

TEXAS MEDICAL BOARD

Austin, Texas

INTERNAL AUDIT ANNUAL REPORT

Fiscal Year 2026



GARZA GONZALEZ & ASSOCIATES
— CERTIFIED PUBLIC ACCOUNTANTS —

TEXAS MEDICAL BOARD
Austin, Texas

Internal Audit Annual Report
Fiscal Year 2026

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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 Texas Physician Health Program (TXPHP) Area (the Area) and its compliance with the applicable chapters of the Texas Occupations Code, relevant rules of the Texas Administrative Code, and the Area's policies and procedures, for the seven months ended March 31, 2026.

Our audit procedures determined that TMB's internal control structure over the Area was adequate, and no material instances of noncompliance were noted. However, we did identify certain matters, detailed in this report, that present an opportunity to strengthen internal controls and enhance compliance with TMB's policies and procedures. Based on the degree of risk or effect in relation to the audit objective, these matters were rated as Priority, High, Medium, or Low, as described in the "Summary and Related Rating of Observations/Findings and Recommendations" section of this report.

We also conducted follow-up procedures on findings and recommendations from a prior 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 State of Texas Internal Audit Annual Report requirements.

We have discussed the audit comments and recommendations for the Area, as well as the follow-up results, with various TMB personnel. We are available to provide additional information if needed.

This report was 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.



July 27, 2026

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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.

"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.), who have been licensed to practice medicine in Texas for at least 3 years.
- 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

2026 Internal Audit Plan

Following are the internal audit functions performed, as identified in TMB's 2026 Internal Audit Plan (Plan), dated January 27, 2026, and approved by the Board on April 13, 2026:

- Risk Assessment & Preparation of the 2026 Internal Audit Plan
- Texas Physician Health Program (TXPHP) Audit
- Follow-up of the Prior Year Internal Audit
- Preparation of the 2026 Internal Audit Annual Report
- Other Tasks

This report contains the results of the TXPHP Audit, reflects the results of the follow-up procedures performed this year on comments from the prior year internal audit report, and complies with the State of Texas Internal Audit Annual Report requirements.

I. Compliance with Texas Government Code 2102.015: Required Posting of Internal Audit Information

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

- An approved fiscal year 2027 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2026 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any identified 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*, 2024 Revision, Sections 3.64-3.106.

III. External Quality Assurance Review

The internal audit department's most recent *Peer Review Report*, dated January 20, 2025, 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 2026

The approved Internal Audit Plan (Plan) included one audit to be performed during fiscal year 2026. The Plan also included a follow-up on prior year internal audit recommendations, other tasks as assigned by the Executive Committee or the Board, and preparation of the 2026 Internal Audit Annual Report.

Note : The Texas Physician Health Program (TXPHP) is subject to a periodic internal audit every third year. Although the audit was scheduled for fiscal year 2025, the Board directed that it be postponed to fiscal year 2026.

Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 11 potential audit topics were identified. A risk analysis utilizing 8 risk factors was completed for each individual audit and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 11 potential audit topics identified:

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HIGH RISK	MODERATE RISK	LOW RISK
Litigation & ISC	Information Technology Revenue (includes Cash Receipts Processing) Records Management	Registration Accounting (includes disbursements& asset management) Complaint Intake & Investigation Licensure Human Resources & Payroll (includes Travel) Compliance Monitoring Procurement & Contract Management

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

Fiscal Year 2025:

- Risk Assessment & Preparation of the Internal Audit Plan
- Compliance Monitoring Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Repo

Fiscal Year 2024:

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

Fiscal Year 2023 (performed by the predecessor internal auditor):

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

The internal audit and other tasks performed for fiscal year 2026 were as follows:

Report No.	Audits/Report Titles	Report Date
1.	Texas Physician Health Program (TXPHP) <i>Objective:</i> To assess the effectiveness and efficiency of internal controls, policies, procedures, and processes used to ensure compliance with applicable laws, rules, and regulations, including those related to referral intake, monitoring, confidentiality, and case closure. Audit procedures will also include evaluating whether referrals are appropriately tracked and monitored from the date received through the date of discharge.	7/27/2026
1.	Internal Audit Annual Report – Follow-up on findings and recommendations that was presented in the Prior Year Internal Audit Reports. <i>Includes all reported audit results for Fiscal Year 2026.</i>	7/27/2026
-	Other Tasks Assigned by the Executive Committee or the Board	None

V. Executive Summary

Texas Physicians Health Program

Background

The Texas Occupations Code (TOC), Section 167, Texas Physicians Health Program (TXPHP) was established as part of the 81st Legislature. TXPHP is administratively attached to the Texas Medical Board (TMB). TXPHP, its board, and advisory committees' mission is to protect the health of Texans and to promote medical excellence by serving physicians, physicians in training, physician assistants, acupuncturists, surgical assistants, medical physicists, perfusionists, medical radiological technologists, and respiratory care practitioners (participants) affected by health conditions that have the potential to compromise a participant's ability to practice in their field of expertise with reasonable skill and safety.

