

**TEXAS STATE SECURITIES BOARD**  
Austin, Texas

**INTERNAL AUDIT PLAN**

For Fiscal Year 2020



# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

Enclosed is the Texas State Securities Board's (SSB) proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2020. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2020. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by the Board 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.



April 29, 2020

# TEXAS STATE SECURITIES BOARD

Austin, Texas

## Internal Audit Plan For Fiscal Year 2020

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### I. Methodology

SSB's fiscal year 2020 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires, as documented below.

The following documents were reviewed and considered in our risk assessment process:

- Organizational Charts
- Budgets
- Financial and Non-Financial Reports
- Policies and Procedures
- Applicable Laws and Regulations
- Audits and/or Monitoring Reports from Third Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by SSB's Audit Committee Chair; Commissioner; Division Directors; and, other staff, to update our understanding of each department, and its role within the overall scheme of SSB. The questionnaires included topics; such as, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements (e.g. TAC 202, *Information Security Standards*; contract management; and, benefits proportionality). Utilizing information obtained through the completed questionnaires and background information reviewed, 11 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 11 individual potential audit topics and then compiled to develop SSB's overall risk assessment.

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 degree 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 auditable unit's staffing level as it relates to the achievement of its objectives.  |

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|---|--|
| 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 existence of contracts, laws, and/or regulations for which the auditable unit is responsible for ensuring compliance. |
| 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 by management, the Board, or Audit Committee.  |

### Risk Assessment

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 Processing Cash Receipts/ Disbursements/ Mail Procurement/ Contract Management/ HUB / Travel Accounting/ Financial Reporting/ Fixed Assets	Information Technology	Enforcement <sup>1</sup> Processing Dealer Applications <sup>2</sup> Processing Securities Applications <sup>2</sup> Records Management Complaints Process <sup>1</sup>

<sup>1</sup> Includes Performance Measures.

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

This report includes the "Risk Assessment Summary" as Attachment A; and, the "History of Areas Audited" as Attachment B, which identifies audits and/or reviews performed from fiscal year 2010 through 2019 for the above 11 potential audit topics.

In the prior 3 years, internal audits were performed in the following areas:

#### Fiscal Year 2019:

- Accounting & Financial Reporting
- Follow-up on Prior Year Internal Audits

#### Fiscal Year 2018:

- Processing Dealer Applications
- Follow-up on Prior Year Internal Audits

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### Fiscal Year 2017:

- Enforcement Administration
- Follow-up on Prior Year Internal Audits

## II. 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 SSB's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes:

- **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, and regulations and contracts that 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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## Internal Audit Plan

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### III. Internal Audit Plan

In addition to performing the 2020 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes one audit to be performed; a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Board, Audit Committee, or management during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2020.

The area recommended for internal audit and other functions to be performed for fiscal year 2020 are as follows:

1. Completion of the Fiscal Year 2020 Risk Assessment and Preparation of this Internal Audit Plan
2. Records Management

The planned audit procedures include the following:

  - a. Review and obtain an understanding of state and federal laws and regulations, and other requirements established by the Texas State Library and Archives Commission (TSLAC), as applicable to records management (Area).
  - b. Obtain and review SSB's written policies and procedures, and conduct interviews to obtain an understanding of controls, processes, and current practices in place over the Area, and to evaluate whether such controls adequately ensure compliance with applicable requirements identified in procedure a. above.
  - c. Review SSB's organizational structure (i.e. Records Management Officer (RMO), Data Owners and Data Custodians) to assess adequacy of the records management program.
  - d. Review SSB's certified records retention schedule (RRS) and Form SLR 104, *Designation of State Agency Records Management Officer (RMO)*, to verify proper and timely submission.
  - e. Assess the oversight and management of user accounts for the systems used in the records management program.
  - f. Randomly select records from SSB's records disposition logs during the audit period to determine whether they were destroyed/archived in accordance with the RRS and SSB's internal procedures; and, destruction method was appropriate for the record classification (public, confidential, etc.).
  - g. Randomly select records from a listing of records imaged/scanned, as applicable, during the audit period to observe the image quality and verify accuracy of the index.
  - h. Review various records to ensure they are retained at the security level appropriate for the record type; and, if applicable, record has been transferred to TSLAC either for archiving or for archival review.
  - i. Other procedures that may be deemed necessary during audit fieldwork.

