

TEXAS STATE SECURITIES BOARD
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2014

TABLE OF CONTENTS

Internal Auditor's Report	1
Introduction	2
Internal Audit Objectives	3
Executive Summary	
Processing Cash Receipts and Disbursements	
Background	4-8
Audit Scope/Objective	8-9
I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Reports and Other Audit Information on SSB's website	9
II. Internal Audit Plan for Fiscal Year 2014	9-10
III. Consulting and Nonaudit Services Completed.....	11
IV. External Quality Assurance Review.....	11
V. Observations/Findings and Recommendations	12-15
VI. Proposed Internal Audit Plan for Fiscal Year 2015	16
VII. External Audit Services Procured in Fiscal Year 2014	16
VIII. Reporting Suspected Fraud and Abuse.....	16
IX. Organizational Chart	17

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

INTRODUCTION

The State Securities Board (SSB) is charged with the administration and enforcement of the Texas Securities Act (the Act). SSB's mission is to protect Texas investors. Consistent with that purpose, SSB seeks to ensure a free and competitive securities market for Texas, increase investor confidence; and, thereby encourage the formation of capital and the creation of new jobs in Texas. SSB investigates suspected violations of the Act and ensures that administrative, civil, or criminal enforcement actions are taken in appropriate circumstances. SSB also registers securities sold in Texas and the firms and individuals who sell securities or render investment advice in the state.

SSB was created in 1957 pursuant to the Act passed by the 55th Texas Legislature. This legislation was the culmination of four earlier statutes dating back to 1913. The Act provides for the registration of securities offered or sold in Texas and of firms and individuals who sell securities or render investment advice in the state. In certain circumstances a particular security or transaction may be exempt from the registration requirements of the Act. Whether or not an exemption from the registration provisions is available, the Act prohibits fraud in the offer or sale of securities in Texas.

2014 Internal Audit Plan

Following are the internal audits and other functions performed, as identified in SSB's approved 2014 Internal Audit Plan:

- Processing Cash Receipts and Disbursements
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of our audit of the Processing Cash Receipts and Disbursements area, reflects the follow-up performed in the current year; and, meets the Annual Internal Audit Report requirements.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

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 SSB'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.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

EXECUTIVE SUMMARY

BACKGROUND

Processing Cash Receipts and Disbursements

Organizational Structure

The Staff Services Division (Division) is responsible for the Processing Cash Receipts and Disbursements area. The Division is comprised of a director, an accountant, 2 deposit and mail processing administrative assistants (administrative assistants), 3 information technology staff members, an HR Specialist, an AP Specialist, and 2 other staff members.

Processing Cash Receipts

The majority of cash receipts received by SSB are from registration fees for securities sold in Texas and from firms and individuals who sell securities or render investment advice in the state; and, fines or penalties assessed through enforcement actions for violations of the Texas State Securities Act. Cash receipts are received by check, money order, electronic funds transfers (EFTs); and, in rare instances, cash.

Cash receipts that are mailed to SSB, are first received in the mailroom, where all mail, with the exception of mail addressed to the Enforcement Division, is opened and accompanying documentation is date stamped, and initialed by the Administrative Assistant who opened the mail. Mail that is addressed to the Enforcement Division, which generally does not contain cash receipts, is only date stamped on the envelope.

Mail is sorted into 2 stacks, one stack for mail with cash receipts and the other for mail without cash receipts. The mail not containing cash receipts is sorted by division for pick up by respective staff. A running total of cash receipts (checks, money orders, cash, etc.) received by mail throughout the day is maintained and the daily total is documented in a log maintained by the mailroom staff. The total amount of cash receipts processed (deposited) and checks returned (to sender) are also documented in the log.

Checks and Money Orders

The Administrative Assistant who receives the checks and/or money orders will review them for accuracy (i.e. made payable to SSB, agreement of numeric and written amounts, etc.), endorse them, and process them within 3 business days of the date received. The check or money order amount is written at the top of the first page of the accompanying documentation, where the check or money order is attached, and totaled by batch. The calculator tape showing the total batch amount and number of checks and money orders is then attached to the batch. The check or money order, and first page of its accompanying documentation are then stamped with the same unique register number, using a Bates stamper, for internal tracking purposes.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

An Administrative Assistant assigns each check and money order a revenue code when entering them into the Money System, SSB's internally developed cash receipt system. The revenue code identifies the cash receipt type and allows the Money System to record the check and money order in the proper account.

