



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

An Audit Report on

Regulatory Activities at the Executive Council of Physical Therapy and Occupational Therapy Examiners

August 2021
Report No. 21-031



An Audit Report on

Regulatory Activities at the Executive Council of Physical Therapy and Occupational Therapy Examiners

SAO Report No. 21-031
August 2021

Overall Conclusion

The Executive Council of Physical Therapy and Occupational Therapy Examiners (Council) had adequate processes to help ensure that it conducted licensing activities and investigated most complaints in accordance with applicable requirements. However, the Council should strengthen its processes and controls to monitor deposits of the licensing fees it receives and strengthen certain information technology controls.

Licensing Revenue

The Council had documented policies and procedures for receiving, recording, and accounting for licensing fees it received. However, it should strengthen those processes by obtaining and retaining the data necessary to link credit card payments to deposits in the State Treasury and by documenting its reconciliations of the data in its accounting and licensing systems and the Uniform Statewide Accounting System (USAS). The Council also should strengthen controls over its payment receiving processes for licensing fee payments received at its office.

Enforcement

The Council had processes and related controls to help ensure that it conducted its enforcement activities in accordance with applicable requirements. Specifically, the Council consistently followed its complaints process, which had controls to help ensure compliance with Texas Administrative Code requirements.

Licensing

The Council developed sufficient processes for issuing and renewing licenses to qualified individuals. Additionally, the Council's website accurately reflected the license status for all of the new license applicants and renewals tested.

Background

In 1993, the 73rd Legislature created the Executive Council of Physical Therapy and Occupational Therapy Examiners (Council) to provide administrative support and executive oversight to the Texas Board of Physical Therapy Examiners and the newly created Texas Board of Occupational Therapy Examiners. The Council's mission is to protect the health, safety, and welfare of the people of Texas through the regulation and enforcement of the practice of physical therapy and occupational therapy.

The Council was appropriated \$2.8 million for fiscal years 2020 and 2021. The Council has 20 full-time equivalent positions.

The Council reported that it received \$7,705,478 in licensing fees between September 1, 2019, and February 28, 2021. It issued 34,842 new and renewed licenses and received 1,678 complaints during the same period.

Sources: Sunset Advisory Commission, the General Appropriation Act (86th Legislature), and the Council.

Information Technology Controls

Some of the Council’s information technology controls worked properly. For example, all of the Council’s USAS users were current employees with access rights that were appropriate for their job duties. In addition, the Council’s licensing system’s edit and input controls that were tested all functioned as designed. However, the Council should improve its controls to monitor and evaluate system access and to manage and monitor changes to its information systems.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating ^a
1	The Council Should Strengthen Its Processes and Controls to Monitor Deposits of Licensing Fees	Medium
2	The Council Had Adequate Processes Over Most Enforcement Processes; However, It Should Strengthen Its Process for Collecting Fines Assessed Through the Enforcement Process	Medium
3	The Council Had Processes and Related Controls for Issuing Initial and Renewing Physical Therapy and Occupational Therapy Licenses	Low
4	The Council Should Improve Controls Governing Its Information Technology Operations	Medium

^a A chapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter is rated **Low** if the audit identified strengths that support the audited entity’s ability to administer the program(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 program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to the Council’s management.

Summary of Management’s Response

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The Council agreed with the recommendations in this report.

Audit Objective and Scope

The objective of this audit was to determine whether the Council has processes and related controls to help ensure that it conducts licensing and/or enforcement activities in accordance with applicable requirements.

The scope of this audit covered the Council's licensing and enforcement activities from September 1, 2019, through February 28, 2021. This included issuing new and renewing physical therapy and occupational therapy licenses, investigating complaints, and processing revenues associated with those activities. The scope also included a review of significant internal control components related to the Council's licensing, enforcement, and revenue processes (see Appendix 3 for more information about internal control components).

Contents

Chapter 1	
The Council Should Strengthen Its Processes and Controls to Monitor Deposits of Licensing Fees	1
Chapter 2	
The Council Had Adequate Processes Over Most Enforcement Processes; However, It Should Strengthen Its Process for Collecting Fines Assessed Through the Enforcement Process.....	6
Chapter 3	
The Council Had Processes and Related Controls for Issuing Initial and Renewing Physical Therapy and Occupational Therapy Licenses	10
Chapter 4	
The Council Should Improve Controls Governing Its Information Technology Operations	13

Appendices

Appendix 1	
Objective, Scope, and Methodology	16
Appendix 2	
Issue Rating Classifications and Descriptions.....	20
Appendix 3	
Internal Control Components	21

The Council Should Strengthen Its Processes and Controls to Monitor Deposits of Licensing Fees

**Chapter 1
Rating:**

Medium ¹

The Executive Council of Physical Therapy and Occupational Therapy Examiners (Council) had documented policies and procedures for receiving, recording, and accounting for licensing fees it receives. However, it should strengthen those processes by obtaining and retaining the data necessary to link credit card payments to deposits in the State Treasury and documenting its reconciliations of the data in its accounting and licensing systems and the Uniform Statewide Accounting System (USAS). The Council also should strengthen controls over its payment handling processes for licensing fee payments received at its office. It is important to reduce the risk of those payments not being accurately recorded and deposited in the State Treasury because they are in the form of checks, money orders, and cash.

Licensing Fees Received

The Council receives licensing fee payments through two methods:

- **Electronic payments** (credit card and automated clearing house payments).
- **Non-electronic payments** (checks, money orders, and cash) received through the mail or in-person at its office.

