



Glenn Hegar Texas Comptroller of Public Accounts

# Report on the Activities of the Texas Comptroller of Public Accounts

INTERNAL AUDIT DIVISION | FISCAL 2022



*Submitted to*  
Governor's Office, Budget and Policy Division  
Texas Comptroller of Public Accounts  
Legislative Budget Board  
State Auditor's Office

Nov. 1, 2022

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## **I. Compliance with Texas Government Code Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report and Other Audit Information on the Website**

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The Texas Comptroller of Public Accounts (Comptroller's office) has developed a process to follow to ensure compliance with the provisions of Texas Government Code Section 2102.015. Specifically, within 30 days of approval by the Comptroller, the approved Internal Audit Annual Audit Plan, as provided by Texas Government Code Section 2102.008, was posted on the Comptroller's office internet website (<https://comptroller.texas.gov/transparency/reports/cpa-operations/>). In addition, the Internal Audit Annual Report, as required by Texas Government Code Section 2102.009, will be posted on the Comptroller's office internet website.

In accordance with Texas Government Code Title 5 Open Government Ethics, Chapter 552 Public Information, Subchapter C Information Excepted from Required Disclosure, the Internal Audit Division will not release any confidential or sensitive information protected by this exception. Any information not protected by this or another applicable exception that is determined to be confidential in nature will be specifically designated as such in accordance with State Auditor's Office (SAO) guidelines. No information contained in the agency's Internal Audit Annual Audit Plan or Internal Audit Annual Report is excepted from public disclosure under Chapter 552.

Texas Government Code Section 2102.015 also requires state agencies to update the posting required under this section to include:

- A "detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns, if any, raised by the audit plan or annual report."
- A "summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report."

To ensure compliance, reports on the implementation status of audit recommendations are posted on the Comptroller's office internet website (<https://comptroller.texas.gov/transparency/reports/cpa-operations/>), unless excepted from public disclosure.

## II. Internal Audit Plan for Fiscal 2022

Fiscal 2022 Audits	Status
Audit of Agency Batch Processing	Completed Report Title: An Internal Audit Report on Agency Batch Processing Report No.: 96-1861 Report Date: April 2022
Audit of Unclaimed Property Claims Processing	Completed Report Title: An Internal Audit Report on the Audit of Unclaimed Property Claims Processing Report No.: 96-1862 Report Date: April 2022
Audit of Statewide Procurement Division Systems Administration and Support	In progress. Reporting phase.
Audit of Enforcement Collections Processes	Completed Report Title: An Internal Audit Report on the Audit of Enforcement Collections Processes Report No.: 96-1868 Report Date: October 2022
Audit of Incoming Mail, Edit and Image Processing	Completed Report Title: An Internal Audit Report on Incoming Mail, Edit and Image Processing Report No.: 96-1866 Report Date: August 2022
Audit of Taxpayer Audits and Refund Verifications	In progress. Reporting phase.
Audit of External Investments	Completed Report Title: An Internal Audit Report on the Audit of External Investments Report No.: 96-1863 Report Date: April 2022
Audit of Texas Treasury Safekeeping Trust Company (TTSTC) Billings Process	Completed Report Title: An Internal Audit Report on the Audit of Billings Processes Report No.: 96-1851 Report Date: August 2022

Fiscal 2021 "In Progress" Audits	Status
Audit of Crude Oil and Natural Gas (CONG), Tobacco, Amusement and Agriculture (AG)	<p>Completed</p> <p>Report Title: An Internal Audit Report on the Audit of Crude Oil and Natural Gas, Tobacco, Amusement and Ag/Timber</p> <p>Report No.: 96-1864</p> <p>Report Date: May 2022</p>
Audit of Texas Bullion Depository	<p>Completed</p> <p>Report Title: An Internal Audit Report on the Audit of Texas Bullion Depository</p> <p>Report No.: 96-1854</p> <p>Report Date: December 2021</p>
Audit of Business Operations Information Technology	<p>Completed</p> <p>Report Title: An Internal Audit Report on the Audit of Business Operations Information Technology</p> <p>Report No.: 96-1855</p> <p>Report Date: December 2021</p>

