICAL BOARD

Internal Audit Annual Report

Fiscal Year 2024

Fiscal Year 2022:

- Risk Assessment & Preparation of the Internal Audit Plan
- Texas Physician Health Program Audit
- Follow-Up on Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2021:

- Risk Assessment & Preparation of the Internal Audit Plan
- Revenue Audit
- Follow-Up on Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

The internal audit and other tasks performed for fiscal year 2024 were as follows:

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Report Date</u>
1.	Licensure <i>Objective:</i> To assess the design of the internal controls, policies, procedures, and processes in place of the Licensure Area (Area) related to the licensure of Full Texas Medical Licenses, and to evaluate compliance with applicable state requirements and department policies and procedures.	7/26/2024
1.	Internal Audit Annual Report – Follow-up on findings and recommendations that were presented in the Prior Year Internal Audit Report. <i>Includes all reported audit results for Fiscal Year 2024.</i>	7/26/2024
-	Other Tasks Assigned by the Executive Committee or the Board	None

V. Executive Summary

Licensure Area (Area)

BACKGROUND

The Licensure Area (Area), along with the Registrations department, is responsible for protecting the public by licensing qualified practitioners and non-profit entities that practice medicine in the state of Texas. While the Area processes all types of licenses regulated by the agency, this audit focuses specifically on its functions related to the licensure of Full Texas Medical Licenses, which represent the majority of its activities. The licensing of physicians is governed by the Texas Occupations Code Chapter 155, *License to Practice Medicine*, and Texas Administrative Code Title 22, Part 9, Chapter 163, *Licensure*.

The Area's operations are overseen by the Licensure Director, who reports to the Deputy Executive Director of Operations. Under the Licensure Director, four supervisors each lead a team of analysts, the majority of whom are license and permit specialists. One supervisor manages the Pre-Licensure (Screening) team, while the other three supervisors manage the Licensure teams. Newly hired analysts are assigned a Quality Assurance (QA) analyst who provides training and close oversight during their on-the-job training. An IT Business Analyst also reports to the Licensure Director.

The Area has developed various policies and procedures, which are periodically reviewed and updated, and are accessible to the Area's employees via the intranet. The current written procedures reflect all recent changes¹, including those for "HB 1504" applicants (alternative pathway for certain out-of-state applicants), criminal history records compliance, and the revised National Practitioner Data Bank (NPDB) verification procedure.

During the period from September 1, 2023 to May 31, 2024, the Area issued 4,367 Full Texas Medical Licenses.

The following software applications are used by the Area to perform its various functions:

- **Structured Query Language (SQL) Tracer:** TMB's in-house license management application. Its Licensure module tracks licensing information such as correspondence and status history and is updated by the Area's staff members throughout the licensure process. Reports are generated from SQL Tracer for staff assignment, tracking, and internal and external reporting.
- **Laserfiche (LF):** A document management system used throughout the licensure process to maintain licensure files in electronic format. The Area has implemented standardized file naming conventions and organizational practices to allow efficient information access.
- **Licensure Inquiry System of Texas (LIST):** This system is used by Licensure analysts to correspond with physician applicants throughout the screening and licensing process. After creating a LIST account, applicants can view the items needed to complete their application and check their application status.

¹ Excluding the licensing procedures for applicants via the Interstate Medical Licensure Compact (IMLC or Compact), which falls under the Registrations department.

Application Processing

The application processing consists of two stages: screening and licensing.

Screening

During the screening stage, the Pre-Licensure analysts are responsible for collecting the minimum documentation required for the application. The identification of these required documents, known as “lacking items,” is automated in SQL Tracer and based on factors such as the applicant’s educational background, disclosed issues like criminal history, and unusual circumstances in training. As applicants and third-party entities submit required documents, Pre-Licensure analysts add them to the correct applicant’s licensure file and update SQL Tracer to record their receipt.

Once all lacking items are received, the licensure file is reviewed by a Pre-Licensure QA analyst. If the Pre-Licensure QA analyst determines that the application has no complications, they proceed with the licensing procedures described below and complete the application processing. The remaining applications, which are not processed by a Pre-Licensure QA analyst, are sent to the Licensure teams.

Licensing

Assigning Applications

Applications sent to the Licensure teams are assigned to an analyst by the supervisors on a weekly basis. Supervisors consider each analyst’s current workload and their experience with the type and complexity of the application being assigned.

