

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

TEXAS DEPARTMENT OF BANKING Austin, Texas

INTERNAL AUDIT ANNUAL REPORT

Fiscal Year 2022

TEXAS DEPARTMENT OF BANKING
Austin, Texas

Internal Audit Annual Report
Fiscal Year 2022

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CERTIFIED PUBLIC ACCOUNTANTS

Finance Commission Members and
Audit Committee Members
Texas Department of Banking
Austin, Texas

We performed procedures to determine the effectiveness and efficiency of the Texas Department of Banking's (DOB) internal control structure over the IT Examinations area (Area); and, its compliance with the Texas Finance Code, the Texas Administrative Code, and the Area's established policies and procedures, for the 7 months ended March 31, 2022.

The results of our procedures disclosed that DOB's control structure over the Area, and its compliance with the various requirements and established policies and procedures, were adequate and no instances of noncompliance were noted. The report that accompanies this letter provides a summary of the Area; summarizes the audit objective, scope, and methodology; and, the procedures performed to achieve the objective of our audit.

We also performed a follow-up of findings and recommendations that were presented in the prior year internal audit report, and this report reflects the results and implementation status of our follow-up procedures performed; and, includes all information required for compliance with State of Texas Internal Audit Annual Report requirements.

A handwritten signature in black ink that reads "Garza/Gonzalez & Associates". The signature is written in a cursive, flowing style.

May 2, 2022

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INTRODUCTION

The Texas Department of Banking (DOB) is a Texas state agency that performs functions designed to maintain a financial regulatory system for Texas to promote a consistent banking environment, and to provide the public with convenient, safe, and competitive banking and other financial services. DOB operates under the oversight of the Finance Commission of Texas pursuant to the authority of various provisions of the Texas Finance Code; the Texas Health and Safety Code; and, the Texas Administrative Code.

DOB's primary functions are to:

- Charter, regulate, and examine all state banks, foreign bank branches, agencies, and representative offices;
- Charter, regulate, and examine trust departments of commercial banks and trust companies;
- License, regulate, and examine prepaid funeral contract sellers (PFC) and perpetual care cemeteries (PCC);
- License, regulate, and examine money services businesses (MSB); and,
- Register check verification entities.

DOB was granted Self-Directed, Semi-Independent (SDSI) status in the 81st Legislative Session. As an SDSI agency, DOB is not required to have their budget approved by the Legislature; however, the Finance Commission is responsible for setting their spending authority or limits. DOB's operating funds are generated from fees assessed to the businesses it regulates and are used to fund both, direct and indirect costs. General revenue funds are not used to support DOB's operations.

2022 Internal Audit Plan

Following are the internal audit functions performed, as identified in DOB's 2022 Internal Audit Plan, dated November 19, 2021 and approved by the Audit Committee and Finance Commission on December 17, 2021:

- Risk Assessment & Preparation of the 2022 Internal Audit Plan
- Bank Examinations Audit
- IT Examinations Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the 2022 Internal Audit Annual Report
- Other Tasks

This report contains the results of our audit of the IT Examinations Area; reflects the results of the follow-up procedures performed in the current year of the findings that were presented in the prior year internal audit report; and, meets the State of Texas Internal Audit Annual Report requirements. The Bank Examinations report, dated March 11, 2022, was presented to, and approved by, the Audit Committee and Finance Commission at the April 22, 2022 meetings.

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 DOB'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.

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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 the Finance Commission, DOB will post the following information on its website:

- An approved fiscal year 2023 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2022 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The periodic and annual internal audit reports include 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 DOB 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 non-audit services, as defined in the *Government Auditing Standards*, 2018 Revision, Technical Update April 2021, Sections 3.64-3.106.

III. External Quality Assurance Review

The internal audit division's most recent *Peer Review Report*, dated December 15, 2021, 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 2022

The approved Internal Audit Plan (Plan) included two audits to be performed during fiscal year 2022. The Plan also included a follow-up of the prior year internal audit recommendations that were not fully implemented as of fiscal year ended August 31, 2021, other tasks as may have been assigned by the Finance Commission or the Audit Committee, and preparation of the Internal Audit Annual Report for fiscal year 2022.

