

**TEXAS STATE SECURITIES BOARD**  
Austin, Texas

**INTERNAL AUDIT ANNUAL REPORT**

Fiscal Year 2022



TEXAS STATE SECURITIES BOARD  
Austin, Texas

Internal Audit Annual Report

Fiscal Year 2022

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# Garza/Gonzalez & Associates

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CERTIFIED PUBLIC ACCOUNTANTS

Board Members and  
Audit Committee Members  
Texas State Securities Board  
Austin, Texas

We performed procedures to determine the effectiveness and efficiency of the Texas State Securities Board's (SSB) internal control structure over the Processing Cash Receipts, Disbursements, and Mail Area (Area); and, its compliance with applicable state requirements and SSB's established policies and procedures, applicable to the Area, for the 10 months ended June 30, 2022.

The results of our procedures performed disclosed that SSB's internal control structure over the Area were generally adequate and no material instances of noncompliance were noted; however, we did identify a certain matter that is included as observation in page 14 of this report, that is an opportunity for strengthening internal controls and ensuring compliance with SSB's established policies and procedures.

We also performed a follow-up of the findings and recommendations that were presented in the prior year internal audit reports; and, this report reflects the results and implementation status of our follow-up procedures performed; and, includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements.

We have discussed the observations and recommendations from the audit of the Area; and, the implementation status from the follow-up procedures performed, with various SSB personnel; and, will be pleased to discuss them with you in further detail.



July 25, 2022 – Processing Cash Receipts, Disbursements, and Mail  
September 12, 2022 – Follow-up & Internal Audit Annual Report

# TEXAS STATE SECURITIES BOARD

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## INTRODUCTION

The Texas State Securities Board (SSB) is charged with the administration and enforcement of the Texas Securities Act (TSA). SSB's mission is to protect Texas investors. Consistent with that purpose, SSB seeks to encourage capital formation, job formation, and free and competitive securities markets; and, to minimize regulatory burdens on issuers and persons subject to the Act, especially small businesses. SSB investigates suspected violations of the Act and ensures that administrative, civil, or criminal enforcement actions are taken in appropriate circumstances. SSB also registers securities sold in Texas and the firms and individuals who sell securities or render investment advice in the state.

SSB was created in 1957 pursuant to the Act passed by the 55th Texas Legislature. This legislation was the culmination of four earlier statutes dating back to 1913. The Act provides for the registration of securities offered or sold in Texas and of firms and individuals who sell securities or render investment advice in the state. In certain circumstances a particular security or transaction may be exempt from the registration requirements of the Act. Whether or not an exemption from the registration provisions is available, the Act prohibits fraud in the offer or sale of securities in Texas.

SSB is overseen by a Board composed of five members appointed by the Governor, with the advice and consent of the Senate, for six-year overlapping terms. The Board adopts and periodically updates rules to ensure that investors are adequately protected and that unreasonable burdens on legitimate capital-raising activities are avoided. The Board appoints a Securities Commissioner, who serves at its pleasure, and serves as SSB's chief administrative officer and supervises the day-to-day activities of the staff.

SSB is organized into the following Divisions: Enforcement, Registration, Inspections and Compliance, Office of General Counsel, and Staff Services.

### **2022 Internal Audit Plan**

Following is the internal audit and other functions performed, as identified in SSB's *Internal Audit Plan for Fiscal Year 2022*, dated May 9, 2022 and approved by the Board on May 12, 2022:

- Fiscal Year 2022 Risk Assessment & Preparation of the 2022 Internal Audit Plan
- Processing Cash Receipts, Disbursements, and Mail Area Audit
- Follow-up of the Prior Year Internal Audits
- Preparation of the 2022 Internal Audit Annual Report
- Other Tasks

This report contains the results of our audit of the Processing Cash Receipts, Disbursements, and Mail Area; reflects the results of the follow-up procedures performed in the current year of the findings that were presented in the prior year internal audit reports; and, meets the State of Texas Internal Audit Annual Report requirements.

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### INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of SSB's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope included the following objectives:

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

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

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

- An approved fiscal year 2023 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2022 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor as well as the summary of the action taken by SSB to address such concerns.