More than 90 percent of the licensing fees audited were paid by credit card. Specifically, the Council reported that it received \$7,705,478² in licensing fees from September 1, 2019, through February 28, 2021. Of that total, the Council collected:

- \$7,079,625 (92 percent) from electronic payments.
- \$625,853 (8 percent) from non-electronic payments received at the Council's office.

Electronic payments are processed through Texas.gov³ and are routed directly to the Office of the Comptroller of Public Accounts (Comptroller's Office) to be recorded in USAS and deposited in the State Treasury. This

¹ The risk related to the issues discussed in Chapter 1 is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

² Of this amount, the Council refunded \$27,684 in fees from September 1, 2019, through February 28, 2021.

³ Texas.gov is the State's official digital platform.

reduces the risk of electronic payments not being deposited in the State Treasury.

The Council should implement a process that allows it to link electronic payments to State Treasury deposits.

For electronic payments, the Council downloads a text file of the credit card transactions received by date from Texas.gov and uploads that data into its licensing system. While that information allows the Council to link the electronic payments to licensee files, the Council does not have a process to associate these payments to USAS deposits, which would allow the Council to reconcile transactions processed through Texas.gov to the USAS deposit amount, which may contain multiple license fee payments.⁴ The Comptroller's Office's accounting policies⁵ state that agencies are to reconcile agency accounting records to USAS transactions.

The Council can request data from the Comptroller's Office that documents which credit card payments are included in each USAS deposit. However, the Council did not have a process to request that data consistently. In addition, that data is available for only a year. As a result, the Council could not provide support linking credit card payments to USAS deposits for a portion of the audit scope (September 1, 2019, through May 7, 2020). This lack of documentation limits the Council's ability to (1) verify that all electronic payments were deposited into USAS and (2) detect or research a billing or payment error detected more than a year after the license fee payment was made.

The Council should strengthen its controls over non-electronic payments received at its office.

The Council had documented processes for the recording and depositing of non-electronic payments. However, that process is not sufficient to ensure that all fees received are deposited. Specifically, the Council:

- Did not require the employee opening and sorting the mail to document all payments received. The Council should use such a record to verify that all payments received at its office were subsequently included in the deposit. In addition, the Council did not have a process detailing its mail-receiving process.

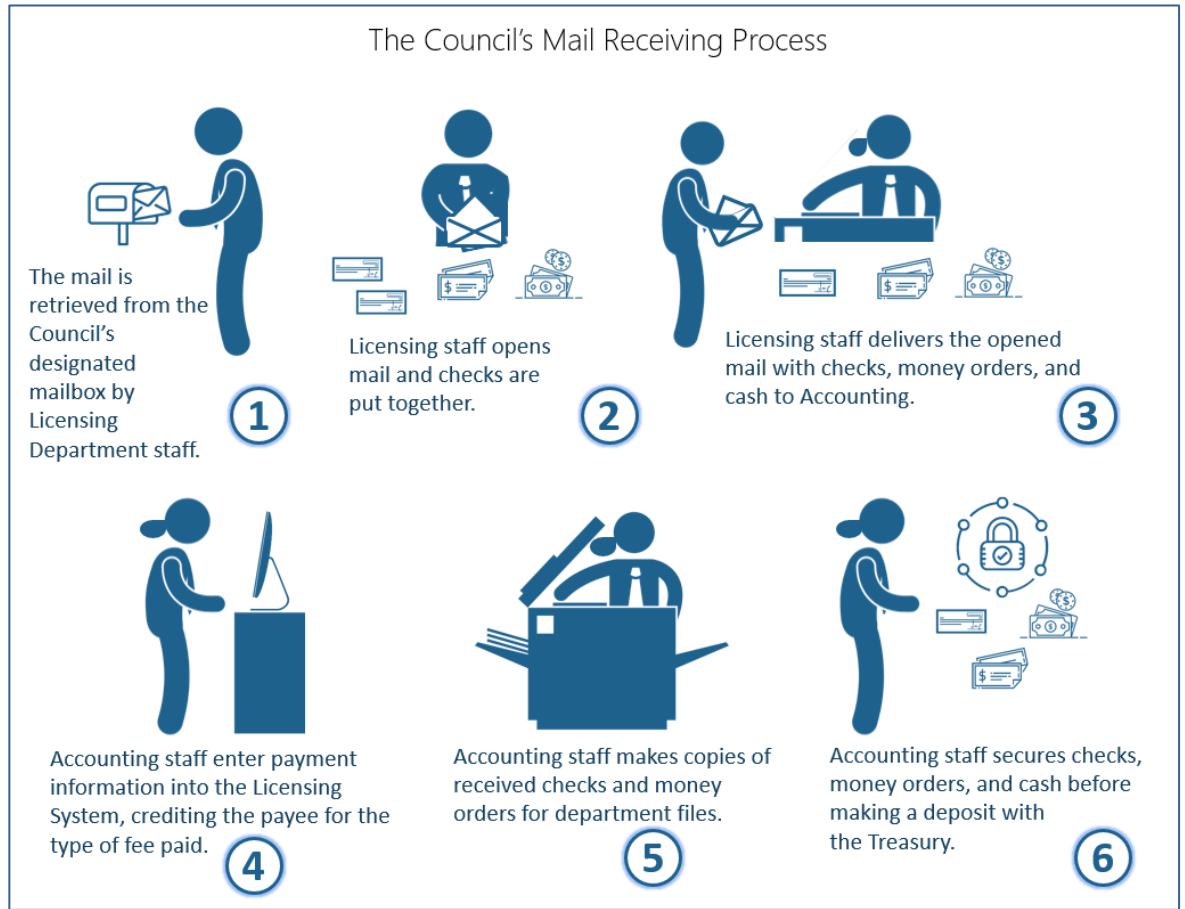
⁴ The Council asserted that it implemented a new reconciliation process between the file of credit card transactions and USAS on June 1, 2021. Auditors did not evaluate that new processes because it was not implemented within the scope of the audit.

