TEXAS STATE SECURITIES BOARD

Austin, Texas

INTERNAL AUDIT ANNUAL REPORT

Fiscal Year 2026

GARZA GONZALEZ & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

TEXAS STATE SECURITIES BOARD
Austin, Texas

Internal Audit Annual Report

Fiscal Year 2026

TABLE OF CONTENTS

Internal Auditor's Report 1

Introduction 2

I. Compliance with Posting Requirements 3

II. Consulting and Nonaudit Services Completed 3

III. External Quality Assurance Review 3

IV. Internal Audit Plan for Fiscal Year 2026 3-5

V. Executive Summary
Complaints Process
Background 6-7
Audit Objective, Scope, and Methodology 8-9

VI. Observations/Findings and Recommendations
Summary and Related Rating of Observations/Findings and Recommendations 10
Observations/Findings and Recommendations 11-15

VII. External Audit Services Procured in Fiscal Year 2026 16

VIII. Reporting Suspected Fraud and Abuse 16

IX. Proposed Internal Audit Plan for Fiscal Year 2027 16

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

We performed procedures to assess the effectiveness and efficiency of the Texas State Securities Board's (SSB) internal control process over the Complaint Process Area (Area) and its compliance with the applicable provisions of the Securities Act, relevant rules of the Texas Administrative Code, and the Area's policies and procedures, for the nine months ended May 31, 2026.

Our audit procedures determined that SSB's internal control process over the Area was adequate, and no material instances of noncompliance were noted. However, we did identify certain matters, detailed in this report, that present opportunities to strengthen internal controls and enhance compliance with SSB's policies and procedures. Based on their degree of risk or effect in relation to the audit objective, these matters were rated as Priority, High, Medium, or Low, as described in the "Summary and Related Rating of Observations/Findings and Recommendations" section of this report.

We also conducted follow-up procedures on the findings and recommendations from the prior year internal audit report. This report reflects the results and implementation status of our follow-up procedures, and includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements.

We have discussed the audit comments and recommendations for the Area, as well as the follow-up results, with various SSB personnel. We are available to provide additional information if needed.

This report was 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

July 22, 2026

(210) 227-1389
40 NE Loop 410, Ste. 305
San Antonio, TX 78216
www.gga-cpa.biz

INTRODUCTION

The Texas State Securities Board (SSB) is charged with the administration and enforcement of the Texas Securities Act (TSA). SSB's mission is to protect Texas investors. Consistent with this mission, SSB seeks to encourage capital and job formation, promote free and competitive securities markets, maximize coordination with federal and other state securities laws and regulations, and minimize regulatory burdens on issuers and other persons subject to the Act, particularly small businesses.

To achieve these objectives, SSB carries out the following activities:

- Enforcing securities law
- Registering securities offerings
- Registering dealers, agents, investment advisers, and investment adviser representatives
- Conducting inspections of registered dealers and investment advisers

The SSB Board is comprised of five members who serve staggered six-year terms and are appointed by the Governor, with the advice and consent of the Senate. The Board adopts and periodically updates rules to ensure that investors are adequately protected while avoiding unreasonable burdens on legitimate capital-raising activities. The Board also appoints a Securities Commissioner, who serves at its discretion as SSB's chief administrative officer and is responsible for supervising staff's day-to-day activities.

SSB is organized into the following Divisions: Enforcement, Registration, Inspections and Compliance, Legal and Investigations, Office of General Counsel, and Staff Services.

2026 Internal Audit Plan

Following are the internal audit functions performed, as identified in SSB's *2026 Internal Audit Plan*, dated April 13, 2026, and approved by the Board on May 14, 2026:

- Risk Assessment & Preparation of the 2026 Internal Audit Plan
- Complaints Process Audit
- Follow-up of the Prior Year Internal Audit
- Preparation of the 2026 Internal Audit Annual Report
- Other Tasks

This report contains the results of the Complaints Process Audit, the results of the follow-up procedures performed this year on the findings from the prior year internal audit report, and complies with the State of Texas Internal Audit Annual Report requirements.

I. Compliance with Posting Requirements

To comply with the provisions of Texas Government Code, Section 2102.015 and the State Auditor's Office guidelines, within 30 days of approval by the Board, SSB will post the following information on its website:

- An approved fiscal year 2027 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2026 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any identified weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor, as well as a summary of the actions taken by SSB 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,* 2024 Revision, Sections 3.64-3.106.

