

Audit Committee Agenda

Committee Members

Chair: Todd Furniss, JD
Ramon Miguez, PE
Farida Minner, RN
Yasmin Simon, JD

Agenda for the **Audit Committee** meeting of the Dallas County Hospital District (“DCHD”) is scheduled for **Wednesday, October 7, 2026 at 10:00 AM**, at 5200 Harry Hines Blvd (WISH Building) Dallas, TX 75235, Executive Conference Room 02-175. (If assistance is needed in locating the room, please see the Administration receptionist on the 4th floor, 04-131.) A quorum will be physically present at the location of the meeting. Videoconferencing access is also possible via Webex. That application is available at <https://www.webex.com/downloads.html>. Teleconferencing access is possible by calling +1-415-655-0001. Both virtual access forms require inputting (meeting number: 2301 351 4540; meeting password: 1234) to join the meeting. The **Audit Committee** reserves the right to exercise discretion and may convene in Executive Session as permitted by Texas Government Code §§551.071 (consultation with attorney), 551.072 (deliberations regarding real estate), 551.074 (personnel matters), 551.076 (deliberations regarding security devices or security audits), 551.078 and/or 551.0785 (deliberations by medical committee or by governmental body that administers a public insurance, health or retirement plan regarding individuals’ medical or psychiatric records), 551.085 (deliberation by governing board of certain providers of health care services), 551.087 (deliberation regarding economic development negotiations), 551.088 (deliberation regarding test item); Texas Government Code §418.183 (deliberation of information under §§418.175 – 418.182 for purposes of disaster management or disaster planning); Texas Health & Safety Code §161.032 (medical committee or medical peer review committee records, information or reports; and/or medical committee or medical peer review committee proceedings under Tex. Health & Safety Code Chapter 161 and/or Tex. Occ. Code Chapters 151 and 160); and/or as otherwise authorized by law on any item listed below. The **Audit Committee** may consider any of the agenda items in open or executive session and may continue the meeting as necessary to accomplish the business at the time and place designated by the Chair to reconvene.

	PAGE	TIME (MIN)	PRESENTER(S)
I. Opening/Call to Order/Declare a Quorum Present/Mission Statement/Opening Remarks <i>Advance Wellness Relieve Suffering Develop and Educate</i> I CARE Integrity Compassion and Collaboration Accountability Respect Equity This agenda has been developed by the Chief Governance Officer in consultation with the Board Chair, CEO, and reviewed and affirmed by Counsel.			Chair
II. Public Comments Regarding Agenda Items <i>See public comment registration information and rules at https://www.parklandhospital.com/board-of-managers</i>			Chair
III. Report on the Audit Committee Packet Key Takeaways for the Month of October	6	05 mins	Amy LaBarge

	PAGE	TIME (MIN)	PRESENTER(S)
IV. Reports Requiring Deliberation(s) and Possible Action			
A. Forvis Mazars Planning Communication to the Parkland Health Board of Managers <i>Required communication to the audit committee regarding the scope and planned activities for the financial statement audit for the year ended September 30, 2026.</i>	8	05 mins	Amy LaBarge
B. Internal Audit Quality Assurance Review, Report No. 26-20 <i>Internal assessment of Internal Audit's function to evaluate its conformance to auditing industry standards.</i>	14	10 mins	Amy LaBarge
C. Open Session Summary to discuss the following topics:	25	15 mins	Amy LaBarge
i. Overview of progress on Parkland's 2026 and 2027 Audit Plans <i>The Parkland Board of Managers adopted the 2026 Audit Plan in 2025 and the 2027 Audit Plan in 2026.</i>	26		
ii. Pharmacy Audit, Report No. 26-23 <i>To evaluate compliance with regulatory/policy requirements and the effectiveness of operational and IT controls in the pharmacy workflow.</i>	28		
iii. Follow-Up Report Status – Open Session <i>Update on corrective action plans for audits presented in prior open session Audit Committee meetings.</i>	29		
V. Executive Session			
<i>Tex. Health & Safety Code §§161.032 & 161.0315 and Tex. Occ. Code §160.007; Tex. Gov't Code §§551.071.</i>			
A. Executive Session Summary to discuss following topics: Tex. Health & Safety Code §§161.032 & 161.0315 and Tex. Occ. Code §160.007	31	05 mins	Amy LaBarge
i. Documentation Supporting the FY2024 Physician Salary and Clinical FTE Calculations Audit, Report No. 26-06	32		
ii. Follow-up Report Status – Executive Session <i>Update on corrective action plans for audits presented in prior executive session Audit Committee meetings.</i>	33		

	PAGE	TIME (MIN)	PRESENTER(S)
B. Discussion regarding report and/or information provided by the Chief Audit Executive and related items on this agenda. <i>Tex. Health & Safety Code §§161.032 & 161.0315 and Tex. Occ. Code §160.007.</i>		05 mins	Chair
C. Consultation with Attorney Tex. Gov't Code § 551.071.			
i. Review of Open Litigation <i>(See Attached List)</i>	34	15 mins	Brad Nitschke
VI. Action Items			
A. Committee may take action on any agenda item(s) above			Chair
VII. Closing Remarks			Chair
VIII. Possible Deliberation Regarding Documents Received by the Committee			
A. Pharmacy Audit, Report No. 26-23	36		
B. Open Session Audit Follow-up Reports	44		
IX. Possible Deliberation Regarding Executive Session Documents Received by the Committee			
A. University of Texas Southwestern – Documentation Audit, Report No. 26-06 <i>Tex. Health & Safety Code §§161.032 & 161.0315 and Tex. Occ. Code §160.007.</i>	44		
B. Executive Session Audit Follow-up Reports <i>Tex. Health & Safety Code §§161.032 & 161.0315 and Tex. Occ. Code §160.007.</i>	51		
X. Adjourn			Chair

Active Litigation Matters, October 2026

NEW Matters:

David Harding v. Dallas County Hospital District d/b/a Parkland Health
Filed 07/09/2026 — Judge Staci Williams, 101st Civil District Court, Dallas County

Shirley Proctor v. Dallas County Hospital District d/b/a Parkland Health
Filed 08/04/2026 — Judge Bridgett Whitmore, 193rd Civil District Court, Dallas County

Ongoing Matters:

Dallas County Hospital District v. Haley Burr, et al. (N5)

Filed 12/14/2023 — Judge Staci Williams, 101st Civil District Court, Dallas County

Dallas County Hospital District v. Shiftwise, Inc., et al.

