

**TEXAS MEDICAL BOARD**  
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2016



TEXAS MEDICAL BOARD  
Austin, Texas

Annual Internal Audit Report  
Fiscal Year 2016

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Board Members and  
Executive Committee  
Texas Medical Board  
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the Compliance Department (Department) of the Texas Medical Board (TMB); and, its compliance with the Texas Occupations Code, Texas Administrative Code, and TMB's established policies and procedures, as applicable to the Department, for the 9 months ended May 31, 2016.

The results of our tests disclosed that such controls were adequate and no material instances of noncompliance were noted; however, we noted certain matters that are included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements and TMB's established policies and procedures. We also performed a follow-up of the findings that were presented in the prior year annual internal audit report and in the post-payment audit dated October 13, 2015, performed by the Texas Comptroller of Public Accounts (Comptroller's Office). This report reflects the implementation status of those matters; and, includes all information for compliance with the State of Texas Internal Audit Annual Report requirements.

We have discussed the comments and recommendations from the Department audit; and, the implementation status from the follow-up performed, with various TMB personnel, and we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.

*Garza/Gonzalez  
& Associates*

July 11, 2016

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**INTRODUCTION**

The Texas Medical Board (TMB), formerly the Texas State Board of Medical Examiners, is an agency statutorily empowered to regulate the practice of medicine in Texas. The purpose of TMB is to protect the public's safety and welfare through the regulation of the practice of medicine. The Texas Occupations Code (TOC) Chapters 151 through 168, also known as the Medical Practice Act, includes enabling statutes for TMB as the primary means of licensing, regulating, and disciplining physicians. TMB also provides oversight and support for the Texas Physician Assistant Board and the Texas State Board of Acupuncture Examiners.

In 1837, the first Medical Practice Act was written, and the Congress of the Republic of Texas then created the Board of Medical Censors for the purposes of administering examinations and granting medical licenses. The Board was discontinued by legislative act in 1848, but another regulatory law for physicians was enacted in 1873. The Texas State Board of Medical Examiners was formed in 1907, and the 79<sup>th</sup> Legislature changed its name to Texas Medical Board, effective September 1, 2005.

TMB's governing board consists of 19 members that serve staggered 6 year terms and who are appointed by the Texas Governor (the Governor) with the advice and consent of the Texas Senate. The board consists of 9 physicians with a degree of doctor of medicine (M.D.) and licensed to practice medicine in Texas for at least 3 years; 3 physicians with a degree of doctor of osteopathic medicine (D.O.) and licensed to practice medicine in Texas for 3 years; and, 7 members who represent the public. The Governor designates a member of the board to serve as the President of the board. The board is statutorily required to meet at least 4 times a year, although it currently meets 5 times a year. Many of the board's duties are carried out in committee; recommendations made in committee are then accepted, modified, or rejected by the full board. The board's standing committees consist of the following:

- Disciplinary Process Review Committee (DPRC)
- Executive Committee
- Finance Committee
- Licensure Committee

Each board committee is composed of board members appointed by the President of the board and includes at least one physician member who is a D.O. and one public member.

**2016 Internal Audit Plan**

Following are the internal audits and other functions performed, as identified in TMB's approved 2016 Internal Audit Plan:

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

This report contains the results of our audit of the Compliance Department, reflects the follow-up performed of the prior year internal audits and of the Comptroller's Office post-payment audit dated October 13, 2015; and, meets the State of Texas Internal Audit Annual Report requirements.

## INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed 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 included the following objectives:

- **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 Organization's 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.

## EXECUTIVE SUMMARY

### Compliance Department

#### **Background**

##### Organizational Structure

The Compliance Department (Department) is responsible for monitoring and ensuring that licensees, known as Probationers, comply with board orders and remedial plans, in accordance with the Texas Occupations Code (TOC) Chapter 164 *Disciplinary Actions and Procedures*, and various chapters of the Texas Administrative Code (TAC) as applicable to the Department. The Department is comprised of a Manager, who reports to the Executive Director; an Operations Officer; a Compliance Specialist; and, 10 Compliance Officers (COs), who are located throughout 5 Texas regions.