III. External Quality Assurance Review

The Internal Auditor's (Garza Gonzalez & Associates LLC) most recent *Peer Review Report*, dated January 20, 2025, 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 2026

The approved Internal Audit Plan (Plan) included one audit to be performed during fiscal year 2026. The Plan also included a follow-up on prior year internal audit recommendations that had not been fully implemented as of fiscal year 2025, other tasks as assigned by the Board, and preparation of the 2026 Internal Audit Annual Report.

Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 11 potential audit topics were identified. A risk analysis utilizing 8 risk factors was completed for each individual audit topic and then compiled to develop an overall 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

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

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

The internal audit and other tasks performed for fiscal year 2026 were as follows:

Report No.	Audits/Report Titles	Report Date
1.	Complaints Process *Objective:* To determine whether SSB's policies, procedures, and internal controls over the Complaints Process Area are adequately designed and operating effectively to ensure compliance with applicable laws and regulations.	7/22/2026
1.	Internal Audit Annual Report – Follow-up on the findings and recommendations that were presented in the Prior Year Internal Audit Report. *Includes all reported audit results for Fiscal Year 2026.*	7/22/2026
-	Other Tasks Assigned by the Board or Audit Committee	None

V. Executive Summary

Complaints Process Area (Area)

Background

Texas Government Code (TGC) §4007.051 and Chapter 102 of the Texas Administrative Code (TAC) require the Texas State Securities Board (SSB) to maintain a system for promptly and efficiently processing complaints, retaining specified complaint information, providing periodic status updates to complainants, and making complaint investigation and re

solution procedures publicly available. The regulations also establish minimum complaint submission requirements and agency responsibilities for reviewing, prioritizing, investigating, documenting, and resolving complaints.

Complaints against an individual or entity subject to SSB's jurisdiction may be submitted in person, by mail, facsimile, or electronically using the complaint form available on SSB's website or in another written format. In accordance with TAC §102.3, a complaint should include the complainant's name and contact information (unless the complainant chooses to remain anonymous), identify the individual or entity that is the subject of the complaint, and provide sufficient factual information to determine the nature and circumstances of the complaint.

Complaint and Intake Processing

Public complaints are primarily processed by the Legal and Investigations Division (LID) and the Enforcement Division (ENF). LID generally handles complaints involving registered firms and individuals, while ENF primarily handles complaints involving unregistered activity, potential criminal conduct, and certain matters involving entities registered only with the U.S. Securities and Exchange Commission. Depending on the facts and circumstances of a complaint, the divisions may assist one another during the review and investigation process.

LID and ENF generally process complaints using the following steps:

1. Receive Complaint – Receive complaint through website, mail, email, referral, or another source.
2. Intake – Determine whether the submission qualifies as a complaint and falls within SSB jurisdiction
3. Assign – Record the complaint in the applicable tracking system, assign it to the appropriate staff, acknowledge receipt to the complainant, and search applicable database for related matters.
4. Investigate – Obtain additional information, analyze the allegations, and coordinate with other divisions or agencies, as needed.
5. Determine Disposition – Close the complaint, refer it to another division or agency, incorporate it into an existing matter, open an investigation, or pursue an enforcement action.
6. Close – Document the results, notify the complainant, as appropriate, and retain the complaint records.

LID and ENF maintain complaint information in separate tracking systems designed to collect and retain the information required by TGC §4007.051 and 7 TAC Chapter 102. LID uses the Inspections and Compliance (I&C) Database to record complaint information, staff assigned, investigation results, and disposition. ENF uses the Enforcement Database, the Matters Received spreadsheet, and other statistical spreadsheets to record incoming complaints, staff assigned, investigative files, enforcement activities, and information used for reporting.

Complaints related to an existing matter may be added to the applicable investigative file and forwarded to the assigned investigator, financial examiner, or attorney. For new matters, ENF may create an In Suspense (I/S) file to conduct a preliminary review and determine whether additional agency resources are warranted. Once assigned, the assigned staff member is generally responsible for completing the investigation and determining the appropriate disposition.

Both divisions use standardized correspondence templates to acknowledge receipt of complaints, request additional information, provide status updates, refer matters to another division or agency, and notify complainants when no further action will be taken. Complaint records, correspondence, and supporting documentation are retained within the applicable database, Microsoft Teams file, or investigative record.

As of May 31, 2026, SSB has received and processed 254 complaints, including 40 processed by LID and 214 processed by ENF.