### III. Consulting Services and Non-audit Services Completed

Report Number	Report Date	Report Name	High-Level Objective(s)	Observations/Results and Recommendations
N/A	N/A	N/A	Information Protection Policies and Standards (IPPS)	Consulted with Information Security on enforcement of the IPPS. Attended IPPS Review Committee meetings.
N/A	N/A	N/A	Special Investigations	Investigations were conducted and appropriate actions were taken to respond to complaints received.
N/A	N/A	N/A	Information Technology Steering Committee (ITSC)	This ongoing consulting engagement provides for Internal Audit to serve in an advisory capacity to the ITSC that guides and directs efforts to align Information Technology (IT) investments with the needs of the divisions.
N/A	N/A	N/A	External Auditor Liaison	Performed liaison activities with external auditors (i.e., SAO and Clifton Larson Allen, LLP) conducting audits at the Comptroller's office.
N/A	N/A	N/A	Review of Overpayment Recovery Audits	The objective of this consulting engagement was to assess the design of the controls governing overpayment recovery audits; areas of perceived or potential risk; and current procedure's compliance with applicable statutes.
N/A	N/A	N/A	Review of Processes Related to Identifying Non-permitted and Under-reported Taxpayers	The objective of this consulting engagement was to assess the design of the controls governing the identification of non-permitted and under-reported taxpayers; areas of perceived or potential risk; and current procedure's compliance with applicable statutes.
N/A	N/A	N/A	Review of the Administration of the State's Direct Deposit Program	The objective of this consulting engagement was to review the administration of the State's direct deposit program; areas of perceived or potential risk; and current procedure's compliance with applicable statutes.
N/A	N/A	N/A	Review of the Records of Cash Remittance and Disposition Log for the Revenue Processing Division	The objective of this consulting engagement was to assess the design of the controls governing the records of Cash Remittance and Disposition Log for the Revenue Processing Division.
N/A	N/A	N/A	Review of Vetting Practices of Investment Managers with the TTSTC Chief Investment Officer	Shared best practices processes for vetting investment managers with the TTSTC Chief Investment Officer.

## IV. External Quality Assurance Review (Peer Review)

### Overall Opinion

It is our opinion that the Texas Comptroller of Public Accounts Internal Audit Division receives a rating of **“Pass/Generally Conforms”** and is in compliance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (Texas Government Code Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity and proficiency of the Internal Audit Division.

The Internal Audit Division is independent, objective and able to render impartial and unbiased judgments. Staff members are qualified, proficient and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported by working papers, and findings and recommendations are communicated clearly and concisely. The Internal Audit Division is well managed, has effective relationships with the Comptroller and the Deputy Comptroller, and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate the Internal Audit Division is integrated into the agency and is a useful part of its operations. In addition, audit processes and report recommendations add value and improve the agency.

The Internal Audit Division has reviewed the peer review team’s results and has accepted them to be an accurate representation of the Internal Audit Division’s operations.

### Acknowledgments

We appreciate the courtesy and cooperation extended to us by the Internal Audit Division director, Internal Audit Division staff, Deputy Comptroller, Comptroller, and division and executive management who participated in interviews. We would also like to thank each person who completed a survey for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.

Signature on File	7/9/2020
_____ John Rivers, MBA, CIA, CISA, CGAP, CRMA	_____ Date

Audit Coordinator  
 Department of Family and Protective Services  
 SAIAF Peer Review Team Leader

Signature on File	7/9/2020
_____ Steven Clark	_____ Date

Internal Auditor  
 Department of Public Safety  
 SAIAF Peer Review Team Member

Signature on File	7/9/2020
_____ Katie Fitch, CPA	_____ Date

Senior Internal Auditor  
 Department of Public Safety  
 SAIAF Peer Review Team Member

## V. Internal Audit Plan for Fiscal 2023

### Fiscal 2023 Audits

Project Title	Division	Area	Project Hours
Audit of Agency Budgeting and Internal Accounting	Agency Administration	Budget and Internal Accounting	1,450
Audit of Fiscal Management Software Development and Maintenance	Fiscal Management	Compliance Operations	1,150
Audit of Hardware and System Software Administration	Information Technology (IT)	Infrastructure and IT Client Support	1,950
Audit of Internal Investments	Texas Treasury Safekeeping Trust Company (TTSTC)	Investments	775
Audit of Settlement Review Activities	Hearings and Tax Litigation	Administrative Hearings	1,350
Audit of Cash Flow	Fiscal Management	Fiscal Operations	1,450
Audit of Investment Accounting	TTSTC	Finance	775
Audit of Data Remittance Entry	Revenue Processing	Data/Remit Entry and Tax Records	1,250
Audit of Settlement and Custody Services	TTSTC	Finance	200
		<b>Total Fiscal 2023 Audit Hours</b>	<b>10,350</b>

To address contract management, the Internal Audit Division reviews associated contracts during each audit conducted to ensure compliance with contract processes and controls and for monitoring agency contracts.