⁵ See Comptroller's Accounting Policy Statement 29, *Electronic Processing of Revenues and Expenditures, Including Texas.gov Portal Activity* (APS 029).

- Permitted the same accounting employee to have custody of the payments, record the associated license fee payment data into the Council’s licensing system, and prepare the deposit.
- Did not require a reconciliation of the license fee payments received at its office to the data in its licensing system and USAS.

Figure 1 summarizes the Council’s process for receiving mail and depositing non-electronic payments.

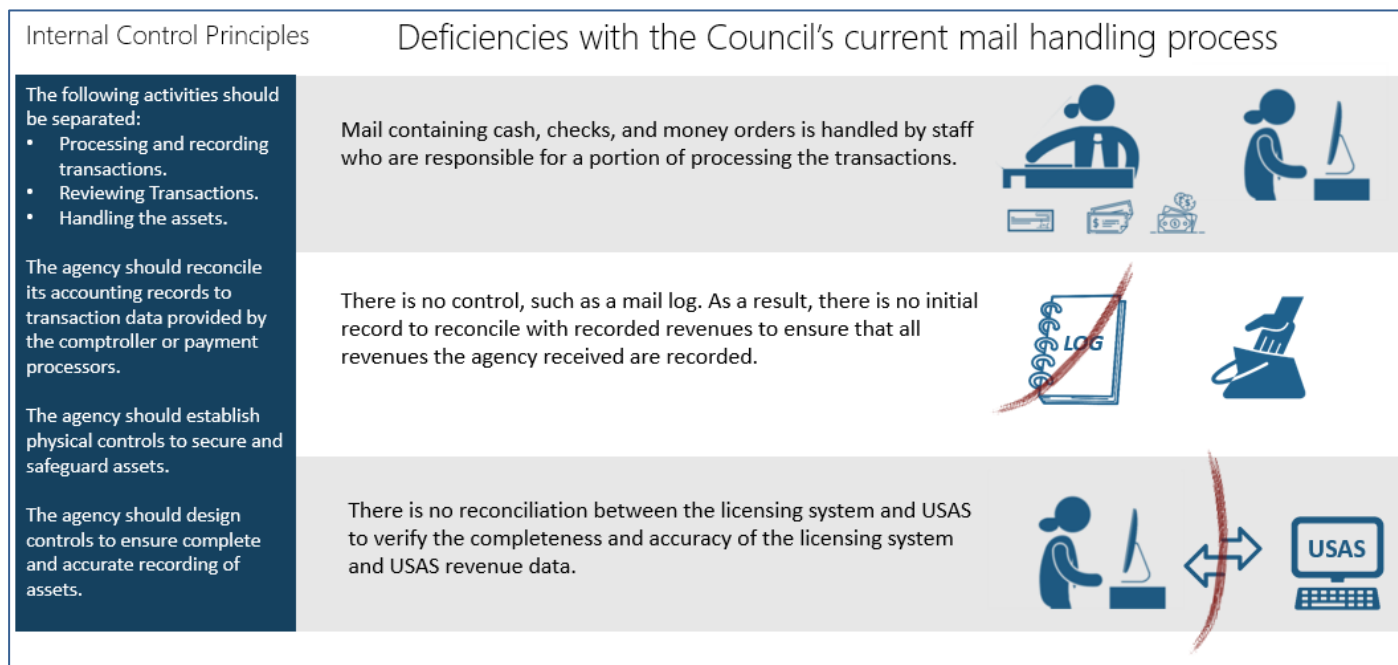
Figure 1



Source: The Council.

Figure 2 summarizes the deficiencies in the Council’s process for recording and depositing non-electronic payments.

Figure 2



Sources: The Council; Texas Comptroller’s Accounting Policy Statement No. 29; and *Standards for Internal Control in the Federal Government*, U.S. General Accountability Office, September 2014.

The Council should document its reconciliations.

The Council asserted that it performed (1) daily reconciliations between credit card transactions in its licensing system and the data it received from Texas.gov, and (2) weekly reconciliations between non-credit card deposits and USAS. However, the Council did not document either reconciliation; as a result, auditors could not verify that those controls existed.

Recommendations

The Council should strengthen its controls for receiving, recording, and accurately accounting for all its licensing fees, by:

- Creating a record of payments received at its office when the mail is opened.
- Obtaining and retaining data that documents which credit card payments were included in USAS deposits.
- Creating and retaining documentation of all reconciliations performed.

- Segregating duties so that the employee who handles cash, money orders, and checks is not the employee who applies and records the associated license fees.

Management's Response

The Council agrees with the recommendations.

As the Council is a small agency, it is difficult to have the small number of staff maintain a complete separation of duties at all times. However, to minimize risks, the Council will implement processes and procedures to record office payments when received, obtain and retain data included in USAS deposits, and retain reconciliations performed.

