

# FINANCE COMMISSION OF TEXAS

## AUDIT COMMITTEE MEETING

Friday, December 11, 2020  
8:30 a.m.  
Via Webinar

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**Due to Governor Greg Abbott's March 13, 2020 proclamation of a state of disaster affecting all counties in Texas due to the Coronavirus (COVID-19) and the Governor's March 16, 2020 suspension of certain provisions of the Texas Open Meetings Act, the December 11, 2020 meeting of the Finance Commission of Texas will be held via webinar/telephonic conference call, as authorized under Texas Government Code section 551.125.**

Members of the public who would like to participate in this meeting will need to register at [www.fc.texas.gov](http://www.fc.texas.gov). An electronic copy of the agenda is now available at [www.fc.texas.gov](http://www.fc.texas.gov), and a copy of the meeting materials will be available on December 3, 2020 at [www.fc.texas.gov](http://www.fc.texas.gov). To access the recording visit [www.fc.texas.gov](http://www.fc.texas.gov) after December 11, 2020.

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*Public comment on any agenda item or issue under the jurisdiction of the Finance Commission of Texas agencies is allowed. Finance Commission members who are not members of the Audit Committee may be present at this committee meeting creating a quorum of the Finance Commission.*

- A. Review and Approval of the Minutes of the October 16, 2020 Audit Committee Meeting
- B. Review of Agencies' Activities
  - 1. Office of Consumer Credit Commissioner
  - 2. Texas Department of Banking
  - 3. Department of Savings and Mortgage Lending
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2021 Internal Auditor's Risk Assessment and Audit Plan
  - 1. Office of Consumer Credit Commissioner
  - 2. Texas Department of Banking
  - 3. Department of Savings and Mortgage Lending
- D. Report on Activities Relating to the Texas Financial Education Endowment Fund
- E. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by Tex. Govt. Code Secs. 551.076 and 551.089

**NOTE: The Audit Committee of the Finance Commission of Texas may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.**

**Meeting Accessibility:** Under the Americans with Disabilities Act, the Finance Commission of Texas will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

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# MINUTES OF THE AUDIT COMMITTEE MEETING Friday, October 16, 2020

The Audit Committee of the Finance Commission of Texas convened at 8:30 a.m. on October 16, 2020 with the following members present:

**Audit Committee Members in Attendance (via webinar):**

Molly Curl, Chairman

Hector Cerna

Larry Long

Chairman Curl announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three members present. (:31 on audio file).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the August 21, 2020 Audit Committee Meeting	Hector Cerna made a motion to Approve the Minutes of the August 21, 2020 Audit Committee Meeting. Larry Long seconded and the motion passed.	:56 start of discussion  1:16 Vote
B. Review of Agencies' Activities 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner	No Action Required.	1:46 start of discussion
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2020 Fourth Quarter Investment Officer Reports 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner	Larry Long made a motion to recommend that the Finance Commission Approve the Agencies' 2020 Fourth Quarter Investment Officer Reports. Hector Cerna seconded and the motion passed.	8:34 start of discussion  19:35 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2020 Fourth Quarter Financial Statements 1. Texas Department of Banking 2. Department of Savings and Mortgage Lending 3. Office of Consumer Credit Commissioner	Hector Cerna made a motion to recommend that the Finance Commission Approve the Agencies' 2020 Fourth Quarter Financial Statements. Larry Long seconded and the motion passed.	20:03 start of discussion  27:34 Vote
E. Report on Activities Relating to the Texas Financial Education Endowment Fund	No Action Required.	28:00 start of discussion

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Curl adjourned the meeting at 8:59 a.m. *(29:59 on the audio file)*.

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Molly Curl, Chairman, Audit Committee  
Finance Commission of Texas

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Charles G. Cooper, Executive Director  
Finance Commission of Texas

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Brenda Medina, Executive Assistant  
Finance Commission of Texas

<b>Office of Consumer Credit Commissioner</b>
<b>Status of Agency Activities, Outstanding Audit Findings, and Recommendations as of 12/1/2020</b>

<b>Auditor</b>	<b>TX Comptroller of Public Accounts</b>	<b>Status</b>	<b>Report Date</b>
Audit Area	Promotional Items Audit	Complete	11/10/2020
<i>Findings</i>	<i>None</i>		

<b>Pending/Future Items</b>			
<b>Entity</b>	<b>Activity</b>	<b>Status</b>	<b>Date</b>
Department of Information Resources	External Network Penetration Test	In Progress	Penetration Test started 11/23/2020
Department of Information Resources	Texas Cybersecurity Framework Assessment	In Progress	Kickoff meeting scheduled for 12/7/2020
Garza/Gonzales	Internal Audit Risk Assessment and Internal Audit Plan. Recommended: TFEE Fund Investment Portfolio Administration & Fiscal Activities	In Progress	Report expected at Finance Commission Meeting on 12/11/2020



# **A Statewide Desk Audit**

## **Promotional Items**

**Audit Report # 001-19-01**  
**November 10, 2020**

**Glenn Hegar**  
Texas Comptroller of Public Accounts





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# Executive Summary

## Purpose and Scope

The Fiscal Management Division of the Comptroller of Public Accounts (Comptroller's office) performed a desk audit of the purchase and use of promotional items by state agencies and universities from Sept. 1, 2015, through Aug. 31, 2018.

Texas Government code, section 2113.011 addresses restrictions on state agencies publicizing state officers or employees of a state agency. The attorney general has opined that this would include promoting the state agency (AG Op. JC 350). An ad hoc report was created to identify which agencies are using the promotional items Comptroller Object Code and if they have the specific statutory authority to purchase promotional items under that authority.

The objective of the audit was to ensure that expenditures related to promotional items were processed based on the appropriate statutory authority and complied with state laws and regulations.

The audit scope included a review of supporting documentation for expenditures related to promotional items. Using an ad hoc analysis report generated with Uniform Statewide Accounting System (USAS) data, auditors found that for the audit period, 57 agencies, including three abolished agencies, posted 7,537 transactions totaling \$9,915,605.50 using comptroller object 7309, promotional items. See Table 1.

Of the 54 active agencies that purchased promotional items, auditors selected a sample of 203 purchase transactions totaling \$1,921,657.46, from 45 agencies. The other nine agencies indicated their transactions were coded to the Comptroller's promotional items comptroller object incorrectly. See Table 2.

## Background

A state agency must have specific or implied statutory authority to make a purchase for a good or service and is responsible for determining if it has that statutory authority before entering into a purchase contract.

[eXpendit – Statutory Authority for Purchase – Restricted Expenditure](#)

Specific statutory authority is clearly stated in statute. Per the *Texas Comptroller Manual of Accounts*, agencies must have statutory authority to use the promotional items comptroller object. This comptroller object covers items to promote the state of Texas, including, but not limited to:

- Food (marketing)
- Food (promotional)
- Marketing items
- Promotional items





Implied statutory authority must be determined by the purchasing agency, and the agency must demonstrate the purchase is necessary to fulfill its specific statutory duties. Texas Attorney General Opinion number JC-332 (2001) says agencies should note "the mere absence in Texas law of a prohibition on doing some act does not in itself furnish authority to perform that act."



## Detailed Findings

Without statewide criteria to determine implied authority or to determine if promotional item purchases were reasonable, auditors established criteria based on what a prudent person would consider a reasonable taxpayer expense, asking:

- Did the purchased item promote a particular program or product of the agency?
- Was the purchased item a prudent way to convey the agency message?
- Was the purchased item necessary to accomplish the business purpose?

For each of the sampled transactions, auditors verified whether the purchases were promotional items or used for a promotional event or activity, and asked agencies to explain what each item was, why it was purchased, and how it was used. Auditors then reviewed the supporting documentation for the purchases to determine whether each purchase fell within the agency's statutory authority.