Texas Occupations Code, §167.012, added by the 86th Legislature, provides that the Texas Medical Board (TMB) and the Texas Physician Health Program (TXPHP) by rule shall adopt a memorandum of understanding (MOU) to better coordinate services and operations of TXPHP. Additionally, this MOU shall inform the public of each agency's responsibilities and the procedures for providing support to TXPHP as a program administratively attached to the TMB. TXPHP shall receive services in the same manner as a department within the TMB. TXPHP shall have the reciprocal obligation to comply with all policies and procedures of all other respective departments of TMB providing services to TXPHP.

During the 88th Legislative Session in 2023, the passage of H.B. 1998 and S.B. 1086 restructured the funding mechanism for the TXPHP replacing the participant fee with a general license renewal surcharge of up to \$15; currently assessed and collected only from licensed physicians and physician assistants at \$7. Although no fees are assessed the physicians in training, acupuncturists, surgical assistants, medical physicists, perfusionists, medical radiological technologists, and respiratory care practitioners may participate in the TXPHP.

The TXPHP referral process is a structured, confidential pathway designed to help medical professionals address potentially impairing health conditions—such as substance use disorders or mental health crises—while protecting public safety.

Referrals

TXPHP receives referrals from the various TMB departments (litigation, enforcement, registration and licensure); a third party or directly from licensees through the self-report process. The processing is the same for TMB and self-report referrals, except for various requirements for reporting the progress of the referral made by TXPHP and the participant. The resolution of a self-report referral is to be completed within 120 days from the referral date. For TMB referrals, TXPHP must inform TMB if the referral has been resolved; is unresolved; or unresolved with no contact, within the following prescribed periods:

<u>TMB Referring Department</u>	<u>Reporting Period (from referral date)</u>
Litigation	30 days
Enforcement	42 days
Licensure	120 days

The intake process requires that the TXPHP contact the licensee within 5 days of receiving the referral to initiate the referral process. If it is determined that the licensee is eligible to participate in the program, then contact is made with the individual and an interview is scheduled, to be performed by the Medical Director or the Medical Director's designee.

Participant Agreement

Upon completion of the interview, the assigned Case Coordinator prepares the agreement between the participant and the TXPHP under the direction of the Medical Director. In some situations, the Medical Director may determine that an agreement is not needed; therefore, TXPHP may close the enrollment process and inform TMB that the referral has been resolved. When an agreement is warranted, it is prepared by the assigned Case Coordinator. The participant is given one week to return the signed agreement. If the agreement is not returned in the allotted time or the participant requests an extension, an extension of no more than two weeks. Only the Medical Director may approve an extension of more than two weeks, in no case can an extension of time pass the established TMB deadline.

When the signed agreement is returned to the TXPHP, the agreement is reviewed for completeness, strikethroughs or other unilateral modifications and present it to the Medical Director for approval.

Agreement Modifications

Based on circumstances and participant compliance, modification to the agreement may be required. The clinical coordinator will ensure the participant's files are up to date and accurate, including diagnoses, drugs of choice, sobriety date, and reporting compliance. This review is required when the modification is initiated by the Governing Board, or TMB DPRC or other TMB disciplinary committees.

The coordinator prepares the agreement modification form for review and approval by the Medical Director.

Clinical coordinators are responsible for reporting all abnormal test results to the Medical Director for review, along with a recommendation for next steps. Positive drug screens must be reported to the Governing Board and TMB DPRC or other TMB disciplinary committees. If the Medical Director determines that a participant with a positive drug screen is a danger to the public welfare, the participant will be referred emergently to the TMB.