##### Board Orders & Remedial Plans

Remedial Plans – non-disciplinary (Board issued) settlement agreements.

Board Orders – disciplinary unless specifically titled non-disciplinary. Board orders can be classified into the following 3 types—

- *Finite Orders* – Orders with defined termination dates. A CO will monitor the Probationer until the Order termination date. This type of Order is not common and few are issued.
- *Indefinite Orders* – Orders without termination dates and requirements that do not end unless a request for modification or termination is approved by the Board. A CO will monitor the Probationer on an on-going basis.
- *Upon Completion of Requirements Orders* – Orders that terminate upon requirements being met. A CO will monitor the Probationer on an on-going basis and upon all requirements being met, will submit the case to the Manager to be processed for administrative termination.

As of April 30, 2016, 116 non-disciplinary remedial plans and 168 disciplinary board orders were issued.

##### Board Orders & Remedial Plans Assignment

Board orders (Orders) and remedial plans (Plans) issued are sent to the Department for monitoring by a CO. The Manager assigns the Order or Plan to a CO based on the geographic location of the physician's practice or home and the CO's current case load. Probationers who are already under another Order/Plan are assigned to the same CO.

##### Department Responsibilities

Some of the CO's responsibilities include—

- Reviewing Orders and Plans issued by the Board;
- Meeting and communicating with Probationers to ensure they understand the requirements of the Order/Plan;
- Processing continuing medical education (CME) courses, monitors, evaluators, and treatment programs;
- Identifying potential violations of Orders/Plans; and,
- Attending Board hearings.

The Compliance Specialist provides oversight of the alcohol and drug testing program.

### Monitoring Compliance

COs are required to comply with the established contact standards, which indicate that the CO will make initial contact with the Probationer within 30 days of the CO receiving the Order/Plan. Initial contact must be direct, which is a personal field visit; unless, the Order/Plan is only for CME requirements, and/or to provide a copy of the Order to required facilities, and/or payment of a penalty or fee, then contact can be indirect via email, phone, or mail.

The frequency of required contact between the CO and the Probationer, per the contact standards, is based on the priority of the case, as follows—

- *Priority Cases* (Cases requiring chaperones, chart monitoring, practice restrictions) – Require quarterly direct contact;
- *Non-priority Cases* (Cases requiring action requirements, submissions, completions, prohibitions) – Require quarterly alternating direct and indirect contact;
- *Administrative Penalties, CME Requirements, and/or Provide Copy of Order Requirements* – Require quarterly indirect contact;
- *Cases with No Probationer Requirements/Actions* (Cases with orders requiring reprimand) – Require semi-annual indirect contact; and,
- *Temporary Restriction Orders* (Cases that are high-risk or high-profile) – Require direct contact every other month after the initial contact.

Prior to the initial contact with the Probationer, the Enforcement Support Department will send the Probationer a Licensee Information Report and Email Notice form for the Probationer to complete and return. The CO will then, prior to the initial contact with the Probationer, prepare a compliance report, which documents all the requirements and terms of the Order/Plan. An Order/Plan acknowledgement form is signed by the Probationer to denote his/her understanding and agreement with the terms and requirements of the Order/Plan.

A compliance report is prepared for every subsequent contact with the Probationer to document the status of the Order/Plan; such as, any data changes and requirements that have been met.

As of April 30, 2016, there were 590 Probationers being monitored.

### Non-Compliance

If a CO finds that the Probationer is noncompliant with the Order/Plan, he/she will prepare a violation report that details and provides evidence of the violation, and submits it to the Manager for approval, who will then send it to the Quality Assurance (QA) Panel, comprised of Board members, and/or district review committee members and staff, for review. An Informal Settlement Conference (ISC) Panel is then scheduled, which is an informal disciplinary hearing, and consists of 2 Board members and/or district review committee members, who make recommendations to the Board for further action.