### Explicit or Implied Authority

Auditors found that for most transactions tested, the agencies had either explicit authority (52 transactions totaling \$1,135,253.31) or implied authority (118 transactions totaling \$625,518.74) to make the purchases. This means that each purchase was in accordance with each agency's statutory authority.

During the audit period, agencies processed 26 transactions for promotional items purchases \$10,000 and over. See Table 3 for a list of purchases and their purposes.

Of the 45 agencies audited, 12 agencies had explicit authority for their 52 purchases for \$1,135,253.31. See Table 4.

Auditors determined that another 29 agencies with 118 transactions totaling \$625,518.74 had implied authority for these purchases. This means that each purchase was in accordance with each agency's statutory authority. See Table 5.

Texas attorney general opinion number CM-1138 (1972) supports the concept of implied authority: "Where the law confers a responsibility or power upon a board, the authority to do such things as are reasonably necessary to carry into effect that responsibility or power is implied."



## No Authority

A state agency has implied statutory authority to purchase goods or services only if it is necessary for the agency to fulfill its statutory duties. Auditors noted three agencies with seven transactions totaling \$19,144.26 where the agencies had no authority. The agencies believed they had authority to purchase promotional items, but auditors could not support that view based on documentation provided by the agencies. See Table 6.

## Miscoded Transactions

During the review of supporting documentation and consultations with the agencies about the purchases, 10 agencies indicated that some of their purchases were miscoded. Of the 203 transactions reviewed, 26 transactions totaling \$141,741.15 were identified by the agencies as miscoded. See Table 7. The agencies adjusted the transaction entries and changed the comptroller objects from promotional items to other expenditure codes, such as consumables. However, those were rare. Auditors determined the majority of the procured items could serve no purpose except for promotion and informed the respective agencies with these determinations. The Comptroller's office recommended the agencies change the object codes for the transactions auditors deemed promotional back to the promotional items object code, when applicable. Several agencies were unable to make correcting entries in USAS since the transactions occurred in appropriation years that are now closed. It should also be noted that for items purchased relating to a federal grant/program, the Code of Federal Regulations, 2 CFR 200.421, does allow federal funds to be used for items that promote the federal program outreach and other specific purposes necessary to meet the requirements of the federal award. Each agency would need to determine from the federal awarding agency whether the items are allowable costs and should record program expenditures in a way that will enable the agency to meet federal program reporting requirements. The state agency, in consultation with the Comptroller's office, should determine the appropriate coding for these transactions in USAS.

Auditors noted one situation outside the sample where a university posted 39 miscoded transactions totaling \$36,616.27. According to the University, in 2018, it became aware that it has no statutory authority allowing it to procure promotional items from appropriated funds. The University reviewed the list of transactions and identified various items that should have been coded as consumables (or other) and not promotional items due to departmental oversight and a system automated program within the University's legacy system (Oracle) that changed expense types to promotional items based on commodity code. The University's Accounting & Reporting team reached out to the Appropriation Control Officer (ACO) and obtained clarification regarding promotional items. As a result, the University implemented new procedures/training materials, including examples of unallowable expenses from State funds, which



includes promotional items as unallowable expenses. Additionally, the University's Accounts Payable department is now reviewing all transactions before interfacing them to USAS to ensure no promotional items are processed from appropriated funds.

On August 7, 2020, the University processed a refund to the state treasury for all purchases of promotional items identified during the audit and paid for with appropriated funds by submitting the necessary USAS transaction totaling \$36,616.27.

## Conclusion\General Observation

Agencies must update their policies and procedures to ensure they do not use appropriated funds to purchase goods or services they do not have authority to purchase. Agencies that have clear explicit or implied authority should review their purchases to ensure each purchase is necessary. See [eXpendit — Statutory Authority for Purchases](#). Improper use of comptroller objects can cause inaccurate reporting of expenditures for open records requests as well as in annual financial statements. Erroneous coding can also affect the pre-payment audit function and the automatic calculation of prompt payment interest in USAS.



# Tables

**Table 1: Promotional Items Expenditures Sept. 1, 2015 to Aug. 31, 2018 By Agency**

Agency #	Agency Name	# of Transactions	Amount
300	Governor – Fiscal	22	\$14,097.51
302	Attorney General	5	\$27,977.61
305	General Land Office	121	\$145,029.93
315	Comptroller – Prepaid Higher Education Tuition Board	12	\$23,230.19
320	Texas Workforce Commission	286	\$56,699.40
323	Teacher Retirement System of Texas	1	\$133.00
326	Texas Emergency Services Retirement System	8	\$6,048.83
327	Employees Retirement System of Texas	10	\$9,619.83
362	Texas Lottery Commission	128	\$3,979,041.39
401	Texas Military Department	78	\$105,351.23
403	Texas Veterans Commission	57	\$130,967.22
405	Department of Public Safety	11	\$126,021.78
448	Office of Injured Employee Counsel – Administered by 454	16	\$26,563.17
454	Texas Department of Insurance	12	\$7,109.48
458	Texas Alcoholic Beverage Commission	3	\$3,935.00
460	Texas Board of Professional Engineers – Semi-Independent	46	\$35,244.35
466	Office of Consumer Credit Commissioner – Semi-Independent	1	\$502.50
473	Public Utility Commission of Texas	13	\$55,046.25
477	Commission on State Emergency Communications	12	\$11,364.65
481	Texas Board of Professional Geoscientists	1	\$620.00
529	Health and Human Services Commission	571	\$236,361.79
530	Department of Family and Protective Services	803	\$416,895.28
537	Department of State Health Services	3079	\$1,482,557.49
538*	Abolished	3	\$137.50
539*	Abolished	149	\$58,824.75
551	Department of Agriculture	171	\$508,584.56
555	Texas A&M Agrilife Extension Service	1	\$470.50
580	Texas Water Development Board	10	\$16,905.90
582	Texas Commission on Environmental Quality	36	\$139,569.24
601	Texas Department of Transportation	726	\$1,105,046.51
608	Texas Department of Motor Vehicles	146	\$157,665.08
696	Texas Department of Criminal Justice	32	\$61,235.28
709	Texas A&M University System Health Science Center	98	\$113,666.91
711	Texas A&M University	11	\$16,543.94
713	Tarleton State University	2	\$961.68
715	Prairie View A&M University	9	\$10,819.40
717	Texas Southern University	2	\$6,295.05
718	Texas A&M University at Galveston	1	\$386.42
719	Texas State Technical College System	78	\$103,099.98
732	Texas A&M University – Kingsville	2	\$2,155.50
734	Lamar University	14	\$6,173.87
736*	Abolished	1	\$3,550.00
739	Texas Tech University Health Sciences Center	11	-\$684.55
745	University of Texas Health Science Center at San Antonio	61	\$33,057.54
746	University of Texas Rio Grande Valley	39	\$36,616.27
749	Texas A&M University at San Antonio	29	\$138,884.80

\* Abolished





Agency #	Agency Name	# of Transactions	Amount
751	Texas A&M University – Commerce	2	\$5,035.80
753	Sam Houston State University	28	\$59,380.60
760	Texas A&M University – Corpus Christi	16	\$37,738.36
763	University of North Texas Health Science Center at Fort Worth	8	\$5,730.57
764	Texas A&M University – Texarkana	25	\$16,950.04
781	Texas Higher Education Coordinating Board	104	\$53,965.31
784	University of Houston – Downtown	2	\$343.55
787	Lamar State College – Orange	47	\$29,443.41
802	Parks and Wildlife Department	317	\$229,211.59
808	Texas Historical Commission	21	\$24,356.67
809	State Preservation Board	39	\$33,065.59
Total — 57 Agencies		7537	\$9,915,605.50