Filed 07/01/2025 — Judge Martin Hoffman, 68th Civil District Court, Dallas County

Dallas County Hospital District v. BARA, a Joint Venture

Filed 02/01/2024 — Judge Maria Aceves, 192nd Civil District Court, Dallas County

Alejandro Lopez v. Dallas County Hospital District d/b/a Parkland Health System d/b/a Parkland Memorial Hospital

Filed 05/29/2025 — Assigned: Chief District Judge Amos L. Mazzant; Referred: Magistrate Judge Bill Davis, U.S. District Court, Eastern District of Texas, Sherman Division

Julius Bamibe v. Dallas County Hospital District d/b/a Parkland Memorial Hospital & Angela Grant

Filed 05/19/2026 — Judge Tonya Parker, 116th Civil District Court, Dallas County

U.S. ex rel. Chase v. UT Southwestern Medical Center, Parkland Health & Hospital System, et al.

Filed 03/28/2023 — Judge Jason K. Pulliam, U.S. District Court, Western District of Texas, San Antonio Division

Leticia Moreno, Individually and as Representative of the Estate of Juan Valenzuela, Deceased, and as Next Friend of

D.V.M., v. Dallas County Hospital District d/b/a Parkland Health and The University of Texas Southwestern Medical Center

Filed 12/05/2024 — Judge Tonya Parker, 116th Civil District Court, Dallas County

Janice Deloatch-Young v. Parkland Health and Dallas VA Medical Center

Filed 05/08/2026 — Judge Martin Hoffman, 68th Civil District Court, Dallas County

Dorothy Marshall Living Trust v. Linebarger, et al.

Filed 04/23/2026 — Judge Sam A. Lindsey, U.S. District Court, Northern District of Texas, Dallas Division

Resolving Matters:

None

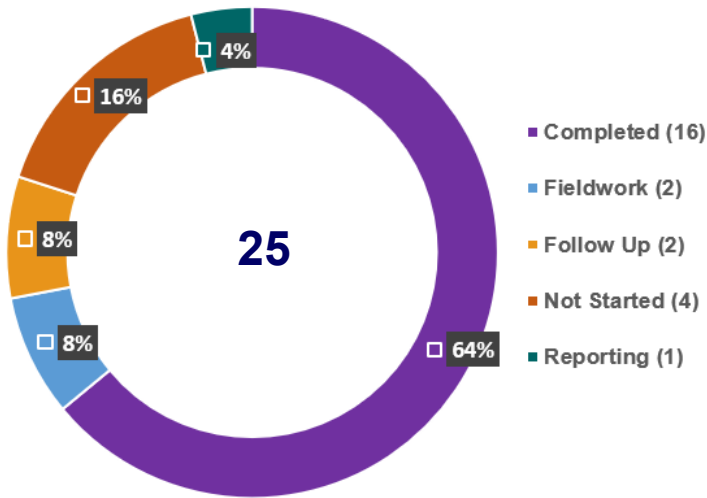
Resolved:

None

III. Open Session

Key Takeaways at-a-Glance* – October 2026

Audit Plan Progress



Internal Audit Quality Assurance Review

Internal quality assessment of the internal audit function to evaluate conformance with the Institute of Internal Auditors (IIA) Global Internal Audit Standards and Code of Ethics, and progress towards its performance objectives.

(Page 14)

- Full conformance across 13 principles, with two targeted opportunities to strengthen
- Results: Generally Conforms / Generally Achieves

FY26 Audit Plan

Status (Page 26)

Issues Identified*

Pharmacy Audit, Report No. 26-23

(Summary, Page 28; Report, Page 36):

- Incomplete transmission/monitoring for controlled substance prescriptions.
- Controlled substance handling and medication wasting practices did not consistently adhere to policy requirements.
- Historical prescription information does not display provider NPI following account deactivation.

University of Texas Southwestern – Documentation Audit, Report No. 26-06 (Summary, Page 32; Report, Page 44)

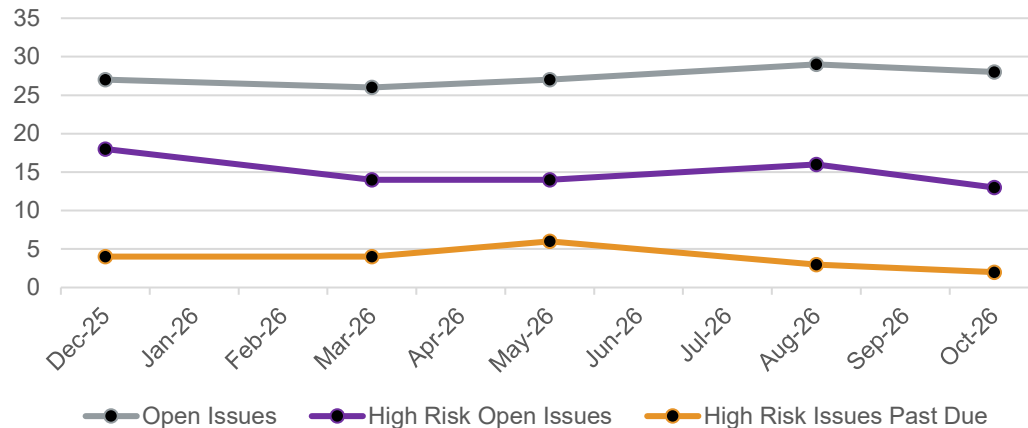
- Executive Session content

Follow-up

One issue and zero audits were closed. Requests were submitted to modify the due dates for 9 issues.

(Pages 43 and 51-52)

Follow Up Issues



Aligned Assurance – October 2026

Risk Focus Matrix											
Assurance Function Focus by Risk Category											
Risk Topic	Assurance Focus										
	TIER 1	TIER 2									TIER 3
	Identifies and addresses applicable risks	Creates and monitors organizational control processes									Verifies control processes are implemented, sustainable, and effective
	Roles Responsible	Information Security	Institutional Risk Management & ERM	Legal Affairs	Disaster Management & Business Continuity	Health Information Management	Strategy Governance	Communications External Affairs	Quality, Safety & Clinical Risk Management	Corporate Compliance & Ethics	Internal Audit Services
Assurance Function Maturity		🕒	🕒	🕒	🕒	🕒	🕒	🕒	🕒	🕒	🕒
Clinical/Patient Safety	CMO, CNO, COO	🔴	🟡	🟡	🟡	🟡	🔴	🔴	🟢	🟡	🟡
Legal/Regulatory/Compliance	CCEO	🟡	🟡	🟢	🟡	🟡	🟡	🟢	🟡	🟢	🟡
Human Capital	CTO	🟡	🟡	🟡	🟡	🔴	🔴	🔴	🟡	🟡	🟢
Financial	CFO	🟡	🟡	🟡	🟡	🟢	🟡	🟡	🟡	🔴	🟢
Operational	COO	🟡	🟡	🟢	🟡	🟡	🟡	🟡	🟡	🟢	🟢
Technical/Cyber	CIO	🟢	🟡	🟢	🟡	🔴	🔴	🔴	🔴	🟡	🟢
Strategic	CSO	🟡	🟡	🟢	🟡	🟡	🟢	🟡	🟡	🟡	🟡
Reputation	SVP Communications	🟡	🟡	🟢	🟡	🟡	🟡	🟢	🟡	🟢	🟡
Hazard	COO, VP IRM	🟡	🟢	🟡	🟢	🔴	🔴	🔴	🔴	🔴	🟡