After all checks and money orders have been entered into the Money System, they are removed from the supporting documentation and counted twice by the same Administrative Assistant, to ensure the amount agrees to the amount reflected and viewed in the Money System. The checks and money orders, along with the accompanying documentation, are then provided to the designated deposit staff member, who is responsible for preparing the deposit. Checks and money orders that are not processed the same day received are maintained in a locked safe within the mailroom and processed the next business day.

As part of the deposit preparation process, the designated deposit staff member totals all checks and money orders and attaches the calculator tape to them; selects the "create deposit" option from the Money System to generate the total number of checks and money orders entered and the combined total of all checks and money orders; and, compares the total of all checks and money orders from the Money System to the calculator tape total, to ensure completeness and accuracy. If the 2 amounts agree, the designated deposit staff member will prompt the Money System to "run deposit" and a numbered Deposit Voucher Request Form (Deposit Form), that documents the deposit amount and account codes associated with the deposit, will be printed. The designated deposit staff member then logs the Deposit Form number into an excel spreadsheet, which is used to account for all Deposit Forms and ensure they are sequential.

The designated deposit staff member completes a two part deposit slip, which is taken, along with the checks and money orders, to the Comptroller's Treasury Division (Treasury) for deposit. At the Treasury, the teller will date stamp the deposit "receipt copy" and return it to the designated deposit staff member. The designated deposit staff member prepares a journal entry in USAS using the accounts listed on the Deposit Form. A print screen of the USAS entry, the deposit "receipt copy", and the Deposit Form are all assembled and provided to the Division Director (Director) or the Accountant in his absence, for review and signature on the Deposit Form, to denote approval, and for release of the journal entry in USAS.

Electronic Funds Transfers (EFT)

Applicants may elect to pay their securities registration fees by EFT, using the Blue Express system. SSB also participates in the Central Registration Depository (CRD) and Investment Adviser Registration Depository (IARD) systems operated by the Financial Industry Regulatory Authority (FINRA), which allows dealers, agents, investment advisers and their representatives to register electronically and pay associated fees by EFT. Fees paid by EFT are sent directly to the Treasury, where they are held in a temporary account until SSB prepares the journal entry in USAS, as described below.

The Treasury sends a daily email to SSB's designated deposit staff member with an EFT amount for that day, while the Registration Division provides her with a disbursement file for that same day, which contains the fees paid by applicants using the Blue Express, CRD, and IARD systems. The designated deposit staff member will print and Bates stamp the email, download and import the disbursement file into the Money System, and verify that the fees paid, as reflected in the disbursement file, agree to the EFT amount, per the email. If the 2 amounts agree, the designated deposit staff member will prepare an electronic Deposit Form and log the deposit number into the same excel spreadsheet used for check/money order deposits.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

As part of the deposit preparation process, the designated deposit staff member will select the “run deposit” option in the Money System and print the Deposit Form; generate an electronic deposit slip that is emailed to the Treasury; and, print a copy of the electronic deposit slip to attach to the email. The designated deposit staff member then prepares a journal entry in USAS using the accounts listed on the Deposit Form. A print screen of the USAS entry, the printed copy of the deposit slip, and the email from the Comptroller’s Office, is assembled and follows the same review and approval process as check/money order deposits.

SSB has established accounts with the Comptroller to be used for certain vendors; such as, JP Morgan, BNY Mellon, etc., so that when they make payments, funds are deposited to the established account on SSB’s behalf. These deposits are processed in the same manner as other EFTs; however, a journal entry in USAS is not required, which also eliminates the review and approval by the Director or Accountant.

From September 1, 2013 through April 30, 2014, cash receipts totaled \$154,289,320; of which, \$22,666,947 was received by check and money order, \$131,622,321 by EFTs, and \$52 by cash.

Refunds

Refund requests are reviewed and approved by either the Registration Division’s Director or Assistant Director. When a refund is approved, documentation is provided to the Accountant for processing. The Accountant prepares a journal entry in USAS and provides the information to the Director for review, approval, and release.

From September 1, 2013 through April 30, 2014, SSB processed 80 refunds totaling \$107,606.

