TEXAS STATE SECURITIES BOARD
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2019
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Board Members and
   Audit Committee Members
Texas State Securities Board
Austin, Texas

We performed tests of management’s assertion about the effectiveness and efficiency of the Texas State Securities Board’s (SSB) internal control structure over the Accounting and Financial Reporting area (area); and, its compliance with the requirements set by the Texas Comptroller of Public Accounts, and SSB’s established policies and procedures, as applicable to the area, for the 9 months ended May 31, 2019.

The results of our tests disclosed that SSB’s internal control structure over the area and its established policies and procedures were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters included in this report, that are opportunities for strengthening internal controls and ensuring compliance with SSB’s established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the “Summary and Related Rating of Observations/Findings and Recommendations”, which is included in page 11 of this report.

We also performed a follow-up of the findings and recommendations that were presented in the prior year annual internal audit report. 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 comments and recommendations from the audit of the area; and, the implementation status from the follow-up performed, with various SSB personnel; and, we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.

July 26, 2019
INTRODUCTION

The Texas State Securities Board (SSB) is charged with the administration and enforcement of the Texas Securities Act (the Act). 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.

2019 Internal Audit Plan

Following are the internal audits and other functions performed, as identified in SSB’s 2019 Internal Audit Plan, dated April 1, 2019 and, approved by SSB’s Board members on August 1, 2019:

- Completion of the Fiscal Year 2019 Risk Assessment & Preparation of the Internal Audit Plan
- Accounting & Financial Reporting
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of our audit of the Accounting & Financial Reporting area; reflects the results of the follow-up procedures performed of prior year internal audits; and, meets the State of Texas Internal Audit Annual Report requirements.
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.
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 after approval by SSB’s Board, SSB will post the following information on its website:

- An approved fiscal year 2020 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2019 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 nonaudit services, as defined in the Government Auditing Standards, December 2011 Revision, Sections 3.33-3.58.

III. External Quality Assurance Review

The internal audit department’s most recent System Review Report, dated November 16, 2018, 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 2019

The approved Internal Audit Plan (Plan) included one audit to be performed during the 2019 fiscal year. The Plan also included a follow-up of the prior year audit recommendations, other tasks as assigned by the Board, and preparation of the Annual Internal Audit Report for fiscal year 2019.

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 8 risk factors, 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:

<table>
<thead>
<tr>
<th>HIGH RISK</th>
<th>MODERATE RISK</th>
<th>LOW RISK</th>
</tr>
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<tbody>
<tr>
<td>Conducting Inspections¹</td>
<td>Enforcement¹</td>
<td>Fixed Assets/Property Accounting</td>
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<td></td>
<td>Processing Dealer Applications²</td>
<td>Payroll and Human Resources</td>
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<td></td>
<td>Processing Securities Applications²</td>
<td>Customer Service</td>
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<td>Information Technology</td>
<td>Records Management</td>
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<td>Accounting &amp; Financial Reporting</td>
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<td></td>
<td>Processing Cash Receipts/ Disbursements/ Mail</td>
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<td></td>
<td>Purchasing/ Contracting/ HUB Compliance/ Travel</td>
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¹ Includes Performance Measures.
² Includes Performance Measures and Registration & Filing Fees.

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

**Fiscal Year 2018:**
- Processing Dealer Applications
- Follow-Up of the Prior Year Internal Audits

**Fiscal Year 2017:**
- Enforcement Administration
- Follow-Up of the Prior Year Internal Audits

**Fiscal Year 2016:**
- Payroll & Human Resources
- Follow-Up of the Prior Year Internal Audits

The internal audit and other tasks performed for fiscal year 2019 were as follows:

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<tr>
<th>Report No.</th>
<th>Audits/Report Titles</th>
<th>Report Date</th>
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<tbody>
<tr>
<td>1.</td>
<td>Accounting &amp; Financial Reporting</td>
<td>7/26/2019</td>
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<td>Objective: To determine whether SSB’s policies and procedures, and internal controls in place over the accounting and financial reporting area (area) provide reasonable assurance of compliance with state requirements; and, that complete and accurate financial information is prepared and reported to the Board and various state agencies.</td>
<td></td>
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<tr>
<td>1.</td>
<td>Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits</td>
<td>7/26/2019</td>
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<td>Other Tasks Assigned by the Board</td>
<td>None</td>
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</table>
V. Executive Summary

Accounting & Financial Reporting

BACKGROUND

State agencies are subject to various accounting and fiscal management requirements set by the State. The Texas Comptroller of Public Accounts (the Comptroller) is tasked with developing fiscal management policies and procedures that ensure compliance with state requirements and that are available to all state agencies at the Comptroller’s website.