LEGEND:

- 🔴 Low/NA
- 🟡 Moderate/Shared
- 🟢 High/Primary
- 🕒 Initial
Work is performed informally.
- 🕒 Repeatable
Work is planned and tracked.
- 🕒 Defined
Work is well defined.
- 🕒 Managed
Work is quantitatively controlled.
- 🕒 Optimizing
Work is based upon continuous improvement.

Who is looking at future risks? Inherent in the ERM process and individual area's annual risk assessment/work planning processes.

Forvis Mazars Planning Communication to the Board of Managers

Parkland Health
September 30, 2026

Thank You for Selecting Forvis Mazars

We are grateful for the opportunity to serve Parkland Health and gain insight into your operations. This communication provides useful information relevant to your role as those charged with governance of the entity, including summarized information required by professional standards, such as the planned scope and timing of the audit.

Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

Contacts During the Engagement

We understand the appropriate person in the governance structure with whom to communicate is:

- Todd Furniss, JD, Audit Committee Chair

Your audit leader for any questions or communications is:

- David Harwood, Partner | david.harwood@us.forvismazars.com | 972.898.8878

Overview & Responsibilities

Matter	Description of Audit Area
Scope of Our Audit	We have been engaged to audit the financial statements and compliance with Federal awards of Parkland Health for the year ended September 30, 2026. Please refer to our contract dated August 4, 2026, for additional information and the terms of our engagement.

Matter	Description of Audit Area
Audit Standards & Materiality	We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial statement audits contained in Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and Title 2 U.S. <i>Code of Federal Regulations</i> (CFR) Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Those standards require that we plan and perform the audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud; and the audit of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Compliance Supplement that are applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred. References to items that are material refer to misstatements, including omissions, that could, in our professional judgment, reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.
Our Responsibilities	We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
Your Responsibilities	Our audit of the financial statements does not relieve you or management of your responsibilities.
Distribution Restriction	This communication is intended solely for the information and use of the Board of Managers and, if appropriate, management of the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

Planned Timing of the Engagement

We succeed in our engagements by collaborating with management through frequent communication. We require the assistance of management and staff to prepare supporting documents, schedules, and analysis and depend on those items to be ready no later than the dates that we mutually agree will meet your deadlines.

Phase	Timing	Key Activities
Planning	August – October 2026	• Meet with management to develop detailed timeline • Identification of documents and schedules to be obtained
Risk Assessment, Including Developing & Understanding of Internal Control	August – September 2026	• Document internal control design and evaluate implementation and operating effectiveness, including the financial information technology systems • Interview accounting, finance, and/or other personnel • Discuss within the engagement team risks specific to the engagement, including fraud • Assess risk of material misstatement for significant financial statement amounts and disclosures

Phase	Timing	Key Activities
Risk Response, Including Inquiries & Substantive Testing	October – November 2026	• Test material account balances and risk areas • Evaluate significant unusual transactions • Form conclusions on risks of material misstatement • Seek correction of any auditor identified misstatements
Wrap Up & Reporting	December 2026	• Perform exit conferences with management • Completion of engagement executive and quality control reviews • Delivery of draft reports and communications • Conferences with management to review drafts and discuss results
Presentation to the Audit Committee	January 2027	• Make required communications to those charged with governance • Discuss audit results and present final deliverables • Share insights and suggestions for the future
Compliance Testing	January – March 2027	• Evaluate compliance with requirements that could have a direct and material effect on each major federal program

Planned Audit Scope

We welcome any input you may have regarding the information discussed below. We also welcome any insight you have related to any other risk areas or other significant risk areas you believe warrant particular attention.

ASSURE: Technology Powered, Risk Based

Unlock deeper insights and operate with confidence.

Staying ahead of what's next is at the heart of our commitment to delivering a quality audit. ASSURE leverages advanced technology to combine tested, risk-focused methods with AI and data analytics. This integration streamlines audit workflows while empowering our professionals to focus on critical, judgment driven aspects of the audit.



Innovative

Agentic AI and intelligent workflows enhance our audit approach, resulting in a tailored audit.

Data Driven

Advanced analytics turn large datasets into actionable insights—identifying anomalies and prioritizing high risk areas.

Collaborative

Integrate communication and task management directly into workflows for clarity.

Secure

Robust protocols protect sensitive data across every step to build trust and maintain compliance.

Extent of Testing

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Establishing Our Understanding

An audit also includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

Communicating Deficiencies or Significant Matters

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate internal control-related matters that are required to be communicated under professional standards.

We will also communicate significant matters arising during the audit of the financial statements that are relevant to you in overseeing the financial reporting process as required by professional standards.

Significant Risks of Material Misstatement

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and of material noncompliance and propose to address these areas as described:

Risk Area(s)	Audit Approach
Risk of Management Override of Controls	We will review accounting estimates for bias, review journal entries for support and propriety and evaluate the business rationale for any unusual or unexpected transactions.

Revenue Recognition

We will review all management topside entries recorded to patient AR and net patient service revenue accounts during the current fiscal year to assess reasonableness of year-end balances. Reconciling items between the client AR model and the general ledger will be reviewed and tested based on materiality of identified items.

Other Procedures to Be Performed

We may also request written representations from the entity's attorneys as part of the engagement, and they may bill the entity for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

We may identify additional significant risks as we complete our procedures.

Use of Resources

We plan to use the following in our audit:

- The entity's internal audit function to provide direct assistance for vouching support obtained during audit procedures. [reliance capacity and/or to provide direct assistance]
 - Forvis Mazars IT specialist to review controls surrounding the implementation process, security and data integrity. We will also challenge access controls to identify segregation of duties.
- The following specialists or experts in our audit:
 - Forvis Mazars will use specialists relating to valuation of investments that will be performed by Harvest.