Performance Measures

The Enforcement Division tracks and reports performance measures to evaluate operational effectiveness, support agency planning, satisfy legislative reporting requirements, and assist in the allocation of resources. The ENF administrative assistants and legal secretaries are responsible for maintaining performance tracking records and compiling performance reports under the supervision of the Director of Enforcement. Information is collected from the Enforcement Database and maintained in statistical spreadsheets to calculate the number of investigations opened as a result of complaints, referrals from other law enforcement entities, surveillance of the market, and other information received from other sources during the reporting period. These statistics are used to monitor complaint activity and support agency performance reporting.

Audit Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether SSB's policies, procedures, and internal controls are adequately designed and operating effectively to ensure complaints are received, reviewed, resolved, and closed in accordance with applicable laws, regulations, and agency requirements.

Scope

The audit scope included selected activities and processes related to the receipt, processing, investigation, and resolution of public complaints received by SSB during the period of September 1, 2025 through May 31, 2026 (audit period). This audit also included a review of complaint-related information reported in the 3rd quarter performance report.

Methodology

The audit included reviewing applicable laws, regulations, policies, procedures, and supporting documentation. We also conducted interviews and walkthroughs with Legal and Investigations Division (LID) and Enforcement Division (ENF) personnel to obtain an understanding of the Area.

To accomplish the audit objectives, we performed the following procedures:

1. Identified the criteria applicable to the Area, including:
    a. Texas Government Code, Title 12, Chapter 4007.
    b. Texas Administrative Code, Title 7, Part 7, Chapter 102; and
    c. Applicable SSB policies and procedures.

2. Reviewed written procedures and walkthroughs related to Area, specifically:
    a. Enforcement Division Procedure Manual;
    b. Complaint Processing Standard Operating Procedure;
    c. Complaint Processing Walkthrough; and
    d. LID Public Complaint Procedures.

3. Obtained an understanding of complaint-processing activities, complaint tracking systems, and internal controls. The procedures performed:
    a. Conducted interviews and walkthroughs with LID and ENF personnel, and
    b. Reviewed supporting documentation to assess whether the Area's practices, controls and systems were designed to comply with applicable requirements.

4. Selected a random sample of 25 complaints received during the audit period, consisting of 15 ENF complaints and 10 LID complaints, and tested whether:
    a. Complaint submission contained the required information and was appropriately classified and routed;
    b. Complaint receipt, acknowledgement, referral, resolution, follow-up and closure dates were accurately recorded in the respective complaint tracking system and supported by appropriate documentation;
    c. An acknowledgement letter was sent to complainant with the assigned staff's contact information, and status notifications, when applicable;

d. Referrals to another SSB division, I/S file, or another agency were appropriately documented and supported;
e. Complaint records contain required information, including the parties involved, subject matter, processing status, and final disposition, as applicable; and
f. Complaint acknowledgements and initial processing were completed in a timely manner.
g. Complaint records, correspondence, referrals, memoranda, and other supporting documentation were complete, appropriately retained, and available for review.
h. **For ENF Complaints:**
    a. Required database searches were performed and documented;
    b. Matters were appropriately identified as new matters or related to existing matters.
    c. Existing I/S files, or Investigations folders were appropriately identified, and related enforcement actions were accurately documented and supported.
i. For LID Complaints:
    a. Public Complaint Memoranda contained an appropriate summary, analysis, and closure type;
    b. Jurisdictional determinations, no-action closures, referrals, and other dispositions were reasonable, adequately supported, and consistent with the I&C database; and
    c. Complaints that remained open for six months or longer received required status notifications, unless the file documented that notification could have jeopardized an investigation or enforcement action.

5. Obtained the 3rd quarter Key Performance Measures Report and agreed the total Open Investigations reported to the *Key Measure Number of Law Enforcement Investigation Opened* worksheet and supporting statistical spreadsheets.

VI. Observations/Findings and Recommendations

SUMMARY AND RELATED RATING OF
OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

As SSB's internal auditors, we exercised 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 impact of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings in this report and their corresponding ratings.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	**Title**	**Rating**
1	Accuracy and Completeness of Complaint Processing Records	Low
Observation No.	**Title**	**Rating**
1	Documentation of the Review or Investigation Results	
2	Retention of Documentation Supporting the Transfer of Matters	–
3	Policies and Procedures	–

Description of Rating

A finding is rated *Priority* 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(s) and reduce risks to the audited entity.

A finding is rated *High* 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(s) and reduce risks to the audited entity.

A finding is rated *Medium* 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(s) and reduce risks to a more desirable level.

A finding is rated *Low* 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.