The Staff Services Division (the Division) is responsible for the Accounting and Financial Reporting Area (area) at the Texas State Securities Board (SSB). The Division oversees the activities of Accounting, Purchasing, Travel, Revenue Processing, Human Resources (HR), and Information Technology. The Division is comprised of a Director, an Assistant Director/HR Specialist, a purchaser, an accountant, an accounts payable clerk, 2 deposit/mail processing staff, a travel coordinator, and 3 information technology (IT) personnel. As of May 31, 2019, the Division had 3 vacant positions. The Director and the Database Administrator, who is one of the 3 IT personnel, are SSB’s Security Coordinators, and are responsible for managing employees' access to the statewide financial systems.

Internal Operating Budget

The Director, with the input from SSB’s other division directors, prepares SSB’s Internal Operating Budget (budget) at the beginning of the fiscal year, which estimates expenditures for each month, by division, and in total. The budget is prepared in accordance with the General Appropriations Act (GAA), which provides SSB’s appropriated general revenue amount for each year of the biennium.

On a monthly basis, the Director updates the budget by replacing the previous month’s estimated expenditures with actual amounts, using USAS (FMQuery) reports. The Director compares the budget to actual amounts; investigates and documents explanations for any large or unusual variances, based on the Director’s professional judgement; and, calculates the remaining available funds, by division. The Director then performs a monthly reconciliation of budgeted expenditures to expenditures reported in the USAS system, to ensure accuracy of the budget since the budget does not include accruals. The agency budget and all division budgets are provided to the Commissioner and Deputy Commissioner; while, the division directors are provided only with their respective division’s budget.

The Director also prepares a monthly Agency Budget Report, which compares the actual current month’s expenditures to (1) the prior year’s expenditures for the same month; and, to (2) the budget for the current month. This Agency Budget Report, along with the Director’s explanations for any large or unusual variances, based on the Director’s professional judgement, is emailed to SSB’s Commissioner and the Audit Committee members.

Revenue Reconciliation

A monthly Revenue Reconciliation Report is prepared by the Director to reconcile revenue recorded in SSB’s money system, an internally developed system used to track funds received by SSB, to the USAS system. The reconciliation is prepared using system generated reports and an internally developed checklist. The Director prepares journal vouchers, as needed, to record deposits in the appropriate USAS account codes, for deposits that do not have a preestablished account code setup with the State Treasury. Journal vouchers are reflected as reconciling items in the Revenue Reconciliation Report, in the month they are prepared; and, any remaining differences are investigated by the Director, who documents the explanation(s) in the Revenue Reconciliation Report.
Revenue Reporting
Using reports generated from the money system, the Director prepares a year-to-date Revenue Report that (1) tracks the collected fees required by Section 35(A) of the Texas Securities Act for the purpose of balancing collected fee amounts with appropriated General Revenue funds; and, (2) compares all types of fees and fines collected and revenue provided to the State Treasury to those of the prior year. The Revenue Report, along with the Agency Budget Report, is emailed to the Commissioner and the Audit Committee members. A more comprehensive monthly report is prepared by the Director, for the Commissioner, which compares all types of revenues, by month, to those of the prior year.

ABEST-USAS Reconciliation
The Legislative Budget Board (LBB) requires state agencies to reconcile quarterly and annual (4th quarter) expenditures, as reported in USAS, to those reflected in LBB’s Automated Budget and Evaluation System of Texas (ABEST). The Director performs this quarterly reconciliation by generating USAS reports and comparing the balances to quarterly expenditures in ABEST. State agencies contact LBB only if discrepancies are found in the reconciliation process.