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Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 17 audit areas were identified as potential audit topics. A risk analysis utilizing 8 risk factors, was completed for each of the 17 potential audit topics and then compiled to develop an overall risk assessment.

Following are the results of the risk assessment performed for the 17 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Bank Examinations Corporate Activities	Procurement/Contract Management/HUB Payroll & Human Resources Travel IT Examinations Trust Examinations Management Information Systems [(MIS) Includes Disaster Recovery Plan] Consumer Assistance Revenue Accounting Process	Fixed Asset Management Financial Reporting Money Service Businesses Prepaid Funeral Guaranty Fund Perpetual Care Cemeteries Prepaid Funeral Contracts Imaging & Records Management

In the prior 3 years, the following internal audits and other functions were performed:

Fiscal Year 2021:

- Risk Assessment & Preparation of the Internal Audit Plan
- Management Information Systems [(MIS) Includes Disaster Recovery Plan] Audit
- Consumer Assistance Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2020:

- Risk Assessment & Preparation of the Internal Audit Plan
- Revenue Accounting Process Audit
- Imaging & Records Management Audit
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2019¹:

- Risk Assessment & Preparation of the Internal Audit Plan
- Information Technology Change Management Program
- Fines, Penalties, and Restitution Processes
- Follow-Up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

¹ Performed by McConnell & Jones LLP.

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The internal audits and other tasks performed for fiscal year 2022 were as follows:

Report No.	Audits/Report Titles	Report Date
1.	Bank Examinations Audit <i>Objective:</i> To determine whether DOB's policies and procedures and internal controls in place over the Bank Examinations area provide reasonable assurance that effective and timely bank examinations are performed; that they are performed in accordance with applicable laws and regulations; and, that internal controls are operating effectively.	3/11/2022
2.	IT Examinations Audit <i>Objective:</i> To determine whether DOB's policies and procedures and internal controls in place over the IT Examinations area provide reasonable assurance that effective and timely IT examinations are performed; that they are performed in accordance with applicable laws and regulations; and, that internal controls are operating effectively.	5/2/2022
2.	Internal Audit Annual Report – Follow-Up of findings and recommendations that were presented in the Prior Year Internal Audit Report.	5/2/2022
-	Other Tasks Assigned by the Finance Commission or the Audit Committee	None

V. Executive Summary

IT Examinations

BACKGROUND

Organizational Structure

The Information Technology (IT) Examinations area (Area) is part of the Bank & Trust Supervision (B&T) Division, and is responsible for performing IT examinations for state-chartered banks, trust companies, and certain technology service providers (TSPs). The Area is comprised of a Director of IT Security Examinations (DITSE), a Chief IT Security Examiner (CITSE), 6 commissioned IT examiners, and 5 non-commissioned IT examiners. The DITSE reports to the B&T Director and is responsible for the Area's overall operations. The CITSE reports to the DITSE and is responsible for day-to-day managerial tasks; such as, scheduling and staff assignment; and, reviewing work papers and Reports of Examination (ROEs). Although each IT examiner is assigned to a primary regional office, they all report to the CITSE.

IT Examinations Type and Frequency

Since any weaknesses identified in an IT examination may have an effect on the results of a safety and soundness (S&S) examination, IT examinations generally follow the frequency of S&S examinations, which is based on the regulated entity's asset size, composite rating, capital category, and "new bank" status. In accordance with DOB Supervisory Memorandum (SM) 1020, a Full-Scope IT examination is scheduled within 120 days prior to the start date of the S&S examination. The IT examination may be delayed up to 60 days after the S&S examination start date, if the concurrence of the B&T Director is obtained. For entities with elevated IT-risks, an interim IT examination is conducted between Full-Scope IT examinations, with the examination scope and timing determined by the DITSE or the CITSE. For banks with an asset size of \$10 billion or greater, a Continuous Examination Program (CEP) is utilized, where targeted reviews are conducted over an examination cycle, which is generally a 12-month period, and the examination results are incorporated in the composite CAMELS rating, as reported in an ROE of the respective S&S examination.

