

**Report on the Activities of the  
Texas Comptroller of Public Accounts  
Internal Audit Division  
Fiscal Year 2014**



*Submitted to*

*The Honorable Rick Perry, Governor  
The Honorable Susan Combs, Texas Comptroller  
Members, Legislative Budget Board  
Members, Sunset Advisory Commission  
John Keel, State Auditor*

*November 1, 2014*

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**I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site**

The Texas Comptroller of Public Accounts (CPA) has developed procedures to follow in order to ensure compliance with the provisions of House Bill 16. Specifically, within 30 days of approval by the Comptroller, the Internal Audit Division will provide the Data Services Division with the approved Audit Plan for the applicable fiscal year. Data Services will post within 30 days of the approved date the Audit Plan on CPA’s Internet Web site, Window on State Government, (<http://www.window.state.tx.us>) as provided by Texas Government Code, Section 2102.008. In addition, the Annual Internal Audit Report will be provided to the Data Services Division within 30 days of its approval for posting on CPA’s Internet Web site, as required by Texas Government Code, Section 2102.009.

In accordance with Texas Government Code, Title 5 Open Government, Ethics, Chapter 552 Public Information, Subchapter C Information Excepted From Required Disclosure, Section 552.139 which provides an exemption to government information from public disclosure if it relates to computer network security or to the design, operation or defense of a computer network, the Internal Audit Division will not release any confidential or sensitive information protected by this exemption. Any information not protected by this or another applicable exemption that is determined to be confidential in nature will be specifically designated as such in accordance with SAO guidelines.

**Summary of Fiscal Year 2014 Audit Recommendations Implementation Progress**

Name of Report Report No. Report Date High Level Audit Objective	Findings/Recommendations and Management Response	Current Status <sup>1</sup>
<p><b>Audit of Innovation and Technology Hardware Services Section (HSS)</b></p> <p>No. 2103</p> <p>September 2013</p> <p>The overall objective of this audit was to determine the efficiency and effectiveness of security controls in place to support HSS processes.</p>	<p>The audit revealed opportunities for improvement in the design and operation of some existing security related internal controls. The HSS management should address the significant deficiencies communicated in the detailed issues.</p> <p>The identified issues contain sensitive information related to information system security; the detailed issues are not published in the report, as allowed by law.</p> <p><b>Management Response:</b> The Innovation and Technology management agrees with the results of this audit.</p>	<p>Substantially Implemented</p>
<p><b>Audit of the JET Program</b></p> <p>No. 1105</p> <p>November 2013</p> <p>The overall objective of</p>	<p><b>Finding #1:</b> The Division should perform periodic on-site verification of equipment purchased with the Job Building Fund.</p> <p><b>Recommendation:</b> The Division should develop and implement procedures to perform periodic on-site verification of purchased equipment to ensure that it is in existence, being used for its intended purposes and adequately safeguarded.</p>	

<sup>1</sup> Definitions of implementation status are as follows:

- Fully Implemented: Successful development and use of a process, system, or policy to implement a prior recommendation
- Substantially Implemented: Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation
- Incomplete/Ongoing: Ongoing development of a process, system, or policy to address a prior recommendation
- Not Implemented: Lack of a formal process, system, or policy to address a prior recommendation