Protocol Violations

The Medical Director or designee will review all unexpected positive screens and other protocol violations and develop an action plan, considering the potential patient safety risk while awaiting final disposition. Some examples of items that may be included in the action plan are:

- Collection of additional data from others involved in the Participant's monitoring program such as the Recovery Monitor; Work Site Monitor; 12-Step/Caduceus; Primary Care Physician and or Mental Health Providers.
- Medical evaluations (e.g. dilute screens, glucosuria).
- Relapse evaluations on an inpatient or outpatient basis.
- Cease practice and prescribing requirement,
- Changes in the frequency and / or types of screening.
- Emergent referral to TMB when appropriate.

The Medical Director will order a relapse evaluation when indicated. For confirmed or admitted relapse, this will generally be in the form of an Intensive Diagnostic Evaluation (e.g. "96-Hour Evaluation") unless the participant elects to directly enter residential treatment. For unexpected positive drug screens with suspected but unconfirmed relapses, an Intensive Diagnostic Evaluation will generally be required. For other protocol violations, the type and extent of the evaluation will be tailored to individual circumstances and the specific protocol violation.

Substantive Violation

When a participant is in substantive violation a monitoring agreement, a case review is prepared and presented to the TXPHP Governing Board, to consider the violation and determine whether the violation is substantive and must be referred to Disciplinary Process Review Committee (DPRC) or other appropriate TMB disciplinary committee. A positive drug screen that is not attributed to a prescription by a physician shall be determined to be substantive violation of an agreement by the program participant. The Medical Director shall present the case review to DPRC or other TMB disciplinary committees and comply with its direction. The DPRC or other disciplinary committee may direct that the participant remain enrolled and monitored by TXPHP, remain enrolled with zero tolerance of further violations, or be referred to TMB. If the participant is referred to TMB, TXPHP shall provide its files on the participant.

If, in the opinion of the Medical Director, a participant poses a continuing threat to public welfare, the participant shall be referred to TMB emergently without a case review. TXPHP shall provide its files on the participant to TMB.

Physical Impairments

Participants who have been determined to have physical impairments that do not require full monitoring to protect the public's safety may be offered a limited monitoring agreement. The agreement may require a report to TXPHP of the following:

- deterioration in medical condition
- change in previously provided contact information
- change of employment
- change in hospital or other facility privileges
- any professional liability claims asserted against the participant
- any investigation or order by the TMB or other state credentialing entity

Case Closures

A participant's case is closed when an agreement term has been successfully completed or when the participant has timely requested and been granted an early release from the agreement term.

1. The clinical coordinator will audit the participant's case file to ensure:
 - a. Successful completion of drug screening requirements, if any
 - b. Receipt of all required monitoring reports from Recovery Monitors, Work Site Monitors, Recovery Monitors, and providers, if required
 - c. Complete and accurate files.
2. Once all requirements have been met, the coordinator will submit a Case Review and request to close the file or a request for early expiration to the Medical Director.
 - a. The coordinator shall note and explain any discrepancies with full compliance of the agreement.
 - b. If the request to close or to terminate the agreement early is granted, the coordinator shall generate a Closure Letter or e-mail for the Medical Director's signature and shall transmit the letter to the participant.
 - c. The coordinator shall close the file pursuant to established procedures.
 - d. If the request is denied, the coordinator shall inform the participant of the decision as well as any additional requirements through the agreement modification process.
3. In the event a participant is out of compliance with the terms of the monitoring agreement, the clinical coordinator shall submit a Case Review memorandum outlining the areas of deficiency and will make a recommendation as to whether the agreement should be extended. If the deficiency involves reporting outages, the coordinator shall notify the participant and provide an opportunity to submit the missing reports and a current report.

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Performance Measures

The TXPHP in an effort to meet Strategy B.1.2 the Physician Health Program obtains and documents statistical data for the Output Performance Measures assigned through the General Appropriation Act each Biennium. The Output Measures as reported for the 1st and 2nd Quarter are presented as follows:

Output Measure	Quarter 1 FY 2026	Quarter 2 FY 2026	Assessment
Number of Physicians Voluntarily Participating in TXPHP	150	151	Certified
Number of Allied Health Professionals Voluntarily Participating in TXPHP	10	10	Certified
Number of Physicians Ordered to Participate in TXPHP	100	101	Certified
Number of Allied Health Professionals Ordered to Participate in TXPHP	36	35	Certified

Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to determine whether TXPHP has developed and implemented policies, procedures; and internal controls to ensure compliance with state laws and regulations in operating the TXPHP.

Scope

The scope of our audit was the review and assessment of program operations; including, the intake referral, process and the process to refer cases to TMB when required for the 7-month period from September 1, 2025, through March 31, 2026, and relevant activities performed during the same period. The review of the monitoring process was limited to the receipt and monitoring of reports and drug screening results of participants, since the technical nature of the drug screening process and the complete monitoring of participants would result in a separate auditable area.