The responsibility for performing IT examinations is shared amongst DOB, the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve Bank (FRB). Thus, the IT examination and subsequent issuance of the ROE may be performed jointly or independently by these agencies. Agencies generally alternate the performance of IT examinations, to the extent scheduling permits.

Various examination information is entered in DOB's *Examination Division Information System On the Network* (EDISON) database, which is used to track and facilitate the examination process; to include, scheduling, monitoring, and reporting. The CITSE is informed of entities due for an IT examination by receipt of automated notifications from EDISON; and, utilizes built-in reports from Edison for examination scheduling and staff assignment purposes.

IT Examination Process

Planning

During the planning phase, an Examiner in Charge (EIC) who is assigned to the respective examination, performs examination planning procedures outlined in the Planning and Control work paper. Such procedures include coordinating the examination with the entity's management, providing management with a Request Packet, reviewing prior ROEs, and ensuring all requested documents are received from the entity. One of the documents requested from the entity is the Information Technology Profile (ITP), which is a standardized form completed by the entity, and utilized by the Area to assess the entity's IT risks based on the complexity of its IT environment. The EIC reviews the ITP form and validates the entity's responses to derive an ITP score; which, along with the entity's asset size, determines the examination level. Once the examination level is determined, the EIC performs a risk analysis of the entity, plans the detailed scope of the examination, and makes staff assignments. A Scope Form is used to document the proposed examination procedures and personnel assignments; and, must be approved by the CITSE prior to commencement of the examination.

Examinations

The IT Examinations Handbook developed by the Federal Financial Institutions Examination Council (FFIEC), is the primary guidance used by IT examiners when conducting IT examinations. The Area utilizes FFIEC's examination work programs "Information Technology Risk Examination (InTREx)", which were jointly developed by the federal and state regulators, and/or, internally developed work programs that were tailored for modified examination procedures during the COVID-19 pandemic. These work programs are utilized to document the examination procedures performed, and support the examination conclusion included in the ROE. All examination procedures must be documented in work papers in accordance with DOB's internal work paper organization policy. The assigned examiner must complete all required steps included in the respective examination procedure, or document an explanation in the work paper when a required step is not performed. Upon completion of the examination and prior to the exit meeting with the entity, either the CITSE or one of the three senior IT examiners will perform an informal review of the examination.

The EIC is responsible for reviewing work papers to ensure all required procedures were completed, adequately documented, and properly organized. The EIC initials each applicable procedure on the Scope Form to indicate their review. Completed work papers are retained in DOB's document management system by importing them into Document Manager. The EIC is responsible for ensuring all work papers are imported, properly indexed, and accessible in Document Manager.

Rating System

DOB utilizes the Uniform Rating System for Information Technology (URSIT) to assess the entity's IT-related risks. The rating is based on a scale of 1 to 5, with 1 representing the least degree of concern. As part of an examination and during the ROE process, the entity is assigned a composite (overall) rating of 1 to 5 and a component rating of 1 to 5 for each of the four key components: Audit, Management, Development and Acquisition, and, Support and Delivery (AMDS).

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ROE

Upon completion of an examination, findings, if applicable, and examination ratings are communicated to the entity in an ROE. IT examination results can be reported either in a stand-alone ROE or embedded within the S&S ROE. When a stand-alone ROE is prepared by the EIC, the ROE and work papers are first reviewed by an IT examiner who did not participate in the examination, and then by the CITSE. IT examinations conducted by the CITSE are always reviewed by a Review Examiner (RE) at the Austin headquarters location, to avoid self-review. ROEs for qualifying entities, i.e., lower risk as determined by DOB that were not prepared by the CITSE, are signed by the CITSE under the delegation of signature authority, and submitted directly to the entity. All other ROEs are submitted to the Austin headquarters, for additional review by an RE, and must be signed by authorized personnel under the delegation of authority before being sent to the entity. The ROE must be presented to the entity's governing board, as evidenced by each board member's signed acknowledgment attached to the report. DOB has established a processing schedule to ensure ROEs are completed and submitted to the entity in a timely manner. A Financial Analyst monitors the ROEs processing time on a weekly basis, and prepares a semi-annual analysis, for management's review. During the period from September 1, 2021 to January 31, 2022, DOB issued 44 IT examination ROEs, 3 of which were for examinations conducted jointly with a federal supervisory agency.

