

**TEXAS STATE SECURITIES BOARD**

Austin, Texas

**INTERNAL AUDIT PLAN**

For Fiscal Year 2023



**TEXAS STATE SECURITIES BOARD**  
Austin, Texas

Internal Audit Plan  
For Fiscal Year 2023

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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

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 2023. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2023. 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.



May 8, 2023

# TEXAS STATE SECURITIES BOARD

## Internal Audit Plan

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### I. Methodology

SSB's fiscal year 2023 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/or considered in our risk assessment process:

- Organizational Charts
- 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; and, Division Directors, to update our understanding of each division, and its role within the overall scheme of SSB. The questionnaires included topics; such as, changes in significant systems or key personnel, time elapsed since last audit or review, status from past audits or reviews, and regulatory compliance requirements (e.g., TAC 202, *Information Security Standards*; and, contract management). Utilizing the 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 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:

<b>Risk Factor</b>	<b>Description</b>
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 auditable unit is responsible; or, <i>non-financial</i> materiality based on the degree of its responsibility related to SSB'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 Prior Audit or Review	Measure of the results and status of the prior audits or reviews.
4. Personnel	Measure of personnel changes and the adequacy of the auditable unit's staffing level as it relates to the achievement of its objectives.
5. Policies & Procedures and Processes	Measure of established internal controls (policies and procedures documenting the auditable unit's activities) and changes in processes and systems.
6. Compliance Requirements	Measure of the complexity of contracts, laws, and/or regulations for which the auditable unit is responsible for ensuring compliance.
7. Fraud, Waste, or Abuse	Measure of the auditable unit's risks, and controls in place as it relates to fraud, waste, or abuse.
8. Board & Management Feedback	Measure of feedback expressed in completed questionnaires.

# TEXAS STATE SECURITIES BOARD

## Internal Audit Plan

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### Risk Assessment

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

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

<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 lists audits and/or reviews performed from fiscal year 2013 through 2023 for the above 11 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

#### Fiscal Year 2022:

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

#### Fiscal Year 2021:

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

#### Fiscal Year 2020:

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

# TEXAS STATE SECURITIES BOARD

## Internal Audit Plan

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### 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 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.

# TEXAS STATE SECURITIES BOARD

## Internal Audit Plan

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### III. Internal Audit Plan

In addition to performing the 2023 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 or Audit Committee during the year; and, preparation of the 2023 Internal Audit Annual Report.

The area recommended for internal audit and other functions to be performed for fiscal year 2023 are as follows:

1. Completion of the Fiscal Year 2023 Risk Assessment and Preparation of this Internal Audit Plan
2. Audit of Information Technology (IT) – Change Management & Account Management Areas  
An audit of the IT change management and account management areas will be performed to assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for managing changes to selected IT systems; and, managing user access for selected IT systems and applications, which will include onboarding and offboarding of employees.
3. Follow-Up of Prior Year Internal Audits  
Follow-up procedures will be performed to determine the status of the prior year comments that were not fully implemented as of fiscal year ended August 31, 2022, which will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or (4) Not Implemented.
4. Preparation of the 2023 Internal Audit Annual Report  
The 2023 Internal Audit Annual Report will be prepared in the form prescribed by the State Auditor's Office; and, that meets the Texas Internal Auditing Act requirements.
5. 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 2023**

RISK FACTOR WEIGHT							
10.00%	17.00%	13.00%	12.00%	16.00%	12.00%	9.00%	11.00%
RISK FACTORS							
1	2	3	4	5	6	7	8

Potential Audit Topic	Materiality	Time Since Last Audit or Review	Results of Prior Audit or Review	Personnel	Policies and Processes	Compliance Requirements	Fraud Waste or Abuse	Board and Management Feedback	Total
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**High Risk > 172**

1 Human Resources and Payroll	3	30.00	2	34.00	1	13.00	1	12.00	2	32.00	2	24.00	2	18.00	1	11.00	174.00
2 Information Technology (includes Disaster Recovery Plan)	2	20.00	2	34.00	2	26.00	1	12.00	2	32.00	3	36.00	2	18.00	1	11.00	189.00

**Moderate Risk 156 - 172**

3 Conducting Inspections <sup>1</sup>	3	30.00	1	17.00	1	13.00	3	36.00	1	16.00	3	36.00	1	9.00	1	11.00	168.00
4 Accounting/ Financial Reporting/ Fixed Assets/ Travel	2	20.00	2	34.00	1	13.00	1	12.00	2	32.00	2	24.00	2	18.00	1	11.00	164.00
5 Procurement/ Contract Management/ HUB	2	20.00	2	34.00	1	13.00	1	12.00	2	32.00	2	24.00	2	18.00	1	11.00	164.00
6 Processing Dealer Applications <sup>2</sup>	3	30.00	2	34.00	1	13.00	1	12.00	1	16.00	3	36.00	1	9.00	1	11.00	161.00
7 Processing Securities Applications <sup>2</sup>	3	30.00	2	34.00	1	13.00	1	12.00	1	16.00	3	36.00	1	9.00	1	11.00	161.00
8 Enforcement <sup>1</sup>	3	30.00	1	17.00	1	13.00	2	24.00	1	16.00	3	36.00	1	9.00	1	11.00	156.00

**Low Risk < 153**

9 Processing Cash Receipts/ Disbursements/ Mail	2	20.00	1	17.00	1	13.00	1	12.00	2	32.00	1	12.00	2	18.00	1	11.00	135.00
10 Complaints Process <sup>1</sup>	2	20.00	2	34.00	1	13.00	1	12.00	1	16.00	1	12.00	1	9.00	1	11.00	127.00
11 Records Management	2	20.00	1	17.00	1	13.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	119.00

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

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

**Risk Factor Rating:**

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

**TEXAS STATE SECURITIES BOARD**  
**History of Areas Audited**  
**For Fiscal Year 2023**

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 <sup>(1)</sup>
1	Accounting & Financial Reporting (includes Fixed Assets & Travel)			C*				A			C*	
2	Complaints Process <sup>1</sup>						B					
3	Conducting Inspections <sup>1</sup>			A			B				F	
4	Enforcement <sup>1</sup>					A	B			A		
5	Human Resources & Payroll			C*	A1		E*				C*	
6	Information Technology (includes Disaster Recovery Plan) <sup>3</sup>	D					B*/D		D		D/F*	
7	Processing Cash Receipts/Disbursements/Mail		A								A/C*	
8	Processing Dealer Applications <sup>2</sup>						A/B					
9	Processing Securities Applications <sup>2</sup>	A					B					
10	Procurement/Contract Management/HUB			C*							C*	
11	Records Management								A			

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

<sup>(1)</sup> Partial fiscal year through May 8, 2023

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

<sup>3</sup> Quarterly vulnerability scans and ongoing cybersecurity monitoring are performed by the DIR or a third-party procured through the DIR, which are considered standardized reviews and therefore not reflected in this schedule by year.

**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 Monday Rufus & Co.
- B** Sunset review performed by the Sunset Advisory Commission.
- C** Post-Payment audit performed by the Comptroller of Public Accounts.
- D** Various IT assessments to reveal technology strengths and weaknesses performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- E** Policy review performed by the Texas Workforce Commission.
- F** Audit performed by the State Auditor's Office.