OBSERVATIONS/FINDINGS AND RECOMMENDATONS

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations
1	7/22/26	Complaints Process	**1. Accuracy and Completeness of Complaint Processing Records** Our testing of 25 complaints received by SSB during the audit period identified instances of incomplete, inaccurate, and unsupported complaint processing records. a. Incomplete and/or Inaccurate Complaint Tracking Records • For ENF, in 2 instances, confirmation of receipt and/or Acknowledgment Letter was missing from the ENF complaint tracking records and in 1 instance the complaint receipt date did not agree to the supporting documentation, since the initial notice was duplicated. • For LID, in 1 instance, Acknowledgment Letter was missing from the LID complaint tracking record. b. Missing Documentation • For ENF, in 1 instance, supporting documentation including, the docket sheet, confirmation of receipt or acknowledgement letter, date-received documentation, and other related processing documentation were not located since this complaint was not processed since the date of receipt December 15, 2025. • For LID, in 1 instance, an acknowledgement letter or email was not provided for a complaint, this appears to be an isolated incident. Incomplete, inaccurate, or unsupported complaint records limit SSB's ability to demonstrate compliance with established complaint-processing requirements and may hinder management's ability to monitor complaint status and timeliness. In addition, incomplete documentation increases the risk that complaints may not be appropriately tracked, assigned, acknowledged, or processed in a timely manner. Complaint information is entered and updated by multiple staff members, the absence of standardized controls increases the risk of inconsistent, incomplete, or inaccurate data entry. **Recommendation** We recommend that SSB strengthen and further standardize complaint intake and processing procedures for ENF and LID by: a. Centralize the intake complaint process by assigning designated personnel to assist both divisions with complaint intake, data entry, routing, assignments, acknowledgement letters, and related administrative processing. b. Consider implementing a standardized electronic complaint-submission form that captures the information required by TAC §102.3(d), allows complainants to upload supporting documentation, and automatically populate relevant complaint-tracking fields. c. Until a centralized or automated process is implemented, establish supervisory review procedures, such as secondary reviews, or periodic reconciliation, to verify that: • Required complaint information is accurately recorded; • Acknowledgments are issued and retained; • Complaints assignments and processing activities are completed; and • Supporting documentation is properly maintained.

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations
1	7/22/26	Complaints Process	**Management's Response** LID agrees with the internal auditor's recommendation that the intake complaint process be centralized and the responsibility of specific personnel and that an electronic system should be implemented for complaint submission, allowing complainants to upload supporting documentation and automatically populate relevant complaint-tracking fields. To ensure compliance with Texas Government Code Section 4007.051(a) and Texas Administrative Code Section 102.1(c) and 102.6(b) during the interim, LID will establish the following supervisory review procedures: On a quarterly basis, LID Staff will verify that each complaint received during that quarter has been entered into the I&C Database by the assigned individual and that all relevant fields in the I&C Database have been entered. LID Staff will then review each Microsoft Teams folder for each complaint during that quarter to ensure that a folder exists, an acknowledgement letter is on record, and a six-month update letter is on record, if applicable. For any complaints that have been closed out during that quarter, LID Staff will verify that the appropriate folder has been moved to the appropriate FY destroy folder within Microsoft Teams, that a closing memorandum is on record, that a closing out letter is on record, and that the matter has been closed on the I&C Database. If the LID Managing Attorney is not the staff member who performs this quarterly review, that staff member will provide his or her findings to the LID Managing Attorney. Enforcement agrees with the recommendation and will work to further standardize the complaint intake and processing process, including strengthening documentation, review procedures, and controls to ensure complaints are accurately tracked, assigned, acknowledged, and processed. Additionally, Enforcement will seek to hire a dedicated staff member whose primary responsibility will be to coordinate, monitor, and track complaints throughout the intake and processing.