Annual Financial Report (AFR)
SSB prepares its AFR using financial information from USAS. Under the authority of the Texas Government Code Chapter 2101, the Comptroller prescribes uniform accounting and financial reporting procedures that each state agency must follow in preparation and submission of the AFR. State agencies submit various financial information through web applications developed by the Comptroller. SSB was designated as a Simplified (vs Full) Reporting Agency by the Comptroller; therefore, is required to follow the Comptroller’s reporting requirements for Simplified Reporting Agencies. The following are significant requirements in the AFR preparation process for Simplified Reporting Agencies as SSB:

- **Year-End USAS Adjustments:** Agencies must review USAS balances to ensure financial information in USAS is accurate, and prepare certain fiscal year-end USAS adjustments.

- **General Revenue (GR) Reconciliation:** A GR reconciliation determines original and additional general revenue appropriated to the agency. Agencies will utilize the GR Reconciliation reports, generated by the Comptroller, to determine the appropriation authority amounts reported as revenue and asset in the AFR.

- **Preparation of Notes to the Financial Statements:** Agencies must format and submit applicable notes and related schedules via the Comptroller’s web applications.

- **Global Certification:** Each agency must ensure and certify that its financial data is accurate and correctly reflects the agency’s financial position as of August 31 as recorded in USAS and the agency’s accounting system. Agencies also certify for disclosure and USAS balances.

- **AFR Submission:** The Texas Government Code Sec. 2101.011 requires the AFR be submitted no later than November 20 of each year; however, since SSB is a Simplified Reporting Agency, its AFR submission is due on October 1 of each year.

As part of the AFR preparation, SSB refers to the Comptroller’s checklist to ensure all steps, as applicable, are followed and completed.
AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to determine whether SSB’s policies and procedures and internal controls in place over the accounting and financial reporting area provide reasonable assurance of compliance with state requirements; and, that complete and accurate financial information is prepared and reported to the Board and various state agencies.

Scope

The scope of the audit was to review SSB’s established policies and procedures; and, review and test the processes and controls in place over accounting and financial reporting for the 9-month period from September 1, 2018 through May 31, 2019 (audit period); to include, the review and testing of the fiscal year 2018 annual financial report.

Methodology

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

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


   b. Legislative Budget Board ABEST/USAS Reconciliation Reporting Instructions, January 2017.


   d. SSB Staff Services Division Organizational Chart.

   e. List of reports and reconciliations prepared by the Staff Services Division.

   f. List of systems, databases and applications used by the Staff Services Division and reports showing user rights for each system, database and application used.

   g. SSB’s fiscal year 2019 internal operating budget.

   h. Expenditure listing, Deposit Ledger, and Journal Voucher Log for the audit period.

   i. For the 10 cash deposits selected for testing, obtained the deposit voucher and supporting documentation.

   j. For the 10 expenditures selected for testing, obtained the invoice, purchase order, receiving report if applicable, and documentary evidence of proper approval.
k. For the 5 journal vouchers (JV) selected for testing, obtained the JV and applicable reports to support the JV, and evidence of proper approval.

l. Money System-USAS Reconciliation for the months of April and May 2019, and supporting documentation; to include, reports from the money system, USAS, and checklists.

m. ABEST-USAS Reconciliation for quarter 2 of fiscal year 2019, and its supporting documentation.

n. Internal Operating Budget-USAS Reconciliation for the month of May 2019, and its supporting documentation, to include FMQuery reports from USAS.

o. May 2019 Revenue Report and the FY19 Agency Budget Fiscal Year Comparison as of May 31, 2019 Report and explanations of variances provided to the Audit Committee.

p. FY18 vs FY19 Revenue Report as of May 31, 2019 provided to the Commissioner.

q. SSB Annual Financial Report (AFR) For The Year Ended August 31, 2018, and applicable supporting documentation, to include:
   • Various USAS Reports
   • General Revenue Reconciliation
   • Capital Asset/Asset Balance (CAAB) Reports from the State Property Accounting System
   • Payroll Voucher from the Standardized Payroll/Personnel Reporting System
   • Accounts Payable Listing
   • Supply Inventory Listing
   • AFR submission records

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

1. Obtained an understanding of the Comptroller’s Fiscal Policy and Procedures and Government Code Chapter 2101, as applicable to the Area.