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Name of Report Report No. Report Date High Level Audit Objective	Findings/Recommendations and Management Response	Current Status <sup>1</sup>
<p>this audit was to assess whether internal controls are in place and functioning effectively to ensure the Job Building Fund is administered in compliance with applicable laws, regulations and rules.</p>	<p><b>Management's Response:</b> The Division has drafted on-site monitoring policies and procedures for use in future rounds to perform periodic on-site verification of equipment purchased with the Job Building Fund.</p> <p><b>Finding #2:</b> The Division should establish backup personnel and procedures for maintaining the JET Accounting and Contract Management databases.</p> <p><b>Recommendations:</b> The Division should develop procedures for maintaining the JET Accounting and Contract Management databases and cross train staff on how to maintain the databases.</p>	<p>Incomplete/Ongoing</p>
	<p><b>Management's Response:</b> The Division will develop procedures for maintaining the JET Accounting and Contract Management databases. The Division will cross train staff on how to maintain the JET Accounting and Contract Management databases.</p> <p><b>Finding #3:</b> Develop written policies and procedures to help ensure the JET Accounting database is reconciled at the end of each accounting period to USAS.</p>	<p>Incomplete/Ongoing</p>
	<p><b>Recommendation:</b> The Division should develop written policies and procedures to help ensure the JET Accounting database is reconciled at the end of each accounting period to USAS, start performing reconciliations in accordance with the procedures and maintain documentation of the reconciliations.</p> <p><b>Management's Response:</b> As noted above, the JET Accounting database and USAS are reconciled as an ongoing business practice. Economic Development and Analysis management will develop written policies and procedures to help ensure the JET Accounting database is reconciled at the end of each accounting period to USAS, start performing reconciliations in accordance with the procedures and maintain documentation of the reconciliations.</p>	<p>Incomplete/Ongoing</p>
	<p><b>Finding #4:</b> The Division should establish and enforce grant reporting requirements.</p> <p><b>Recommendations:</b> The Division should establish and enforce procedures to ensure compliance with JET Grant Reporting requirements.</p> <p>The audit also revealed opportunities for improvement in the operation of some existing information security related internal controls. The identified information security issues contain sensitive information related to system security; the detailed issues are not published in the report, as allowed by law.</p> <p><b>Management's Response:</b> The Division has implemented procedures to</p>	<p>Incomplete/Ongoing</p>

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Name of Report Report No. Report Date High Level Audit Objective	Findings/Recommendations and Management Response	Current Status <sup>1</sup>
	<p>ensure compliance with grant reporting requirements. Starting with Round 5, a courtesy email was generated to remind the grantee of the due date of the monthly reports. A CPA signature approval section was inserted into the monthly report which documents the receipt date and review date. Grantees that are not in compliance with reporting requirements are not eligible for payments or final closeout.</p>	
<p><b>Audit of Business Continuity and Disaster Recovery Programs</b></p> <p>No. 2105</p> <p>February 2014</p> <p>The overall objective of this audit was to determine the efficiency, completeness, and appropriateness of business continuity and disaster recovery plans; testing of the plans; and verification of the various day-to-day functions that need to be performed to make the plans effective and ready at all times.</p>	<p>The audit revealed opportunities for improvement in the design and operation of some existing business continuity and disaster recovery internal controls.</p> <p>The business continuity coordinator should continue to focus efforts on improving the business continuity governance, updating and documenting the framework for the program and developing an agency-level business continuity plan to ensure efficiency, completeness, and appropriateness of the agency business impact analysis processes, business continuity plans and testing of those plans.</p> <p>Improvements should be made to disaster recovery planning including assignment of responsibility for all planning activities and creation of an overall disaster recovery plan to support the existing detailed plans.</p> <p>Due to the sensitivity of issues related to information systems security, the detailed issue has been privately communicated to agency management and not published.</p> <p><b>Management Response:</b> Management agrees with the findings and has already begun efforts to remediate several of the identified deficiencies.</p>	<p>Incomplete/Ongoing</p>
<p><b>Audit of Texas Procurement and Support Services (TPASS) Contract Management</b></p> <p>No. 2104</p> <p>April 2014</p> <p>The overall objective of this audit was to evaluate the internal controls of the Program for informing the state agencies to submit vendor performance reports as required by the TAC and reviewing and reconciling the reports submitted to VPTS by the state agencies</p>	<p>This audit revealed one deficiency in the operation of an internal control related to the review of user access to TPASS's web application portal (Portal) and VPTS, one of the systems within the Portal.</p> <p>Due to the sensitivity of issues related to information systems security, the detailed issue has been privately communicated to agency management and not published.</p> <p><b>Management Response:</b> Management agrees with the recommendation and is in the process of taking corrective action.</p>	<p>Incomplete/Ongoing</p>