Work Paper Reviews

In addition to the reviews performed throughout the examination and the ROE processing schedule, DOB conducts, on a sample basis, comprehensive work paper reviews to ensure work papers are of high quality and comply with its established guidelines. DOB utilizes the Work Paper Examination Support Tool (WEST) application to document and communicate review results with management, regional offices, and examiners, in a uniform manner. DOB has established the following types of comprehensive work paper reviews:

- **Comprehensive Division Review** is performed by the CITSE and/or their designee to annually review work papers of 2 completed examinations for each commissioned IT examiner who served as the EIC. Compliance with this requirement is monitored by the Examiner Reference and Policy Coordinator. During the most recent monitoring period from September 1, 2020 to August 31, 2021, the Area performed the required 12 reviews.
- **Examiners' Council (EC) Review** is performed by members of the EC. The EC member serves a 2-year term and consists of an examiner from each RO, a trust examiner, and an IT examiner. Since EC Reviews aim to achieve uniformity among ROs, the EC member who performs an EC Review must be independent from the examination. DOB policy requires an annual review of at least 2 IT examinations. During the 12-month period from April 1, 2021 to March 31, 2022, the EC reviewed 2 IT examinations.

Examiners Training

DOB has established a Commissioning Process, or the Bank Examination Testing System (BETS), specifically for IT examiners. The Commissioning Process for IT examiners is divided into 3 phases, and passing of a lower phase is a prerequisite to progress to the next phase.

Entry level IT examiners (assistant IT examiners) must first pass the Certified Information Systems Auditor (CISA) test before being recommended for promotion to Senior Assistant IT examiner and continue the remaining commissioning process. For commissioned IT examiners to further advance, they must complete certain training courses required by DOB's training policy. Any exceptions to the training policy must be in writing, reviewed and approved by the Banking Commissioner, and retained by Human Resources. Upon being hired, a training plan is developed jointly by the assistant IT examiner and the CITSE, and updated annually.

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COVID-19

DOB continued conducting Full-Scope IT examinations during business disruptions caused by the COVID-19 pandemic. Safety protocols were implemented, which included temporary modifications to examination procedures, and transitioning from conducting onsite to primarily offsite examinations. The modifications allowed a risk-based approach for an examination of smaller, well-managed entities with a less complex IT environment, to ensure adherence to the examination schedule without compromising examination quality. The Area developed a new set of work papers with modified InTREx procedures, and a revised ROE template. These revised documents were made available to all IT examiners to ensure the modified procedures were implemented uniformly. The Area formally documented and informed all examiners of authorization for deviation from certain established procedures during the pandemic.

Performance Measures

The 86th Legislature adopted a recommendation made by the Sunset Advisory Commission and directed the Finance Commission to evaluate and update the agencies' key performance measures. The 3 Finance agencies now report comparable measures, to the extent possible. The Finance Commission approved DOB's fiscal year 2022 performance measures on August 20, 2021.

The Area's compliance with examination frequency requirements is reported at every Finance Commission meeting as the "Examination Priorities", or the percentage of examinations performed on time, which is part of the B&T division Activities agenda item. An IT examination is considered timely if the examination starts on or before the grace date, which is the S&S examination due date plus a 30-day grace period. Of the 35 DOB-led IT examinations performed with a grace date from September 1, 2021 to February 28, 2022, 32, or 91.4%, were performed timely, compared to the target of 95%; and, 3, or 8.6% were performed late by an average of 14.3 days.

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AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to determine whether DOB's policies and procedures and internal controls in place over the IT Examination area (Area) provide reasonable assurance that effective and timely IT examinations are performed; that they are performed in accordance with applicable laws and regulations; and, that internal controls are operating effectively.

Scope

The scope of this audit was to review and/or test the Area's selected functions and examinations performed, for the 7-month period from September 1, 2021 to March 31, 2022 (audit period).