\* Abolished





**Table 2: Audit Sample by Amount**

Agency #	Agency Name	Sample Amount
362	Texas Lottery Commission	\$802,147.24
537	Department of State Health Services	\$206,414.90
601	Texas Department of Transportation	\$135,993.50
405	Department of Public Safety	\$126,021.78
749	Texas A&M University at San Antonio	\$67,543.00
530	Department of Family and Protective Services	\$66,337.08
401	Texas Military Department	\$50,800.00
582	Texas Commission on Environmental Quality	\$47,157.24
551	Department of Agriculture	\$30,936.41
305	General Land Office	\$27,992.02
403	Texas Veterans Commission	\$27,892.00
608	Texas Department of Motor Vehicles	\$24,288.25
320	Texas Workforce Commission	\$23,497.00
529	Health and Human Services Commission	\$23,296.25
315	Comptroller – Prepaid Higher Education Tuition Board	\$21,067.04
760	Texas A&M University – Corpus Christi	\$20,682.22
802	Parks and Wildlife Department	\$20,476.53
753	Sam Houston State University	\$17,224.26
809	State Preservation Board	\$16,851.91
709	Texas A&M University System Health Science Center	\$14,511.88
719	Texas State Technical College System	\$14,297.61
808	Texas Historical Commission	\$14,268.59
696	Texas Department of Criminal Justice	\$13,147.83
473	Public Utility Commission of Texas	\$13,100.00
580	Texas Water Development Board	\$12,529.50
448	Office of Injured Employee Counsel – Administered by 454	\$10,991.78
460	Texas Board of Professional Engineers – Semi-Independent	\$8,664.00
781	Texas Higher Education Coordinating Board	\$6,918.35
715	Prairie View A&M University	\$6,131.60
454	Texas Department of Insurance	\$5,955.64
763	University of North Texas Health Science Center at Fort Worth	\$5,580.50
326	Texas Emergency Services Retirement System	\$5,562.11
327	Employees Retirement System of Texas	\$5,175.08
751	Texas A&M University – Commerce	\$5,035.80
745	University of Texas Health Science Center at San Antonio	\$4,706.42
477	Commission on State Emergency Communications	\$4,250.00
300	Governor – Fiscal	\$3,971.65
711	Texas A&M University	\$3,103.47
734	Lamar University	\$2,377.92
732	Texas A&M University - Kingsville	\$2,155.50
713	Tarleton State University	\$961.68
481	Texas Board of Professional Geoscientists	\$620.00
466	Office of Consumer Credit Commissioner – Semi-Independent	\$502.50
718	Texas A&M University at Galveston	\$386.42
323	Teacher Retirement System of Texas	\$133.00
302	Attorney General	Miscoded Transactions – No sample
458	Texas Alcoholic Beverage Commission	Miscoded Transactions – No sample
555	Texas A&M AgriLife Extension Service	Miscoded Transactions – No sample
717	Texas Southern University	Miscoded Transactions – No sample
739	Texas Tech University Health Sciences Center	Miscoded Transactions – No sample
746	University of Texas Rio Grande Valley	Miscoded Transactions – No sample
764	Texas A&M University – Texarkana	Miscoded Transactions – No sample
784	University of Houston – Downtown	Miscoded Transactions – No sample
787	Lamar State College – Orange	Miscoded Transactions – No sample
<b>Total — 54 Agencies</b>		<b>\$1,921,657.46</b>



**Table 3: Promotional Items Purchases \$10,000 and Over By Amount**

#	Agency Name	Transaction Amount	Items Purchased	Purpose
362	Texas Lottery Commission	\$246,000.00	3,000,000 6 .18. 6 (3) SCRATCH COIN with Texas Lottery logo (1,500,000 gold currency and 1,500,000 silver currency). Texas lottery logo embossed on two sides.	To act as an incentive in retailer sales venues to encourage the selling of lottery products. The items are given to lottery players through a promotion sponsored at retailer locations.
362	Texas Lottery Commission	\$192,633.50	Setup, mobile application and website integration and to reserve 75 cruise vacation trip prizes.	increase Powerball sales during the promotion period.
537	Department of State Health Services	\$152,600.00	20,000 hand sanitizer with imprint, 35,000 6-pack insulated cooler bag with imprint, 20,000 on the move backpack with imprint, 15,000 first aid kits with imprint.	Ready or Not Training materials that will go out and be distributed throughout the region to support Preparedness Program.
601	Texas Department of Transportation	\$62,500.00	25,000 bicycle white and red light sets. Message "Save a life" logo.	Bicycle and walking safety message in both English and Spanish.
601	Texas Department of Transportation	\$48,523.50	19,725 bicycle and walking safety lights. White and red light sets. Message "Safe a life" logo.	Bicycle and walking safety message in both English and Spanish.
530	Department of Family and Protective Services	\$40,000.00	Partners in Prevention conference planning fee and promotional items and supplies.	Promo and speaker gifts, awards, lanyards, printing, supplies.
405	Department of Public Safety	\$30,466.87	5,000 twist plastic stylus pens with logo www.join dps.com, 3,000 earbuds in case with logo www.join dps.com, 5,000 non-woven reusable grocery tote with logo www.join dps.com, 5,000 front zippered cinch bag with logo www.join dps.com, 5,000 polyester lanyard with logo www.join dps.com.	To recruit trooper applicants.
749	Texas A&M University at San Antonio	\$30,349.00	10,000 sport pack, 5,000 USB drives, 1,000 T-shirts.	Items given to prospective students at recruiting events/ as well as entering freshmen.
537	Department of State Health Services	\$27,500.00	50,000 hand sanitizer with imprint.	Ready or Not Training materials that will be distributed throughout the region.
405	Department of Public Safety	\$22,400.00	40,000 motorcycle training program embroidered patches.	Provided as promotional items handed out by the Motorcycle Safety Unit and individual sponsors to raise awareness of motorcycle safety training program.
405	Department of Public Safety	\$21,697.91	4,635 20-ounce aluminum sports bottles with carabiners www.join dps.com, 3,000 cowboy hat stress reliever www.join dps.com on Highway Patrol patch, 5,000 polyester drawstring backpack www.join dps.com below Texas Highway Patrol patch, 4,000 lanyards www.join dps.com, 4,000 stylus ballpoint pens www.join dps.com, 2,500 mood shadow pencils www.join dps.com.	To recruit trooper applicants.
403	Texas Veterans Commission	\$21,090.00	37,000 reusable full color tote bags.	Tote bags were printed with the agency logo and contact information for outreach to increase brand awareness among potential veteran customers.
551	Department of Agriculture	\$18,594.18	2,800 chili seasoning mix packets, 2,800 single serve coffee packets, 2,800 cell phone stand, 2,800 flower & herb planter kit, 2,800 headphone carrying case, 2,800 bottle holders, 2,800 drawstring backpack with TDA seal.	The food and non-food items are a part of the 2015-2016 School Meals Toolkit showing examples of ideas schools could use for fundraising.
405	Department of Public Safety	\$18,285.00	50,000 temporary tattoos 2x2 size, 5,000 police car stress reliever, 5,000 16-ounce stadium cup - blue, 5,000 rectangular swivel keychain flashlight, 5,000 25-sheetstik-withit adhesive notepad (3"x3").	To recruit trooper applicants.