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Name of Report Report No. Report Date High Level Audit Objective	Findings/Recommendations and Management Response	Current Status <sup>1</sup>
	The Privacy Office will also coordinate with Human Resources and IT to determine the appropriate method for administering the online assessment.	
<p><b>Audit of Cash Handling and Returns Processing</b></p> <p>No. 1108</p> <p>July 2014</p> <p>The overall objective of this audit was to evaluate controls over the teller functions.</p>	<p>The Division has taken steps to implement prior recommendations related to safety and security for field offices. The details of the prior findings and recommendations have been omitted from this report due to safety and security concerns. According to Division management, all recommendations were not addressed due to budget and lease constraints. We recommended that Division management review funding and establish a plan of action for implementing the remaining prior recommendations.</p> <p>During the audit, agency management informed Internal Audit of an incident involving an agency employee and a taxpayer in which there was an allegation of fraud. This audit report was delayed to allow the agency's Criminal Investigation Division (CID) staff and appropriate law enforcement time to complete an investigation into the incident and the necessary legal proceedings. Due to the nature of the legal proceedings, which resulted in a judgment in a criminal case executed on May 14, 2013, no public record is available to Internal Audit to form the basis of an audit finding. Additional fieldwork procedures were performed related to this incident and nothing came to our attention that would indicate any other incidents of potential fraud related activity significant within the scope of our audit objective or that could affect the findings and conclusions. As a result, there is no sufficient, appropriate evidence for an audit finding. Division management has taken steps to enhance their internal control activities in response to the incident.</p> <p><b>Management Response:</b> Management agrees with the audit recommendation and is in the process of taking corrective action.</p>	<p>Substantially Implemented</p>
<p><b>Audit of Cash Flow Forecasting</b></p> <p>No. 2108</p> <p>July 2014</p> <p>The overall objective of this audit was to determine the sufficiency of controls over Treasury Operation's Cash Flow Forecasting process.</p>	<p><b>Finding #1:</b> Perform and maintain written evidence of management review and approval of key cash flow forecasting processes' deliverables and procedures</p> <p><b>Recommendation:</b> Division management should perform and maintain written evidence of management review and approval of key cash flow forecasting processes' deliverables and procedures.</p> <p><b>Management's Response:</b> Key cash flow forecasting deliverables and procedures that have been amended will be submitted to management for review and approval. Documentation will be retained of such review and approval.</p> <p><b>Finding #2:</b> Update procedures relating to cash flow forecasting and tax and revenue anticipation notes (TRAN) processes to ensure consistency between procedures and current practices and completeness of procedures</p> <p><b>Recommendation:</b> Division management should ensure consistency between the cash flow forecasting and TRAN processes' procedures and current practices and ensure completeness of procedures. Written procedures should be updated</p>	<p>Incomplete/Ongoing</p>

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	<p>periodically to remain relevant.</p> <p><b>Management's Response:</b> Procedures related to cash flow forecasting and the issuance of the TRAN shall be updated and regularly reviewed, at least annually. Each update shall require management review and approval, of which documentation shall be retained.</p> <p><b>Finding #3:</b> Ensure required documentation to support actual expenses for travel is received and used to verify the allowability of invoiced travel expenses in accordance with TRAN related contract provisions and agency procedures.</p> <p><b>Recommendation:</b> The TRAN project manager and Division management should ensure required documentation to support actual expenses for travel is received and used to verify the allowability of invoiced travel expenses in accordance with TRAN related contract provisions and agency procedures. Any missing travel related supporting documentation showing actual expenses should be requested and used to verify the allowability of travel related expenses prior to approving invoices for payment.</p> <p><b>Management's Response:</b> Contract management responsibilities have been reassigned to the Public Finance Manager, who has undergone agency contract management training. If invoices are received with insufficient detail to verify expenses, appropriate documentation will be requested.</p>	<p>Incomplete/Ongoing</p> <p>Incomplete/Ongoing</p>
<p><b>Audit of Fiscal Systems Support (FSS) Software Development Life Cycle (SDLC)</b></p> <p>No. 2106</p> <p>August 2014</p> <p>The overall objective of this audit was to evaluate controls over the FSS team's processes for software development and maintenance</p>	<p>The audit revealed two opportunities for improvement in the design of existing internal controls affecting processes related to identification of security requirements and review and approvals for significant changes to the state financial systems (SFS). Updates are needed to the:</p> <p>Application Change Request Process Guide (Guide) and the functional requirement document template instructions for considering, documenting, reviewing and approving security related requirements to ensure that security requirements are not overlooked.</p> <p>Guide to mitigate the risk of not identifying significant changes and not obtaining the approvals from the SFS owner, Chief Technology Officer (CTO) and Chief Information Security Officer (CISO) prior to migrating significant changes to the production environment for the SFS. The term significant change has been defined by the CISO to include any update that changes software that can reasonably impact the security posture of the system.</p> <p>Due to the sensitivity of issues related to information systems security, the detailed issues have been privately communicated to agency management.</p> <p><b>Management Response:</b> The FSS team's management agrees with the audit findings and is in the process of taking corrective action.</p>	<p>Incomplete/Ongoing</p>