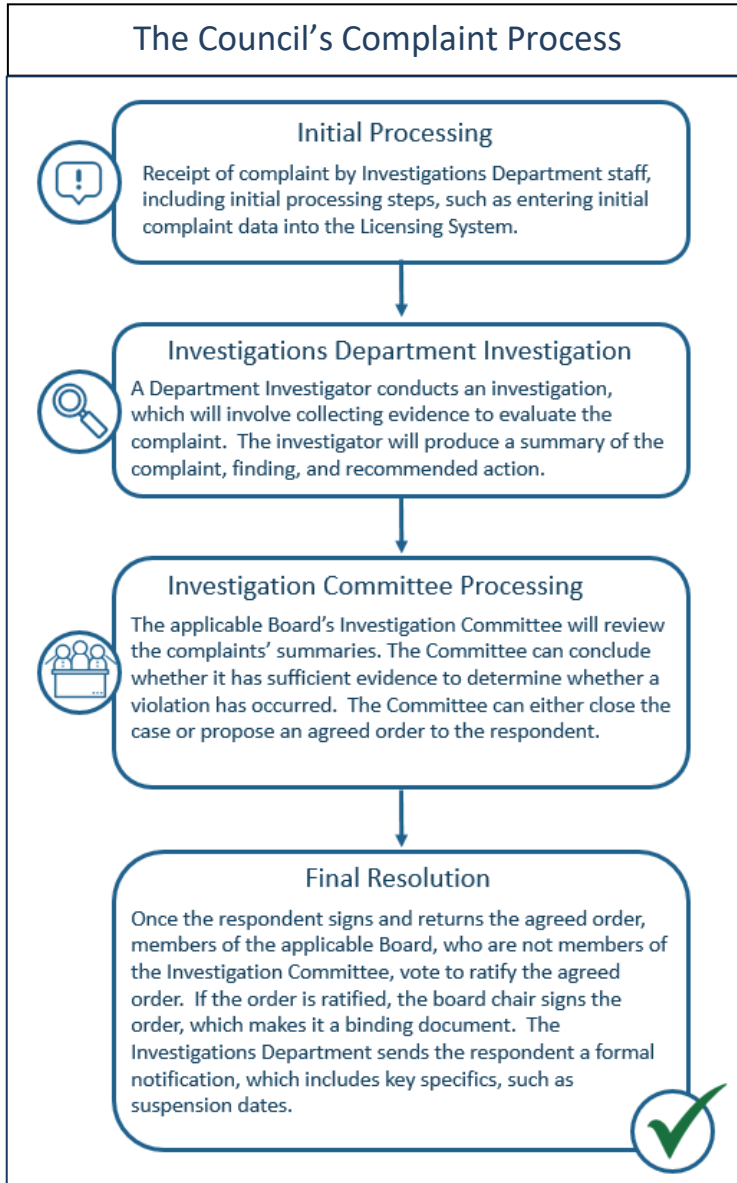
Action on the above listed items was initiated on August 1, 2021. Management believes that the above items will be completed by September 1, 2021. The Chief Financial Officer will be responsible for coordinating the implementation.

The Council Had Adequate Processes Over Most Enforcement Processes; However, It Should Strengthen Its Process for Collecting Fines Assessed Through the Enforcement Process

Chapter 2 Rating:
Medium ⁶

The Council had processes and related controls to help ensure that it conducted its enforcement activities in accordance with applicable requirements. Figure 3 shows the Commission’s complaint process.

Figure 3



Source: The Council.

⁶ The risk related to the issues discussed in Chapter 2 is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

The Council consistently followed its complaints process, which had controls to help ensure compliance with Texas Administrative Code requirements. For example, for all 36 complaints tested:

- The Investigations Department staff entered key data about the case into the Council’s licensing system that was consistent with the complaint’s coversheet.
- The Investigations Department provided the Investigation Committees with case summaries that were consistent with the cases’ facts.
- In cases in which the Investigation Committees closed the investigations, the Council notified both the complainant and the respondent, as required by the Texas Administrative Code.
- The Board ratified the signed agreed orders⁷, as required by the Texas Administrative Code.

In addition, when the Council collected monetary penalties imposed through the enforcement process, those penalties were equal to the amount in the agreed order.

However, the Council did not always collect the monetary penalties it assessed. Specifically, of the 11 complaints that resulted in agreed orders tested, 9 complaints resulted in an agreed order that assessed a financial penalty against the respondent. Three of those nine respondents did not pay their penalties, despite repeated notices from the Council stating that it would take action if the respondent did not complete all provisions of the agreed order. In one of those three cases, the Council put a hold on renewing the respondent’s license for nonpayment of the fine, but it later renewed the license even though the respondent had not paid the fine. The Council did not have policies or procedures for responding to unpaid fines. Not having a consistent, documented process for addressing the provisions in an agreed order may result in the Council treating respondents inconsistently.

The Council received 1,678 complaints from September 1, 2019, through February 28, 2021.

Of those complaints:

- Council staff initiated almost 71 percent (1,187).