#	Agency Name	Transaction Amount	Items Purchased	Purpose
749	Texas A&M University at San Antonio	\$16,300.00	10,000 spiral notebooks, 10,000 black pencils with logo.	Items given to prospective students at recruiting events as well as entering freshmen.
582	Texas Commission on Environmental Quality	\$15,900.00	10,000 shower timers with imprint.	Used to promote the Take Care of Texas Program which promotes water conservation education.
401	Texas Military Department	\$15,300.00	300,000 silicon wristbands embossed with "Yes we can say no to drugs."	Give away.
537	Texas Commission on Environmental Quality	\$15,180.00	69 Pre-K Kinder Kits.	Under Building Family and Community Health Program, THE GREAT BODY SHOP is a comprehensive health education curriculum that is sequential, developmentally appropriate, culturally sensitive and medically accurate. THE GREAT BODY SHOP is aligned to the National Health Education Standards, the National Sexuality Education Standards, the Centers for Disease Control and Prevention's (CDC) Characteristics of Effective Health Education Curricular and the core concepts recommended by CDC.
582	Texas Commission on Environmental Quality	\$14,800.00	10,000 shower timers with imprint.	Used to promote the Take Care of Texas Program which promotes water conservation education.
305	General Land Office	\$13,800.00	20,000 tote bags; blue with Veterans' Land Board logo. Per agency comments, they are also "Big Thunder" tote bags.	Give-aways for veterans.
530	Department of Family and Protective Services	\$12,794.08	125 Brain Architecture Game READY MADE KITS (3 pack).	The games were distributed to our grantees (certified trainers) to use in the Working For Kids trainings. These are required as a part of the trainings. The trainings were provided to other grantees around the state to certify them as trainers. The trainings are part of a "train the trainer" model for the Working For Kids trainings.
601	Department of Family and Protective Services	\$12,300.00	3,000 lifesavers medals with ribbon drape. Lifesavers logo on front.	Promote Safe a Life program.
362	Texas Lottery Commission	\$12,128.67	18,400 Texas lottery holiday ornaments 2016.	To act as an incentive in retailer sales venues to encourage the selling of lottery products. The items are given to lottery players through a promotion sponsored at retailer locations.
320	Texas Workforce Commission	\$10,626.00	1,400 messenger bags. Transactions recoded from 7309 (promotional items) to 7300 (consumables).	The messenger bags were for the fiscal 2017 Early Childhood Learning Summit. All participants of the Summit received a bag with learning materials.
320	Texas Workforce Commission	\$10,580.00	1,000 hook & loop closure messenger bags. Transactions recoded from 7309 (promotional items) to 7300 (consumables).	The messenger bags were for the fiscal 2018 Early Childhood Learning Summit. All participants of the Summit received a bag with learning materials.
405	Department of Public Safety	\$10,000.00	50,000 promotional pens with six different message lines for the Texas DPS Motorcycle Safety Unit.	Provided as promotional items handed out by the Motorcycle Safety Unit and individual sponsors to raise awareness of motorcycle safety training program.





**Table 4: Agencies With Explicit Authority by Agency**

Agency #	Agency Name	Amount	Authority Cited
300	Governor – Fiscal	\$3,971.65	Texas Gov't Code 485.004, 481.022
315	Comptroller – Prepaid Higher Education Tuition Board	\$21,067.04	Sec. 54.705, 54.618 Ed. Code
362	Texas Lottery Commission	\$802,147.24	TX Gov't Code 466.451, 466.014
401	Texas Military Department	\$50,800.00	TX Gov't Code Sec. 437.253
403	Texas Veterans Commission	\$27,892.00	Sec. 434.0161 Gov't Code
405	Department of Public Safety	\$22,400.00	Transportation Code Section 201.621
580	Texas Water Development Board	\$12,529.50	Water Code Section 6.198
601	Texas Department of Transportation	\$135,993.50	Transportation Code Section 1001.011
781	Texas Higher Education Coordinating Board	\$6,855.35	Education Code 61.9705
802	Parks and Wildlife Department	\$20,476.53	TPW Code 13.015 (a-2), 11.0181 (a)
808	Texas Historical Commission	\$14,268.59	TX Gov't Code 442.005
809	State Preservation Board	\$16,851.91	TX Gov't Code 442.005
Total — 12 Agencies		\$1,135,253.31	

**Table 5: Agencies With Implied Authority by Agency**

Agency #	Agency Name	Amount	Authority Cited
305	General Land Office	\$27,992.02	Natural Resources Code Sec. 161.079 and 31.455, Gov't Code Sec. 2155.149
326	Texas Emergency Services Retirement System	\$5,562.11	GAA Output Measures 1.2.1.1
327	Employees Retirement System of Texas	\$3,430.00	Texas Insurance Code 1551.2011
405	Department of Public Safety	\$100,871.70	GAA, Art. V, DPS Rider 48
448	Office of Injured Employee Counsel – Administered by 454	\$10,991.78	Sec. 404.154, Labor Code
454	Texas Department of Insurance	\$5,955.64	Insurance Code Sec. 521.053, Gov't Code Sec. 417.0051, and Labor Code Sec. 411.014
460	Texas Board of Professional Engineers – Semi-Independent	\$6,664.20	Sec. 1001.201, Occupations Code
466	Office of Consumer Credit Commissioner – Semi-Independent	\$502.50	Sec. 14.102, Finance Code
473	Public Utility Commission of Texas	\$13,100.00	Sec. 39.902, Utilities Code
477	Commission on State Emergency Communications	\$2,950.00	Health and Safety Code Section 771.051 (a)(6)
529	Health and Human Services Commission	\$400.34	Health and Human Services Procurement Manual, April 2015, V 1.1
537	Department of State Health Services	\$184,234.90	Health and Safety Code Section 1001.071
551	Department of Agriculture	\$30,936.41	Agriculture Code Chapter 12.0025, 2.003 (6), and 12.007
582	Texas Commission on Environmental Quality	\$47,157.24	Health and Safety Code 361.0202
608	Texas Department of Motor Vehicles	\$24,288.25	Transportation Code Section 1001.011
696	Texas Department of Criminal Justice	\$13,147.83	ABTPA Interagency Contract, Employee Recruitment Initiative, Texas Correctional Industries' program, and HUB Program TGC 493.012
709	Texas A&M University System Health Science Center	\$14,511.88	Sec. 89.004 Expenditure of State Funds
711	Texas A&M University	\$3,103.47	Education Code 86.03
713	Tarleton State University	\$961.68	Professional Nursing Shortage Reduction Program - THECB Grant
715	Prairie View A&M University	\$6,131.60	GAA Goal D.1.1 Academic Development Initiative
718	Texas A&M University at Galveston	\$386.42	Education Code 86.03
719	Texas State Technical College System	\$14,297.61	Sec. 1.006, Statutory Authority of Purchases from State of Texas Purchase Policies and Procedures Guide.
732	Texas A&M University – Kingsville	\$2,155.50	Expendit; A state agency has implied authority to inform the public about is regulatory functions.



Agency #	Agency Name	Amount	Authority Cited
734	Lamar University	\$2,377.92	GAA Goal C.2.4 Center for Water and Air Quality
745	University of Texas Health Science Center at San Antonio	\$4,706.42	TGC 2113.011 - Publicity and AG Opinion M-1138
749	Texas A&M University at San Antonio	\$67,543.00	Education Code 86.03
751	Texas A&M University – Commerce	\$5,035.80	Education Code 51.808 (b)
760	Texas A&M University – Corpus Christi	\$20,682.22	Education Code 96.64 and 96.645
763	University of North Texas Health Science Center at Fort Worth	\$5,440.50	Education Code 51.808 (a) and 86.03
Total — 29 Agencies		\$625,518.74	

**Table 6: Unauthorized Purchases by Agency**

Agency #	Agency Name	Amount	Items Purchased
477	Commission on State Emergency Communications	\$1,300.00	200 challenge coins & pouches.
481	Texas Board of Professional Geoscientists	\$620.00	500 3/4 polyester lanyards.
753	Sam Houston State University	\$17,224.26	125 Bookbound Journals with logo, 400 Cards with Envelopes, 5,000 pens with logo, 330 shirts with logo, and 2655 caps with logo to promote Correctional Management Institute of Texas (CMIT) to students.
Total — 3 Agencies		\$19,144.26	