**Fiscal 2022 Audits in Progress**

<b>Project Title</b>	<b>Division</b>	<b>Area</b>	<b>Project Hours</b>
Audit of Statewide Procurement Division Systems Administration and Support	Statewide Procurement	Data Management, Analytics and Technology	500
Audit of Enforcement Collections Processes	Enforcement	Field Operations Headquarters Support » Collection Training Technical Support » Systems Administration	90
Audit of Incoming Mail, Edit and Image Processing	Revenue Processing	Incoming Mail, Edit and Image Processing » Image Processing » Incoming Mail	25
Audit of Taxpayer Audits and Refund Verifications	Audit	Field Offices	140
Audit of Billings Process	TTSTC	Finance	20
		<b>Total Fiscal 2022 Audits-in-Progress Hours</b>	<b>775</b>

**Special Projects/Management Requests**

<b>Project Title</b>	<b>Project Hours</b>
Follow Ups	290
Client Assist (Internal/External)	10
Fiscal 2022 Internal Audit Annual Report	20
Fiscal 2024 Risk Assessment	690
Fiscal 2023 Audit Plan Monitoring	120
TeamMate Maintenance	160
Internal Audit SharePoint Maintenance	40
TeamMate Template Revision	28
Quality Assurance Reporting	20
IT Steering Committee	10
Internal Audit Handbook Review	28
IT Audit Template	240
Special Investigations	260
External Peer Reviews	120
Process Reviews	1,900
Internal Audit Awareness	20
TTSTC Board/Committee Meetings	60
Legislative Review	310
<b>Special Projects/Management Requests Carry Forward:</b>	
Fiscal 2023 Risk Assessment	20
Other Requests/Unallocated Hours	611
<b>Total Special Projects/Management Requests</b>	<b>4,957</b>

### Summary of Hours

Summary	Total Hours
Total Fiscal 2023 Audits	10,350
Total Fiscal 2022 Audits in Progress	775
Total Special Projects/Management Requests	4,957
<b>Direct Audit Hours</b>	<b>16,082</b>
<i>Indirect Hours</i>	<b>6,886</b>
<b>Total Hours</b>	<b>22,968</b>

The Internal Audit Division (Division) developed the Internal Audit Plan for fiscal 2023 in accordance with the Texas Internal Auditing Act (Act). The Act requires that the Division conduct an annual risk assessment and develop the Internal Audit Plan based on the results of the annual risk assessment. The risk assessment is based on 402 processes reported through the Enterprise Risk Management Program. The Division analyzed and assessed the risks to those processes by using the self-assessment module of the Division's TeamMate audit software, supplemental risk questionnaires and interviews with executive management and division directors, and it used the results to conduct the annual risk assessment for fiscal 2023. The Division considered risks related to contract management [Texas Government Code Section 2102.005(b)] and information technology [Title 1 Texas Administrative Code Chapter 202 (Information Security Standards)] in its risk-assessment process by obtaining probability and impact and monitoring risk-level ratings for applicable agency processes through the TeamRisk self-assessments. The Division reviewed these risk-level ratings further and adjusted, as needed, based on auditor judgment in the TeamRisk auditor assessment worksheet.

### Risk Factors and Weights

Risk Factor	Risk Weight
Control Environment	15.00%
Risk and Monitoring	20.00%
Dollar Value of Transactions	15.00%
Reliance on Third Parties	10.00%
Organizational Changes	5.00%
Legislative Interest	5.00%
Confidential Information	10.00%
Management Concern	10.00%
Information Systems	10.00%

The risk assessment identified 31 high-risk, 345 medium-risk and 26 low-risk processes. To provide coverage for all high risks, we propose the following:

- Nine processes will be covered in seven audits.
- Four processes will be covered in four process reviews.
- Five processes will be covered as part of fiscal 2023 Internal Control Risk Assessment (ICRA) workshops.
- Thirteen processes were covered in previously conducted audits.