### II. Consulting and Nonaudit Services Completed

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards*, 2018 Revision, Technical Update April 2021, Sections 3.64-3.106.

### III. External Quality Assurance Review

The internal audit department's most recent *Peer Review Report*, dated December 15, 2021, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

### IV. Internal Audit Plan for Fiscal Year 2022

The approved Internal Audit Plan (Plan) included one audit to be performed during fiscal year 2022. The Plan also included a follow-up of the prior year internal audit recommendations that were not fully implemented as of fiscal year ended August 31, 2021, other tasks as may have been assigned by the Board, and, preparation of the Internal Audit Annual Report for fiscal year 2022.

### RISK ASSESSMENT

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

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

| HIGH RISK                           | MODERATE RISK  | LOW RISK   |
|-------------------------------------|--|--|
| Conducting Inspections <sup>1</sup> | Human Resources and Payroll<br>Procurement/Contract Management/<br>HUB<br>Processing Dealer Applications <sup>2</sup><br>Processing Securities Applications <sup>2</sup><br>Enforcement <sup>1</sup><br>Information Technology | Processing Cash<br>Receipts/Disbursements/Mail<br>Accounting/Financial Reporting/Fixed<br>Assets/Travel<br>Complaints Process <sup>1</sup><br>Records Management |

<sup>1</sup> Includes Performance Measures

<sup>2</sup> Includes Performance Measures and Registration & Filing Fees

In the prior 3 years, the internal auditor performed the following *internal audits functions*:

Fiscal Year 2021:

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

Fiscal Year 2020:

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

Fiscal Year 2019:

- Risk Assessment & Preparation of the Internal Audit Plan
- Accounting & Financial Reporting
- Follow-up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

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The internal audit and other tasks performed for fiscal year 2022 were as follows:

| <b>Report No.</b> | <b>Audits/Report Titles</b>   | <b>Report Date</b> |
|-------------------|---|--------------------|
| 1.                | Processing Cash Receipts, Disbursements, and Mail<br><br><i>Objective:</i> To determine whether SSB’s cash receipts, disbursements, and mail are being processed in accordance with applicable state requirements and established policies and procedures; and, that internal controls are operating effectively. | 7/25/2022          |
| 1.                | Internal Audit Annual Report – Follow-up of findings and recommendations that were presented in the Prior Year Internal Audit Report<br><br><i>Includes all reported audit results for Fiscal Year 2022.</i>  | 7/25/2022          |
| -                 | Other Tasks Assigned by the Board, Audit Committee, or Management   | None               |



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### V. Executive Summary

#### Processing Cash Receipts, Disbursements & Mail

##### **Background**

##### Organizational Structure

The Processing Cash Receipts, Disbursement, and Mail Area (Area) is a part of the Staff Services Division (Division), which is comprised of a Director of Staff Services (Director), an Assistant Director & HR Specialist (Assistant Director), 3 Accountants (1 Accounts Payable (A/P), 1 Mailroom Backup/Property Accountant, and 1 vacant position), a Purchaser, and an Administrative Assistant (primary mail room).

##### Cash Receipts & Mail Processing

The majority of receipts received by SSB are fees for the registration and notice filing of securities offered or sold in Texas, and of firms and individuals who sell securities or render investment advice in Texas. Receipts are also received from fines and penalties assessed by SSB through enforcement actions. SSB accepts checks and money orders received by mail, and electronic payments; and, the Area utilizes the internally-developed Money System database to account for all types of receipts.

##### Mailroom Processing

All incoming mail and carrier deliveries are received by the Administrative Assistant or the Accountant who is assigned to the mailroom (Mailroom Staff), and performs the following functions when processing incoming mail:

- (1) Logs incoming mail, as it is received in the mailroom. Postal mail and interagency mail are delivered, twice a day on an unpredictable schedule, by the State Mail Office (SMO) operated by the Texas Comptroller of Public Accounts (CPA), which is logged in the Daily Mail Count Log. Commercial carriers; such as, UPS and FedEx, deliver parcels directly to the mailroom throughout the day, which is logged in the Carrier Mail Log.
- (2) Separates mail. Certain types of mail, based on the sender and/or addressee, should not be opened in the mailroom. Such mail is separated, date-stamped on the envelope, and directly forwarded to the recipient. The remaining mail is opened and sorted it into 2 groups: "Money Mail", which is mail that contains a check or a money order (collectively "check"), and mail that does not contain a check.
- (3) Prepares a "Batch" deposit of Money Mail received, as follows:
  - a. Verifies information on the check; such as, payee, amount, and signature. If the check is determined acceptable, it is stamped with SSB's endorsement. If the check is determined unacceptable, the applicable Division is contacted to initiate the return process.
  - b. Writes the check amount at the top of the accompanying document and places the check with the accompanying document.
  - c. Stamps a check register number on the check and the accompanying documents, using a Bates numbering stamp.
  - d. Enters check information into the Money System.
- (4) Forwards the Batch to a Staff Services staff member who did not perform the Mailroom function (Non-Mailroom Staff) for deposit processing.
- (5) Money Mail received too late for same-day deposit processing is logged in the Daily Mail Count with a "ML" code, and retained in a locked desk drawer in the mailroom for the next business day deposit processing.

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### **Deposit Processing**

The Area has established deposit procedures for checks received by SSB and for receipts received by electronic funds transfer (EFT). While EFT receipts are more common, additional steps are required for depositing checks. SSB Management indicated that the Treasury's lockbox services cannot be utilized due to the complexity of checks received by SSB. During the audit period from September 1, 2021 to June 30, 2022, the Area processed deposits totaling \$168,769,186, of which \$8,833,656 was comprised of checks and the remaining \$159,935,530 were EFTs.

### **Depositing Checks**

A Non-Mailroom Staff deposits checks received by mail, at a Treasury teller window, operated by the CPA, on a daily basis, as follows:

- (1) After receiving a Batch (or Batches) from the Mailroom Staff, a Non-Mailroom Staff separates all checks from the accompanying documents. The Non-Mailroom Staff reviews and verifies that deposit information in the Money System, as entered by the Mailroom Staff, agrees to the checks on hand. If all information is correct, the Non-Mailroom Staff proceeds to preparing a "Deposit Voucher Request" in the Money System. The Money System assigns a sequential Deposit Number to each deposit.
- (2) The Non-Mailroom Staff enters the deposit information and the number of checks deposited, in the Deposit Ledger spreadsheet, which is used by the Area for tracking various information; such as, the deposit status, ensuring deposit numbers are sequential, etc. The Non-Mailroom Staff also verifies that the number of checks deposited agrees to the number documented by the Mailroom Staff in the mailroom log, and denotes such verification by initialing the log.
- (3) The Non-Mailroom Staff prepares a 2-part deposit slip by entering pertinent information; including, the Deposit Number assigned by the Money System. The Treasury teller date-stamps and returns the "receipt copy" portion of the deposit slip to the Non-Mailroom Staff for agency retention.

A designated Division staff member, who did not perform check deposit functions, enters a deposit voucher entry into CAPPs. Entries made to CAPPs are approved by the Director or the Assistant Director, who did not create the entry, as set up in the approval path. The Area tracks the checks kept in a locked safe for the next business day deposit processing to ensure they are deposited within 3 business days of their receipt, as required by the state.

A "deposit default" may occur when deposit information generated by the Treasury (the "Treasury File"), does not match the corresponding entry in CAPPs, which is typically due to a timing difference between the two systems, and does not occur often. When this does occur, the CPA requires state agencies to manually clear the deposit default by preparing and entering a journal entry into CAPPs, which includes preparing another deposit voucher. The Division requires deposit default journal entries to be documented, and dated; and, that the preparer initial the Deposit Voucher Request.

### **EFT Receipts Processing**

EFT receipts from various registrants are received by the Treasury on behalf of SSB. The Treasury generates a daily receipts report referred to as the "Receiver Services Report" and emails it to the Area on a daily basis. An Administrative Assistant or the Purchaser (Division Staff) processes EFT receipts as follows:

- (1) Obtain a copy of the Disbursement File, as generated by the Registrations Division based on filings information.
- (2) Ensure that the total receipts per the Disbursement File and the Receiver Services Report match, and then stamps an EFT register number on the Receiver Service Report, using another Bates numbering stamp used for EFT receipts.

