

TEXAS MEDICAL BOARD
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2015



TEXAS MEDICAL BOARD

Austin, Texas

Internal Audit Plan
For Fiscal Year 2015

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Executive Committee and
Board Members
Texas Medical Board
Austin, Texas

Enclosed is the proposed fiscal year 2015 Internal Audit Plan (Plan) for the Texas Medical Board (TMB). This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2015. 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 following Generally Accepted Auditing Standards and International Standards for the Professional Practice of Internal Auditing, as determined by the Institute of Internal Auditors.

*Garza/Gonzalez
& Associates*

January 29, 2015

TEXAS MEDICAL BOARD
Austin, Texas

Internal Audit Plan
For Fiscal Year 2015

I. Methodology

The fiscal year 2015 Internal Audit Plan (Plan) for the Texas Medical Board (TMB) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by certain employees; and, conducted interviews with other employees, as documented below. Following are some of the documents that were reviewed to obtain an understanding of TMB:

- 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 completed by certain employees were reviewed; and, interviews were conducted with the Executive Director, General Counsel, department managers, and other employees, to obtain an understanding of each department and its role within the overall scheme of TMB. The interviews and questionnaires included discussions on topics; such as, recent changes in key personnel, time elapsed since last audit, past audit findings, regulatory compliance, controls, systems, and interaction with other agencies. Utilizing information obtained through the questionnaires, interviews, and background information reviewed, 22 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 22 individual potential audit topics and then compiled to develop an overall risk assessment for TMB.

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

- | | |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Financial Materiality or Number Licensees | Measure of the auditable unit's materiality based on of the dollar amount per year of assets, receipts, or disbursements for which it is responsible; or, number of licensees by program. |
| 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. |
| 3. Results of Last Audit or Review | Measure of the results of the previous audit or review. |

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- | | |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| 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 complying. |
| 7. Susceptibility of Material Theft or Fraud | Measure of the auditable unit's risk and controls in place as it relates to material 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 22 potential audit topics identified:

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

The 2015 Risk Assessment Summary is included in this report as Attachment A.

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Please refer to Attachment B, titled “History of Areas Audited”, in this report, for a listing of audits and/or reviews performed within the last 9 years for the above 22 potential audit topics. In the prior 3 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

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

The Internal Audit Plan (Plan) includes 1 audit to be performed during the 2015 fiscal year. The Plan also includes 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 2015.

The area recommended for internal audit and other functions to be performed for fiscal year 2015 are as follows:

1. Licensing – Physicians

The planned audit procedures include the following:

- a. Obtain an understanding of the laws and regulations provided in the applicable chapters of the Texas Occupations Code and the Texas Administrative Code related to the licensing of physicians.
- b. Review established policies and procedures, collect various documents, and conduct interviews to obtain an understanding of the processes and current practices in place for processing, approving, and denying applications to be licensed as a physician.
- c. Select a sample of new physician license applications received during the year to test for compliance with policies, procedures, rules and regulations; and, current practices in place.
- d. Other procedures that may be deemed necessary during audit fieldwork.

2. Follow-up of Prior Year Internal Audits

Perform follow-up procedures to determine the status of prior year comments, as reported by TMB's predecessor internal auditor, which were not fully implemented as of fiscal year 2014. The audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or, (4) Not Implemented.