However, if the CO determines the violation to be minor; such as, for late submissions or completions (i.e. CME certificates, drug tests, examinations, etc.), or late payments, he/she has the option to request and prepare a waiver in lieu of a violation report.

### Termination & Modification Requests

When both, the CO and Manager determine that the Probationer has successfully complied with all terms and conditions of the Order/Plan, a termination letter is prepared, sent to the Probationer, and the Order/Plan is administratively terminated.

TAC §187.43, which is applicable only to Orders, allows Probationers, who are in full compliance with the Order, to request that the Order be terminated or modified after one year and yearly thereafter of the issuance date. If the Manager approves the Probationer's request, an ISC Panel is scheduled at the QA Panel's recommendation.

As of April 30, 2016, TMB accepted 6 and denied 2 modification requests; and, accepted 16 and denied 5 termination requests. The Physician Assistant Board accepted 1 and denied 1 modification requests; and, accepted 3 termination requests.

### Cease & Desist Orders

A person found practicing medicine without a license is issued, by the Board, a cease & desist (C&D) order, which is sent to the Department for monitoring. When the C&D order is received, the CO contacts and/or visits the respondent to ensure they received the C&D order, understand the prohibitions, and is in compliance. A memo-to-file (MTF) that documents the CO's actions is then prepared by the CO and submitted to the Manager. A 6-month follow-up is scheduled and completed by the CO and a revised MTF is prepared and submitted to the Manager.

### Suspension/Surrender/Revocation of License Orders

A function of a CO is to ensure that a Probationer is no longer practicing medicine in Texas if their license is suspended, surrendered, or revoked. They are also required to notify regulating agencies; such as, the Drug Enforcement Administration, the Department of Public Safety, the physician's employer and health care facility(ies) where they are privileged or credentialed, of such suspension, surrender, and/or revocation.

### Enforcement Report

An Enforcement Report is prepared for each of the Board's disciplinary process committee meetings and documents statistics; such as, the number of investigations, cases, complaints, and board actions processed by month and as of the month reported.

The April 2016 Enforcement Report was presented at the June 2016 Medical Board meeting.



## **Audit Objective, Scope, and Methodology**

### **Objective**

The objective of our audit was to determine whether the Compliance Department (Department) has developed and implemented policies and procedures; and, internal controls to ensure compliance with state laws and regulations in monitoring a licensee's (Probationer) Order/Plan as issued by the Board.

### **Scope**

The scope of our audit was the activities performed by the Department for the period from September 1, 2015 through May 31, 2016.

### **Methodology**

The audit methodology included a review of applicable policies and procedures; laws and regulations; various internal and external documentation; and, an interview with TMB employees.

We obtained and/or reviewed the following information:

- a. TMB policies and procedures applicable to the Department.
- b. Organizational chart for the Department.
- c. A listing of Orders and Plans assigned during the period from September 1, 2015 through May 31, 2016.
- d. A listing of Orders and Plans assigned and terminated during the period from September 1, 2015 through May 31, 2016.
- e. Samples of various compliance work papers and reports.
- f. Samples of various Orders and Plans.
- g. Samples of Various termination letters.
- h. Enforcement Report for April 2016.

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

1. Obtained an understanding of the rules, laws and regulations of the Texas Occupations Code (TOC), and Texas Administrative Code (TAC), as applicable to the Department.
2. Obtained and reviewed established policies and procedures, collected documentation, and conducted interviews to obtain an understanding of the processes and current practices in place applicable to the Department.

3. Obtained a listing of Orders and Plans assigned during the period from September 1, 2015 through May 31, 2016 and randomly selected 25 to test compliance with applicable sections of the TOC and; and, with the following attributes—
  - a. Evidence that the Probationer complied with all terms and requirements of the Order/Plan; and, signed the Order/ Plan Acknowledgment form;
  - b. Probationer was assessed and paid the required administrative penalty fee;
  - c. Proper completion of compliance reports;
  - d. Compliance with contact standards; and,
  - e. Completion of the Licensee Information Report and Email Notice form.
4. Obtained a listing of Orders and Plans assigned and terminated during the period from September 1, 2015 through May 31, 2016 and randomly selected 5 to test for compliance with applicable sections of the TOC and TAC; and, with the following attributes—
  - a. Evidence that the Probationer complied with all terms and requirements of the Order/Plan;
  - b. CO's approval of termination;
  - c. Probationer was assessed and paid the required administrative penalty fee;
  - d. Proper completion of compliance reports;
  - e. Compliance with contact standards; and,
  - f. Termination letter prepared, approved, and sent to Probationer.
5. Agreed the Department's statistics as reported in the April 2016 Enforcement Report to supporting documentation.