Processing Disbursements

Purchase Order

The purchase of all goods or services requires the employee requesting the purchase to complete a purchase order (P.O.) form, which documents the item, description, and cost, estimated cost, or not to exceed amount. The P.O. form requires the approval of the respective Director or Assistant Director; and, if the cost, estimated cost, or not to exceed amount, will exceed \$1,000, approval by the Director of Staff Services and the Commissioner or Deputy Commissioner is required. Upon approval of all required parties, the P.O. form is provided to the Purchaser or IT Purchaser, who will review for documentation of proper approvals and log the information into the P.O. database system, which is an internally developed system used to track and account for all P.O.s. The P.O. database system assigns the P.O. number, which is written on the P.O. form. The Purchaser or IT Purchaser will also select the vendor using the proper procurement method and ensure the vendor is not suspended or debarred. The Purchaser or IT Purchaser will then input the vendor name, description of the item, the cost, the status (encumbrance, accounts payable, or paid), and the account code into the P.O. database.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

Receipt of Goods and Services

When the goods or services are received, the shipping receipt, voucher, or other documentation, is initialed and dated by the mail room personnel, to denote receipt. The P.O. form must also be initialed and dated in the Delivery Date field by the Purchaser or IT Purchaser, to denote that the goods received agreed to what was ordered.

Upon receipt of the invoice, it is date stamped, reviewed for accuracy, and initialed by the Purchaser or IT Purchaser to denote such review; and, attached to the P.O. form with all accompanying purchase documents. The packet is then sent to the Accounts Payable (AP) Specialist for payment processing. Invoices received by email are printed, along with the email, and follow the same process as those received by mail. Invoices are paid within 30 days of receipt, which is in accordance with the Comptroller's rules for timely payment.

Payment

The AP Specialist reviews the account code entered into the P.O. database system for accuracy and enters the same information into USAS for payment. A print screen of the USAS entry is attached to the supporting documentation and a Purchase Voucher, which documents the payment and account information, is prepared by the AP Specialist.

Purchase Vouchers for re-occurring checks of \$500 or less can be approved by the Accountant, who can also release the journal entry in USAS. All other Purchase Vouchers require the approval of the Accountant and Division Director, who release the related journal entry in USAS.

The release of journal entries in USAS prompts warrants to be printed at the Comptroller's office. Warrants are hand-delivered to SSB only to authorized individuals (i.e. Purchaser, AP Specialist, HR Specialist, etc.). Warrants are then mailed by administrative staff to the appropriate vendor and the AP Specialist changes the status for the respective P.O. to "paid" in the P.O. database system.

Warrants that are sent electronically (i.e. payroll and travel reimbursements) are verified for proper vendor name, amount, etc., by the Comptroller's Web Warrant Inquiry and Cancellation Request (WWIC) System and the tracking number and the date sent is written on the Purchase Voucher.

From September 1, 2013 through April 30, 2014, warrants totaled \$524,993.

Cancellations

Warrant cancellations are prepared by the AP Specialist using the WWIC System. The cancellation request, as generated by the AP Specialist, including documentation describing and/or supporting the reason for the cancellation, is provided to the Division Director for his review and upon approval, he will release the cancellation in the WWIC System. If a warrant is to be re-issued, a Purchase Voucher will be prepared to order a new warrant.

When a warrant is cancelled and a new Purchase Voucher prepared, the new Purchase Voucher number is written on the old Purchase Voucher number and vice versa.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

From September 1, 2013 through April 30, 2014, 6 warrants were cancelled; of which, 3 were re-issued.

Audit Scope/Objective

The scope of our audit was the Processing Cash Receipts and Disbursements area. The objective of our audit was to gain an understanding of the processes in place for the cash receipt and disbursement functions to determine whether SSB applied and complied with established policies and procedures and applicable laws and regulations.

The procedures performed to achieve the objective of our audit were as follows:

