



# **TEXAS MEDICAL BOARD**

## **ANNUAL INTERNAL AUDIT REPORT**

**Fiscal Year 2014**

**Prepared by:**  
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The Texas Internal Auditing Act requires state agencies to file an annual report on the agency's internal audit activities. The purpose of the Annual Internal Audit Report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual internal audit report assists oversight agencies in their planning and coordination efforts. The reporting requirements can be found in Texas Government Code, Chapter 2102.

**I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site**

House Bill 16 amended Chapter 2102, Texas Government Code, by adding Section 2102.015, requiring state agencies to post certain information on their Internet Web sites. Within 30 days of approval, an agency should post the following information on its Internet Web site:

- An approved fiscal year 2015 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2014 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The Texas Medical Board (TMB) complies with the provisions of House Bill 16 by posting their Annual Internal Audit Report and their Annual Internal Audit Plan on their website, within 30 days after approval by the Board. The risk footprint in the annual plan includes a summary of the high risk areas identified in the risk assessment process. The risk management tables in the risk workbooks provide a summary of actions taken to address concerns. Actions resulting from audits are included in the individual audit reports and are followed up in the audit recommendation tracking schedule. These summaries and tables are updated annually.

**II. Planned Work Related to the Proportionality of Higher Education Benefits**

**Not applicable to TMB:** *an explanation of the procedures your entity will follow to comply with Governor Perry's letter requesting that internal auditors for higher education institutions conduct work related to the proportionality of benefits and related risks.*

**III. Internal Audit Plan for Fiscal Year 2014**

The approved internal audit plan for fiscal year 2014 included the following audit:

Report # 2014-1      05/22/14      Finance Audit of Mail and Cash Receipts - Completed

There were no deviations from the audit plan that was previously submitted in the fiscal year 2013 annual internal audit report.

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**IV. Consulting Services and Nonaudit Services Completed**

The Internal Auditor did not perform any advisory projects which would be considered consulting engagements, as defined in *The International Standards for the Professional Practice of Internal Auditing*, and non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, that were completed during fiscal year 2014.

**V. External Quality Assurance Review (Peer Review)**

An external quality assurance review on the Texas Medical Board’s internal audit function was completed in July 2012. The opinion on the Texas Medical Board Internal Audit function was:

“Based on the information received and evaluated during this external quality assurance review, it is my opinion that the Texas Medical Board Internal Audit function

**‘GENERALLY CONFORMS’**

With the Institute of Internal Auditors (IIA) *International Professional Practices Framework* including the *International Standards for the Professional Practice of Internal Auditing*, the *Definition of Internal Auditing*, and the *Code of Ethics*; the United States Government Accountability Office (GAO) *Government Auditing Standards*; and the Texas Internal Auditing Act (*Texas Government Code*, Chapter 2102).”

No significant weaknesses were identified during the review, but the following opportunities for improvement were identified:

- Opportunity for Improvement 1 –Develop and Implement a Policy Describing Board Oversight Responsibilities Regarding the Internal Audit Function

*COMPLETED: A Charter of Audit Functions for TMB Executive Committee was developed and presented to the Board at their August, 2012 meeting.*

- Opportunity for Improvement 2 – More Fully Document the Considerations for Providing Non-Audit or Advisory Services

*COMPLETED: The internal auditor reviewed the December 2011 revision to the Government Auditing Standards and other relevant resources to identify documentation considerations pertaining to non-audit or advisory services for future advisory projects.*

- Opportunity for Improvement 3 – Plan Future Internal Audit Projects Evaluating Organizational Governance

*COMPLETED: The internal auditor proposed and conducted a governance audit, which was included in the internal audit plan for fiscal year 2013 and completed in July of 2013.*

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

The contracted internal audit function at TMB is being rebid for this fiscal year and the risk assessment and internal audit plan will be developed by the new auditors. TMB expects to submit the FY 15 audit plan no later than February 28, 2015. The report will be submitted to oversight agencies and posted on the TMB website within 30 days after approval by the Board.

**VII. External Audit Services Procured in Fiscal Year 2014**

There were no external audit services procured in fiscal year 2014 by the Texas Medical Board.

**VIII. Reporting Suspected Fraud and Abuse**

In accordance with the requirements of Section 7.09, and Article IX, the General Appropriations Act (83rd Legislature, Conference and Committee Report) and Texas Government Code, Section 321.022, the Texas Medical Board has posted information on how to report suspected fraud, waste or abuse of state funds on their website, including a phone number and a link to the State Auditor's Office. The agency also has a fraud prevention policy (Policy 7.1) that directs readers to the State Auditor's Office for a separate reporting process on suspected fraud, waste, or abuse. The TMB Employee Manual also addresses employees' responsibilities for assisting in the prevention, detection, and elimination of fraud against the agency.

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Texas Medical Board, Executive Committee

Michael Arambula, M.D., President  
George Willeford, M.D., Vice President  
Paulette Southard - Secretary/Treasurer & Chair, Licensure Committee  
Margaret McNeese, M.D. – Chair, Disciplinary Process Review Committee  
Timothy Webb, J.D.

Texas Medical Board Staff

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