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Name of Report Report No. Report Date High Level Audit Objective	Findings/Recommendations and Management Response	Current Status <sup>1</sup>
<p><b>Audit of Audit of Property Value Study – Field Area</b></p> <p>No. 3102</p> <p>August 2014</p> <p>The overall objective of this audit was to evaluate the design and effectiveness of the controls over the Property Value Service process.</p>	<p>No significant deficiency in the design and operation of internal control came to our attention during the audit. Property Tax Assistance Division (PTAD) appraisers exhibited knowledge of the agency and the PTAD policies and procedures to effectively conduct the PVS.</p> <p>No findings were issued.</p>	<p>N/A</p>

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**II. Internal Audit Plan for Fiscal Year 2014**

Project/Report Title	Comments/Explanations
<b>Fiscal Year 2014 Audits:</b>	
Audit of Security Incident Management	Carry forward audit project for FY 2015
Ethics Review	Carry forward audit project for FY 2015
Audit of Treasury PeopleSoft System	Carry forward audit project for FY 2015
Audit of Appropriations Controls	Audit not performed with Management approval due to limitation of resources from vacancies. Risk level decreased in FY 2015 risk assessment. No longer high risk.
Audit of Headquarters	Carry forward as backup audit for FY 2015. Risk level decreased in FY 2015 risk assessment. No longer high risk.
<b>Fiscal Year 2013 Audits in Progress:</b>	
Audit Report #1106: Audit of Fleet Management	Completed – Report issued August 2013
Audit Report #2103: Audit of Innovation and Technology (IT) Hardware Services Section	Completed – Report issued September 2013
Audit Report #1105: Audit of JET Grant Program	Completed – Report issued November 2013
Audit Report #1104: Audit of Payments and Return Process	Completed – Memo issued February 2014
Audit Report #2105: Audit of Business Continuity and Disaster Recovery Programs	Completed – Report issued February 2014
Audit Report #2104: Audit of TPASS Contract Management	Completed – Report issued April 2014
Audit Report #2107: Audit of Security Awareness Training Program	Completed – Report issued July 2014
Audit #1108: Audit of Cash Handling and Returns Processing	Completed – Report issued July 2014
Audit Report #2108: Audit of Cash Flow Forecasting	Completed – Report issued July 2014
Audit Report #2106: Audit of Fiscal Systems Support – Software Development Life Cycle (SDLC)	Completed – Report issued August 2014
Audit Report #3102: Audit of Property Value Study – Field Area	Completed – Report issued August 2014
<b>Special Projects/Management Requests:</b>	
Follow Ups	Ongoing activity
Client Assist (Internal/External)	Ongoing activity/assistance provided
FY 2014 Annual Internal Audit Report	Report Completed
FY 2013 CPA & Statewide CAFR Audit	Ongoing activity/assistance provided

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<b>Special Projects/Management Requests (Continued)</b>	
FY 2015 Risk Assessment	Assessment completed
TTSTC W/P Review – Client Assist	Ongoing activity/assistance provided
Teammate Upgrade	Ongoing activity
FY 2014 Audit Plan Monitoring	Completed
IT Steering Committee	Assistance provided
Security Steering Committee	Assistance provided
TeamMate Template Revision	Ongoing activity
Peer Review (Internal)	Completed – December 2013
Peer Review (External)	Volunteered for External Peer Review but ultimately not chosen
Internal Audit Website Rewrite	Ongoing Activity
Legislative Session - Roundtable Discussions	Assistance provided
<b>Special Projects/Management Requests Carry forward:</b>	
2703: FY 2014 Risk Assessment	Completed
2801: FY 2014 CPA & Statewide CAFR Audit	Assistance provided
<b>Special Projects /Management Requests:</b>	
2014-713 SAO Hotline Complaint 14-0172	Completed – Letter issued to SAO December 2013
2014-714: SAO Hotline Complaint 14-3451	In Progress
Audit/Enforcement Internal Controls Review	Carry forward project for FY 2015
<b>Management Requests:</b>	
Monitoring of AARA Implementation	No activity
Monitoring of Project Development & Implementation of the ERP Project	Assistance provided

**III. List of Consulting Engagements and Non-audit Services Completed Showing High-Level Objectives, Observations/Results, Recommendations, and Implementation Status**

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Non-audit Service Objective(s)	Observations/Results and Recommendations
N/A	N/A	N/A	N/A	N/A

**IV. External Quality Assurance Review**

Texas Comptroller of Public Accounts Internal Audit Division  
EXTERNAL QUALITY ASSURANCE REVIEW – December 23, 2013

**OVERALL OPINION**

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Comptroller of Public Accounts Internal Audit Division receives a rating of “pass” and is in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit 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 function.