Methodology

The audit methodology included a review of applicable policies and procedures; laws and regulations; various internal and external documentation; various interviews and correspondence with selected TMB and TXPHP employees.

We obtained and/or reviewed the following information:

- a. The Texas Occupations Code and the Texas Administrative Code, as applicable to the TXPHP and TMB.
- b. TXPHP policies and procedures, checklists, templates, and training materials.
- c. TXPHP organizational chart and job descriptions.
- d. A listing of participant referrals to TXPHP for the period from September 1, 2025, through March 31, 2026.
- e. A listing of current participants in TXPHP as of March 31, 2026.
- f. A listing of participants from the TXPHP program during the period from September 1, 2025, through March 31, 2026, of resolved and unresolved cases.
- g. Samples of case files and the participant agreements to include a sample of applicable monitoring documents:
 - Participation Agreement (signed)
 - Abstinence and the requirement to immediately report any substance use
 - Not to treat his or her own family, either medically or surgically, except under emergency situations
 - Not to manage one's own care
 - Attend self-help groups such as AA or NA.
 - Attend a regularly held support group for recovering healthcare professionals
 - Maintain consent for ongoing communication with an approved work site monitor

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- Abide by any specified work site restrictions as stated in the TXPHP Monitoring and Assistance Agreement
 - Maintain consent for TXPHP to communicate with participant's family and/or significant other to obtain information as needed
 - Submit biological specimen monitoring without question
 - Notify TXPHP of an intent to relocate out of the state and that monitoring will be required to be transferred to the appropriate state PHP or licensure board.
 - Follow up with designated treatment providers (individual therapists, family therapists, marriage therapists, psychiatrists, relapse prevention group; etc.).
 - Release of all information to TMB in the case of substantive non-compliance
 - Drug testing reports
 - Case reviews performed by TXPHP
- h. Obtained reports and the source data presented to the Governing Board in October 2025 and for the periods ended August 31, 2025, and through March 31, 2026 (to include the reported performance measures.
- i. Counts of licensee referrals from TMB for the periods of fiscal year 2024 and 2025 and for fiscal year 2026 through March 31, 2026.

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

1. We obtained and reviewed the Texas Occupations Code (TOC) Title 3. Health Professions Subtitle B. Physicians Chapter 167. Texas Physician Health Program, and the Texas Administrative Code (TAC) Title 22. Examining Boards Part 9. Texas Medical Board Chapter 180. Texas Physician Health Program and Rehabilitation Orders.
2. We obtained and reviewed TXPHP's established policies and procedures, collected and tested documentation, interviewed certain TMB employees; the Medical Director and certain TXPHP employees to document and evaluate formal/informal processes and controls; to include, the management of confidential information and the referral and intake process.
3. Obtained an understanding of TXPHP's administrative attachment to TMB.
4. Selected a sample of (self or 3rd party) referrals made to TXPHP during the year to test attributes; such as, accuracy, completeness, and timeliness; to assess whether internal control procedures are operating effectively and in compliance with established policies and procedures.
5. Selected and tested a sample of program participants whose participation in the program ended to evaluate the process for the required reporting to TMB performed by TXPHP and to ensure compliance with established policies and procedures.
6. Tested the reported performance measures for the 1st and 2nd quarters of fiscal year 2026 to determine if the data reported is Certified; Certified with Qualifications; Inaccurate or if Factors Prevented Certification,

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VI. Observations/Findings and Recommendations**SUMMARY AND RELATED RATING OF
OBSERVATIONS/FINDINGS AND RECOMMENDATIONS**

As TMB's internal auditors, we exercised our professional judgment in rating the audit findings identified in this report. The rating system used was developed by the Texas State Auditor's Office and is based on the degree of risk or impact of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings in this report and their corresponding ratings.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
1.	Agreement Approval Signature by Medical Director	Medium
Observation No.		
1.	Internal TXPHP Policies and Procedures	--
<u>Description of Rating</u> 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. 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. 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. 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.		