Work Performed on Components of the Entity

Each of Parkland Health's component units are audited separately. Parkland Community Health Plan, Inc. and Parkland Center for Clinical Innovation are audited by Forvis Mazars. Parkland Foundation is audited by Lori K. Orta, P.C.

Adoption of New Accounting Standards

The entity must adopt GASB Statement No. 103, Financial Reporting Model Improvements as of September 30, 2026. Implementation of this standard includes selection of a transition method for the entity, election of certain practical expedients, and adoption of new policies. In addition, implementation of this standard may affect internal controls over financial reporting. We encourage you to communicate with management regularly regarding the policy elections made, recognition of new financial statement amounts, and disclosures upon transition.

Consideration of Error or Fraud

One of the most common questions we receive from audit committees is, "How do you address fraud in a financial statement audit?" Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
- Inquiries of management and others
- Reviewing accounting estimates for bias

Confirmation of Independence

This communication is to provide you with information regarding our independence with respect to the entity and facilitate our discussion with you regarding independence matters.

We are communicating all relationships between our firm or any of its affiliates and the entity that may reasonably be thought to bear on independence as of the date of this communication. We are not aware of any such relationships.

We hereby confirm that, as of the date of this communication, we are independent with respect to the entity in compliance with the rules of the United States Securities and Exchange Commission and other applicable professional organizations and regulatory bodies.

Quality Assurance Review

Internal Assessment · Report No. 26-20

Presented by **Amy LaBarge, MBA, CPA, CIA, CISA**
Senior Vice President and Chief Audit Executive

Audit Committee · October 7, 2026

Executive Summary

Internal Audit performed an internal quality assessment of the internal audit function to evaluate conformance with the Institute of Internal Auditors (IIA) Global Internal Audit Standards and Code of Ethics, and progress toward its performance objectives. The assessment covered all five domains and fifteen principles for the period under review, FY2026.

HOW WE PERFORMED THE ASSESSMENT



Reviewed IA policies, procedures, and the Internal Audit Charter



Reviewed Audit Committee agendas and minutes



Completed the planning guides and programs in the IIA's Quality Assessment Manual



Reviewed a sample of recent IA engagement files

AUDIT CONCLUSION



Generally Conforms / Generally Achieves

In our opinion, the internal audit function generally conforms with the IIA Global Internal Audit Standards in all material respects during the period under review.

Scope of the Assessment

5

DOMAINS

Every domain of the Standards assessed

15

PRINCIPLES

All principles evaluated for conformance

FY2026

PERIOD

Full fiscal year under review

What the assessment measured

- Conformance with the IIA Global Internal Audit Standards
- Conformance with the IIA Code of Ethics
- Progress toward the department's performance objectives

HOW RESULTS ARE RATED

Rating Scale

The rating scale applied is summarized below:

FA	Fully Conforms / Fully Achieves	The function achieves the intent of the standard or principle.
GA	Generally Conforms / Generally Achieves	Nearly all requirements are met; minor gaps that do not impair intent.
PA	Partially Conforms / Partially Achieves	Achieves the intent in part; specific gaps exist that need attention.
DN	Does Not Conform / Does Not Achieve	Fails to achieve the intent of the standard or principle.
NA	Not Applicable	Not applicable to Parkland's circumstances (document rationale).

15-Principles Heat Map

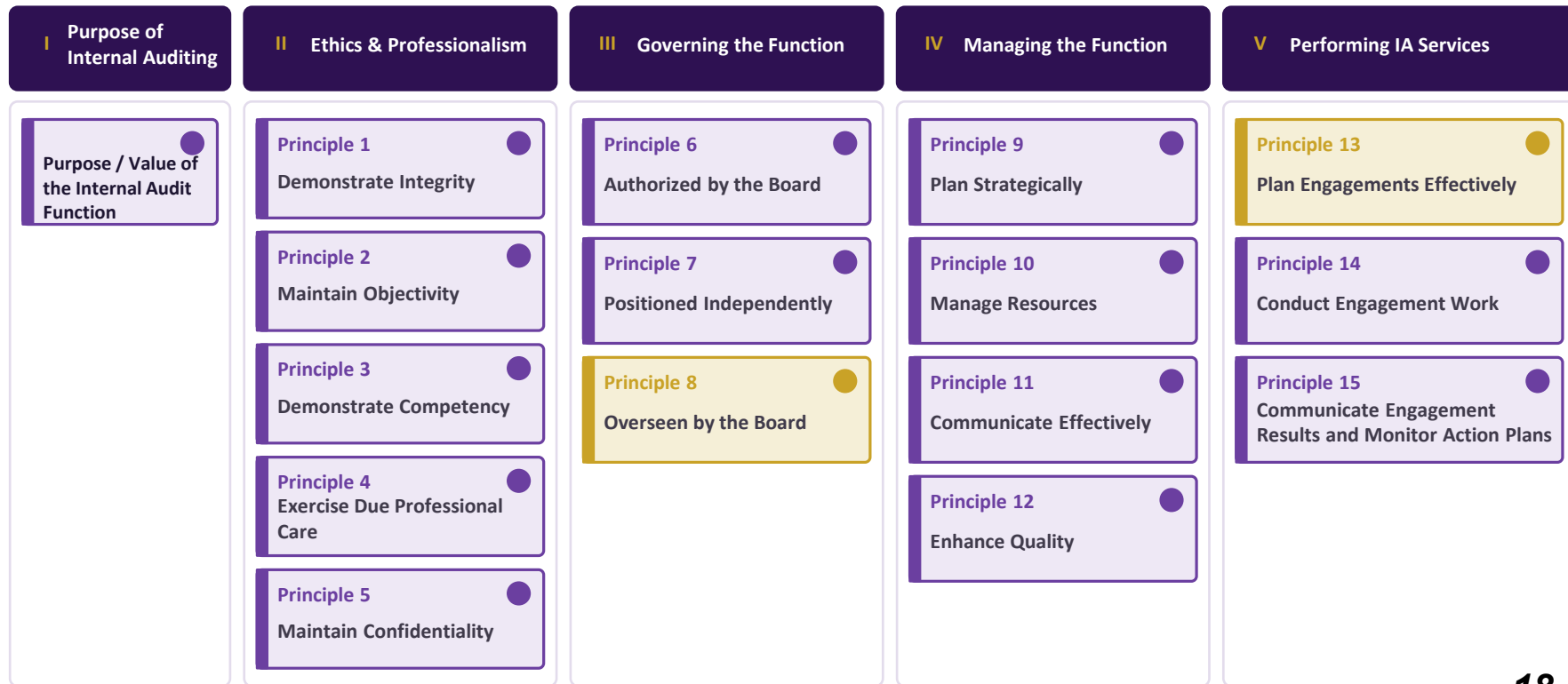
Full conformance across 13 principles, with two targeted opportunities to strengthen

13

FULLY
ACHIEVE

2

GENERALLY
ACHIEVE



RATING ● Fully Achieves ● Generally Achieves

Best Practices Identified



Integrity

Board-approved IA Professional Standards and Code of Ethics reinforced through onboarding, supervision, QAIP, organizational independence, and Parkland ICARE values.