Two additional audits will be performed for the Texas Treasury Safekeeping Trust Company that will cover two medium-risk processes.

## VI. External Audit Services Procured in Fiscal 2022

Name of External Auditor	Services Provided	Date of Service (Report Date)
RSM US LLP	Financial audit of the programs of the Texas Prepaid Higher Education Tuition Board	Fiscal 2022 annual report for the period ended Aug. 31, 2022
Audit Services, U.S. LLC	Audit Services for Unclaimed Property	Fiscal 2022 to current
Discovery Audit Services	Audit Services for Unclaimed Property	Fiscal 2022 to current
EECS, LLC	Audit Services for Unclaimed Property	Fiscal 2022 to current
Innovative Advocate Group	Audit Services for Unclaimed Property	Fiscal 2022 to current
Kelmar Associates, LLC	Audit Services for Unclaimed Property	Fiscal 2022 to current
Kroll Government Solutions	Audit Services for Unclaimed Property	Fiscal 2022 to current
Treasury Services Group	Audit Services for Unclaimed Property	Fiscal 2022 to current
RSM US LLP	Audit of FY21 Financial Statements of Texas Treasury Safekeeping Trust Company (TTSTC)	Dec. 17, 2021
RSM US LLP	Attestation of Compliance with TTSTC Incentive Compensation Plan	Dec. 20, 2021
RSM US LLP	Audit of FY21 Financial Statements of State Water Implementation Fund for Texas (SWIFT)	Dec. 10, 2021
RSM US LLP	Attestation of Compliance with Investment Policy of SWIFT	Dec. 10, 2021
RSM US LLP	Audit of FY21 Financial Statements of Texas Local Government Investment Pool (TexPool)	Nov. 5, 2021
RSM US LLP	Attestation of Compliance with Investment Policy and the Public Funds Investment Act (TexPool)	Nov. 5, 2021
RSM US LLP	Audit of FY21 Financial Statements of Texas Local Government Investment Pool Prime (TexPool Prime)	Nov. 5, 2021
RSM US LLP	Attestation of Compliance with Investment Policy and the Public Funds Investment Act (TexPool Prime)	Nov. 5, 2021
RSM US LLP	Audit of 2021 Financial Statements of Tobacco Settlement Permanent Trust Fund	March 15, 2022
RSM US LLP	Attestation of Compliance with Investment Policy of Tobacco Settlement Permanent Trust Fund	March 15, 2022
RSM US LLP	Attestation of Compliance with Distribution Policy of Tobacco Settlement Permanent Trust Fund	March 15, 2022
KPMG LLP	System and Organization Controls (SOC 1) Report on Texas Comptroller of Public Accounts' Description of its Centralized Accounting Payroll/ Personnel System and the Suitability of the Design and Operating Effectiveness of Controls	Oct. 14, 2022

Name of External Auditor	Services Provided	Date of Service (Report Date)
Abdessamad Ait Ali/State Sales Tax Consulting, LLC	Sales and Use Tax examination services	Fiscal 2022 Sept. 1, 2021, through Aug. 31, 2022
Antonio V. Concepcion		
Brenda Lynn Tschirhart		
Cindy Reed, CPA/State Tax Consulting, LLC		
Dale Ruzicka/State Tax Consulting, LLC		
Dan A. Northern		
Delores A. Nornberg		
Dibrell P. Dobbs		
Dixie Smith, CPA/State Tax Consulting, LLC		
Fabian Avina		
Flor H. Holmes		
Frank Castro/Texas Tax Consulting Group LC		
Homer Max Wiesen, CPA		
Jose (Joe) Granados/JPG-EJG, LLC		
Judy Hannah		
Julie R. Ortiz, CPA		
Karina Guadalupe Goulet/KGVG Advisors, LLC dba Texas Tax Specialist		
Khristina Mitchell/Khrista Marque, LLC		
L. C. Gordon, Jr./Taygor Associates, LLC		
Lisa Loughney		
Marina Roy Buenaventura, CPA		
Michelle Duplechain		
Michiell Stites/Stites Pybus LLC		
Paul Hernandez		
Ramiro J. Garza		
Raymond Franco/State and Local Tax Group LLC		
Robert Hant Fabyan, CPA/RFabyan Consulting LLC		
Ronald Robinson		
Sean J. Lomonaco		
Stephanie (Clark) Jackson		
Sylvia Villanueva Flaherty		
Trevor Garrett/Garrett State Tax Service Inc.		