**Table 7: Miscoded Transactions by Agency**

Agency #	Agency Name	Amount	Items Purchased
320	Texas Workforce Commission	\$23,497.00	1,400 messenger bags, 1,000 black neck wallets, 500 house shaped hand fans, 1,000 hook & loop closure messenger bags, 500 AR402 house shaped hand sanitizers.
323	Teacher Retirement System of Texas	\$133.00	Desk protectors for investment staff
327	Employees Retirement System of Texas	\$1,745.08	Snowflake ornaments, VariDesk (Pro Plus 36) for employee, 500 Spot bid fair – 16-oz big game stadium cups , green with black logo.
405	Department of Public Safety	\$2,750.08	Bottled water used by the Texas Highway Patrol for field operations for precaution of health risks. Also purchased 4 tear drop flag banners with pole.
460	Texas Board of Professional Engineers – Semi-Independent	\$2,000.00	UTSA science fair, Judges Choice Award.
529	Health and Human Services Commission	\$22,895.91	12 vanilla Visa metallic \$25 gift cards purchased at HEB plus \$3.95 activation fee for each card. Employee awards: lapel pins, 440 cozy fleece blankets, 440 14-ounce Hawaii tumbler, 440 peak lunch cooler bag. Gifts to volunteers, Food at event honoring civil authorities (police, fire, sheriff's office) - Waco Center for Youth 350 plates @\$10.50.
530	Department of Family and Protective Services	\$66,337.08	125 Brain Architecture game ready made kits, 700 travel tumblers with imprint, 150 Harrington coach jackets with imprint (various sizes), 150 laptop backpacks with imprint.
537	Department of State Health Services	\$22,180.00	69 Pre-K Kinder Kits.
763	University of North Texas Health Science Center at Fort Worth	\$140.00	Embroidery services for uniforms.
781	Texas Higher Education Coordinating Board	\$63.00	Speaker award.
Total — 10 Agencies		\$141,741.15	

**Texas Department of Banking**  
**Audit Activities Report**  
**as of November 30, 2020**

<b>Auditor:</b>	<i>Garza/Gonzalez &amp; Associates</i>	<b>Audit Report Date:</b> <i>N/A</i>
<b>Audit Area:</b>	<i>Change Management Follow-Up</i>	
<b>Findings:</b>	<b>Status Update:</b>	
Change Management Framework	<i>Completed.</i>	
Risk Assessment Process	<i>Completed.</i>	
Approval Authority Based on Risk Rating	<i>Completed – The data/application ownership procedure was implemented on October 19, 2020. The procedure was made available on the Department’s intranet.</i>	
Software Application Updates	<i>Completed.</i>	
Review Process for Code Change	<i>Completed.</i>	

<b>Auditor:</b>	<i>State Office of Risk Management</i>	<b>Audit Report Date:</b> <i>Pending</i>
<b>Audit Area:</b>	<i>On-site Consultation</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>N/A</i>	<i>On-site consultation pending for December 2020.</i>	

<b>Auditor:</b>	<i>Texas Comptroller of Public Accounts</i>	<b>Audit Report Date:</b> <i>Pending</i>
<b>Audit Area:</b>	<i>Post-Payment Audit</i>	
<b>Findings:</b>	<b>Status Update:</b>	
<i>N/A</i>	<i>Audit field work pending for January 2021.</i>	



**Department of Savings and Mortgage Lending**  
**Audit Activity Report as of November 30, 2020**

Auditor	Department of Information Resources/AT&T Consulting	Report Date
Audit Area	External Network Penetration Test and Web Application Vulnerability Scan	10/12/2020
Findings	Status Update	
Related to web applications	<b>Completed.</b> The assessment was performed August 10 - September 10, 2020. Remediation completed and verification requested on November 20, 2020.	

Auditor	Department of Information Resources/AT&T Consulting	Report Date
Audit Area	Texas Cybersecurity Framework Assessment	11/16/2020
Recommendations	Status Update	
Related to cybersecurity	<b>Completed.</b> The assessment was performed October 12, 2020 - November 20, 2020.	

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# **FINANCE COMMISSION**

Austin, Texas

## **INTERNAL AUDIT PLAN**

For Fiscal Year 2021



# FINANCE COMMISSION

Austin, Texas

Internal Audit Plan  
For Fiscal Year 2021

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Finance Commission and Audit Committee Members  
Finance Commission of Texas  
Austin, Texas

Enclosed is the Finance Commission's proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2021 for the Texas Department of Banking (DOB), Department of Savings and Mortgage Lending (SML), and the Office of Consumer Credit Commissioner (OCCC). This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2021. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by the Finance Commission or Audit Committee, as necessary.

This Plan has been prepared by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted Auditing Standards, International Standards for the Professional Practice of Internal Auditing, and the Institute of Internal Auditors' Code of Ethics contained in the Professional Practices Framework.

A handwritten signature in black ink that reads "Garza/Gonzalez & Associates". The signature is written in a cursive, flowing style.

November 18, 2020

# FINANCE COMMISSION

Austin, Texas

## Internal Audit Plan For Fiscal Year 2021

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### I. Methodology

The Finance Commission's fiscal year 2021 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by the Audit Committee Chair, executive management, management, and other staff from each of the 3 agencies, as documented below.

These 3 agencies are considered financial regulatory agencies who were granted a self-directed, semi-independent (SDSI) status by the Legislature. With the SDSI status, these agencies are responsible for its costs of operation, prohibited from causing the general revenue fund to incur any cost, and removed from the legislative budgeting process. However, the Finance Commission is responsible for setting their spending authority or limits. Each agency's entire operating funds are generated from fees assessed to the businesses they regulate and are used to fund both, direct and indirect costs.

The following documents from the 3 agencies were reviewed and considered in our risk assessment process:

- Operating Budgets
- Organizational Charts
- Policies and Procedures
- Applicable Laws and Rules
- Audit and/or Monitoring Reports from Third Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by the Audit Committee Chair, Commissioners, Deputy Commissioners, Audit Contacts, Division Directors, and other staff to update our understanding of each division, and its role within the overall scheme of the respective agency. The questionnaires included topics; such as, issues and/or concerns, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements (i.e. TAC 202, *Information Security Standards* and contract management). Utilizing information obtained through the completed questionnaires and background information reviewed, audit areas for each of the 3 agencies were identified as potential audit topics. A risk analysis was completed for each individual audit topic and then compiled to develop an overall risk assessment for each of the 3 agencies.



## FINANCE COMMISSION

### Internal Audit Plan

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The following 8 risk factors were considered for each potential audit topic:

- |   |  |
|---|--|
| 1. Materiality                                      | Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the unit is responsible; or, <i>non-financial</i> materiality based on the number of licensees for which the unit is responsible, or the magnitude of its responsibility related to the agency's primary mission. |
| 2. Time since Last Audit or Review                  | Measure of the number of years between the date of the previous audit or review and the date of the risk assessment.   |
| 3. Results of Last Audit or Review                  | Measure of the results of the previous audit or review.  |
| 4. Adequacy of Staffing Levels                      | Measure of the adequacy of the staffing level of the auditable unit as it relates to the achievement of its objectives.  |
| 5. Policies and Procedures                          | Measure of the existence of policies and procedures documenting the auditable unit's activities.   |
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the magnitude of contracts, laws, and/or regulations for which the auditable unit is responsible for complying.   |
| 7. Susceptibility of Theft or Fraud                 | Measure of the auditable unit's risk and controls in place as it relates to theft or fraud.  |
| 8. Issues or Concerns                               | Measure of issues or concerns expressed in completed questionnaires.   |

## II. Audit Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of the respective agency's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope, as applicable, considers the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

## FINANCE COMMISSION

### Internal Audit Plan

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### III. Texas Department of Banking (DOB)

#### Internal Audit Plan

In addition to performing the 2021 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes 2 audits to be performed; a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2021.

#### Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 17 audit areas were identified as potential audit topics. A risk analysis utilizing the 8 risk factors, mentioned in section I of this report, was completed for each of the 17 potential audit topics and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 17 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Procurement/Contract Management/HUB  Management Information Systems [(MIS) Includes Disaster Recovery Plan]  Fixed Asset Management  Payroll & Human Resources	Travel  Revenue Accounting Process  Consumer Assistance  Bank Examinations  IT Examinations	Corporate Activities  Financial Reporting  Trust Examinations  Money Service Businesses  Prepaid Funeral Guaranty Fund  Imaging & Records Management  Perpetual Care Cemeteries  Prepaid Funeral Contracts

This report includes the “Risk Assessment Summary” as Attachment A-1; and, the “History of Areas Audited” as Attachment B-1, which identifies audits and/or reviews performed from fiscal year 2011 through 2020 for the above 17 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

#### Fiscal Year 2020:

- Risk Assessment & Preparation of the Internal Audit Plan
- Revenue Accounting Process Audit
- Imaging & Records Management Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Annual Internal Audit Report

#### Fiscal Year 2019<sup>1</sup>:

- Risk Assessment & Preparation of the Internal Audit Plan
- Information Technology Change Management Program Audit
- Fines, Penalties, and Restitution Processes Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Annual Internal Audit Report

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<sup>1</sup> Performed by McConnell & Jones LLP.

## FINANCE COMMISSION

### Internal Audit Plan

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#### Fiscal Year 2018:

- Risk Assessment & Preparation of the Internal Audit Plan
- Prepaid Funeral Guaranty Fund Audit
- Trust Examinations Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Annual Internal Audit Report

The areas recommended for internal audits and other functions to be performed for fiscal year 2021 are as follows:

1. Completion of the Fiscal Year 2021 Risk Assessment and Preparation of this Internal Audit Plan

2. Management Information Systems [(MIS) Includes Disaster Recovery Plan]

The planned audit procedures include the following:

- a. Obtain an understanding of the audit findings and recommendations, as reported by other auditors, in the “Information Technology Change Management Program” internal audit report dated June 27, 2019.
- b. For the audit findings identified in 2.a. above, obtain documentation, conduct interviews, and design audit testing procedures to validate the implementation status, as reported by management to the Audit Committee, in Audit Activity Reports.
- c. Review DOB’s Disaster Recovery Plan (DRP), and its Continuity of Operations Planning (COOP) Plan as related to MIS, for inclusion of vital information necessary to facilitate the performance of essential functions during a situation that may disrupt normal operations, and that it adheres to any state/federal requirements and guidance.
  - As part of this review, we will assess the training, testing, and exercise activities in place for reviewing, assessing, evaluating, and updating the contents of the DRP and applicable sections of the COOP Plan to ensure they remain cohesive and useful.
- d. Other procedures that may be deemed necessary during audit fieldwork.

3. Consumer Assistance

The planned audit procedures include the following:

- a. Review and obtain an understanding of the laws and regulations provided in the applicable chapters of the Texas Finance Code (TFC) and sections of the Texas Administrative Code (TAC).
- b. Review the new rules drafted by DOB pertaining to procedures for handling complaints to ensure they address the recommendation made by the Sunset Advisory Commission and the Finance Commission Directive(s).
- c. Review policies and procedures as established by the Division of Strategic Support and the Non-Depository Supervision Division, collect various documents, and conduct interviews to obtain an understanding of the processes and current practices in place for processing consumer complaints.

## FINANCE COMMISSION

### Internal Audit Plan

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- d. Tailor audit procedures for testing of compliance with various TFC/TAC requirements, established policies, procedures, and internal controls. As part of this review, we will review and assess the processes in place for the receipt, review, response, resolution, and closing of consumer complaints.
  - e. Obtain an understanding of the systems/databases used to track consumer complaints and review the accuracy of reports generated from those systems.
  - f. Test performance measures applicable to the Area.
  - g. Other procedures that may be deemed necessary during audit fieldwork.
4. Follow-up of Prior Year Internal Audits and Prepare the 2021 Annual Internal Audit Report  
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of the fiscal year ended August 31, 2020 and prepare the 2021 Annual Internal Audit Report. The follow-up audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete or Ongoing; or, (4) Not Implemented.
5. Other Tasks  
Other tasks as may be assigned by the Finance Commission, Audit Committee, or executive management during the year.

## FINANCE COMMISSION

### Internal Audit Plan

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#### IV. Department of Savings and Mortgage Lending (SML)

##### Internal Audit Plan

In addition to performing the 2021 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes 1 audit to be performed; a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2021.

##### Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 12 audit areas were identified as potential audit topics. A risk analysis utilizing the 8 risk factors, mentioned in section I of this report, was completed for each of the 12 potential audit topics and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 12 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Management Information Systems [(MIS) Includes Disaster Recovery Plan]	Payroll and Human Resources Procurement/ Contract Management/ HUB  Revenue Accounting Process  Thrift Examinations  Thrift Supervision and Compliance  Legal and Enforcement  Mortgage Licensing and Registration	Financial Reporting (includes Fixed Assets & Travel)  Mortgage Examinations  Consumer Protection  Records Management

This report includes the “Risk Assessment Summary” as Attachment A-2; and, the “History of Areas Audited” as Attachment B-2, which identifies audits and/or reviews performed from fiscal year 2011 through 2020 for the above 12 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

##### Fiscal Year 2020:

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

##### Fiscal Year 2019<sup>1</sup>:

- Risk Assessment & Preparation of the Internal Audit Plan
- Information Technology Change Management Program Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Annual Internal Audit Report

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<sup>1</sup> Performed by McConnell & Jones LLP.



## FINANCE COMMISSION

### Internal Audit Plan

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#### Fiscal Year 2018:

- Risk Assessment & Preparation of the Internal Audit Plan
- Thrift Supervision and Compliance Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Annual Internal Audit Report

The area recommended for internal audit and other functions to be performed for fiscal year 2021 are as follows:

1. Completion of the Fiscal Year 2021 Risk Assessment and Preparation of this Internal Audit Plan

2. Procurement/Contract Management/HUB

The planned audit procedures include the following:

- a. Review and obtain an understanding of state laws and regulations, and other requirements governing the various types of purchases made by state agencies.
- b. Review SML's written policies and procedures, and conduct interviews, to obtain an understanding of controls, processes, and current practices in place over the various functions performed for this Area.
- c. Review policies and/or procedures in place to ensure they address the recommendation made by the Sunset Advisory Commission and the Finance Commission Directive(s), as applicable to this Area.
- d. Determine if all personnel involved in performing purchasing and contract negotiation functions have been trained and certified as required by the Comptroller of Public Accounts.
- e. Select various purchases made during the audit period and design audit procedures to test for the following:
  - 1) Ensure that the most qualified contractors/vendors are fairly and objectively selected in compliance with state procurement guidelines.
  - 2) Ensure contracts include all required and necessary contract provisions, contractors/vendors are held accountable for delivery of quality services, and that SML pays a fair and reasonable price for the goods and services specified in the contracts.
- f. Review procedures in place and test selected documentation for compliance with applicable statewide HUB compliance requirements.
- g. Review submission records for purchasing and contracting reports submitted to external entities to ensure they are accurate, submitted by the report deadlines, and supported by appropriate documentation.
- h. Review the processes and internal controls in place for issuance and use of the purchasing card and test selected documentation to test the effectiveness of those processes and controls.
- i. Other procedures that may be deemed necessary during audit fieldwork.