**I. Compliance with Texas Government Code 2102: Required Posting of Internal Audit Information**

To comply with the provisions of Texas Government Code 2102 and the State Auditor's Office, within 30 days of approval by the TMB's Board, TMB will post the following information on its website:

- An approved fiscal year 2017 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2016 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 the summary of the action taken by TMB to address such concerns.

**II. Internal Audit Plan for Fiscal Year 2016**

The Internal Audit Plan (Plan) included one audit to be performed during the 2016 fiscal year. The Plan also included a follow-up of the recommendations included in the Comptroller’s Office post-payment audit dated October 13, 2015, the follow-up of the prior year internal audit recommendations, other tasks as may be assigned by the Executive Committee and the Board members, and preparation of the Annual Internal Audit Report for fiscal year 2016.

**Risk Assessment**

Utilizing information obtained through the inquiries and background information reviewed, 21 audit areas were identified as the potential audit topics. A risk analysis utilizing our 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

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

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

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In the prior 3 years, internal audits were performed in the following areas:

Fiscal Year 2015:

- Licensing - Physicians

Fiscal Year 2014:

- Mail Processing and Cash Receipts Controls

Fiscal Year 2013:

- Governance

The areas recommended for internal audits and other tasks performed for fiscal year 2016 were as follows:

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Report Date</u>
1.	Compliance	7/11/2016
1.	Follow-Up of Comptroller's Office Post-Payment Audit dated October 13, 2015	7/11/2016
1.	Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits	7/11/2016
-	Other Tasks Assigned by the Executive Committee/Board	None

**III. 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, December 2011 Revision*, Sections 3.33-3.58.

**IV. External Quality Assurance Review**

The internal audit department's most recent *System Review Report*, dated October 7, 2015, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

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**V. Observations/Findings and Recommendations**

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Implemented, Partially Implemented, Implementation Delayed, No Action Taken, Do Not Plan to Take Corrective Action, or Other)	Fiscal Impact/Other Impact
1	July 11, 2016	Compliance	<p>1. Compliance with Board Orders (Orders) &amp; Remedial Plans (Plans)</p> <p>Our testing of 25 selected Orders/Plans disclosed the following instances of noncompliance with the Order/Plan requirement to submit supporting documentation, within 30 days of the Order issuance date, providing proof of delivery of the copy of the Order provided to the healthcare facilities where the Probationer has or will have privileges -</p> <ul style="list-style-type: none"> <li>• In 1 instance, a copy of the Order has not been provided;</li> <li>• In 1 instance, it was provided 4 months after the 30 day required date; and,</li> <li>• In 1 instance, it was provided to the healthcare facility and a letter acknowledging receipt was dated before the 30 day required date; however, it was received by TMB 2 months after order issuance date as indicated by the date stamp.</li> </ul> <p><b>Recommendation</b>            We recommend that the assigned Compliance Officer (CO) ensure Probationers comply with the Order/Plan requirements and retain documentation to support compliance with such requirements.</p> <p><b>Management's Response</b>            We agree and documentation will be retained to ensure Probationers' compliance with Order/Plan requirements.</p> <p>2. Compliance Operations Manual (Manual)</p> <p>Our review of the Manual indicated that it did not include the following practices—</p> <ul style="list-style-type: none"> <li>• Transmittal letter – The Manual does not document when the letter is required to be submitted or its required contents.</li> <li>• Licensee Information Report – The Manual does not reference this report; although, it is used by the Department.</li> <li>• Compliance Report Signatures – The Manual does not document required signature/initial of Probationer.</li> </ul> <p><b>Recommendation</b>            We recommend that the Department perform a review of the Manual and revise it accordingly to ensure it is comprehensive and reflective of the current practices in place.</p>		<p>To ensure Probationer is complying with the terms and conditions of the Order or Plan.</p> <p>To ensure the Manual accurately reflects the Department's current practices.</p>