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OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations
1	7/10/26	Texas Physician Health Program	1. Agreement Approval Signature by Medical Director We tested 12 cases with either self-referrals or other referrals and 5 cases that were reported to TMB during the audit period. Our testing determined that 2 participant agreement of the cases tested did not include documented approval of the medical director. Recommendation We recommend that the Medical Director document the review of each of the agreements by signing the agreement when approved. This process should be completed on a contemporaneous basis. Management's Response The medical director approves the checklist used to create every monitoring agreement, so even the unsigned agreements have been approved by the medical director. I appreciate that the final signature was initially missing on some agreements. We have been looking for ways to make the gathering of signatures more efficient and in doing so may have inadvertently compromised on reliability. We have already requested funding from TMB to implement the integration of DocuSign into our database in Recovery Trek, an improvement that will enhance both efficiency and reliability of gathering timely signatures on our legal documents, including monitoring agreements. In the meantime, until the funding is approved and the integration is implemented, we will review our internal processes for gathering timely signatures on monitoring agreements and add an additional review of all new agreements for the next 6 months to ensure processes are followed and are effective. Finally, a review of signatures on all current agreements will be completed by 10/1/26. Observation 1. Internal TXPHP Policies and Procedures The internal policies and procedures for the TXPHP provided for our review are dated March 2018. Since the internal policies and procedures have not been updated there are positions and titles that may no longer reference the employee titles as listed in the TXPHP Organization Chart. Recommendation We recommend that the TXPHP review and update the policies and procedures so that current practices and terminology are consistent with the written procedures. Management's Response Beginning in August 2026, TXPHP medical director, quality assurance specialist, and counsel will meet weekly to review and update the policies and procedures to ensure that there is consistency between the current practices, terminology, and written procedures. We plan to review TXPHP policies and procedures annually thereafter.

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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	7/10/26	2026 Follow-Up	Follow-Up of Prior Year Internal Audits Following is the status of a recommendation made in fiscal year 2024 by TMB's predecessor auditor that had not been fully implemented. Compliance Monitoring (Report Date 7/25/2025) Patient Charts Submission Method TMB should explore implementing a secure method for licensees to submit patient charts. Until a secure method is in place, TMB should establish and communicate minimum security requirements for transmitting patient charts. These requirements should be practical, low-cost, and straight-forward for licensees to follow. Management's Explanation for FY26 Status Probationers will only submit electronic charts through the online portal with the requested upload link. Compliance Management has updated the necessary forms to ensure these instructions are included with that quarter's compliance reports. Compliance Analysts and Enforcement Support will reject and maintain ongoing monitoring for appropriate submissions. Inconsistent Adherence to Compliance Monitoring Procedures TMB should ensure internal case audits, resumed in July 2025, are consistently conducted. These audits should confirm the timeliness and completeness of compliance audit activities. Additionally, compliance monitoring documentation standards should be reinforced with staff. Management's Explanation for FY26 Status Compliance management has reintroduced case audits to locate and correct issues, as well as looking for trends in different Compliance Officers that would indicate a need for retraining, closer supervision, or disciplinary actions. Additionally, compliance management has removed caseloads from the Supervisor of Compliance to provide for full-time oversight monitoring and ongoing training of underperforming employees; adopted quarterly review of performance evaluation standards and is addressing the CME issue with the inception of the CE Broker program and is in the process of reviewing policies to address issues identified through implementation. Implementation has already begun and will be fully implemented by 10/31/2026. Policies Requiring Update We recommend that TMB review and update its Compliance Program policies to align with the current Manual, and establish a policy review cycle to ensure policies remain current with applicable operational practices and statutory requirements.	Substantially Implemented Incomplete/Ongoing Incomplete/Ongoing

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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	7/10/26	2026 Follow-Up	Management's Explanation for FY26 Status Compliance Monitoring management has started the monumental task of revising the Policy and Procedure Manual to reflect only the most current guidelines. Teams meet for 1 hour each Monday to review and modify a chapter in the manual. Management is also reviewing the corresponding protocols and instructions provided to licensees to ensure they coincide. As new policies and procedures are adopted the team will do a comprehensive review starting in January of each year to ensure that no updates have been missed and there are no conflicting policies. Implementation has already begun and will be fully implemented by 08/31/2026.	
1	7/10/26	2026 Follow-Up	Observation 1. Compliance Program Reporting TMB should consider disclosing in the quarterly report how the number of current probationers (licensees) differs from the number actively monitored licensees or otherwise provide context to ensure accurate interpretation.	Fully Implemented

VII. External Audit Services Procured in Fiscal Year 2026

TMB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2026. 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 2027

The risk assessment performed during fiscal year 2026 was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2026. The 2026 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.

- Litigation & ISC
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Executive Committee or the Board