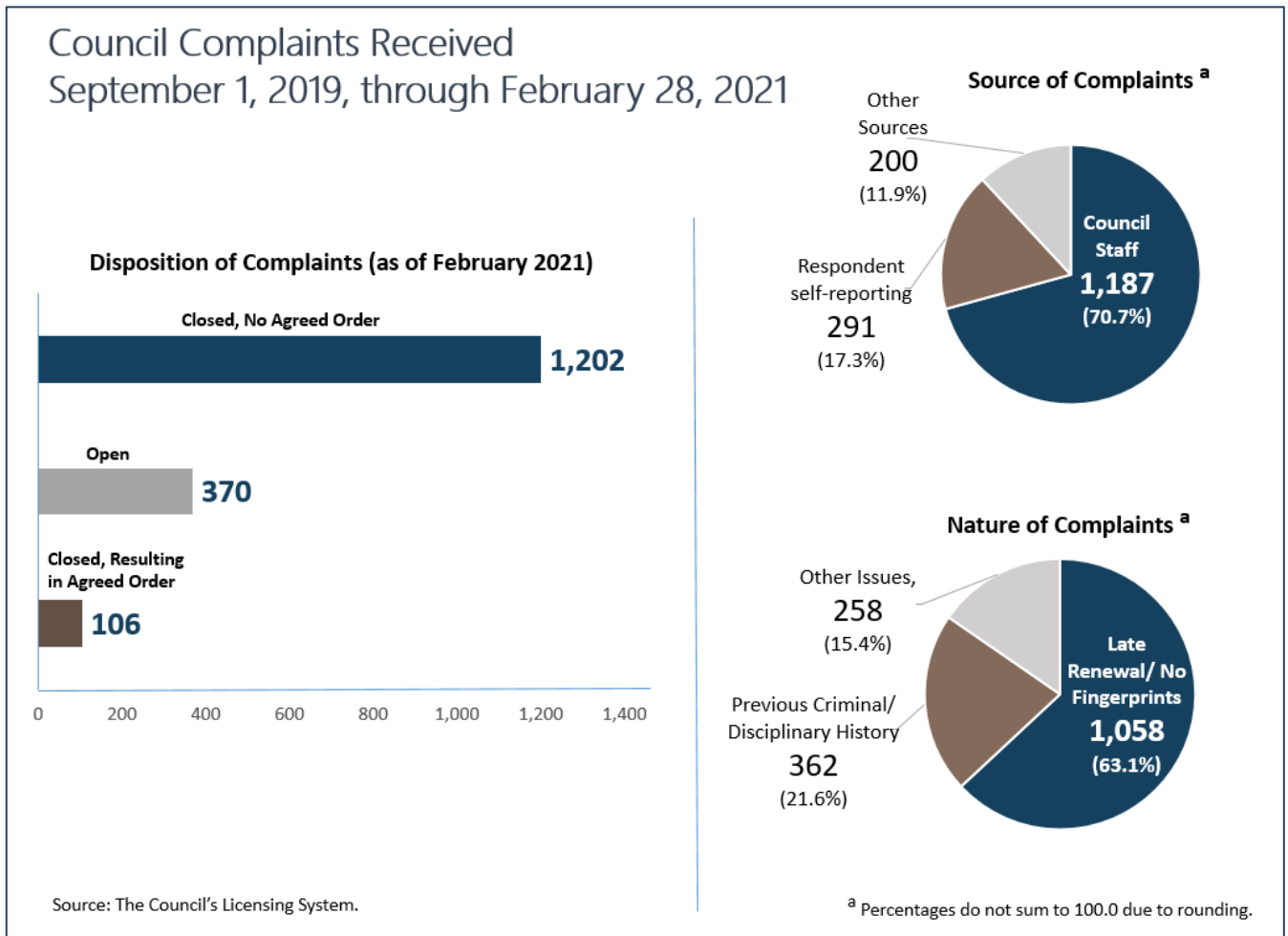
⁷ An agreed order is a legal document in which a respondent accepts the disciplinary action imposed by the Board. For an agreed order to be valid, the board must approve it and both the respondent and board chair must sign it.

- Most of the complaints that Council staff initiated were due to licensees failing to renew their licenses in a timely⁸ manner.
- A total of 106 resulted in an agreed order against the respondent.

Of the late renewal complaints, 514 were made because licensees did not submit fingerprints as required by Senate Bill 317 (85th Legislature), which became effective on January 1, 2019. In addition, the Council investigated 362 complaints to determine whether the respondent’s criminal history or any previous disciplinary actions against the respondent should affect the respondent’s ability to receive a license.

Figure 4 shows the disposition, source, and nature of the complaints the Council received.

Figure 4



⁸ Council staff initiated all but 1 of the 1,058 late renewal/no fingerprint complaints.

Recommendation

The Council should implement policies and procedures to improve its effectiveness in collecting fines.

Management's Response

The Council agrees with the recommendation.

The Council has implemented policies and procedures in collecting fines.

Action on the above listed item was completed as of August 1, 2021. The Enforcement Director was responsible for implementation.

The Council Had Processes and Related Controls for Issuing Initial and Renewing Physical Therapy and Occupational Therapy Licenses

Chapter 3
Rating:
Low ⁹

The Council developed sufficient processes for issuing and renewing licenses to qualified individuals, as required by statute.¹⁰ Specifically, for the 50 licenses tested that were issued or renewed from September 1, 2019 through February 28, 2021:

- Each licensee or applicant submitted fingerprints as required.¹¹
- The Council completed the required criminal background checks prior to issuing each new license or renewal.
- The licensees paid the required fees.

Additionally, the Council's website accurately reflected the license status for each of the 25 new license applicants and 25 renewal applicants¹² tested. From September 1, 2019, through February 28, 2021, the Council issued 34,842 new and renewed licenses. Figure 5 on the next page shows the breakdown of those licenses.

