TEXAS STATE SECURITIES BOARD

Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2026

GARZA GONZALEZ & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

TEXAS STATE SECURITIES BOARD
Austin, Texas

Internal Audit Plan
For Fiscal Year 2026

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Board Members and Audit Committee Members
Texas State Securities Board
Austin, Texas

Enclosed is the Texas State Securities Board's (SSB) proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2026. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2026. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by the Board or Audit Committee, as necessary.

This Plan has been prepared by Garza/Gonzalez & Associates, LLC, an independent Certified Public Accounting firm, following Generally Accepted Government Auditing Standards, International Standards for the Professional Practice of Internal Auditing, and the Institute of Internal Auditors' Code of Ethics contained in the Professional Practices Framework.

Garza Gonzalez & Associates

April 13, 2026

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I. Methodology

SSB's fiscal year 2026 Internal Audit Plan (Plan) was developed using a risk assessment process, where we reviewed various documents and questionnaires, as documented below.

The following documents were reviewed and/or considered in our risk assessment process:

- Organizational Charts
- Fiscal Year 2026 Appropriations
- Financial and Non-Financial Reports
- Policies and Procedures
- Applicable Laws and Regulations
- Audits and/or Monitoring Reports from Third Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by SSB's Audit Committee Chair, Commissioner, and Division Directors, to update our understanding of each division, and its role within the overall scheme of SSB. The questionnaires included topics; such as, changes in significant systems or key personnel, time elapsed since last audit or review, status from past audits or reviews, and regulatory compliance requirements (e.g., TAC 202, *Information Security Standards*, and contract management). Utilizing the information obtained through the completed questionnaires and background information reviewed, 11 audit areas were identified as the potential audit topics. A risk analysis was conducted for each individual audit topic and then compiled to develop SSB's overall risk assessment.

The following 8 risk factors were considered for each potential audit topic:

Risk Factor	Description
1. Materiality	Measure of the auditable unit's *financial* materiality based on the dollar amount per year of assets, receipts, or disbursements for which the auditable unit is responsible; or, *non-financial* materiality based on the degree of its responsibility related to SSB's primary mission.
2. Time since Last Audit or Review	Measure of the number of years between the date of the previous audit or review and the date of the risk assessment.
3. Results of Prior Audit or Review	Measure of the results and status of the prior audits or reviews.
4. Personnel	Measure of personnel changes and the adequacy of the auditable unit's staffing level as it relates to the achievement of its objectives.
5. Policies & Procedures and Processes	Measure of established internal controls (policies and procedures documenting the auditable unit's activities) and changes in processes and systems.
6. Compliance Requirements	Measure of the complexity of contracts, laws, and/or regulations for which the auditable unit is responsible for ensuring compliance.
7. Fraud, Waste, or Abuse	Measure of the auditable unit's risks and controls in place as it relates to fraud, waste, or abuse.
8. Board & Management Feedback	Measure of feedback expressed in completed questionnaires.

Risk Assessment

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

HIGH RISK	MODERATE RISK	LOW RISK
Processing Dealer Applications[2]	Complaints Process[1] Enforcement[1] Conducting Inspections[1] Procurement/Contract Management/HUB Human Resources and Payroll	Accounting/Financial Reporting/Assets/Travel Information Technology (General Controls) Records Management Processing Securities Applications[2] Processing Cash Receipts/Disbursements/Mail

[1] Includes Performance Measures.
[2] Includes Performance Measures and Registration & Filing Fees.

This report includes the "Risk Assessment Summary" as Attachment A; and, the "History of Areas Audited" as Attachment B, which lists audits and/or reviews performed from fiscal year 2016 through 2025 for the above 11 potential audit topics.

In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2025:
- Risk Assessment & Preparation of the Internal Audit Plan
- Processing Securities Applications Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2024:
- Risk Assessment & Preparation of the Internal Audit Plan
- Payroll and Human Resources Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2023:
- Risk Assessment & Preparation of the Internal Audit Plan
- Information Technology – Change Management & Account Management Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

II. Audit Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of SSB's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope, as applicable, considers 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, and regulations and contracts that could have a significant impact on operations and reports, and determine whether the organization is in compliance.

- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.

- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.

- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

III. Internal Audit Plan

In addition to performing the Fiscal Year 2026 risk assessment as the basis for preparation for this Internal Audit Plan (Plan), the Plan includes one audit to be performed, a follow-up on the prior year's internal audit recommendations, other tasks that may be assigned by the Board or Audit Committee during the year, and the preparation of the Fiscal Year 2026 Internal Audit Annual Report.

The area recommended for internal audit and other functions to be performed for fiscal year 2026 are as follows:

1. Completion of the Fiscal Year 2026 Risk Assessment and Preparation of this Internal Audit Plan

2. Complaints Process Audit
   An audit of this area will be conducted to assess whether the policies, procedures, processes, and internal controls provide reasonable assurance that complaints are processed in compliance with applicable laws and regulations.

3. Follow-Up of Prior Year Internal Audits
   Follow-up procedures will be performed to determine the implementation status of prior year that were not fully implemented as of the fiscal year ended August 31, 2025. Each recommendation will be classified as: (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or, (4) Not Implemented.