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- (3) Import the Disbursement File into the Money System, and enter the EFT register number and other pertinent information to generate a Deposit Voucher Request. The Money System assigns a sequential Deposit Number.
- (4) Enter the deposit information in the Deposit Ledger spreadsheet.

A designated Division staff member who did not prepare the EFT deposit, enters a deposit voucher entry into CAPPS.

### **Monthly Review and Reconciliation**

The Area has implemented the following monthly procedures for additional internal controls:

#### **Check Sequential Numbering**

A Mailroom Staff member obtains a *Bates Report*, which is generated from the Money System and lists all register numbers for checks and EFTs used in the respective month. The Mailroom Staff prepares a written explanation if any gaps or duplicates in register numbers are identified. The Bates Report and the explanation, if any, are then reviewed by the Director, who signs the Bates Report to denote approval.

#### **Money System – CAPPS Reconciliation**

A Division staff member performs a reconciliation between the deposits made, as tracked in the Money System and generated as the Deposit by Object Codes Report; and, the entries posted in CAPPS, as generated from the FMQuery. Any discrepancies between the two systems require explanation(s). The reconciliation is prepared and documented in a consistent manner using an excel worksheet titled “*Revenue Reconciliation Spreadsheet*”, which must be reviewed and approved by the Director or the Assistant Director, who did not prepare it.

### **Processing Disbursements**

All purchases for goods or services require the employee requesting the purchase, typically the Purchaser, to complete a purchase request form in CAPPS.

#### **Approval of Purchase**

The purchase request form is routed to the Purchaser for review, if the requester is anyone other than the Purchaser; and, then forwarded to the Division Director or a designee for approval in CAPPS. If the purchase amount exceeds or is estimated to exceed \$1,000, the Director of Staff Services, and the Commissioner or Deputy Commissioner must approve the purchase prior to the purchase being made. After all the approvals are received, the purchase request form is sent back to the Purchaser for final review. The Purchaser then determines the appropriate procurement method; follows the procurement procedures set forth in the *State of Texas Procurement and Contract Management Guide*; prepares the purchase order (PO); and, places the order with the selected vendor.

#### **Receipt of Goods and Services**

When the goods or services are received, the shipping receipt, voucher, or other documentation, is initialed by the Mailroom Staff, to denote receipt; and, then sent to the Purchaser who will document the received date in CAPPS to denote receipt of the purchase. If the item received was requested for one of the branch offices, the Purchaser will send the item to the branch office after it has been documented in CAPPS as received. If the item was delivered directly to or services were provided at the branch offices, the receiver at the branch office will notify the Purchaser of the received date, to be documented in CAPPS by the Purchaser.

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### Processing Invoices

Upon receipt of the invoice, it is date stamped and initialed by the Mailroom Staff and forwarded to the Purchaser who reviews for accuracy. Invoices that are received by email are printed, along with the email to document the date received. The Purchaser then attaches the PO and all the related purchasing documents to the invoice, and forwards it to the Accounts Payable (AP) Specialist for payment processing. Invoices are paid within 30 days of receipt in accordance with the Comptroller's rules for timely payment. A proposed payment date is calculated by CAPPs using the receipt date that was entered into CAPPs by the Purchaser. The AP Specialist will match the invoice to the PO, and prepare a purchase voucher in CAPPs, which is routed by CAPPs to the Director and Assistant Director for approval.

### Payments

Texas Government Code Section 403.060 authorizes the CPA to print warrants from State Treasury funds on behalf of all state agencies. The CPA only releases warrants to authorized state agency representatives listed on the *Agency Authorization for Warrant Pickup Form*. After warrants are received, an Accountant will review the warrant amount, vendor name, and address, for accuracy; document the warrant number, warrant date, and date mailed at the top of the purchase voucher; prepare the warrant for mailing; and, place it in the outgoing mail basket, to be mailed to the vendor. The Accountant documents the warrant number and date in CAPPs to denote that the purchase was released for payment. CAPPs automatically interfaces with USAS and the information sent is posted to the general ledger nightly.

Payments may also be sent electronically through direct deposit to those vendors that elect to receive payments by this method. The AP Specialist reviews the direct deposits and documents the direct deposit number on the purchase voucher.