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<b>Name of External Auditor</b>	<b>Services Provided</b>	<b>Date of Service (Report Date)</b>
Vernice Seriale, Jr.	Sales and Use Tax examination services	Fiscal 2022 Sept. 1, 2021, through Aug. 31, 2022
Wayne A. Powe		
Wayne Wharton/State and Local Tax Group LLC		
Yunping Hu		

## VII. Reporting Suspected Fraud and Abuse

The Comptroller's office has taken several measures to address the potential misuse or misappropriation of state resources. The Comptroller's office has also taken action to implement the requirements to report suspected fraud, waste and abuse involving state resources directly to the SAO.

Actions taken to implement the requirements of:

- Fraud Reporting Section 7.09, page IX-38, the General Appropriation Act (87th Legislature)

The Comptroller's office internet website contains a Report Fraud link when the Contact link at the bottom of the page is selected (<https://comptroller.texas.gov/>). This webpage explains how to report fraud involving state resources to the SAO. The SAO's phone number for reporting fraud, 800-TX-AUDIT (892-8348), and a link to the SAO's Fraud website, <https://sao.fraud.texas.gov/>, are included in the information provided on the Reporting Fraud page.

The Comptroller's office intranet website contains a Report Fraud link at the bottom of the page which directs users to the SAO's Investigations and Audit Support page. This webpage provides information and instructions on reporting fraud, waste or abuse to the SAO. This page also has the SAO's hotline number for reporting fraud, 800-TX-AUDIT (892-8348), and instructions on submitting reports of fraud, waste or abuse online, by mail or by facsimile.

The Employee Handbook of the Comptroller's office, Chapter 15: Compliance and Risk Assessment – Policy Prohibiting Fraud, Waste, Theft and Abuse, includes information on how to report suspected fraud involving state funds to the SAO by calling 800-TX-AUDIT (892-8348) or by making a report online (<https://sao.fraud.texas.gov/>). The same Employee Handbook includes a requirement that all employees complete fraud awareness training and complete an acknowledgment form each fiscal year.

The Comptroller's office Internal Audit Division website also contains links and contact information that include the SAO's phone number for reporting fraud, 800-TX-AUDIT (892-8348); the link to the SAO's Fraud website (<https://sao.fraud.texas.gov/>); the link to the SAO Fraud Reporting Form (<https://sao.fraud.texas.gov/ReportFraud/>); the link to the GAO's FraudNET (<http://www.gao.gov/about/what-gao-does/fraudnet>) and the GAO's toll-free number, 800-424-5454, fax number, 202-512-2841, and email address ([fraudnet@gao.gov](mailto:fraudnet@gao.gov)).

- Texas Government Code Section 321.022. Coordination of Investigations

The Comptroller's office has established the "Policy Prohibiting Fraud, Waste, Theft and Abuse" and is committed to preventing fraud, waste, theft and abuse by its employees and any consultant, vendor, contractor, outside agency or person in dealings with the agency or the state of Texas.

Each employee is required to report any suspected fraud, theft, waste or abuse to the agency. An employee may make a report to his or her supervisor, directly to the Ethics Officer or through the internal Employee Hotline by calling (toll free) 833-227-0772, emailing [employee.hotline@cpa.texas.gov](mailto:employee.hotline@cpa.texas.gov) and/or faxing 512-936-0696.

Employees can report suspected fraud, waste and abuse involving state funds to the SAO by calling 800-TX-AUDIT (892-8348) or by making a report online at <https://sao.fraud.texas.gov/>.



The Ethics Officer receives allegations of suspected fraud, waste, theft and abuse. The Ethics Officer may collect additional information from the employee or other person making the report and will make a preliminary determination as to whether the allegations should be investigated by the Criminal Investigations Division, Internal Audit, Human Resources, the Ethics Officer, some combination of these or another appropriate person or entity.

The Anti-Fraud Coordinator will report any finding of fraud to the SAO as required.

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Internal Audit Division | Fiscal 2022**

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