We found that the Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The 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 in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Division is well-managed and has effective relationships with Executive Management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of agency operations and finds that the audit process and report recommendations add value and help improve the agency’s operations.

**ACKNOWLEDGEMENTS**

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Comptroller and management who participated in the interview and survey processes. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.

 Benito Ybarra, CIA, CISA, CFE Chief Audit Executive Texas Department of Transportation SAIAF Peer Review Team Leader	12/23/13 Date	 Aporajita Ahmed CPA, CFE, CITP, CGMA, CICA, CSM Finance/Performance Auditor Texas Higher Education Coordinating Board SAIAF Peer Review Team Member	1/7/14 Date
Matt Milam CIA, CFE, CGAP Senior Auditor Texas Department of Insurance SAIAF Peer Review Team Member	1/6/14 Date		

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V. Internal Audit Plan for Fiscal Year 2015

Project Title	Division	Area	Project Hours
<b>Fiscal 2015 Audits</b>			
<b>Audit of Security Incident Management</b>	Information Security Privacy Office Innovation and Technology	Information Security Privacy Office Security and Data Operations	900
<b>Audit of Treasury PeopleSoft System</b>	Treasury Operations Innovation and Technology Fiscal Management	All Software Development - Statewide Systems - Treasury Statewide Fiscal Systems - ERP & Security Administration	900
<b>Ethics Review</b>	Agency Administration Executive Administration	Human Resources Special Counsel for HR and Ethics	770
<b>Audit of CPA Internal Accounting</b>	Agency Administration	Budget and Internal Accounting - Accounting and Payroll / Judiciary / SECO	900
<b>Audit of Human Resources</b>	Agency Administration - Human Resources	Human Resources - Staffing and Classification - Employee Relations	900
<b>Audit of the Taxpayer Audit Processes</b>	Tax Administration	Audit	900
<b>Audit of Software Asset Management</b>	Innovation and Technology	IR Planning, Budgeting and Contracting - IT Asset Management Team IT Infrastructure - Customer Service Area - Help Desk Team	770
<b>Audit of IT Governance</b>	Innovation and Technology Information Security Privacy	All	900
<b>Total FY 15 Audit Hours:</b>			<b>6,940</b>
<b>Fiscal 2014 Audits In Progress</b>			
<b>Audit #3102: Audit of Property Value Study Field Area</b>	Property Tax Assistance	Property Value Study Field Area	42
<b>Audit #3103: Audit of Event Trust Funds</b>	Fiscal Management Economic Development and Analysis	Fiscal Integrity - Fiscal Analysis Statewide Fiscal Services - Expenditure Audit Economic Development and Analysis	415
<b>Total FY 14 Audits In Progress Hours:</b>			<b>457</b>
<b>Special Projects/Management Requests:</b>			
Follow Ups			500
Client Assist (Internal/External)			10
FY 2014 Annual Internal Audit Report			150
FY 2015 CPA & Statewide CAFR Audit			5
FY 2016 Risk Assessment			1,430

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<b>Special Projects/Management Requests (continued):</b>	
TTSTC W/P Review - Client Assist	250
TeamMate Maintenance	180
FY 2015 Audit Plan Monitoring	500
IT Steering Committee	0
TeamMate Template Revision	200
Expenditure Audit Contract Auditors	50
Data Analysis / Big Data	100
Peer Review (External)	80
Quality Assurance Reporting	30
Internal Audit Website Maintenance	40
Audit/Enforcement Internal Controls Review	500
<b>Special Projects/Management Requests Carry forward:</b>	
2014-703: FY 2014 Risk Assessment	80
<b>Management Requests</b>	
Monitoring of ERP Project	0
Other Requests	5,833
<b>Total Special Projects/Management Requests:</b>	<b>9,938</b>

Total Fiscal Year 2015 Audit Hours:	6,940
Total Fiscal Year 2014 Audits In Progress Hours:	457
Total Special Projects/Management Requests:	9,938
<b>Direct Audit Hours:</b>	<b>17,335</b>
<b>Indirect Hours:</b>	<b>7,721</b>
<b>Total Hours</b>	<b>25,056</b>

No projects are related to expenditure transfers, capital budget controls, or any other limitations or restriction in the General Appropriations Act.