4. Preparation of the Fiscal Year 2026 Internal Audit Annual Report
   The Fiscal Year 2026 Internal Audit Annual Report will be prepared in the format prescribed by the State Auditor's Office and in compliance with the Texas Internal Auditing Act requirements.

5. Other Tasks
   Additional tasks may be assigned throughout the year by the Board or Audit Committee.

ATTACHMENTS

TEXAS STATE SECURITIES BOARD
Risk Assessment Summary
For Fiscal Year 2026

								RISK FACTOR WEIGHT								
		10.00%		**17.00%**		**13.00%**		**12.00%**		**16.00%**		**12.00%**		**9.00%**		**11.00%**	
								RISK FACTORS								
		1		**2**		**3**		**4**		**5**		**6**		**7**		**8**	
	Potential Audit Topic	**Materiality**		**Time Since Last Audit or Review**		**Results of Prior Audit or Review**		**Personnel**		**Policies Procedures and Processes**		**Compliance Requirements**		**Fraud Waste or Abuse**		**Board and Management Feedback**	**Total**
	High Risk > 158																
1	Processing Dealer Applications [2]	*2*	20.00	*3*	51.00	*2*	26.00	*2*	24.00	*1*	16.00	*3*	36.00	*1*	9.00	*1*	11.00	193.00
	Moderate Risk - 158																	
2	Complaints Process 1	*2*	20.00	*3*	51.00	*2*	26.00	*1*	12.00	*2*	32.00	*1*	12.00	*1*	9.00	*1*	11.00	173.00
3	Enforcement [1]	*3*	30.00	*2*	34.00	*1*	13.00	*2*	24.00	*1*	16.00	*3*	36.00	*1*	9.00	*1*	11.00	173.00
4	Conducting Inspections [1]	*3*	30.00	*2*	34.00	*1*	13.00	*1*	12.00	*1*	16.00	*3*	36.00	*1*	9.00	*1*	11.00	161.00
5	Procurement/ Contract Management/ HUB	*2*	20.00	*2*	34.00	*2*	26.00	*1*	12.00	*1*	16.00	*2*	24.00	*2*	18.00	*1*	11.00	161.00
6	Human Resources and Payroll	*3*	30.00	*2*	34.00	*1*	13.00	*1*	12.00	*1*	16.00	*2*	24.00	*2*	18.00	*1*	11.00	158.00
	Low Risk <																	
7	Accounting/ Financial Reporting/ Fixed Assets/ Travel	*2*	20.00	*2*	34.00	*1*	13.00	*1*	12.00	*1*	16.00	*2*	24.00	*2*	18.00	*1*	11.00	148.00
8	Information Technology (General IT Controls)	*2*	20.00	*2*	34.00	*1*	13.00	*1*	12.00	*1*	16.00	*2*	24.00	*2*	18.00	*1*	11.00	148.00
9	Records Management	*2*	20.00	*2*	34.00	*1*	13.00	*2*	24.00	*1*	16.00	*1*	12.00	*2*	18.00	*1*	11.00	148.00
10	Processing Securities Applications [2]	*2*	20.00	*1*	17.00	*2*	26.00	*1*	12.00	*1*	16.00	*3*	36.00	*1*	9.00	*1*	11.00	147.00
11	Processing Cash Receipts/ Disbursements/ Mail	*2*	20.00	*2*	34.00	*1*	13.00	*1*	12.00	*1*	16.00	*1*	12.00	*2*	18.00	*1*	11.00	136.00

[1] Includes Performance Measures.
[2] Includes Performance Measures and Registration & Filing Fees.

Risk Factor Rating:
1 - Low Risk
2 - Moderate Risk
3 - High Risk

TEXAS STATE SECURITIES BOARD
History of Areas Audited
For Fiscal Year 2026

		Fiscal Year Audited/Reviewed									
	POTENTIAL AUDIT TOPIC	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1	Accounting & Financial Reporting (includes Assets & Travel)				**A**			**C***			
2	Complaints Process [1]			**B**							
3	Conducting Inspections [1]			**B**				**F**			
4	Enforcement [1]		**A**	**B**			**A**				
5	Human Resources & Payroll	**A1**		**E***				**C***		**A/E***	
6	Information Technology (General IT Controls)[3]		**D***	**B*/D**	**D***	**D**	**D***	**D/F***	**A*/D***	**D**	
7	Processing Cash Receipts/Disbursements/Mail							**A/C***			
8	Processing Dealer Applications [2]			**A/B**							
9	Processing Securities Applications [2]			**B**							**A**
10	Procurement/Contract Management/HUB							**C***			
11	Records Management					**A**					

[1] Includes Performance Measures.

[2] Includes Performance Measures and Registration & Filing Fees.

[3] Periodic vulnerabiltiy scans are performed by the DIR or a third-party procured through the DIR, which are considered standardized reviews and therefore not reflected in this schedule by year.

Legend (audits/reviews with asterisk (*) are considered limited scope for the audit area)

A Internal audit performed by Garza/Gonzalez & Associates, CPAs.
A1 Internal audit performed by Monday Rufus & Co.
B Sunset review performed by the Sunset Advisory Commission.
C Post-Payment audit performed by the Comptroller of Public Accounts.
D IT assessments performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
E Policy review performed by the Texas Workforce Commission.
F Audit performed by the State Auditor's Office.