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## Internal Audit Plan

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3. Follow-Up of Prior Year Internal Audits and Preparation of the 2020 Annual Report  
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of fiscal year 2019 and prepare the 2020 Annual Report. The audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or (4) Not Implemented.
  
4. Other Tasks  
Other tasks as may be assigned by the Board, Audit Committee, or management during the fiscal year.

## **ATTACHMENTS**



**TEXAS STATE SECURITIES BOARD**  
**Risk Assessment Summary**  
**For Fiscal Year 2020**

RISK FACTOR WEIGHT																		
RISK FACTORS																		
1                      2                      3                      4                      5                      6                      7                      8																		
Compliance with Contracts, Laws & Regulations																		
Time Since Last Audit or Results of Last Audit or Adequacy of Staffing Levels Policies and Procedures																		
Susceptibility of Theft or Fraud																		
Existence of Issues or Concerns																		
Potential Audit Topic	Materiality																	Total
<b>High Risk &gt; 158</b>																		
1	Conducting Inspections <sup>1</sup>	3	30.00	1	16.50	1	16.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	167.00
2	Human Resources and Payroll	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	2	20.00	166.50
3	Processing Cash Receipts/ Disbursements/ Mail	2	20.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	159.00
4	Procurement/ Contract Management/ HUB/ Travel	2	20.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	159.00
5	Accounting/ Financial Reporting/ Fixed Assets	2	20.00	1	16.50	2	32.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	158.50
<b>Moderate Risk 150 - 158</b>																		
6	Information Technology (includes Disaster Recovery Plan)	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	158.00
<b>Low Risk &lt; 150</b>																		
7	Enforcement <sup>1</sup>	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
8	Processing Dealer Applications <sup>2</sup>	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
9	Processing Securities Applications <sup>2</sup>	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	Records Management	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	133.00
11	Complaints Process <sup>1</sup>	2	20.00	1	16.50	1	16.00	1	15.00	2	25.00	1	12.00	1	8.00	1	10.00	122.50

<sup>1</sup> Includes Performance Measures.

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

**TEXAS STATE SECURITIES BOARD**  
**History of Areas Audited**  
**For Fiscal Year 2020**

	<b>POTENTIAL AUDIT TOPIC</b>	<b>Fiscal Year</b>									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	Accounting/ Financial Reporting/ Fixed Assets		A*	A			C*				A
3	Complaints Process <sup>1</sup>	B								F	
2	Conducting Inspections <sup>1</sup>	B					A			F	
4	Enforcement <sup>1</sup>	B*							A	F	
5	Human Resources & Payroll	C*					C*	A1		E*	
6	Information Technology (includes Disaster Recovery Plan)		D*	A	D/D*	D*	D*	D*	D*	D/F*	D*
7	Processing Cash Receipts/ Disbursements/ Mail	B				A					
8	Processing Dealer Applications <sup>2</sup>	A*	A							A/F	
9	Processing Securities Applications <sup>2</sup>	A*/B			A					F	
10	Procurement/ Contract Management/ HUB/ Travel	C*					C*				
11	Records Management										

<sup>1</sup> Includes Performance Measures.

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

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

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- A** Internal audit performed by Garza/Gonzalez & Associates, CPAs.
  - A1** Internal audit performed by Monday Rufus & Co.
  - B** Audit performed by the State Auditor's Office.
  - 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** Review performed by the Texas Workforce Commission.
  - F** Sunset review performed by the Sunset Advisory Commission.