**Risk Assessment Process**

As a part of the agency’s risk management and control processes, the Information Security Office (InfoSec) designated 651 key processes which the Internal Audit Division (Division) analyzed and assessed risks on using the Division’s TeamRisk and self-assessment modules of our TeamMate audit software.

The results from TeamRisk Self-Assessments, supplemental risk questionnaires, interviews with Executive Management and division directors and results from internal audit activities were used to conduct our annual risk assessment.

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We considered risks related to contract management and information technology (TAC 202) in our risk assessment process by obtaining probability, impact and monitoring risk level ratings for applicable agency key processes through the TeamRisk Self-Assessments. These risk level ratings were reviewed 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	25.00%
\$ Value of Transactions	5.00%
Reliance on 3rd Parties	5.00%
Management Concern	10.00%
Legislative Interest	10.00%
Internal Control Awareness	10.00%
Internal Audit Factors	10.00%
Confidential Information	10.00%

**Coverage of High Risk Processes**

Overall, 46 of 649 reported processes scored as high risk. To provide coverage of the high risks we propose the following:

- 7 processes will be covered in proposed audits
- 11 processes could be covered in proposed backup audits
- 24 processes will be covered as part of fiscal 2015 Control Self-Assessment (CSAs) conducted by InfoSec
- 3 processes were covered in previously conducted audits and will be covered during audit follow-up
- 1 process had previous coverage. The process was scheduled for a fiscal 2014 CSA that had not been completed by the time we completed our risk assessment. However the CSA was still scheduled.

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**VI. External Audit Services Procured in Fiscal Year 2014**

Name of External Auditor	Services Provided	Date of Service (Report Date)
Padgett Stratemann & Co., LLP	Professional public accounting services for TTSTC	Term: August 3, 2011 through August 31, 2014
Experis US, Inc.	Overpayment recovery audit services	Term: April 2, 2014 through August 31, 2014
Padgett Stratemann & Co., LLP	Outside Auditor for the Dunes Sagebrush Lizard Project	Term: December 6, 2013 through June 2014
Padgett Stratemann & Co., LLP	Professional public accounting services for Texas Prepaid Higher Education Tuition Board	Term: May 28, 2013 through August 31, 2015
Padgett Stratemann & Co., LLP	Professional accounting services to perform financial audits and policy compliance attestation for TTSTC	Term: June 11, 2014 through August 31, 2015
Audit Services, US, LLC	Unclaimed Property Audit Services	Term: September 1, 2013 through August 31, 2015
Discovery Audit Services, LLC	Unclaimed Property Audit Services	Term: September 1, 2013 through August 31, 2015
Hertz, Herson & Company, LLP	Unclaimed Property Audit Services	Term: September 1, 2013 through August 31, 2015
Kelmar Associates, LLC D/B/A - Kelmar Unclaimed Property Services, LLC	Unclaimed Property Audit Services	Term: September 1, 2013 through August 31, 2015
Treasury Services Group, LLC	Unclaimed Property Audit Services	Term: September 1, 2013 through August 31, 2015
Verus Financial LLC	Unclaimed Property Audit Services	Term: September 1, 2013 through August 31, 2015
Xerox State & Local Solutions, Inc. D/B/A - Xerox Unclaimed Property Clearinghouse	Unclaimed Property Audit Services	Term: September 1, 2013 through August 31, 2015
Independent Contract Examiners – 2 Contracts  State and Local Tax Group (Wayne Wharton) Willie Sullivan	Tax Compliance Examination Services	Term: August 18, 2011 through August 31, 2014
Independent Contract Examiners – 7 Contracts  Delores A. Nomberg Taygor Associates, LLC (L.C. Gordon, Jr.) Cindy H. Coats Cynthia Alvarez Sam W. Armstrong, PC Texas Tax Consulting Group, LC (Frank Castro) Gordon Wheeler	Tax Compliance Examination Services	Term: July 30, 2012 through August 31, 2015