### Interagency Vouchers

Payments to other state agencies must contain a Recurring Transaction Index (RTI) reference number and an invoice number on the voucher. A warrant is not issued for interagency payments; instead, payments are sent through an interagency transfer in USAS from the paying agency to the receiving agency.

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

### **Objective**

The objective of our audit was to determine whether SSB's cash receipts, disbursements, and mail are being processed in accordance with applicable state requirements and established policies and procedures; and, that established internal controls are operating effectively.

### **Scope**

The scope of the audit was activity performed by the Area for the 10-month period from September 1, 2021 through June 30, 2022 (audit period).

### **Methodology**

The audit methodology included a review of applicable laws and regulations, SSB's established policies and procedures, and other internal and external documentation; and, interviewing and corresponding with selected SSB employees.

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We obtained and/or reviewed the following internal and external documentation:

- A. Sections of the Texas Government Code and Texas Administrative Code applicable to the Area.
- B. The Area's organizational chart.
- C. Staff Services Division Procedures Manual, Version Date June 18, 2020.
- D. Adaptive Mail Room Procedures.
- E. FY22 Deposit Ledger
- F. CPA FMQuery Appropriation Reports.
- G. Sample documents, to include: Daily Mail Count Log, Carrier Mail Log, Return Check Letter.
- H. Transactions by Vendor Summary Report from CAPPS for the audit period.
- I. SSB's *Agency Authorization for Warrant Pickup Form*.
- J. CPA eXpendit policies and procedures.
- K. Invoices, POs, and purchasing documentation for selected payment vouchers.

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

1. Reviewed and obtained an understanding of the sections of the Texas Government Code and the Texas Administrative Code applicable to the Area.
2. Reviewed the Area's written policies and procedures, and other applicable documentation; and, conducted virtual interviews, to obtain an understanding of controls, processes and current practices in place over the Area. Then, evaluated whether such controls adequately ensure compliance with applicable requirements identified in procedure 1 above.
3. Obtained a list of 1,651 deposits processed during the audit period, and selected a sample of 30 to test for the following attributes:
  - a. The deposit information entered into CAPPS (T-Code, Program Cost Account, Comptroller Object Code, and amount) matches that in the Deposit Voucher Request.
  - b. Deposit Voucher Request was signed by the preparer.

For receipts by mail—

- c. Deposit slip was date stamped by a CPA teller.
- d. Deposit Voucher Request was signed by the approver.
- e. Deposit Number and total amount in the following documents match:
  - Deposit Voucher Request
  - Stamped deposit slip
  - Deposit Ledger

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- f. Number of checks processed for the day in the following documents match:
    - Daily Mail Count Log
    - Deposit Ledger
  - g. Number of checks processed in the Daily Mail Count Log was initialed by the Non-Mailroom Staff who processed the deposit.
  - h. If deposit default, the Journal ID of the clearing journal entry was documented, dated and initialed on the Deposit Voucher Request by the preparer.
- For EFT receipts —
- i. A registration number was stamped on the Receiver Services Report.
  - j. Total amount in the following documents match:
    - Receiver Services Report
    - Deposit Voucher Request
    - Deposit Ledger
4. Tested for the following attributes related to the Area's monthly Check Sequential Numbering Review performed for 3 months selected during the audit period:
    - a. The review was performed timely.
    - b. The Report was signed by the Division staff members who performed the review, and the Director denoting his approval.
    - c. The Report included explanations for any gaps or duplicated register numbers.
  5. Tested for the following attributes related to the Area's monthly Money System – CAPPs Reconciliation performed for 3 months selected during the audit period:
    - a. The reconciliation was prepared timely, and approved by the Director or the Assistant Director who did not prepare the reconciliation.
    - b. Amounts entered in the Revenue Reconciliation spreadsheet agreed to the amounts in the source reports, i.e., Money System Deposit Voucher Totals Report and the FMQuery-SIRS Report.
    - c. Variance explanation(s) adequately explained the entire variance amount(s).
  6. Ensured SSB properly submitted the *Agency Authorization for Warrant Pickup Form* to the CPA.
  7. Selected a sample of 25 disbursements made during the audit period and tested for the following attributes:
    - a. Purchase Order (PO) was approved by the Purchaser.
    - b. PO documented the cost or estimated cost of the item or service to be purchased.
    - c. Purchase Voucher documentation from CAPPs was signed by the Director and Assistant Director of Staff Services Division denoting their approval.
    - d. Receiving documentation was properly attached, dated, and initialed by Mailroom Staff when received.