Processing

The Licensure analysts review assigned licensure files to ensure that the documentation collected from the applicants and other sources meets all licensure requirements in accordance with the departmental procedures. Analysts make notes and affix “LF Stamps” to the documentation to denote verification of the required information, and correspond with applicants for additional information as needed. Applications processed by less experienced analysts undergo one or more QA Checks by a Licensure QA analyst during this phase. All QA Checks are documented in the “QA Spreadsheet” for management oversight. Applications expire one year from submission; however, an extension may be granted under certain circumstances in accordance with the Board rule.

Executive Director/Licensure Director File Review

In accordance with department policy, applications with certain “issues,” such as medical malpractice or professionalism concerns, require a formal file review. The Medical Director reviews clinical issues, while the Executive Director reviews complex application files. Additionally, based on the severity of the issue, the Licensure Director may be assigned the authority to review certain files, as outlined in the policy.

Additional Checks and Oversight

Full Texas Medical Licenses are generally issued bi-weekly. Before issuance, the following checks are performed for all licenses:

- **DETA FN Checks:** Performed by supervisors and/or experienced analysts for each licensure file to confirm that the following minimum qualifications are met: Form D (Dean’s Certification), Exams, Trainning, Active Practice, Fingerprints Verification, and NPD B verification.
- **Discrepancy Reports:** Reviewed by the IT Business Analyst to identify data issues in SQL Tracer, such as completeness and consistency of certain data fields.

TEXAS MEDICAL BOARD

Internal Audit Annual Report

Fiscal Year 2024

Experienced Licensure analysts who no longer require a QA Check receive a 12-Point Check monthly on a randomly selected application they processed in the prior month. This check ensures they continue to adhere to the departmental standards for the 12 most significant areas identified by the Area. The 12-Point Checks are conducted by the Licensure QA Analysts, and the results are sent to both the analyst who processed the application and their supervisor.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to assess the design of the internal controls, policies, procedures, processes in place of the Licensure Area (Area) related to the licensure of Full Texas Medical Licenses, and to evaluate compliance with applicable state requirements and department policies and procedures.

Scope

The scope of this audit was to review and test selected activities and functions performed by the Area for the licensure of Full Texas Medical Licenses during the period from September 1, 2023 to May 31, 2024 (audit period). Licensure through the Interstate Medical Licensure Compact is excluded from this audit since it is performed by a group within the Registrations department.

Methodology

The audit methodology included reviewing applicable laws and regulations, TMB's established policies and procedures, and other internal and external documentation. Additionally, remote interviews and a walkthrough were conducted with TMB personnel.

We obtained and/or reviewed the following information:

- A. Organizational charts.
- B. Applicable sections of the Texas Occupations Code and the Texas Administrative Code.
- C. The Area's policies and procedures, including:
 - Pre-Licensure (screening)
 - Files assignment
 - Application processing
 - Executive Director/Licensure Director File Reviews
 - Final checks
 - Withdraw and Reapply (WAR)
- D. Sample monitoring and tracking reports including:
 - QA Spreadsheet.
 - 12-Point QA Check records.
 - Discrepancy reports.
- E. List of applications consisting of the following:
 - Applications closed during the period from September 1, 2023 to May 31, 2024.
 - Applications pending as of May 31, 2024.
- F. Licensure files and SQL Tracer screenshots for selected applications.
- G. User account list for SQL Tracer Licensure module.
- H. Quarter 3, fiscal year 2024, selected performance measures as reported to the Legislative Budget Board's Automated Budget and Evaluation System of Texas (ABEST), and supporting documentation.

We performed various procedures to achieve the objective of our audit, including:

1. Reviewed and updated our understanding of the laws and regulations in the Texas Occupations Code and Texas Administrative Code that are applicable to the Area.
2. Reviewed the Area's written policies and procedures, and conducted interviews and a walkthrough to assess the adequacy of the controls, processes, and current practices in place.
3. Selected 25 applications from 20 applicants that closed during the audit period, and examined their licensure files and SQL Tracer screenshots to test for the following attributes as applicable:
 - a. The application was assigned to an analyst with proper experience levels in accordance with the department guidelines.
 - b. The selected SQL Tracer entries were accurate and complete.
 - c. Review issues, including the Withdraw and Reapply (WAR) determination, were presented to and approved by the appropriate level of authority in accordance with the department's File Review policies.
 - d. Completion of eligibility verification was documented by the analyst's Laserfiche Notes and Stamps, following the standardized format.
 - e. Documentation sufficient to verify the applicant's eligibility was obtained and retained in the applicant's licensure file, following the department's naming convention and the uniform file structure.
 - f. The application cleared the final check as denoted by a "DEAFN" marked on the license issuance list.
4. Reviewed a sample of the Area's quality assurance reviews and checks, either as part of the testing in Procedure #3 above or separately, to ensure such reviews and checks are consistently completed.
5. Selected 7 applications that took over 1 year from submission to complete and 5 applications that had been outstanding for over 1 year as of May 31, 2024, and verified that the application extensions were reasonable, properly documented, and approved by a supervisor.
6. Obtained the current SQL Tracer's Licensure module user account list and performed the following procedures:
 - a. Evaluated whether the elevated rights for each User Group with write access to various Licensure functionalities (excluding the IMLC) are appropriate.
 - b. Compared the users in the various Licensure User Groups against the organizational chart to ensure each user is assigned to the appropriate User Groups.
7. Traced the following Quarter 3, Fiscal Year 2024 performance measures, as reported to ABEST, to the supporting documentation:
 - Number of New Non-Compact Licenses Issued to Individuals: Physicians.
 - Average Number of Days for Individual Non-Compact License Issuance - Physicians.

VI. Observations/Findings and Recommendations

SUMMARY and RELATED RATING of OBSERVATIONS/FINDINGS and RECOMMENDATIONS

As TMB’s internal auditors, we use our professional judgment when rating audit findings. The rating system used was developed by the Texas State Auditor’s Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings and recommendations included in this report and the related rating.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
-	None	-
<p><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer programs(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity’s ability to administer the programs(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited.</p>		

TEXAS MEDICAL BOARD

Internal Audit Annual Report

Fiscal Year 2024

OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations
1	7/26/24	Licensure	None.

TEXAS MEDICAL BOARD
Internal Audit Annual Report
Fiscal Year 2024

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with explanation if not yet fully implemented
1	7/26/24	2024 Follow-Up	<p style="text-align: center;"><u>Follow-Up of Prior Year Internal Audits</u></p> <p>Following is the status of recommendations made in fiscal year 2023 by TMB’s predecessor auditors that had not been fully implemented.</p> <p><u>Enforcement (Report Date 4/18/2023)</u></p> <ol style="list-style-type: none"> 1. Pending Determination Status (PDD) Aging Reports <p>Enforcement management should generate monthly reporting from SQL Tracer for all complaints in PDD status and monitor the aging of these complaints to ensure complaints are reviewed timely, and complaints are updated to reflect the appropriate complaint classification.</p> 2. Temporary Suspension Correspondence Monitoring <p>Enforcement management should retrain Compliance Officers over the requirements for processing temporary restrictions, and develop systematic reporting from SQL Tracer to monitor the completion of required correspondence to licensees.</p> 3. SQL Tracer User Access <p>The Board should develop an agency-wide procedure over conducting user access reviews for SQL Tracer. The procedure should require department heads to review user access permissions on a periodic basis to ensure current roles and responsibilities align with job duties. The procedure should also include specific requirements for removing application-level user access for terminated users on the date of termination.</p> <p><i>Management’s Explanation for FY24 Status</i></p> <p>The agency is actively exploring an alternative system to replace SQL which will ultimately improve access management. An RFI has been released and the agency is asking for funding in the next legislative session (January 2025) to acquire a newer, more modern system. Until then, current SQL access is being upgraded incrementally. We removed access from those individuals that had too much and didn’t need it anymore. However, a complete redo of the enforcement security module is a major effort without impacting business. We are making small changes as people join and depart the agency. Internal promotions continue to be a challenge because of job sharing.</p> 	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Incomplete/Ongoing</p>

VII. External Audit Services Procured in Fiscal Year 2024

TMB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2024. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

TMB has provided information on their website 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 Reporting Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

IX. Proposed Internal Audit Plan for Fiscal Year 2025

The risk assessment conducted by TMB's executive management during fiscal year 2024 was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2025. The 2025 Internal Audit Plan will be developed and presented to the Executive Committee and the Board, for acceptance and approval, at a meeting to be determined at a later date.

- Compliance Monitoring
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Executive Committee or the Board