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Name of External Auditor	Services Provided	Date of Service (Report Date)
<p>Independent Contract Examiners – 25 Contracts</p> <p>Fabian Avina Stephen T. Broad Marina Roy Buenaventura Jean Chan Cherise D. Collins Antonio V. Concepcion Dibrell P. Dobbs d/b/a State Tax Consulting Group Garrett State Tax Service, Inc. (Trevor Garrett) Ramira J. Garza Paul Hernandez Terra Hillman Stephanie (Clark) Jackson d/b/a The Ann Group Art Koenings, Jr. &amp; Nancy Wilkins Brenda Maldonado Max Dwain Martino Dan Northern Ruzicka-Reed Partnership (Dale Ruzicka &amp; Cindy Reed) Vernice Seriale, Jr. Judy Shinn d/b/a Shinn Tax Services (Amd #2) D Smith Consulting (Dixie Smith) State Tax Group, LLC (Richard Fleming) Stites Pybus, LLC (A. Michiell Stites) Treva M. Sullivan Paul D. Underwood Homer Max Wiesen</p>	<p>Tax Compliance Examination Services</p>	<p>Term: August 2013 through August 31, 2014</p>
<p>State Auditor's Office</p>	<p>FY 14 Statewide/CAFR/Single Audit</p>	<p>Term: March 1, 2014 through February 20, 2015</p>
<p>KPMG/State Auditor's Office</p>	<p>Annual audit of TPASS contracts including Strategic Sourcing and CCG.</p>	<p>Term: March 16, 2014 through February 28, 2015</p>
<p>DIR/Gartner Inc.</p>	<p>Evaluate the progress made since the prior evaluation as it relates to the security and vulnerability of information systems; made recommendations to mitigate risk</p>	<p>Term: January 27, 2014 through August 31, 2014</p>

## VII. Reporting Suspected Fraud and Abuse

The Comptroller of Public Accounts has taken several measures to address the potential misuse or misappropriation of state resources, including funds received under the American Recovery and Reinvestment Act. The Comptroller of Public Accounts has also taken action to implement the requirements to report suspected fraud, waste and abuse involving state resources directly to the State Auditor's Office (SAO).

Actions taken to implement the requirements of:

- **Fraud Reporting, Article IX, Sec. 7.09, General Appropriations Act (83rd Legislature, Conference Committee Report).**

The Window on State Government home page of the Comptroller of Public Accounts' website contains a Report Fraud page (<http://www.window.state.tx.us/fraud.html>) explaining how to report fraud involving state resources to the SAO. The SAO's phone number for reporting fraud, (800) TX-AUDIT and a link to the State Auditor's Fraud website, (<http://sao.fraud.state.tx.us/>), are included in the information provided on the Report Fraud page.

The Comptroller of Public Accounts' Employee Handbook, Chapter 02: Ethics Policy, 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 or by making a report on-line (<http://sao.fraud.state.tx.us/>). The Comptroller of Public Accounts' Employee Handbook includes a requirement that all employees take the Anti-Fraud Training on an annual basis.

The Comptroller's Office Internal Audit Division website also contains fraud links and contact information to include the SAO's phone number for reporting fraud (800) TX-AUDIT, a link to the State Auditor's Fraud website (<http://sao.fraud.state.tx.us/>), a link to the SAO Fraud Reporting Form (<https://sao.fraud.state.tx.us/Hotline.aspx>), the link to the Government Accountability Office (GAO) FraudNET (<http://www.gao.gov/fraudnet/fraudnet.htm>) and the GAO's Toll Free 1-800-424-5454 and Fax: 202-512-3086.

- **Texas Government Code, Section 321.022. Coordination of Investigations**

The Comptroller of Public Accounts has established the Policy Prohibiting Fraud, Theft, Waste, or Abuse in Business Dealings or in any Relationship with the Comptroller's Office (Anti-Fraud Policy) (<http://www.window.state.tx.us/ssv/ethics.html>) to enforce controls and to aid in the prevention and detection of fraud, theft, waste or abuse against the agency or the State of Texas. Suspected fraud, waste, theft or abuse can be reported to the Ethics Officer, Internal Audit Division, Criminal Investigations Division or through The Network at (866) 420-8369. It can also be reported outside the agency to the SAO by calling (800) TX-AUDIT or by making a report online at (<http://sao.fraud.state.tx.us/>).