

TEXAS MEDICAL BOARD
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2018



TEXAS MEDICAL BOARD
Austin, Texas

Internal Audit Plan
For Fiscal Year 2018

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditor's Report	1
I. Methodology.....	2-4
II. Audit Scope.....	4
III. Internal Audit Plan.....	5
 ATTACHMENTS	
Attachment A - Risk Assessment Summary	6
Attachment B - History of Areas Audited	7

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 2018. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2018. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by the Board or Executive Committee, as necessary.

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.



February 20, 2018

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TEXAS MEDICAL BOARD

Austin, Texas

Internal Audit Plan For Fiscal Year 2018

I. Methodology

TMB's fiscal year 2018 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by TMB's Board President; and, the Presiding Officers of TMB's associated boards, as follows: Acupuncture Examiners, Physician Assistant, Medical Radiologic Technology, Respiratory Care, and the Texas Physician Health Program; 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 *financial* materiality based on the dollar amount per year of assets, receipts, or disbursements for which the unit is responsible; or, *non-financial* 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.

TEXAS MEDICAL BOARD

Internal Audit Plan

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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 auditable unit's staffing level 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
Licensing – Medical Radiologic Technologists Investigations (includes related Enforcement Support) Human Resources & Payroll Licensing – Physicians Texas Physician Health Program Licensing – Physician Assistants Licensing – Respiratory Care Practitioners	Mail & Cash Receipts Processing Licensing – Other Types Litigation (includes related Enforcement Support) Information Resources	Travel Fixed Asset Management Purchasing/Procurement/Cash Disbursements Licensing - Acupuncturists Executive Support Financial Reporting Records Management Governmental Affairs & Communications Compliance (includes related Enforcement Support) 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 2008 through 2017 for the above 21 potential audit topics.

TEXAS MEDICAL BOARD

Internal Audit Plan

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

Fiscal Year 2017:

- Litigation
- Follow-up on Prior Year Internal Audits

Fiscal Year 2016:

- Compliance
- 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

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.

TEXAS MEDICAL BOARD

Internal Audit Plan

III. Internal Audit Plan

In addition to performing the 2018 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 2018.

The area recommended for internal audit and other functions to be performed for fiscal year 2018 are as follows:

1. Completion of the Fiscal Year 2018 Risk Assessment and Preparation of this Internal Audit Plan
2. Texas Physician Health Program (TXPHP)
The planned audit procedures include the following:
 - a. Obtain an understanding of the rules, laws, and regulations of the Texas Occupations Code (TOC), and Texas Administrative Code (TAC), as applicable to the TXPHP.
 - b. Review TXPHP's established policies and procedures, collect documentation, and conduct interviews to document and evaluate formal/informal processes and controls; to include, the management of confidential information.
 - c. Obtain an understanding of TXPHP's administrative attachment to TMB.
 - d. Select a sample of (self or 3rd party) referrals made to TXPHP during the year to test attributes; such as, accuracy, completeness, and timeliness; and, assess whether internal control procedures are operating effectively.
 - e. Select a sample of program participants during the year to evaluate the monitoring function performed by TXPHP to ensure compliance with terms and conditions of the participant Agreements.
 - f. Reconcile TXPHP's recorded revenue to expected revenue based on the number of participants, to verify reasonableness.
 - g. Other procedures that may be deemed necessary during audit fieldwork.
3. Follow-up of Prior Year Internal Audits and Prepare the 2018 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 2017 and prepare the 2018 Annual Report. 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.
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 2018**

		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								
Potential Audit Topic		Materiality	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Contracts, Laws & Regulations	Susceptibility of Theft or Fraud	Existence of Issues or Concerns	Total								
High Risk: > 174																		
1	Licensing - Medical Radiologic Technologists	3	30.00	2	33.00	1	16.00	2	30.00	2	25.00	3	36.00	1	8.00	1	10.00	188.00
2	Investigations (includes related Enforcement Support)	3	30.00	1	16.50	2	32.00	2	30.00	1	12.50	3	36.00	1	8.00	2	20.00	185.00
3	Human Resources & Payroll	3	30.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	1	10.00	184.00
4	Licensing - Physicians	3	30.00	1	16.50	2	32.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	183.00
5	Texas Physician Health Program	2	20.00	1	16.50	1	16.00	3	45.00	1	12.50	2	24.00	2	16.00	3	30.00	180.00
6	Licensing - Physician Assistants	1	10.00	2	33.00	2	32.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	179.50
7	Licensing - Respiratory Care Practitioners	2	20.00	2	33.00	1	16.00	2	30.00	2	25.00	3	36.00	1	8.00	1	10.00	178.00
Moderate Risk: 160 - 174																		
8	Mail & Cash Receipts Processing	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	171.50
9	Licensing - Other Types	1	10.00	2	33.00	1	16.00	2	30.00	2	25.00	3	36.00	1	8.00	1	10.00	168.00
10	Litigation (includes related Enforcement Support)	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	2	20.00	168.00
11	Information Resources	2	20.00	2	33.00	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	162.50
Low Risk: < 160																		
12	Travel	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	1	12.00	2	16.00	1	10.00	159.50
13	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
14	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
15	Licensing - Acupuncturists	1	10.00	2	33.00	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	1	10.00	155.50
16	Executive Support	1	10.00	3	49.50	1	16.00	2	30.00	1	12.50	1	12.00	1	8.00	1	10.00	148.00
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	Records Management	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	133.00
19	Governmental Affairs & Communications	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.50
20	Compliance (includes related Enforcement Support)	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	122.00
21	Performance Measures	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	2	20.00	110.00

TEXAS MEDICAL BOARD
History of Areas Audited
For Fiscal Year 2018

	POTENTIAL AUDIT TOPIC	Fiscal Year									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	Compliance (includes related Enforcement Support)									A	
2	Executive Support										
3	Financial Reporting										
4	Fixed Asset Management								C*		
5	Governmental Affairs & Communications				B						
6	Human Resources & Payroll			C*		B*			C*		
7	Information Resources	B		B*/E			D*/E		D*		D*/G*
8	Investigations (includes related Enforcement Support)						E			F	
9	Licensing - Acupuncturists									F*	G*
10	Licensing - Medical Radiologic Technologists									F*	G*
11	Licensing - Other Types						E			F*	G*
12	Licensing - Physicians								A	F*	G*
13	Licensing - Physician Assistants									F*	G*
14	Licensing - Respiratory Care Practitioners									F*	G*
15	Litigation (includes related Enforcement Support)									F*	A
16	Mail & Cash Receipts Processing							B			
17	Performance Measures							E		F	
18	Purchasing/Procurement/Cash Disbursements		B*	C*					C*		
19	Records Management										
20	Texas Physician Health Program									F	
21	Travel			C*					C*		

Legend (Audits/Reviews With Asterisk (*) Are Considered Limited Scope For The Audit Area)

- A** Internal audit performed by Garza/Gonzalez & Associates, CPAs
- B** Internal audit performed by Rupert & Associates, P.C.
- C** Post payment audit performed by the Comptroller of Public Accounts
- D** Review of Information Resources Deployment 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
- G** Criminal Justice Information Service Security Audit performed by the Department of Public Safety