Objectivity

Independent reporting to the Audit Committee, conflict-of-interest safeguards, and annual CAE affirmation of independence and objectivity.



Competency

Credentialed team (CIA, CPA, CISA, CFE) supported by coaching, CPE, professional organizations, and specialized subject matter expertise.



Strategic Planning

Enterprise-wide risk assessment and ERM integration drive a Board-approved, risk-based audit plan with a 60/40 assurance-advisory mix.



Communication

Consistent stakeholder engagement, standardized reporting, consistent risk ratings, and report quality reviews.



Execution

Data-driven testing, standardized finding development, supervisory review, and TeamMate documentation ensure consistent quality.

Opportunities to Strengthen

1



Advisory Engagement Framework

Document policies and procedures covering roles, responsibilities, and guidelines for advisory engagements, and actively market and identify advisory opportunities.

2



Topical Requirements Compliance

Develop and document a process to ensure compliance with the IIA Topical Requirements.

EFFECTIVE JANUARY 9, 2025

IIA Global Internal Audit Standards

A principles-based framework focused on governance, strategy, performance, and the quality of internal audit.

KEY CHANGES

New Structure

5 Domains, 15 Principles, 52 Standards in one integrated framework

Strategy

Formal Internal Audit strategy aligned to organizational objectives

Engagement Delivery

More detailed requirements on planning, execution, communication, and monitoring

Governance Focus

Expanded Board and Audit Committee accountability with Essential Conditions

Quality & Performance

Stronger focus on QAIP, performance measurement, and continuous improvement

Emerging Risks

Mandatory Topical Requirements for specified risk areas

IIA Topical Requirements Roadmap

CURRENTLY ISSUED

✓ **Cybersecurity**

Issued Feb 2025 · Effective Feb 2026

Minimum baseline for auditing cybersecurity governance, risk management, controls, incident response, resilience, and third-party cyber risk.

✓ **Third-Party Risk**

Issued Sept 2025 · Effective Sept 2026

Minimum requirements for evaluating third-party governance, due diligence, risk management, monitoring, and oversight processes.

IN DEVELOPMENT

Public consultation

Anti-Corruption

Organizational Resilience

Not yet effective. Monitor for issuance.

AUDIT COMMITTEE FOCUS

- Mandatory when the topic is in scope
- Sets a minimum audit baseline
- Update methodology and work programs
- Monitor implementation readiness

Opportunities & Action Plans

1 Opportunity:

Advisory Engagement Framework

ACTION PLAN

We will document policies and procedures covering the roles, responsibilities, and guidelines for advisory engagements and actively market and identify opportunities to provide advisory engagements.

Target Completion Date: September 30, 2027

2 Opportunity:

Topical Requirements Compliance

ACTION PLAN

We will develop a process to identify when IIA Topical Requirements apply and ensure that we include topical requirements for audits of those topical areas.

Target Completion Date: September 30, 2027

In Summary



Generally Conforms

The Internal Audit function generally conforms with the IIA Global Internal Audit Standards in all material respects for FY2026.



Opportunities

Advisory engagement framework and Topical Requirements compliance process.



Stay Ready

Cybersecurity and Third-Party Risk Topical Requirements are now effective and apply whenever the topic is in scope.

INTERNAL AUDIT

OPEN SESSION SUMMARY

AUDIT COMMITTEE

October 7, 2026

Presented by: Amy LaBarge, MBA, CPA, CIA, CISA

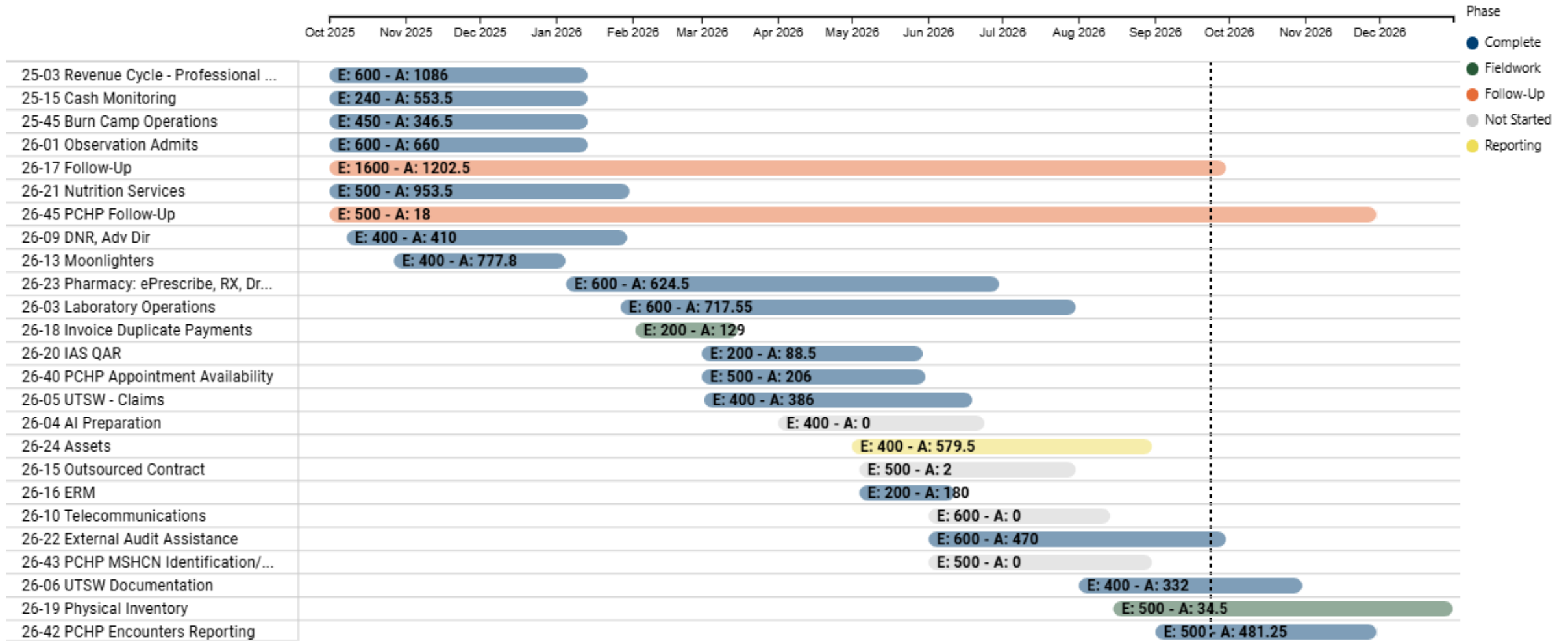
Senior Vice President and Chief Audit Executive



Parkland

Care. Compassion. Community.