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations
1	7/22/26	Complaints Process	OBSERVATION **1. Documentation of the Review or Investigation Results** Texas Government Code §4007.051(a) and 7 TAC §102.1(c) and §102.6(b) require SSB to maintain information regarding the results of its review or investigation and the final disposition of each complaint. In addition, TAC §102.6(d)–(e) identifies potential review or investigation outcomes, as follows: no further action, informal or formal action, civil referral, or further development for potential criminal prosecution. We reviewed the ENF's Matters Received worksheet used to track the processing of complaints. We noted the worksheet does not have a "field" to document final disposition or closure of the review or investigation. As a result, the worksheet does not provide a clear, consistent, and readily identifiable record of the complaint received to the final disposition. **Recommendation** We recommend that ENF consider revising the Matters Received worksheet to include a designated field for recording the final disposition or closure of the complaint review and/or investigation. **Management's Response** Management agrees with the recommendation. Enforcement's investigative files are the primary official records documenting the final disposition or closure of complaint reviews and investigations. Management will also revise the Matters Received worksheet to include a designated field reflecting the final disposition or closure of each matter. This enhancement will provide an additional summary-level mechanism for management to monitor and confirm the status and disposition of matters received. With the recommendation revised to reflect that the issue is limited to the Matters Received worksheet, rather than the maintenance of final disposition information generally. **2. Retention of Documentation Supporting the Transfer of Matters** Documentation supporting the transfer of matters and related files to other SSB offices was not consistently retained. During our testing, we identified three instances in which ENF was unable to provide documentation for matters and related files sent to the assigned investigator, attorney, or receiving office because the supporting documentation was not retained. ENF could not demonstrate through the original transfer documentation that the matters and related files were communicated to the appropriate personnel or office. Although alternative evidence may exist in some instances, the absence of consistently retained transfer records reduces the clarity and completeness and history of the matter. **Recommendation** We recommend that ENF prepare and retain documentation supporting the transfer of matters and related files. The documentation should identify the receiving investigator, attorney, or office and the date of transfer. Acceptable supporting documentation may include emails, Microsoft Teams task comments, or other evidence demonstrating the transfer.

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations
1	7/22/26	Complaints Process	**Management's Response** Enforcement agrees with the recommendation and will update its procedures to ensure transfers, complaint prioritization, and referrals are appropriately documented and retained. **3. Policies and Procedures** Texas Administrative Code §102.5 requires SSB staff to consider specified factors prioritizing complaints for further investigations. Based on our review of the LID Public Complaint Procedures, the process for applying these prioritization factors is not documented. Additionally, we noted that when SSB receives a complaint that falls outside its jurisdiction, staff notify the complainant that the matter is outside SSB's authority and either forwards the complaint to the appropriate agency or advises the complainant to contact the appropriate agency directly. However, this process is not documented in SSB's policies and procedures. **Recommendation** We recommend that SSB update its policies and procedures to document the process (1) for prioritizing complaints for further investigation in accordance with TAC §102.5 and (2) for handling complaints that fall outside SSB's jurisdiction, including notification of the complainant and referral to the appropriate agency, when applicable. **Management's Response** To comply with Texas Administrative Code Section 102.5, LID will update its Public Complaint Procedures to include the process for prioritizing complaints received as well the process for when a complaint falls outside SSB's jurisdiction. Specifically, LID will update its procedures to include the following: When reviewing a complaint, LID Staff will consider the following factors, including but not limited to: 1) Ongoing harm to the complainant 2) Amount of losses to the complainant 3) Whether the complainant is a senior or vulnerable adult 4) Potential harm to other individuals 5) Current workload of LID Staff, including other cases that are of higher priority LID Staff will also update its Public Complaint Procedures to state that if LID Staff determines that a complaint does not fall within SSB's jurisdiction, LID Staff will notify the complainant that the complaint falls outside of SSB's jurisdiction and will inform them of the appropriate Agency or jurisdiction and LID Staff may forward the complaint to the appropriate Agency. Enforcement agrees with the recommendation and will update its procedures to ensure transfers, complaint prioritization, and referrals are appropriately documented and retained.

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
1	7/22/26	2026 Follow-Up	**Follow-Up of the Prior Year Internal Audit** Following is the status of the recommendations made in fiscal year 2025 that had not been fully implemented. **Processing Securities Applications (Report date 8/13/2025)** **1. Inconsistent Adherence to Rules Filings Procedures** SSB should consider conducting periodic quality checks, on a sample basis, for manually processed Rules filings that do not require management approval. **1. Procedures Update (Observation)** SSB should continue its effort to update and streamline the written procedures to align with current practices and present instruction in a clear, concise format. The SSB procedures that are pending update are: • Securities Electronic Procedures – Examiners • General Application Procedures • Renewal of Regular Offerings *Management's Response for FY 2026 Status* Due to the number of securities procedures Registration has and nature of the changing landscape of the securities industry, this is an ongoing responsibility. The Director of Registration has updated (various) securities procedures and will continue to do so on an ongoing basis.	**Fully Implemented** **Incomplete/Ongoing**

VII. External Audit Services Procured in Fiscal Year 2026

SSB procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2026. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

SSB has provided information on their website homepage 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. SSB 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 2027

The risk assessment performed during fiscal year 2026 was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2027. The 2027 Internal Audit Plan will be developed and presented to the Audit Committee and the Board, for acceptance and approval, at a meeting to be determined at a later date.

- Processing Dealer Applications
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Audit Committee or the Board