## **FINANCE COMMISSION**

### Internal Audit Plan

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3. Follow-up of Prior Year Internal Audits and Preparation of the 2021 Annual Report  
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of the fiscal year ended August 31, 2020 and prepare the 2021 Annual Internal Audit Report. The follow-up audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete or Ongoing; or, (4) Not Implemented.
4. Other Tasks  
Other tasks as may be assigned by the Finance Commission, Audit Committee, or executive management during the year.

## FINANCE COMMISSION

### Internal Audit Plan

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#### V. Office of Consumer Credit Commissioner (OCCC)

##### Internal Audit Plan

In addition to performing the 2021 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes 2 audits to be performed; a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Finance Commission, Audit Committee, or executive management during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2021.

##### Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 17 audit areas were identified as potential audit topics. A risk analysis utilizing the 8 risk factors, mentioned in section I of this report, was completed for each of the 17 potential audit topics and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 17 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Fiscal Division (Includes Fixed Assets & Travel)  Procurement/Contract Management/HUB  Management Information Systems [(MIS) Includes Disaster Recovery Plan]  Payroll and Human Resources	Revenue Accounting Process  Complaint Intake and Investigation  Legal and Enforcement  Regulated Lenders Examinations	Motor Vehicle Sales Finance Examinations  Credit Access Business Examinations  Pawn Examinations  Property Tax Lender Examinations  TFEE Fund Grant Administration  Business Licensing  Business Registration  Records Management  Professional Licensing (Pawnshop Employees & RMLO)

This report includes the “Risk Assessment Summary” as Attachment A-3; and, the “History of Areas Audited” as Attachment B-3, which identifies audits and/or reviews performed from fiscal year 2011 through 2020 for the above 17 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

##### Fiscal Year 2020:

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

##### Fiscal Year 2019<sup>1</sup>:

- Risk Assessment & Preparation of the Internal Audit Plan
- Investment Administration Controls Audit (*Required Periodic Audit*)
- Information Technology Change Management Program Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Annual Internal Audit Report

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<sup>1</sup> Performed by McConnell & Jones LLP.

## FINANCE COMMISSION

### Internal Audit Plan

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#### Fiscal Year 2018:

- Risk Assessment & Preparation of the Internal Audit Plan
- Property Tax Lender Examinations Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Annual Internal Audit Report

The areas recommended for internal audit and other functions to be performed for fiscal year 2021 are as follows:

1. Completion of the Fiscal Year 2021 Risk Assessment and Preparation of this Internal Audit Plan

2. TFEE Fund Investment Portfolio Administration Audit (*Required Periodic Audit*)

The planned audit procedures include the following:

- a. Update our understanding of state laws and regulations and OCCC's policies and procedures, as applicable to the administration of the TFEE Fund's investment portfolio.
- b. Test selected quarterly investment reports submitted to the Finance Commission during the audit period and ensure balances agree to 3<sup>rd</sup> party financial institution documentation; and, that investment reports are signed by appropriate personnel as OCCC's investment officers.
- c. Ensure OCCC's Investment Policy is reviewed and approved by the Finance Commission on an annual basis.
- d. Review documentation to support investment training obtained by investment officers.
- e. Ensure the TFEE Fund invests only in authorized investments and that the Fund's balance is correct as of a selected closing date.
- f. Review and assess the accuracy, efficiency, and effectiveness of the TFEE Fund cash equivalent account reconciliation process.
- g. Validate that fees deposited into the TFEE Fund account were complete and accurate.
- h. Test selected TFEE Fund reimbursement requests made during the audit period, to ensure they were for allowable costs, properly supported, and complied with established internal controls.
- i. Other procedures that may be deemed necessary during audit fieldwork.

3. Fiscal Division (Includes Fixed Assets & Travel)

The planned audit procedures include the following:

#### Fixed Assets:

- a. Obtain an understanding of state requirements, State Property Accounting (SPA) system reporting requirements, and OCCC's policies, procedures, and practices in place related to Fixed Asset Management.
- b. Ensure compliance with various state requirements; such as, proper designation of an employee as the Property Manager, performance of a physical inventory, submittal of required reports to external parties, etc.

## FINANCE COMMISSION

### Internal Audit Plan

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- c. Assess the adequacy of access rights assigned to users of the SPA system.
- d. Select a sample of additions and review supporting documentation to ensure the asset met the capitalized and/or controlled asset threshold/criteria; and, was properly reported in the SPA system.
- e. Select deletions and review supporting documentation to ensure the assets were disposed in accordance with state requirements and other guidance.
- f. Ensure assets reported in the SPA system reconcile to the annual inventory conducted, and to the capital assets note, as disclosed in the Annual Financial Report.
- g. Other procedures that may be deemed necessary during audit fieldwork.

#### Travel:

- a. Obtain an understanding of state requirements, and OCCC's written policies and procedures; and, conduct interviews, to obtain an understanding of controls, processes, and current practices in place over the various functions performed for the administration of travel.
  - b. Review policies and/or procedures in place to ensure they address the recommendation made by the Sunset Advisory Commission and the Finance Commission Directive(s), as applicable to Travel.
  - c. Review the processes and internal controls in place for issuance and use of credit cards and/or the procurement card used for travel-related purposes, and select documentation to test the effectiveness of those processes and controls.
  - d. Select a sample of travel transactions to test for compliance with various state requirements and guidance provided by the State Comptroller in "Texttravel"; adherence to established policies and procedures; and, the effectiveness of internal controls.
  - e. Other procedures that may be deemed necessary during audit fieldwork.
4. Follow-up of Prior Year Internal Audits and Preparation of the 2021 Annual Report  
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of the fiscal year ended August 31, 2020 and prepare the 2021 Annual Internal Audit Report. The follow-up audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete or Ongoing; or, (4) Not Implemented.
5. Other Tasks  
Other tasks as may be assigned by the Finance Commission, Audit Committee, or executive management during the year.

## **ATTACHMENTS**

**TEXAS DEPARTMENT OF BANKING**  
**Risk Assessment Summary**  
**For Fiscal Year 2021**

RISK FACTOR WEIGHT																			
10.00%		16.50%		16.00%		15.00%		12.50%		12.00%		8.00%		10.00%					
RISK FACTORS																			
1		2		3		4		5		6		7		8					
Materiality	Time Since Last Audit or Review			Results of Last Audit or Review			Adequacy of Staffing Levels			Policies and Procedures			Compliance with Contracts, Laws & Regulations		Susceptibility of Theft or Fraud		Issues or Concerns		Total
	2	20.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	2	20.00	184.00		
	2	20.00	1	16.50	2	32.00	1	15.00	2	25.00	3	36.00	2	16.00	2	20.00	180.50		
	2	20.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	1	10.00	174.00		
	3	30.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	169.00		
	2	20.00	2	33.00	1	16.00	1	15.00	2	25.00	1	12.00	2	16.00	2	20.00	157.00		
	3	30.00	1	16.50	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	152.50		
	2	20.00	1	16.50	1	16.00	2	30.00	1	12.50	2	24.00	1	8.00	2	20.00	147.00		
	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	144.00		
	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	144.00		
	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	2	20.00	142.00		
	1	10.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	1	8.00	1	10.00	141.00		
	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	124.00		
	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	122.00		
	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	2	16.00	1	10.00	118.00		
	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	116.00		
	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	112.00		
	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	112.00		

**DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**  
**Risk Assessment Summary**  
**For Fiscal Year 2021**

		RISK FACTOR WEIGHT															
		10.00%		16.50%		16.00%		15.00%		12.50%		12.00%		8.00%		10.00%	
		RISK FACTORS															
		1		2		3		4		5		6		7		8	
				Time Since		Results of		Adequacy of		Policies and		Compliance		Susceptibility		Issues or	
POTENTIAL AUDIT TOPIC		Materiality		Last Audit		Prior Audit		Staffing		Procedures		with		of Theft or		Concerns	
				or Review		or Review		Levels				Contracts, Laws & Regulations		Fraud			