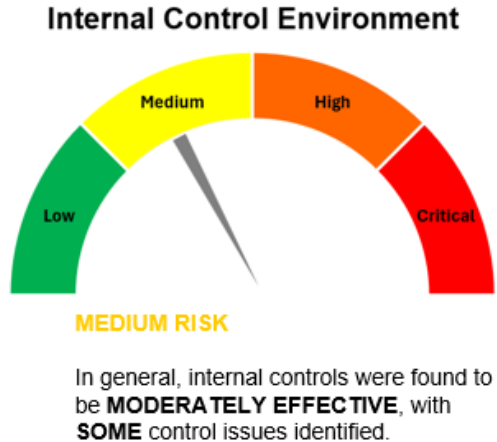
FY 2026 Audit Plan Progress



FY 2027 Audit Plan Progress



Pharmacy Audit, Report No. 26-23



At fiscal year-end 2025, Parkland managed approximately \$20 million in medication inventory supporting patient care across hospital, ambulatory, and Correctional Health settings. Internal Audit concluded that Pharmacy has implemented a comprehensive framework of controls over medication management. While the overall control environment is effective, the audit identified opportunities to enhance controls over electronic prescription monitoring, provider master data governance, and adherence to controlled-substance handling requirements.

Reason for Audit

The objective of the pharmacy audit was to evaluate whether controls over the ordering and dispensing of patient medications were operating effectively and complying with applicable policies, regulations, and internal standards.

Results

The following exceptions were identified:

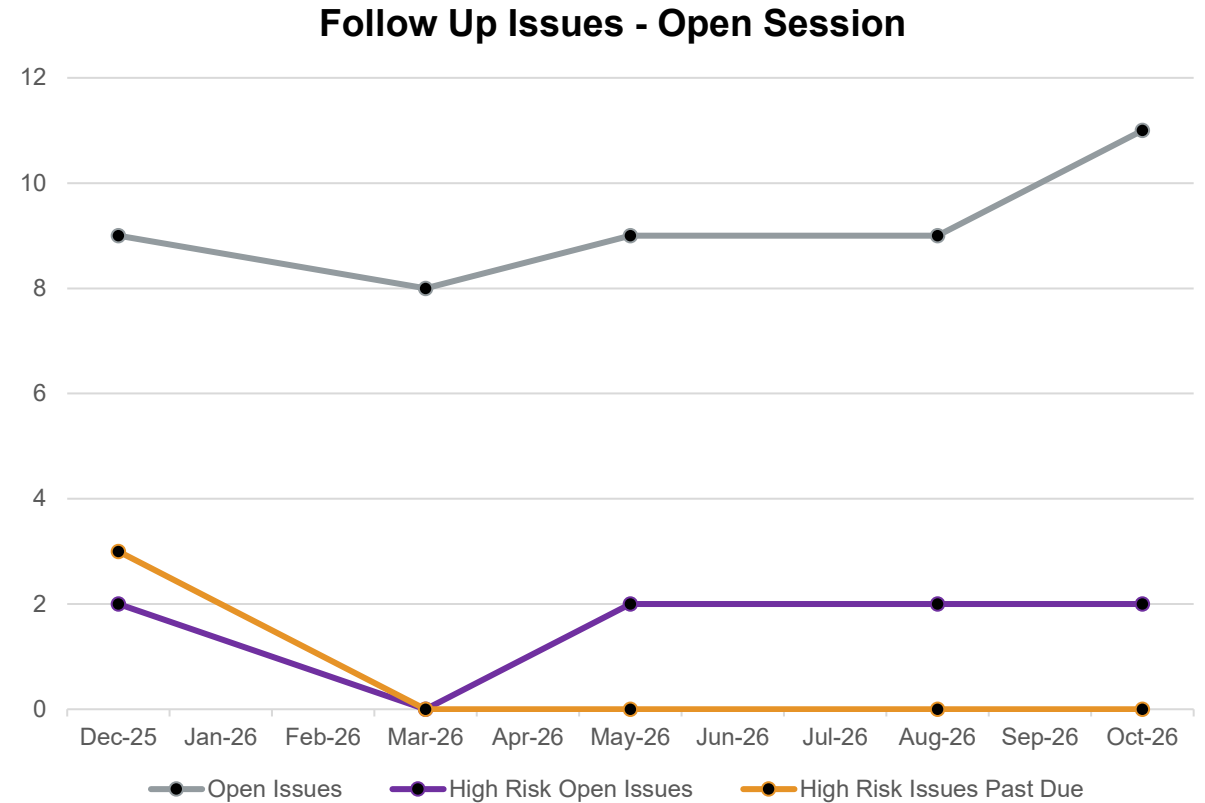
- The failed transmission of ineligible controlled substance prescriptions lacked provider notification.
- Controlled substance handling and medication wasting practices did not consistently adhere to policy requirements.
- Historical prescription information does not display the provider NPI following account deactivation.

Recommendations/Action Plans

- Complete Epic configuration changes that prevent the selection of 340B ineligible departments.
- Strengthen oversight, education, and monitoring of controlled substance handling practices, reinforce waste witnessing and medication security requirements, and perform periodic compliance reviews
- Identify a solution that preserves provider NPI information within historical prescription records

Follow-Up Report Status – Open Session

- ❖ Zero closed issues or audits. Five action due date change requests were received.
- ❖ See full Follow-up Report in section VIII.



V. Executive Session

Tex. Health & Safety Code §§161.032 & 161.0315 and
Tex. Occ. Code §160.007; Tex. Gov't Code §§551.071.