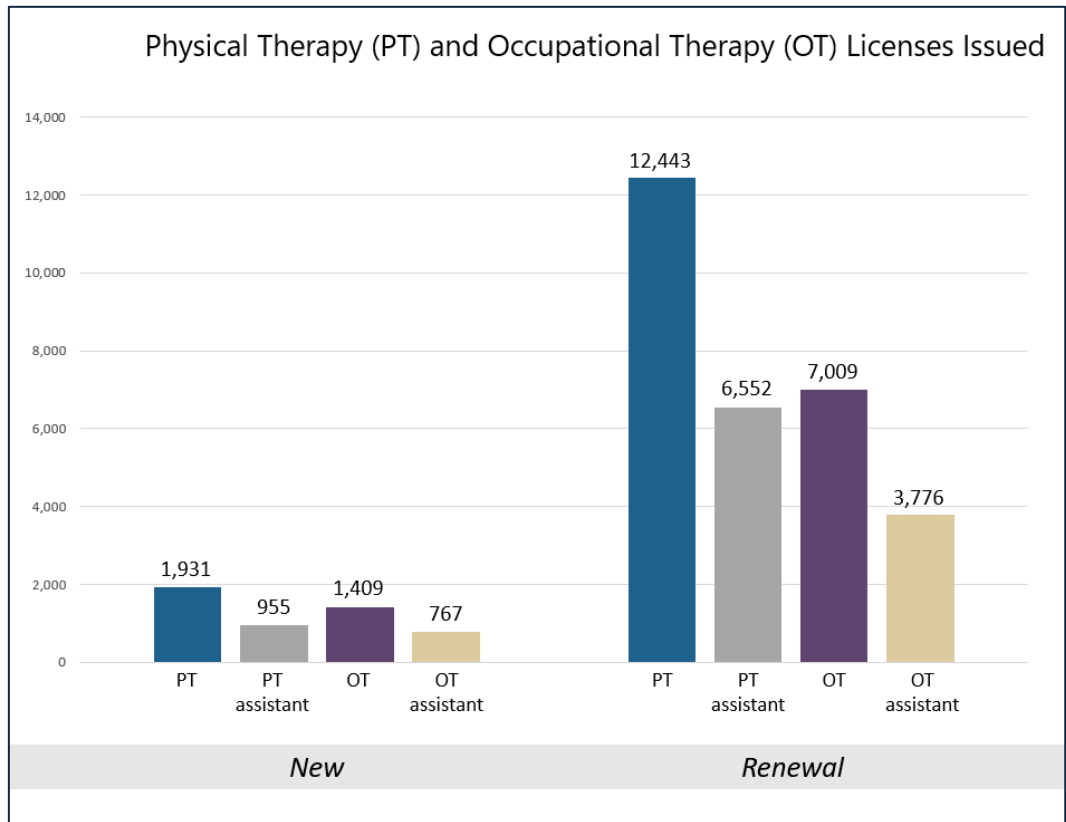
⁹ The risk related to the issues discussed in Chapter 3 is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/functions(s) audited.

¹⁰ The Council normally performs quarterly audits of the continuing education/continuing competency submission forms that its licensees submit with their license renewals. However, the Council temporarily suspended those audits on March 17, 2020, due to the COVID-19 pandemic.

¹¹ Due to the COVID-19 pandemic, the Council suspended fingerprinting requirements for new physical therapy and occupational therapy licenses, which included physical therapy assistant and occupational therapy assistant licenses, from April 5, 2020, through May 29, 2021.

¹² Both of the samples consisted of licenses for physical therapist, physical therapy assistant, occupational therapist, and occupational therapy assistant.

Figure 5



Source: The Council.

For new license applicants, the Council retained completed initial application checklists and documentation supporting compliance with Texas Administrative Code requirements. Examples of checklist items that matched applicable requirements include:

- Verification of licensure for persons licensed in another state or territory.
- Obtaining copies of scores from applicable licensing exams and, for physical therapy and physical therapy assistant licenses, official transcripts and a letter from the applicant's program director to indicate that the applicant completed the program.

In addition, the Council's Licensing Department manager or assistant manager created and maintained checklists to indicate satisfactory completion of all requirements.

The Council also implemented controls to ensure that its licensees met professional competency requirements, including:

- Passing the jurisprudence exam required for license renewal.

- Attesting to the successful completion of required continuing education, including an approved human trafficking prevention course, as required by the Texas Administrative Code¹³.

¹³ Title 22, Texas Administrative Code, Section 341.1 (c)(4), and Title 40, Texas Administrative Code, Section 367.1 (b).

The Council Should Improve Controls Governing Its Information Technology Operations

**Chapter 4
Rating:**
Medium¹⁴

The Council's management is responsible for ensuring that information systems have controls to safeguard licensing, complaint, and revenue data.¹⁵ To accomplish this, the Council relies on the Health Professions Council and a second vendor to manage its information systems, including implementing information technology controls and policies (see text box for more information). To strengthen the security of its information technology resources, the Council should:

- **Strengthen controls to monitor and evaluate system access.** The Council's information security processes did not ensure that system access rights provided only current employees with access they needed to perform their duties. Specifically, the Council did not ensure that:
 - ♦ Only current employees could access the Council's systems. For example, 1 of the Council's 20 active user accounts tested was assigned to a former employee¹⁶.
 - ♦ Authorized users were provided the least access necessary to perform their duties, as required by the Department of Information Resources' *Security Control Standards Catalog*. Specifically, 9 of the 20 user accounts for the Council's licensing system provided access in excess of what the users needed to perform their job duties¹⁷.
 - ♦ In addition, three USAS users had access rights that allowed them to both enter a transaction and release that same transaction without

The Council's Information Technology Vendors

The Council has agreements with the following vendors:

The **Health Professions Council** is a state agency that helps to coordinate activities between the varying Texas medical regulatory agencies. It serves as the Council's information resource manager. Other services it provides to the Council include controlling access to the Council's network and server; backing up the Council's data; and ensuring that the Council's desktop computers are connected to the network and have proper antivirus protection and operating system support.