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- e. Invoice was properly date stamped and initialed by Mailroom Staff when received; or, if the invoice was received through email, the email was properly printed to document the date received.
- f. Payment warrant was issued within 30 days of invoice receipt date.
- g. Proper object code was used to record the expenditure.
- h. PO, invoice, and purchase voucher agree (vendor and amount).
- i. Purchase documents contain the items required by the Texas Administrative Code §5.51(2).

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**VI. Observations/Findings and Recommendations**

SUMMARY and RELATED RATING of OBSERVATIONS/FINDINGS and RECOMMENDATIONS

As SSB’s internal auditors, we used our professional judgment in rating the audit findings identified in this report. The rating system used was developed by the Texas State Auditor’s Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings in this report and the related rating, as applicable.

| <b>Summary of Observations/Findings &amp; Recommendations<br/>and<br/>Related Ratings</b>  |   |               |
|--|---|---------------|
| <b>Finding No.</b>   | <b>Title</b>                              | <b>Rating</b> |
| –  | None                                      | –             |
| <b>Observation No.</b>   | <b>Title</b>                              | <b>Rating</b> |
| 1.   | Staff Services Division Procedures Manual | –             |
| <p><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> if the issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>High</i> if the issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.</p> <p>A finding is rated <i>Medium</i> if the issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity’s ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity’s ability to administer the program(s)/functions(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.</p> |   |               |



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**OBSERVATIONS/FINDINGS and RECOMMENDATIONS**

| Report No. | Report Date | Name of Report                                    | Observations/Findings and Recommendations   | Fiscal Impact/ Other Impact   |
|------------|-------------|---|---|---|
| 1          | 7/25/2022   | Processing Cash Receipts, Disbursements, and Mail | <p><u>Observation</u></p> <p>1. <u>Staff Services Division Procedures Manual</u></p> <p>CAPPS procedures have not yet been developed for the following areas:</p> <ul style="list-style-type: none"> <li>• Entering the EFT Deposit into CAPPS</li> <li>• Entering the Regular Daily Deposit into CAPPS</li> <li>• Procedures for clearing default deposits</li> <li>• Payment cancellation requests</li> <li>• Reimbursement payments</li> </ul> <p><b>Recommendation</b><br/>           We recommend that SSB develop procedures for these areas to ensure procedures are documented and performed consistently, as expected, by all Division staff.</p> <p><b>Management's Response</b><br/>           Staff agree with the recommendation and will develop procedures relating to the identified CAPPS areas.</p> | <p>To ensure SSB's procedures are documented and performed in a uniform manner by all Division staff.</p> |

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| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations  | Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with explanation if not yet fully implemented |
|------------|-------------|----------------|--|---|
| 1          | 9/12/2022   | 2022 Follow-Up | <p align="center"><b><u>Follow-Up of the Prior Year Internal Audit</u></b></p> <p>Following is the status of the recommendations made in fiscal year 2020 that had not been fully implemented.</p> <p><b><u>Records Management (Report date 7/24/2020)</u></b></p> <p><b>1. Records Management Policies and Procedures</b></p> <p>SSB should develop comprehensive records management P&amp;P, and upon formal implementation, provide training to all SSB employees to ensure their roles and responsibilities in the agency’s records management program are effectively communicated.</p> | Fully Implemented   |

## **VII. External Audit Services Procured in Fiscal Year**

SSB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2022. No other external audit services were performed.

## **VIII. Reporting Suspected Fraud and Abuse**

SSB has provided information on their website home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. SSB has also developed a Fraud Prevention Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

## **IX. Proposed Internal Audit Plan for Fiscal Year 2023**

The risk assessment performed during fiscal year 2022 was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2023. The Internal Audit Plan for fiscal year 2023 will be developed and presented to the Audit Committee and/or Board, for acceptance and approval, at a meeting to be determined at a later date.

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