VIII. Possible Deliberation Regarding Documents Received by the Committee



Prepared By
Amy LaBarge

Prepared For
Audit Committee Meeting
October 2026

Audit Title	26-23 Pharmacy Audit
Performance Rating - Importance Rating	Medium - High
Audit Group	Internal Audit
Audit Start Date	02/09/2026
Board Presentation	10/07/2026
Auditors	Bradford Holloway, Senior IS Auditor Heather Gundling, Senior Internal Auditor
Audit Type	Annual Audit Plan

Distribution List

Frederick Cerise, MD, MPH	President and Chief Executive Officer
Edmundo Castañeda, FACHE	Executive Vice President and Chief Operating Officer
Travis Smith, MBA, MHA	Executive Vice President and Chief Financial Officer
Donna Richardson	Executive Vice President and Chief Nursing Executive
Brad Nitschke	Executive Vice President and Chief Legal Officer
Enrique Gallegos	Senior Vice President of Operations and Associate Chief Operating Officer
Joseph Longo	Senior Vice President and Chief Digital Information Officer
Carrie Berge	Vice President, Pharmacy Services

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Background

Parkland maintains inventories of controlled and non-controlled medications to support patient care across the main hospital, ambulatory locations, and Correctional Health facilities. At the end of fiscal year 2025, Parkland's on-book pharmacy inventory was approximately \$20 million. Medications are dispensed through a combination of pharmacy operations, automated dispensing cabinets (Pyxis), and Epic's electronic prescribing functionality. Controlled substances are subject to additional safeguards, including restricted system access, electronic transaction tracking, pharmacist verification requirements for most dispenses, inventory reconciliation processes, and documented waste procedures. Specialized workflows also exist for high-risk areas such as anesthesia services, narcotics vault operations, and correctional health medication administration.

Parkland has established a drug diversion prevention and monitoring program designed to detect, investigate, and respond to potential controlled substance discrepancies. The program utilizes automated monitoring tools, routine audits, inventory counts, management reviews, and surveillance capabilities to identify unusual controlled substance activity. Potential diversion events and unresolved discrepancies are investigated by Drug Diversion Control personnel and overseen through multidisciplinary committee review. In addition, policies and procedures define employee testing requirements, escalation protocols, and regulatory reporting obligations for any losses or thefts of controlled substances.

Audit Purpose/Rationale

Internal Audit conducted a review of Pharmacy operations to assess compliance with regulatory and internal requirements and evaluate the effectiveness of controls supporting medication management and controlled substance security.

The review included the Electronic Prescribing of Controlled Substances (EPCS) process, controlled substance management practices, diversion monitoring activities, and selected dispensing controls.

The period under review was November 2025 through June 2026. Within this period, EPCS transactions for May 2026 and Pyxis dispensing activity from November 2025 through June 2026 were analyzed.

Performance Risk Rating: Medium

Pharmacy received a medium-risk performance rating because although the control environment was adequate, opportunities for improvement were identified relating to handling of medications at automated dispensing cabinets, prescribing controlled substances under the 340B program, and the management of Epic provider profiles.

Importance Risk Rating: High

This audit received a high-risk importance rating due to Pharmacy's critical role in supporting patient care and safeguarding controlled substances throughout Parkland's hospital, ambulatory, and correctional health environments. Weaknesses in pharmacy controls, governance and management could adversely affect patient safety, result in regulatory sanctions, or increase the risk of drug diversion.

Risk Rating Legend

Top Performance	- Controls are functioning as intended - Corrective action plan, if any, is simple	99-100
Low Risk	- Zero or minor weaknesses identified - Controls are functioning with minor errors or gaps identified - Corrective action plan, if any, is straightforward	95-98
Medium Risk	- Controls are present, but not yet effective or sufficient and major issues noted that could jeopardize the accomplishment of business objectives - May include a pattern of multiple minor weaknesses or newly identified findings - Corrective action plan to remediate will be moderately complex	90-94
High Risk	- Controls not yet identified, not yet implemented, ineffective or insufficient; not functioning as intended and is a contributing factor to non-achievement of business objectives - May include a pattern of moderate or significant weakness such as “second generation” findings - Corrective action plan to remediate will be complex	Below 90

Audit Conclusion

Internal Audit concluded that Pharmacy has established a comprehensive framework of controls over medication management, including automated dispensing technologies, inventory reconciliation processes, electronic prescribing controls, drug diversion monitoring activities, and oversight by Pharmacy leadership and multidisciplinary committees. These controls support the safe distribution of medications and the detection and investigation of potential diversion events across hospital, ambulatory, anesthesia, and correctional health operations.

However, opportunities exist to further strengthen the control environment. The audit identified issues related to electronic prescription monitoring, provider master data integrity, alignment of controlled substance discrepancy procedures with current operations, and adherence to established controlled substance handling practices. Collectively, these issues increase the risk of medication delays, documentation inconsistencies, regulatory compliance concerns, and reduced accountability over controlled substances.

Issues/Findings

Issue Title: Incomplete Transmission/Monitoring for Controlled Substance Prescriptions

Risk Rating: Medium

Risk: Patients may experience delays in receiving prescribed medications when electronic prescriptions fail to transmit and are not identified timely. In addition, prescriptions originating from 340B ineligible Epic depts may create compliance risks and increase administrative burden for providers, pharmacies, and patients.

Internal Audit reviewed 7,447 electronic prescriptions for controlled substances generated during May 2026 and identified 10 prescriptions (0.13%) that were not transmitted to either an internal or external pharmacy. The issue was identified during audit testing rather than through routine operational monitoring.

Pharmacy management determined that all ten prescriptions were intentionally blocked because of an Epic default system setting used for Nurse Triage encounter types. During Epic departmental set up validations, management had asserted that no prescriptions would be generated from this department. Therefore, the 340B qualifying activities were never initiated for these Epic departments and the block was put in place. The audit revealed workflows had evolved in the departments and some isolated prescriptions were being generated. Epic did not prevent providers from selecting a non-approved prescribing department and Pharmacy/IT did not have a monitoring process to identify electronic prescriptions which failed to transmit, resulting in the patient not being able to obtain their prescription.

Recommendation

Complete the planned Epic configuration changes that prevent selection of 340B ineligible departments and implement monitoring procedures to identify and resolve prescription transmission failures in a timely manner.

Management Response

Carrie Berge, Vice President, Pharmacy Services

Action Plan: Install automated alerts for blocked or failed transmission of electronic prescriptions in Epic:

- 1) An Epic block/alert is shown to prescribers if a prescription order is attempted to be sent to a Parkland internal pharmacy from three non- 340B approved Epic depts (Virtual Nurse Call Center, Patient Access Center, and Call Center Ops).
- 2) If an electronic prescription fails to transmit to an external pharmacy via Surescripts interface, the prescriber will get an inbasket message of failed transmission to address.