2. Reviewed the Area’s accounting and financial reporting procedures and processes, collected available documentation; including, worksheets and templates, and conducted interviews to document and assess formal/informal processes and controls, as implemented by the Area.

3. Selected a sample of 10 deposits, 10 expenditures and 5 JVs, for a total of 25 transactions, from the audit period, and reviewed supporting documentation to—
   a. ensure compliance with established internal controls; and,
   b. ensure transactions were properly approved, adequately supported, and accurately recorded in the accounting system.

4. For the 10 deposits selected above, tested for prompt deposit to the state treasury, which is within 3 business days of the receipt, and ensured deposit information was properly documented in the Division’s deposit ledger.
5. Selected the following and tested information for accuracy:
   a. April and May 2019 monthly revenue reconciliation,
   b. May 2019 budget reconciliation,
   c. 2nd quarter ABEST-USAS reconciliations,
   d. FY18 vs FY19 Revenue Report as of May 31, 2019 provided to the Commissioner; and,
   e. May 2019 Revenue Report and FY19 Agency Budget Fiscal Year Comparison as of May 31, 2019 report provided to the Audit Committee.

6. For the fiscal year 2018 AFR:
   a. Traced financial statement balances to USAS Financial Statements and to supporting documentation; such as, SPA reports, Uniform Statewide Payroll/Personnel System (USPS) Payroll Vouchers, Accounts Payable listings, subledgers, and inventory listings.
   b. Reviewed various confirmations to test for timely submission.
   c. Ensured SSB complied with the Comptroller’s submission requirements.

7. Reviewed the most recent SFS Users Semiannual Security Access Attestation (Form 73-326) to ensure timely submission to the Comptroller.

8. Reviewed various security access reports for users of financial information for propriety.
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 findings in this report and the related rating.

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<thead>
<tr>
<th>Finding No.</th>
<th>Title</th>
<th>Rating</th>
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<tbody>
<tr>
<td>1</td>
<td>Staff Services Division Procedures Manual</td>
<td>Low</td>
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<tr>
<th>Observation No.</th>
<th>Title</th>
<th>Rating</th>
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<tr>
<td>1</td>
<td>Revenue Reconciliation &amp; Checklist Review &amp; Approval Process</td>
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<td>2</td>
<td>Refunds</td>
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Description of Rating

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

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

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

A finding is rated **Low** if the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.
# OBSERVATIONS/FINDINGS and RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Name of Report</th>
<th>Observations/Findings and Recommendations</th>
<th>Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with brief description if not yet implemented</th>
<th>Fiscal Impact/Other Impact</th>
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| 1          | 7/26/2019   | Accounting & Financial Reporting | 1. **Staff Services Division Procedures Manual (Manual)**<br>The Manual, which is dated May 3, 2017, is used to document procedures/processes in place for performing various functions; and, in some instances, staff responsible for certain functions. However, several controls and processes are either not documented or have not been updated. Following are some examples:<br>• On a monthly basis, the Staff Services Division (Division) reconciles the internal operating budget to USAS; however, this procedure is not documented in the Manual.<br>• The Manual identifies the SS Program Specialist, which is no longer a Division position, as being responsible for a certain function.<br>• The Manual indicates that the deposit slip information for EFT deposits is to be sent electronically to the Comptroller’s Office. However, it does not indicate that this procedure is not necessary for EFT deposits that have an existing account with the Comptroller’s Office.  
**Recommendation**<br>We recommend SSB review and revise the Manual, as considered necessary, to provide employees with established procedures that can be consistently applied. This will also be beneficial in the event personnel with institutional knowledge depart employment from SSB.<br>**Management’s Response**<br>The Staff agrees with the recommendation and has begun to review and revise the Manual to document practice to procedure, clarify EFT deposits and ensure procedures have the necessary flexibility to address staffing levels while also providing for the needed checks and verifications. The Manual review and revisions will include division functions not specifically referenced in the report.                                                                 | To ensure policies and procedures properly reflect SSB’s current practices.                                  |
<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Name of Report</th>
<th>Observations/Findings and Recommendations</th>
<th>Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with brief description if not yet implemented</th>
<th>Fiscal Impact/Other Impact</th>
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</table>
| 1         | 7/26/2019   | Accounting & Financial Reporting | **Observations**

1. **Revenue Reconciliation & Checklist Review & Approval Process**

   The Manual indicates that the monthly revenue reconciliations and checklists are signed to indicate the reviewer’s approval. In the absence of the Division’s Accountant position, the Director, who would review, has been preparing the monthly revenue reconciliations and checklist. Therefore, a review and approval process is currently not in place.