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1	July 11, 2016	Compliance	<p><b>Management’s Response</b>  We agree that these documents should be included in the Compliance Operations Manual and will update it accordingly. Implementation of the changes is anticipated to occur by September 01, 2016.</p> <p>3. Final Compliance Reports</p> <p>The Manual indicates that each Probationer’s Order/Plan folder is required to have an up-to-date compliance report since the CO is required to revise it when data changes are received (i.e. documents submitted, modified requirements, etc.). However, a final compliance report that denotes the completion of all Order/Plan requirements, is not required to be prepared. Therefore, the most up-to-date compliance report included in the Probationer’s Order/Plan folder may not reflect the completion of all Order/Plan requirements.</p> <p><b>Recommendation</b>  We recommend that TMB consider requiring that the CO complete a final compliance report to document completion of all Order/Plan requirements and more adequately support the Order/Plan termination.</p> <p><b>Management’s Response</b>  We agree and will create a final checklist to serve as a final report documenting completion of Order/Plan requirements. Implementation of this is anticipated by September 01, 2016.</p> <p>4. Acknowledgment Forms</p> <p>The Manual requires the CO to ensure that the Probationer signs and returns the Acknowledgement form within a reasonable time after the Order/Plan is transmitted to the Probationer. The Acknowledgement form also has fields for the CO to sign and date; however, the Manual does not reference this requirement.</p> <p>Our review of 25 Orders/Plans resulted in the following—</p> <ul style="list-style-type: none"> <li>• In 1 instance a Plan Acknowledgement form was not signed and dated by the CO.</li> <li>• In 1 instance the Probationer’s signed Order Acknowledgement form was dated 3 months after the Order Issuance date.</li> </ul> <p><b>Recommendation</b>  We recommend that the Department enhance its current process to ensure compliance with the established procedures and revise the Manual to reflect the expectation for the CO to sign and date the Acknowledgement form.</p>		<p>To provide support for the termination of an Order or Plan.</p> <p>To ensure compliance with the Manual.</p>

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1	July 11, 2016	Compliance	<p><b>Management's Response</b>            We agree and the Manual will be updated to more specifically address the expectations for compliance officers for the Acknowledgement form. The changes to the Manual are anticipated to be completed by September 01, 2016.</p> <p>5. Compliance Forms</p> <p>Our testing of 25 Orders/Plans disclosed the following instances related to various compliance forms—</p> <ul style="list-style-type: none"> <li>• In 2 instances the Probationer did not submit an Email Notice Form, to provide a valid email address, to the CO. It should be noted that 1 of the 2 forms was subsequently obtained and provided, as part of the audit request.</li> <li>• In 1 instance the Probationer did not submit the Licensee Information Report to the CO.</li> </ul> <p>Our discussions with management indicated that there are some instances where these forms are not required due to the Order's/Plan's expiration time period; however, these exceptions are not denoted in the Manual.</p> <p><b>Recommendation</b>            We recommend that the Department perform a review of the Manual and revise it accordingly to ensure it is comprehensive and reflective of the current practices in place. We further recommend that that CO make notes in the file of the accepted exceptions.</p> <p><b>Management's Response</b>            We agree that the exceptions should be noted in the file and that the Manual should be updated to reflect current practices. The changes to the Manual are anticipated to be completed by September 01, 2016.</p>		To ensure a Probationer's file includes all required forms.