Logical Computer Solutions is an independent contractor that maintains, makes programming changes to, and performs ad hoc reporting for the Council's licensing system.

Sources: The Council's memorandum of understanding with the Health Professions Council and contract with Logical Computer Solutions.

¹⁴ The risk related to the issues discussed in Chapter 4 is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

¹⁵ Title 1, Texas Administrative Code, Section 202.20, states that agency heads are responsible for the agency's information resources.

¹⁶ The Council discontinued the inappropriate access after auditors brought the issue to management's attention.

¹⁷ The Council discontinued the inappropriate access after auditors brought the issue to management's attention.

involvement from a separate user. The Council did not process any transactions in which the same person entered and released a transaction from September 1, 2019 through February 28, 2021. The ability to enter and release the same transaction should not be granted to users in USAS.

- **Create its own procedure to document its process for controlling and monitoring changes to the Council's information resources.** The Council does not have documented change management procedures. The *Security Control Standards Catalog* states that a change management process should include monitoring changes made to an agency's hardware and software. The process also should include changes made by its vendors to protect its information resources against improper modifications.
- **Develop, document and implement certain information security-related policies required by the *Security Control Standards Catalog*.** This includes a policy establishing computer security training requirements and a risk assessment policy.
- **Establish information security requirements for information technology vendors and communicate those requirements to the vendors, as required by the *Security Control Standards Catalog*.** With the exception of a section in one vendor's memorandum of understanding, the Council's current agreements did not document security expectations for the Council's vendors. The Logical Computers Solutions' contract contained a section requiring that the vendor not disseminate the Council's data, but it did not document any other security expectations for that vendor. Not defining vendor security requirements increases the risk that (1) the vendor may not provide appropriate service, (2) the Council may not fully accomplish its information technology objectives, and (3) the Council's information technology security could be compromised.

Some of the Council's information technology controls worked properly. For instance, all of the Council's USAS users were current employees. In addition, the licensing system's edit and input controls that were tested all functioned as designed. Specifically, those controls appropriately:

- Allowed only numerals to be entered in fields designed to hold numbers.
- Automatically populated receipt numbers to ensure sequential numbering.
- Verified that a licensee reported completion of applicable continuing education classes and paid required fees prior to renewing a license.

Recommendations

The Council should implement its own processes and procedures to complement the information security controls that its vendors provide, by:

- Monitoring and updating user access regularly, including users' access rights.
- Improving and documenting a process for controlling and monitoring changes to its information resources, including those made by the Council's vendors.
- Developing, documenting, and implementing all policies required by the *Security Control Standards Catalog*.
- Developing, documenting, and implementing security requirements for monitoring vendor performance and compliance that comply with Title 1, Texas Administrative Code, Chapter 202.

Management's Response

The Council agrees with the recommendations.

The Council will implement processes and procedures to complement the information security controls vendors provide and implement the recommendations concerning user access, modifications to information resources, polices required by the Security Control Standards Catalog, and security requirements that comply with Title 1, Texas Administrative Code, Chapter 202.

Action on the above listed items has been initiated. Management believes that the above items will be completed by November 1, 2021. The Executive Director will be responsible for coordinating the implementation.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Executive Council of Physical Therapy and Occupational Therapy Examiners (Council) has processes and related controls to help ensure that it conducts licensing and/or enforcement activities in accordance with applicable requirements.

Scope

The scope of this audit covered the Council's licensing and enforcement activities from September 1, 2019, through February 28, 2021. This included issuing new and renewing physical therapy and occupational therapy licenses, investigating complaints, and processing revenues associated with those activities. The scope also included a review of significant internal control components related to the Council's licensing, enforcement, and revenue processes (see Appendix 3 for more information about internal control components).

Methodology

The audit methodology included conducting interviews with Council management and staff; reviewing statutes, rules, and Council policies and procedures; collecting information and documentation on licensing, enforcement, complaint, and revenue processes; and analyzing and evaluating the results of tests.

Data Reliability and Completeness

Auditors reviewed multiple data sets to assess the reliability of the Council's information systems. Specifically:

- **Licensing System.** Auditors obtained data downloads from the Council's licensing system for physical therapy and occupational therapy license issuances and renewals, complaints, and revenues. Auditors performed procedures to assess the reliability of those data sets including (1) observing the extraction of the data, (2) reviewing query parameters used to extract the data, and (3) comparing select data to revenues in the Uniform Statewide Accounting System (USAS).

- **Texas.gov Credit Card and Automated Clearing House Data.** Auditors obtained electronic payment data from Texas.gov's¹⁸ payment application related to payments of licensing fees from September 1, 2019, through February 28, 2021. Auditors (1) observed Council staff extract the data sets, (2) performed analyses on the data, and (3) reviewed the query parameters used to extract the data.

Auditors determined that the licensing, complaint, enforcement, and revenue data was sufficiently reliable for the purposes of this audit.

Sampling Methodology

Auditors selected the following nonstatistical samples through random selection.

Licensing. Auditors randomly selected samples of 25 new applicants for initial license testing and 25 renewing licensees for license renewal testing. Auditors selected proportional numbers of physical therapists, physical therapy assistants, occupational therapists, and occupational therapy assistants that made up the new and renewing populations. The sample items were not representative of the population; therefore, it would not be appropriate to project those test results to the population.