   **Recommendation**

   We recommend that SSB, dependent on their plan for the vacant position, determine the proper course of action required to address this issue.

   **Management’s Response**

   The Staff agrees with the recommendation and will ensure a review and approval procedure is in place for monthly revenue reconciliations irrespective of staffing levels.

2. **Refunds**

   On a monthly basis, the Division prepares a report that reflects the revenues reported in the money system, by type, and provides it to the Audit Committee for their review and discussion. However, the report, as prepared, does not reflect refunds made by SSB.

   **Recommendation**

   We recommend that SSB include the refund amounts in the monthly revenue report to provide the Audit Committee with a more accurate accounting of revenue collections.

   **Management’s Response**

   The Staff agrees with the recommendation and began providing monthly year-to-date refund data in conjunction with the monthly revenue and budget reports to the Audit Committee beginning in September 2019.

   Staff reviewed refund amounts for fiscal year 2019 as compared to the year’s revenue amounts – determining refunds amounted to approximately 0.00024% of collected General Revenue funds.

To ensure policies and procedures properly reflect SSB’s current practices.

To ensure SSB is not overstating revenue reported to the Audit Committee.
<table>
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<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Name of Report</th>
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<th>Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with brief description if not yet implemented</th>
<th>Fiscal Impact/Other Impact</th>
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<tbody>
<tr>
<td>1</td>
<td>7/26/2019</td>
<td>2019 Follow-Up</td>
<td><strong>Follow-Up of Prior Year Audits</strong></td>
<td><strong>Fully Implemented</strong></td>
<td>Improve accuracy of performance measure reporting. Late renewal fee waiver is justified, granted consistent and properly documented.</td>
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<td>Following is the status of the recommendations made during fiscal year 2018 that had not been fully implemented.</td>
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<td><strong>Processing Dealer Applications</strong></td>
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<td></td>
<td><strong>1. Late Renewals</strong></td>
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<td>• Review the current method for gathering information for performance measure reporting related to late renewals and revise as appropriate to improve accuracy.</td>
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<td>• Implement controls to comply with their newly developed Policy and Procedures for Waiving a Dealer Registration Required Fee that became effective August 22, 2018, and properly document any waivers to justify they are granted consistently and in accordance with the policy and procedures.</td>
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<td><strong>2. Duplicate Application Refunds</strong></td>
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<td>Accurate and timely application fee refund.</td>
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<td>Strengthen controls over application fee refunds to ensure refund requests are processed within a reasonable time period; and, that long outstanding, unusual pending, and/or processed requests are identified and researched in a timely manner.</td>
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<td><strong>3. Communication of Final Decision</strong></td>
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<td>Evidence of compliance with TAC §104.5 is retained.</td>
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<td>Retain all types of communication records in registration files as evidence of compliance with the Act and TAC.</td>
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<td><strong>4. CLEAR Report Deletion</strong></td>
<td></td>
<td>SSB’s procedures for safeguarding sensitive information are consistently followed.</td>
</tr>
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<td>Implement a quality control procedure that will ensure CLEAR Reports are deleted within the required timeframe; or, if a longer retainage period is required, a notation of the revised deletion date should be made.</td>
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</tr>
</tbody>
</table>
VII. External Audit Services Procured in Fiscal Year 2019

SSB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2019. 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 2020

The risk assessment performed during the 2019 fiscal year was used to identify the following proposed area that is recommended for internal audit and other tasks to be performed for fiscal year 2020. The Internal Audit Plan for Fiscal Year 2020 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.

- Purchasing/Contracting for Services/Travel
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Board
X. Organizational Chart

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STATE SECURITIES BOARD
(Audit Committee)

INTERNAL AUDIT

COMMISSIONER'S OFFICE

REGISTRATION
STAFF SERVICES
ENFORCEMENT
INSPECTIONS AND COMPLIANCE
OFFICE OF GENERAL COUNSEL
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