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1	July 11, 2016	Compliance	<p>6. Compliance Reports</p> <p>In 1 of the 25 Orders/Plans tested, the Compliance Report was not completed, as required by the contact standards included in the Manual.</p> <p>Management indicated that since this Plan expired within 30 days, the Department does not require a Compliance Report to be prepared. However, this exception is not referenced in TMB's contact standards; instead, the contact standards indicate that initial contact with the Probationer must be made within 30 days of receipt of the Order, which would require a Compliance Report to be prepared.</p> <p><b>Recommendation</b>          We recommend that the CO ensure Compliance Reports are completed, signed, and filed as required by the contact standards or revise the contact standards for inclusion of the expiration period exception.</p> <p><b>Management's Response</b>          We agree that the exceptions should be referenced and will update the contact standards in the Manual for inclusion of the exception due to the expiration period. The changes to the Manual are anticipated to be completed by September 01, 2016.</p>		To ensure compliance with the contact standards.



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1	July 11, 2016	2016 Follow-Up	<p><u>Follow Up of Comptroller's Office Post-Payment Audit</u></p> <p>Following is the status of the recommendations made during the post-payment audit dated October 13, 2015 performed by the Comptroller's Office.</p> <p>1. Duplicate Payments</p> <p>The Board must enhance its procedures to identify potential duplicate invoices to avoid making duplicate payments to vendors. The accounting staff should ensure that invoices and purchase orders/contracts are reconciled to prevent duplicate payments.</p> <p>Recommendation: The Board should expand its log to indicate when a voucher has been paid. The Board should cross reference every invoice it receives with this log and the purchase agreement to determine if the invoice has already been paid.</p> <p>2. Purchase Order Created After Invoice</p> <p>The Board must ensure its procedures are followed. While a formal purchase order is not required, the Board must ensure that documentation of the purchase agreement is prepared at the time the Board orders the goods or services.</p> <p>Recommendation: The Board should update its procedures to ensure that yearly recurring services are tracked and that a new purchase order is prepared in advance of the invoice being received.</p> <p>3. Lack of Conservation of State Funds</p> <p>The Board must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. The Board should provide training to its staff on these procedures and on how to determine whether personal vehicle mileage or use of a rental car would result in the lesser cost.</p> <p>Recommendation: The Board should update its procedures to eliminate recurring instances of lack of conservation of funds. If an employee repeatedly fails to make this comparison before travel, and the Board determines this after the travel has taken place, the Board should make the cost comparison and only reimburse the employee for the lesser amount.</p>	<p><b>Partially Implemented</b> The date paid stamp on the invoice for 2 of the 5 vouchers selected for testing did not agree to the date paid logged in the voucher log.</p> <p><b>Implemented</b></p> <p><b>Implemented</b></p>	

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1	July 11, 2016	2016 Follow-Up	<p>4. Prompt Payment and Payment Scheduling Issues</p> <p>The Board must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the Board must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors.</p> <p>Recommendation: To minimize the loss of earned interest to the State Treasury, the Board must schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in eXpendit – Payment Scheduling.</p> <p>5. Control Weakness Over Expenditure Processing</p> <p>The Board should review the controls over expenditure processing and segregate each task to extent possible to ensure that no individual is able to process payments without oversight.</p> <p>The Board may request a preventative control be enforced for all transactions in USAS. If an agency requests the control, an edit prevents the release of a document that the same user entered or altered.</p> <p>Recommendation: The Board should enhance its procedures to ensure that no user gains access to the statewide financial systems without a timely and properly completed CTIA form.</p>	<p><b>Partially Implemented</b> 4 of the 40 disbursements selected for testing were paid after the due date or more than 30 days from the invoice date, ranging from 3 to 27 days overdue.</p> <p><b>Implemented</b></p>	



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Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Current Status (Implemented, Partially Implemented, Implementation Delayed, No Action Taken, Do Not Plan to Take Corrective Action, or Other)	Fiscal Impact/Other Impact
1	July 11, 2016	2016 Follow- Up	<p>4. Incomplete Scanned Image in Laserfische (LF)</p> <p>Dean's Certificates (Form D) submitted to TMB are required to be sealed with an official school seal or school official's signature affixed across the envelope seal.</p> <p>Recommendation: Procedures be implemented to verify inclusion of such images in LF or that other procedures be implemented to provide evidence that Form D was provided from a third party.</p>	<b>Implemented</b>	

**VI. External Audit Services Procured in Fiscal Year 2016**

TMB procured the internal audit services documented in the Internal Audit Plan for fiscal year 2016.