High Risk: > 170																	
Fiscal Division (Includes Fixed Assets & Travel)	3	30.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	2	20.00	194.00
Procurement/Contract Management/HUB	3	30.00	2	33.00	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	1	10.00	184.00
Management Information Systems [(MIS) Includes Disaster Recovery Plan]	2	20.00	1	16.50	2	32.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	173.00
Payroll and Human Resources	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	171.50

5	Revenue Accounting Process	3	30.00	1	16.50	1	16.00	2	30.00	2	25.00	2	24.00	2	16.00	1	10.00	167.50
6	Complaint Intake and Investigation	2	20.00	1	16.50	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	2	20.00	159.00
7	Legal and Enforcement	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	152.00
8	Regulated Lenders Examinations	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	152.00

9	Motor Vehicle Sales Finance Examinations	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	144.00
10	Credit Access Business Examinations	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	142.00
11	Pawn Examinations	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	142.00
12	Property Tax Lender Examinations	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	132.00
13	TFEE Fund Grant Administration	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	130.00
14	Business Licensing	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	122.00
15	Business Registration	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	122.00
16	Records Management	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	116.00
17	Professional Licensing (Pawnshop Employees & RML0)	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	112.00

1 - Low Risk  
2 - Moderate Risk  
3 - High Risk

**TEXAS DEPARTMENT OF BANKING**  
**History of Areas Audited**  
**For Fiscal Year 2021**

POTENTIAL AUDIT TOPIC		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Bank Examinations		A/B*	B*				A/B*	E		
2	Consumer Assistance								E		
3	Corporate Activities			A			G*		E		
4	Financial Reporting	A						B	E*/C*		
5	Fixed Asset Management				C*			A	C*		
6	Imaging and Records Management						A				A
7	IT Examinations						A		E		
8	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	D*	D*	D*/W	A, D*	D*	D*/G*	D*/B	E*	A1*/D	D*
9	Money Service Businesses				A			B*	E	A1*	A*
10	Payroll and Human Resources	A*	V	G*	C*		G*		C*/F*	F*	G*
11	Perpetual Care Cemeteries					A		B*	E	A1*	A*
12	Prepaid Funeral Contracts			A				B*	E	A1*	A*
13	Prepaid Funeral Guaranty Fund		A						A/E	A1*	A*
14	Procurement/Contract Management/HUB	A			C*			B*	C*		
15	Revenue Accounting Process	A				A		B	E	A1*	A
16	Travel	A*			C*			B*	C*/E*		
17	Trust Examinations	A							A/E		

**Note:** Performance Measures is included in the scope of the applicable audit area(s).

**Legend (audits/reviews with asterisk are considered limited scope for the audit area)**

- A** Internal audit performed by Garza/Gonzalez & Associates, CPAs.
- A1** Internal audit performed by McConnell & Jones LLP.
- B** Audit performed by the State Auditor's Office (SAO).
- C** Post-Payment audit performed by the Comptroller of Public Accounts.
- D** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- E** Sunset Review performed by the Sunset Advisory Commission.
- F** Review performed by the Texas Workforce Commission.
- G** Review performed by the Department of Public Safety.

**DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**  
**History of Areas Audited**  
**For Fiscal Year 2021**

	POTENTIAL AUDIT TOPIC	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Consumer Protection				A			B*	D		
2	Financial Reporting (Includes Fixed Assets & Travel)				E*			B	D*/E*		
3	Legal and Enforcement	A						B	D		
4	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	C*	C*	C*	C*	C*	A/C*	B*/C*	C/C*/D*	A1*	
5	Mortgage Examinations					A		B*	D		
6	Mortgage Licensing and Registration		A/G*					B*	D		
7	Payroll and Human Resources			F*	E*				E*	F*	
8	Procurement/Contract Management/HUB				E*			B	D*/E*		
9	Records Management										A
10	Revenue Accounting Process	A						B	D*		
11	Thrift Examinations							A	D		
12	Thrift Supervision and Compliance			A				B*	A/D		

**Note:** Performance Measures is included in the scope of the applicable audit area(s).

**Legend (audits/reviews with asterisk are considered limited scope for the audit area)**

- A** Internal audit performed by Garza/Gonzalez & Associates, CPAs.
- A1** Internal audit performed by McConnell & Jones LLP.
- B** Audit performed by the State Auditor's Office (SAO).
- C** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- D** Sunset Review performed by the Sunset Advisory Commission.
- E** Post Payment Audit performed by the Comptroller of Public Accounts.
- F** Review performed by the Texas Workforce Commission.
- G** Review performed by the Department of Public Safety.

**OFFICE OF CONSUMER CREDIT COMMISSIONER**  
**History of Areas Audited**  
**For Fiscal Year 2021**

POTENTIAL AUDIT TOPIC		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Business Licensing	A					F*	B*	D/F*		
2	Business Registration							A	D		
3	Complaint Intake and Investigation		A						D		
4	Credit Access Business Examinations			A					D		
5	Fiscal Division (Includes Fixed Assets & Travel)			C*				B	C*/D*		C1*
6	Legal and Enforcement							B*	D		
7	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	A	E*	E*	E	E*	E*	B*/E	D*/E*	A1*/E	
8	Motor Vehicle Sales Finance Examinations						A		D		
9	Pawn Examinations								D		
10	Payroll and Human Resources			C*/G*					C*	G*	
11	Procurement/Contract Management/HUB			C*				B	C*/D*		
12	Professional Licensing (Pawnshop Employees & RMLO)				A		F*	B*	D/F*		
13	Property Tax Lender Examinations								A/D		
14	Records Management										A
15	Regulated Lenders Examinations								D		
16	Revenue Accounting Process							B	D		
17	TFEE Fund Grant Administration					A		A*	D		
<i>Required Periodic Audit</i>											
18	TFEE Fund Investment Portfolio Administration							A	D	A1	

**Note:** Performance Measures is included in the scope of the applicable audit area(s).

**Legend (audits/reviews with asterisk are considered limited scope for the audit area)**

- A** Internal audit performed by Garza/Gonzalez & Associates, CPAs.
- A1** Internal audit performed by McConnell & Jones LLP.
- B** Audit performed by the State Auditor's Office.
- C** Post-Payment audit performed by the Comptroller of Public Accounts (CPA).
- C1** Overpayment Recovery audit performed by the CPA.
- D** Sunset Review performed by the Sunset Advisory Commission.
- E** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- F** Review performed by the Department of Public Safety.
- G** Review performed by the Texas Workforce Commission.



# Texas Financial Education Endowment (TFEE)

## **TFEE Report – December 11, 2020**

### ACTIVITIES RELATING TO THE TEXAS FINANCIAL ENDOWMENT FUND

The 2020-2021 TFEE Grant Cycle ends on December 31, 2020 and grant recipient reports are due on January 31, 2021. The second period semi-annual report with updated reimbursement and participant data will be published in late February.

The Comptroller's Office published "Texas Grant Management Standards" in October 2020. This document replaces the "Uniform Grant Management Standards" and will be effective with grants beginning on or after January 1, 2022. Agency staff is reviewing the new publication to ensure TFEE administration is aligned with best practices and procedures as outlined by the Comptroller's office.

Additionally, the TFEE Narrative in the October 2020 Audit Committee packet indicated the total amount reimbursed for the 2018-2019 grant cycle was \$225,920.63. This was a misprint. The actual total amount reimbursed for the 2018-2019 Grant Cycle was \$226,141.25. The formal reports for the 2018-2019 Grant Cycle were not impacted and are available for review here: <https://www.tfee.texas.gov/publications>.

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