Complaints. Auditors randomly selected a sample of 25 complaints that did not result in agreed orders, selecting proportional numbers of active and resolved complaints. Additionally, auditors randomly selected 11 (10 percent of the population) of agreed action cases for testing. The sample items were not representative of the population; therefore, it would not be appropriate to project those test results to the population.

License Fee Payments. Auditors randomly selected 16 weeks (20 percent of the population of weeks) and tested all of the non-electronic license fee payments occurring during those weeks. The sample items were not representative of the population; therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- Council policies and procedures.
- Statutes and rules relevant to the licensing and enforcement activities.
- Licensing, enforcement, and revenue data from the Council's licensing system, which it uses to manage licensing and enforcement activities.

¹⁸ Texas.gov is the State's official digital platform.

- Initial licensing applications, new application checklists, applicants' academic transcripts, jurisprudence examination results, and other documentation to support applicants' eligibility.
- Supporting documentation for complaints/enforcement testing, such as case coversheets, correspondence with complainants and respondents, and agreed orders.
- User account data for the Council's licensing system, which contains data for licensing, enforcement, and revenues.
- Council employees' user accounts and permissions for USAS.

Procedures and tests conducted included the following:

- Interviewed Council employees to identify the agency's processes for issuing initial physical therapy and occupational therapy licenses and renewals; processing revenues; processing mail and receipting of payments; and processing complaints. This includes controls and the information that supports those processes.
- Tested samples of new and renewed physical therapy and occupational therapy licenses.
- Tested samples of complaints that did not result in agreed orders and complaints that resulted in agreed orders.
- Tested deposits for non-electronic payments from September 1, 2019, through February 28, 2021, and electronic payments from May 8, 2020, through February 28, 2021.¹⁹
- Tested user access and certain application controls for the Council's licensing system and server.

Criteria used included the following:

- Texas Occupations Code, Chapters 452 through 454.
- Title 1, Texas Administrative Code, Chapter 202.
- Title 22, Texas Administrative Code, Chapters 16 and 28.
- Title 40, Texas Administrative Code, Chapter 12.

¹⁹ The Council could not provide support linking credit card payments to USAS for the period from September 1, 2019, through May 7, 2020, as discussed in Chapter 1.

- Department of Information Resources' *Security Control Standards Catalog*, Version 1.3.
- Office of the Comptroller of Public Accounts' Accounting Policy Statement 29 - *Electronic Processing of Revenues and Expenditures, Including Texas.gov Portal Activity* (APS 029).

Project Information

Audit fieldwork was conducted from January 2021 through August 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Gregory Scott Adams, MPA, CPA, CFGM (Project Manager)
- Ro Amonett, MPA (Assistant Project Manager)
- Jeffrey D. Criminger, CFE
- Elizabeth Gallegos, MAcc
- Kristin Auriel Rene Pope, MSA
- Minh Trang
- Robert G. Kiker, CGAP (Quality Control Reviewer)
- Michael Owen Clayton, CPA, CISA, CFE, CIDA (Audit Manager)

Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Internal Control Components

Internal control is a process used by management to help an entity achieve its objectives. The U.S. Government Accountability Office's *Government Auditing Standards* require auditors to assess internal control when internal control is significant to the audit objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) established a framework for 5 integrated components and 17 principles of internal control, which are listed in Table 3.

Table 3

Internal Control Components and Principles		
Component	Component Description	Principles
Control Environment	The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.	<ul style="list-style-type: none"> ▪ The organization demonstrates a commitment to integrity and ethical values. ▪ The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. ▪ Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. ▪ The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. ▪ The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment	Risk assessment is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.	<ul style="list-style-type: none"> ▪ The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. ▪ The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. ▪ The organization considers the potential for fraud in assessing risks to the achievement of objectives. ▪ The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities	Control activities are the policies and procedures that help ensure that management's directives are carried out.	<ul style="list-style-type: none"> ▪ The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. ▪ The organization selects and develops general control activities over technology to support the achievement of objectives. ▪ The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Internal Control Components and Principles		
Component	Component Description	Principles
Information and Communication	Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.	<ul style="list-style-type: none"> ▪ The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. ▪ The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control. ▪ The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities	Monitoring is a process that assesses the quality of internal control performance over time.	<ul style="list-style-type: none"> ▪ The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. ▪ The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Source: Internal Control - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, May 2013.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair
The Honorable Dade Phelan, Speaker of the House, Joint Chair
The Honorable Jane Nelson, Senate Finance Committee
The Honorable Robert Nichols, Member, Texas Senate
The Honorable Greg Bonnen, House Appropriations Committee
The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Executive Council of Physical Therapy and Occupational Therapy Examiners

Members of the Executive Council

Mr. Manoranjan "Mano" Mahadeva, Presiding Officer
Mr. Donovan Hodge
Mr. Eddie Jessie
Ms. Stephanie Johnston
Ms. Barbara Sanders

Mr. Ralph Harper, Executive Director

Members of the Texas Board of Physical Therapy Examiners

Mr. Harvey Aikman
Ms. Glenda C. Clausell
Mr. Jacob Delgado
Mr. Manuel Domenech
Ms. Kathryn Roby
Ms. Melissa Skillern
Ms. Liesl Stratton Olson

Members of the Texas Board of Occupational Therapy Examiners

Mr. Jacob Boggus
Ms. Blanca Cardenas
Ms. Jennifer B. Clark
Ms. Karen Gardner
Ms. Sally Harris King
Mr. Todd M. Novosad



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.texas.gov.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government visit <https://sao.fraud.texas.gov>.