Methodology

The audit methodology included a review of applicable laws and regulations; DOB's established policies and procedures, and other internal and external documentation; and, remote interviews with selected DOB employees.

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

- A. Sections of the Texas Finance Code applicable to the Area.
- B. DOB's written policies and procedures, supervisory memorandums, administrative memorandums, a certain examiner bulletin, and internal memorandums related to the Area.
- C. IT Security Examinations area organizational chart, as part of the Bank & Trust Supervision Division organizational chart.
- D. A listing of IT examination ROEs issued during the audit period; and, the supporting examination work papers and reports for the 7 examinations selected for testing.
- E. A listing of EC Reviews performed during the 12-month period from April 1, 2021 to March 31, 2022; and, the supporting examination work papers and WEST reports for the 2 reviews selected for testing.
- F. Sample scheduling reports, planning documents, and work programs.
- G. Performance measures related to the Area as reported to the Finance Commission on April 22, 2022; and, the supporting performance measures report for Compliance with Examination Priorities - IT examinations.

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

- 1. Reviewed and obtained an understanding of the sections of the Texas Finance Code and policies outlined in supervisory memorandums (SM) applicable to the Area.
- 2. Obtained and reviewed the Area's written procedures, administrative memorandums, a certain examiner bulletin, and internal memorandums; collected other available documentation; and, conducted virtual interviews, to obtain an understanding of controls, processes, and current practices in place over the Area. Then, evaluated whether such controls adequately ensure compliance with applicable requirements identified in procedure 1 above.

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3. Reviewed the logic in EDISON used to derive at the IT examination due dates in relation to the corresponding S&S examinations for consistency with DOB's established Examination Frequency Schedule.
4. Obtained a list of IT examination ROEs issued during the period from September 1, 2021 to March 31, 2022, and selected 2 of 5 examinations that received a comprehensive division review, and, 5 of the remaining 36 independently-conducted examinations, to test for the following attributes:
 - a. The IT examination started on or within 120 days before the S&S examination start date; or, delayed up to 60 days with the B&T Director's concurrence, in accordance with SM1020.
 - b. The ROE was approved and signed at a proper level under DOB's delegation of signatory authority.
 - c. Scope Form was completed, approved by the CITSE; and, where applicable, initialed by an EIC for each procedure reviewed.
 - d. Examination level and scope were appropriate based on the entity's ITP score.
 - e. All required procedures, as documented in the approved Scope Form, were performed.
 - f. Documents attached to work papers were labeled correctly and accessible/legible.
 - g. The ROE was submitted to the entity timely in accordance with DOB's processing schedule.
 - h. The ROE included the modified statement that reflected the risk-focused examination, if applicable.
 - i. The weaknesses identified in the Risk Management section of the ROE was supported by the Summary of Findings (SOF) section of the applicable procedure, and further supported by the documented analysis within the procedure.
 - j. The weaknesses identified in the SOF were included in the ROE, or, excluded from the ROE with an explanation documented.
 - k. The component rating assigned in the ROE was supported by the strengths and weaknesses described in the applicable SOF.
5. For the 2 ROEs that received a comprehensive division review and selected for testing in Procedure 4 above, performed additional testing for the following attributes:
 - a. The WEST report and the EIC response to findings were imaged and retained with the examination work papers.
 - b. The EIC responded to each of the Critical and Important findings from the review.
 - c. Work papers were updated to reflect EIC's review responses.
6. Obtained a list of EC IT Examination Reviews conducted during the 12-month period from April 1, 2021 to March 31, 2022, and selected the 2 EC Reviews performed to determine whether the EC Review was performed by an EC member who was not associated with the examination being reviewed.
7. Obtained and reviewed an internal memorandum dated November 2, 2021 to verify that the annual compliance with the comprehensive division review is monitored, as required by DOB's procedure.
8. Selected 5 of 9 commissioned IT examiners and, using the Personal Training Profile report, determined whether the examiner completed the required core curriculum course needed for their classification.