**VII. Reporting Suspected Fraud and Abuse**

TMB has provided information on their 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 Policy that provides information on how to report suspected fraud.

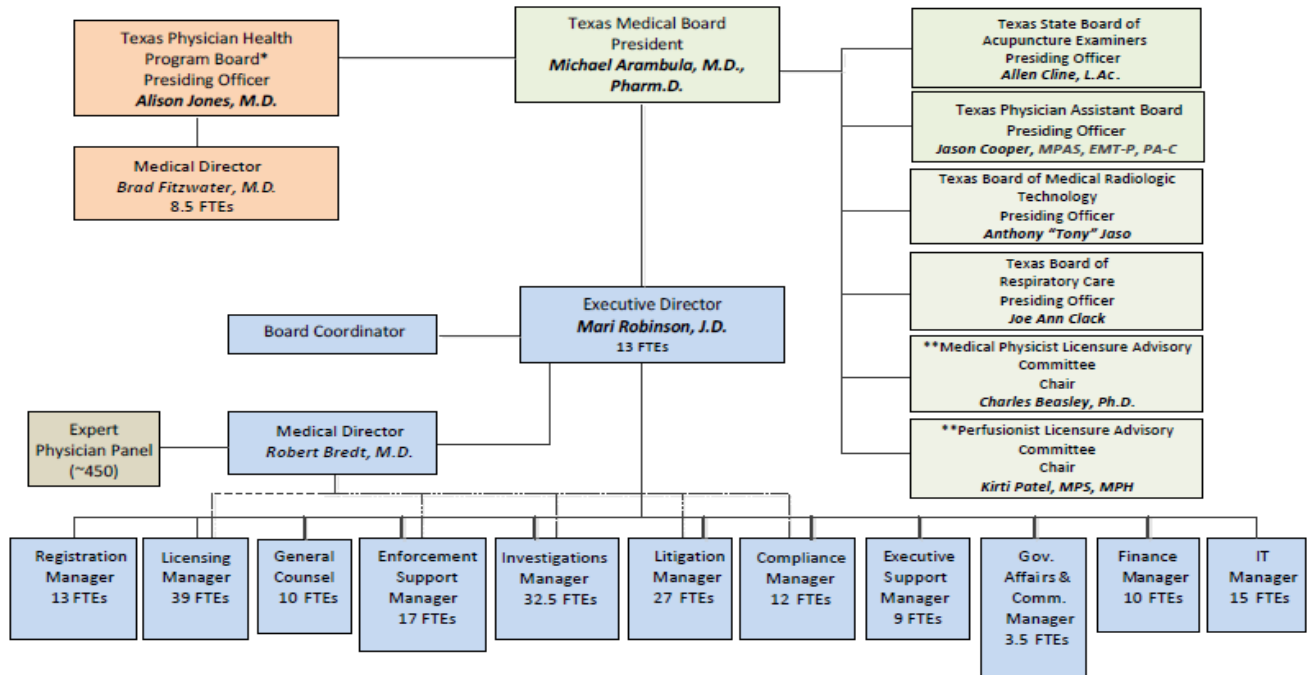
**VIII. Proposed Internal Audit Plan for Fiscal Year 2017**

The risk assessment performed during the 2016 fiscal year was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2017. The Internal Audit Plan for Fiscal Year 2017 will be developed and presented to the Board, for acceptance, at a later date.

- Litigation
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Board

**IX. Organizational Chart**

**Texas Medical Board Organizational Chart**



\* The Texas Physician Health Program, which is administratively attached to the TMB, has a governing board appointed by the president of the Medical Board.

\*\* The TMB advisory committees are appointed by the president of the Medical Board.

--- The TMB Medical Director has oversight on standard of care issues within designated departments.

Effective August 15, 2016