3. 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 2015**

| | | RISK FACTOR WEIGHT | | | | | | | | | | | | | | | | |
|---------------------------------|--------------------------------------------------|--------------------------|---------------------------------------|---------------------------------------|-----------------------------------|----------------------------|--------|-------|--------|-----------------------------------------------------------|-------|----------------------------------------------------|-------|---------------------------------------|-------|---|-------|--------|
| | | 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 | | | | | | | | | |
| | | | | | | | | | | Compliance with Contracts, Laws & Regulations | | Susceptibility of Material Theft or Fraud | | Existence of Issues or Concerns | | | | |
| Potential Audit Topic | | Financial Materiality | Time Since Last Audit or Review | Results of Last Audit or Review | Adequacy of Staffing Levels | Policies and Procedures | | | | | | | | | | | Total | |
| High Risk: > 167 | | | | | | | | | | | | | | | | | | |
| 1 | Litigation | 2 | 20.00 | 3 | 49.50 | 1 | 16.00 | 2 | 30.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 182.00 |
| 2 | Licensing - Physicians | 3 | 30.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 177.00 |
| 3 | Fixed Asset Management | 3 | 30.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 2 | 16.00 | 1 | 10.00 | 173.00 |
| Moderate Risk: 153 - 167 | | | | | | | | | | | | | | | | | | |
| 4 | Compliance | 2 | 20.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 167.00 |
| 5 | Texas Physician Health Program | 1 | 10.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 2 | 16.00 | 2 | 20.00 | 163.00 |
| 6 | Licensing - Physician Assistants | 1 | 10.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 157.00 |
| 7 | Quality Assurance (Licensing Department) | 1 | 10.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 157.00 |
| 8 | Licensing - Surgical Assistants | 1 | 10.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 157.00 |
| 9 | Licensing - Acupuncturists | 1 | 10.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 157.00 |
| 10 | Licensing - Physicians in Training | 1 | 10.00 | 3 | 49.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 3 | 36.00 | 1 | 8.00 | 1 | 10.00 | 157.00 |
| 11 | Purchasing/Procurement/Cash Disbursements | 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: < 153 | | | | | | | | | | | | | | | | | | |
| 12 | Investigations/Enforcement Support | 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 | Information Resources | 1 | 10.00 | 2 | 33.00 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 2 | 16.00 | 2 | 20.00 | 146.50 |
| 14 | 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 |
| 15 | Records Retention | 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 |
| 16 | Licensing - Other Types | 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 |
| 17 | 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 |
| 18 | Human Resources & Payroll | 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 |
| 19 | Pre-Licensure, Registration, & Consumer Services | 2 | 20.00 | 2 | 33.00 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 1 | 8.00 | 1 | 10.00 | 138.50 |
| 20 | Governmental Affairs & Communications | 1 | 10.00 | 2 | 33.00 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 1 | 8.00 | 2 | 20.00 | 138.50 |
| 21 | Travel | 2 | 20.00 | 2 | 33.00 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 1 | 12.00 | 2 | 16.00 | 1 | 10.00 | 134.50 |
| 22 | Performance Measures | 1 | 10.00 | 2 | 33.00 | 2 | 32.00 | 1 | 15.00 | 1 | 12.50 | 1 | 12.00 | 1 | 8.00 | 1 | 10.00 | 132.50 |

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| <p>Risk Factor Rating: 1 - Low Risk 2 - Moderate Risk 3 - High Risk</p> |
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**TEXAS MEDICAL BOARD
History of Areas Audited
For Fiscal Year 2015**

| | Potential Audit Topic | Fiscal Year Audited and/or Reviewed | | | | | | | | |
|----|--------------------------------------------------|-------------------------------------|------|------|------|------|------|------|------|------|
| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 1 | Compliance | | | | | | | | | |
| 2 | Financial Reporting | C | | | | | | | | |
| 3 | Fixed Asset Management | | | | | | | | | |
| 4 | Governmental Affairs & Communications | | | | | | C | | | |
| 5 | Human Resources & Payroll | | | | | A | | C | | |
| 6 | Information Resources | | | C | | B/C | | | B/D | |
| 7 | Investigations/Enforcement Support | | | | | | | | B | |
| 8 | Licensing - Acupuncturists | | | | | | | | | |
| 9 | Licensing - Other Types | | | | | | | | B | |
| 10 | Licensing - Physicians | | | | | | | | | |
| 11 | Licensing - Physician Assistants | | | | | | | | | |
| 12 | Licensing - Physicians in Training | | | | | | | | | |
| 13 | Licensing - Surgical Assistants | | | | | | | | | |
| 14 | Litigation | | | | | | | | | |
| 15 | Mail & Cash Receipts Processing | | | | | | | | | C |
| 16 | Performance Measures | | | | | | | | | B |
| 17 | Pre-Licensure, Registration, & Consumer Services | | | | | | | | B | |
| 18 | Purchasing/Procurement/Cash Disbursements | B | | | C | A | | | | |
| 19 | Quality Assurance (Licensing Department) | | | | | | | | | |
| 20 | Records Retention | | | | | | | | | |
| 21 | Texas Physician Health Program | | | | | | | | | |
| 22 | Travel | | | | | A | | | | |

| LEGEND | |
|----------|------------------------------------------------------|
| A | Comptroller Post Payment Audit |
| B | State Auditor's Office Audit |
| C | Audited by Rupert & Associates, P.C. |
| D | Review by Department of Information Resources |