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9. Obtained the performance measures report presented to the Finance Commission on April 22, 2022, and traced the fiscal year 2022 measures to supporting reports for the following:
 - a. Compliance with Examination Priorities: IT/Commercial Banks
 - b. Compliance with Examination Priorities: IT/Trust Companies
10. For each supporting reports used in procedure 9 above, performed the following procedures:
 - a. Ensured that filters used to generate the supporting reports are consistent with the respective performance measures definitions.
 - b. Recalculated item count and percentages in the report using the accompanying listing.
 - c. Ensured that the reports used as supporting documentation were generated for the correct time period.

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VI. Observations/Findings and Recommendations**SUMMARY and RELATED RATING of OBSERVATIONS/FINDINGS and RECOMMENDATIONS**

As DOB'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.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
-	None	-
<u>Description of Rating</u> A finding is rated <i>Priority</i> 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 <i>High</i> 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 <i>Medium</i> 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 <i>Low</i> if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(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.		

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OBSERVATIONS/FINDINGS and RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
2	5/2/2022	IT Examinations	None.	

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with explanation if not yet fully implemented
2	5/2/2022	2022 Follow-Up	<p><u>Follow-Up of the Prior Year Internal Audit</u></p> <p>Following is the status of the recommendations made during fiscal year 2021 that had not been fully implemented.</p> <p>Consumer Assistance (Report date 3/3/2021)</p> <p>1. Performance Measures</p> <p>DOB should identify the cause of discrepancies identified in CHIPS-generated performance reporting, and update the programming in CHIPS to ensure performance measure results are accurately reported.</p> <p>2. Complaint Processing (Observation)</p> <p>DOB management should monitor data entry in CHIPS and SARA to ensure accurate information is entered for tracking complaints and inquiries.</p> <p>3. Inquiries Reporting (Observation)</p> <p>DOB should establish a policy of counting jurisdictional inquiries that are later classified as complaints to ensure such inquiries are counted in a consistent manner by both DSS and NDS divisions</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

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VII. External Audit Services Procured in Fiscal Year 2022

DOB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2022. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

DOB 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. DOB 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 2023

The risk assessment performed during fiscal year 2022 was used to identify the following *proposed* areas that are recommended for internal audit and other tasks to be performed for fiscal year 2023. The Internal Audit Plan for Fiscal Year 2023 will be developed and presented to the Audit Committee and Finance Commission, for acceptance and approval, at a meeting to be determined at a later date.

- Corporate Activities
- Procurement/Contract Management/HUB
- Other Tasks Assigned by the Finance Commission or the Audit Committee

ATTACHMENT

TEXAS DEPARTMENT OF BANKING
History of Areas Audited
For Fiscal Year 2022

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed										
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Bank Examinations	A/B*	B*				A/B*	E				A
2	Consumer Assistance							E			A	
3	Corporate Activities		A					E				
4	Financial Reporting						B	E*				
5	Fixed Asset Management			C*			A	C*			C*	
6	Imaging and Records Management					A				A		
7	IT Examinations					A		E				A
8	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	D*	D/D*	A/D*	D*	D*	B/D*	E*	A1*/D	D*	A*/D/D*	
9	Money Service Businesses			A			B*	E	A1*	A*		
10	Payroll and Human Resources	F*		C*				C*/F*	F*		C*	
11	Perpetual Care Cemeteries				A		B*	E	A1*	A*		
12	Prepaid Funeral Contracts		A				B*	E	A1*	A*		
13	Prepaid Funeral Guaranty Fund	A						A/E	A1*	A*		
14	Procurement/Contract Management/HUB			C*			B*	C*			C*	
15	Revenue Accounting Process				A		B	E	A1*	A		
16	Travel			C*			B*	C*/E*			C*	
17	Trust Examinations							A/E				

Note: Performance Measures is included in the scope of the applicable audit area(s).

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 McConnell & Jones LLP.
- B** Audit performed by the State Auditor's Office (SAO).
- C** Post-Payment audit performed by the Comptroller of Public Accounts.
- D** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- E** Sunset Review performed by the Sunset Advisory Commission.
- F** Review performed by the Texas Workforce Commission.