Target Completion Date: December 31, 2026

Issue Title: Medication Handling Practices Did Not Consistently Adhere to Policy Requirements

Risk Rating: Medium

Risk: Inconsistent adherence to controlled substance handling procedures increases the risk of diversion, loss, inaccurate documentation, and noncompliance with controlled substance accountability requirements.

Internal Audit reviewed 179 flagged surveillance camera clips from medication rooms throughout Parkland Main Hospital and observed one or more control concerns. These observations included medications being placed in pockets, medication room crowding, and multiple staff accessing medications during the same Pyxis session. During the audit, nursing noted that these observances might be acceptable, however there is an increased risk for drug diversion and currently no procedure or policy is in place that outlines these practices.

Additional observations included inadequate witness verification of controlled substance wasting, transfers of medications between nurses, a narcotic being placed in a student's pocket, and an unattended open narcotic drawer. While Internal Audit identified no evidence of diversion, the observations demonstrate inconsistent compliance with established controlled substance handling requirements.

Recommendation

Strengthen oversight, education, and monitoring of medication handling practices, reinforce waste witnessing and medication security requirements, and perform periodic compliance reviews using surveillance footage and Pyxis transaction data.

Management Response

Donna Richardson, Executive Vice President and Chief Nursing Executive

Action Plan: Strengthen oversight, education, and monitoring of controlled substance handling practices, reinforce waste witnessing and medication security requirements, and perform periodic compliance reviews using surveillance footage and Pyxis transaction data.

- 1) House wide re-education on appropriate active waste practices per policy NSG 14-01 including NLA, other nursing forum meetings, staff huddles, etc. Education to be assessed annually and addressed as needed.
- 2) Conduct observation audits on every inpatient unit with at least 80% compliance for three consecutive months. Utilize just culture algorithm to address any non-compliance.
- 3) Investigate current best practices for potential solutions to the medications being placed in pockets to promote safe medication handling and administration.

Target Completion Date: December 15, 2026

Issue Title: Historical Prescription Information Does Not Display Provider NPI Following Account Deactivation

Risk Rating: Medium

Risk: Provider National Provider Identifier (NPI) information is a key element of prescription documentation and supports the completeness and auditability of medical records.

Three controlled substance prescriptions were identified in Epic without a provider NPI displayed on the prescription record in patient charts. Pharmacy Informatics demonstrated that the NPI was present and successfully transmitted through SureScripts when the prescriptions were issued. However, after the prescribing provider's account was deactivated and replaced, the NPI associated with the inactive account was no longer logged in the report that feeds into prescription records in patient charts. As a result, historical prescription records in patient charts no longer display the provider NPI, resulting in incomplete provider information within the patient record.

Recommendation

Work with Epic to identify a solution that preserves provider NPI information within historical prescription records following provider account deactivation or account changes. Implement controls, as appropriate, to maintain the completeness and auditability of historical prescribing reports.

Management Response

Joseph Longo, Senior Vice President and Chief Digital Information Officer

Action Plan: Identify the specific report and print group in Epic that can display the NPI number regardless of the SER record status. Alternatively, if the Info Sec team can retain the NPI in the inactive SER record, the NPI number would continue to appear on the Medication Report.

Target Completion Date: December 30, 2026

Follow-Up Report Detail - Open Session 10/07/26

Project Name	Attorney-Client Privilege	Issue Title	Risk Rating	Recommendation Title	Target Completion Date	Revised Due Date	Business Contact	% Complete
24-07 Patient Scheduling	No	No Financial Clearance Prior to Appointments	Medium	Financial Clearance Activities for Outpatient Tests	5/31/2025	6/30/2027	Jennifer Burnes	50%
24-07 Patient Scheduling	No	No Financial Clearance Prior to Appointments	Medium	PFS - Financial Clearance Activities for Outpatient Tests	5/31/2025	6/30/2027	Kelli Rossi	50%
24-09 Role Based Access	No	Badge Access Control monitoring deficiency	Medium	Review and Alignment of Badge Access for Transferred Personnel	1/31/2026	12/31/2026	Bruce McDaniels; Joseph Longo	90%
24-09 Role Based Access	No	Deficient Access Management for Transfer Employees	Medium	Enhance RBAC for transferred employee	1/31/2026	3/1/2027	Bruce McDaniels; Joseph Longo	50%
24-09 Role Based Access	No	Inadequate Access Control Governance and Ownership of Roles	Medium	Establish a robust governance framework	3/31/2026	9/30/2026	Bruce McDaniels; Joseph Longo	50%
25-02 Construction Project Review	No	Untimely payments to contractors	Medium	Align Contract Terms with System Capabilities	9/30/2025	12/31/2026	Lancaster Mendiola	50%
25-03 Revenue Cycle - Professional Billing Post-Implementation	No	Inconsistent billing practices for Advanced Practice Providers (APPs)	Medium	Update Contract, Duplicate Billing Prevention, and Clarify the Roles	7/31/2026	3/31/2027	Kelli Rossi	10%
26-03 Laboratory Operations	No	Lack of Documentation of Provider Notification for Rejected Lab Orders	Medium	Staff Education on documentation of Provider Notification	10/31/2026	10/31/2026	Tim Lenz	10%
26-03 Laboratory Operations	No	Specimens marked as “collected” were not received by Laboratory Services	Medium	Implement Controls for Unreceived Laboratory Specimens	2/28/2027	2/28/2027	Tim Lenz	10%
26-09 DNR, Adv Dir	No	Advance Directive Policy and Process Opportunities	Medium	Strengthen Language in Advance Directives Policy to Align Processes Across the Organization and Ensure Compliance with the Texas Advance Directives Act (TADA)	11/30/2026	11/30/2026	Brad Nitschke; Judith Herrington	10%
26-09 DNR, Adv Dir	No	Inaccurate Advance Directive Documentation at Registration	High	Validate Patient's AD Status at Date of Service and Document in the Patient's Record	10/31/2026	10/31/2026	Kelli Rossi	10%
26-09 DNR, Adv Dir	No	Opportunities Remain to Strengthen Nursing's Familiarity and Comfort with Advance Directive and DNR Processes	High	Education Needed for Unit Staff on Advance Directive and DNR Processes	10/31/2026	10/31/2026	Judith Herrington	10%