1. Reviewed and obtained an understanding of applicable laws and regulation; and, SSB's established policies, procedures, and current practices in place for processing cash receipts and disbursements.
2. Obtained an understanding of the systems used to process cash receipts and disbursements.
3. Selected a sample of 25 cash receipts for the period from September 1, 2013 through April 30, 2014, and tested for the following attributes:
 - a. Proper supporting documentation was maintained.
 - b. Deposit slip amount agreed to the amount entered into the Money System and USAS.
 - c. Deposit form was properly approved by the Director of Staff Services or Accountant.
 - d. Deposit slip was properly date stamped by the Treasury.
 - e. Email from the Comptroller's Office is maintained for EFTs.
 - f. For 10 of the 25 cash receipts, ensured proper revenue code was entered in the Money System.
4. Selected a sample of 25 disbursements made during the period from September 1, 2013 through May 31, 2014 and tested for the following attributes:
 - a. Purchase Order (P.O.) form was—
 - 1) Approved by the respective Division Director or Assistant Director;
 - 2) If over \$1,000, approved by the Director of Staff Services and the Commissioner or Deputy Commissioner;
 - 3) Assigned a number and properly documented the cost or estimated cost of the item or service to be purchased; and,
 - 4) Dated and initialed when item was received.
 - b. Receiving documentation was properly attached, dated, and initialed.
 - c. Purchase Voucher was approved by the Accountant or Division Director, as applicable.
 - d. Warrant issued within 30 days of invoice receipt date.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

- e. Proper object code used to record expenditure.
 - f. P.O., invoice, and Purchase Voucher amounts agreed.
 - g. Purchase documents contained all items required by the Texas Administrative Code §5.51(2)(d); such as, tax ID number, amount, account code, disbursement method, etc.
5. Performed a walk-through of the cash receipt process from receipt and processing in the mailroom to verification and release for deposit.
 6. Ensured the significant findings concerning cash receipt processing, as included in the SAO's 2010 Report, were not re-occurring.
 7. Obtained and reviewed the May 2014 "Bates Report" generated from the Money System and ensured it was properly reviewed and there were no missing or skipped numbers that were not properly explained.

I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on SSB's Website

To comply with the provisions of House Bill 16, within 30 days of approval by SSB's Board, SSB will post the following information on its website:

- An approved fiscal year 2015 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2014 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes 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 SSB to address such concerns.

II. Internal Audit Plan for Fiscal Year 2014

The Internal Audit Plan (Plan) included 1 audit to be performed during the 2014 fiscal year. The Plan also included a follow-up of the prior year audit recommendations, other tasks as assigned by the Board, and preparation of the Annual Internal Audit Report for fiscal year 2014.

Risk Assessment

Utilizing information obtained through the inquiries and background information reviewed, 15 audit areas were identified as potential audit topics. A risk analysis utilizing our 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

Following are the results of the risk assessment performed for the 15 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Processing Cash Receipts and Disbursements	Conducting Inspections	Budget and Planning
Payroll and Human Resources	Enforcement	Processing Dealer Applications
Purchasing/Contracting for Services/Travel	Fixed Assets/Property Accounting	Performance Measures
Processing Securities Applications	Accounting and Financial Reporting	Records Retention
		Registration and Filing Fees
		Customer Service
		Information Technology

The areas recommended for internal audits and other tasks to be performed for fiscal year 2014 were as follows:

Report No.	Audits/Report Titles	Report Date
1.	Processing Cash Receipts and Disbursements	7/3/2014
-	Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits	7/3/2014
-	Other Tasks Assigned by the Board	None

In the prior 3 years, internal audits were performed in the following areas:

Fiscal Year 2013:

- Processing Securities Applications

Fiscal Year 2012:

- Accounting and Financial Reporting
- Information Technology

Fiscal Year 2011:

- Processing Dealer Applications
- Fixed Assets/Property Accounting

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

III. 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, December 2011 Revision*, Sections 3.33-3.58.

IV. External Quality Assurance Review

The internal audit department's most recent *System Review Report*, dated October 26, 2012, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

TEXAS STATE SECURITIES BOARD
 Annual Internal Audit Report
 Fiscal Year 2014

V. Observations/Findings and Recommendations

Report No.	Report Date	Name of Report	Findings/Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) with brief description if not yet implemented	Fiscal Impact/Other Impact
1	7/3/2014	Processing Cash Receipts & Disbursements	<p>1. Staff Services Procedures Manual (Manual)</p> <p>Our review of the Manual, discussions with staff, and a walk-through performed of the cash receipt process, identified the following discrepancies:</p> <ul style="list-style-type: none"> • Journal entries for certain EFT deposits are not required to be made by SSB since the accounts to be used for such deposits have already been established with the Comptroller's Office; however the Manual does not reflect this process. • The Accountant is authorized to review certain deposits and release the entry in USAS; however, the Manual states that only the Director of Staff Services and the Deputy Commissioner are authorized to perform this function. • Deposit numbers are tracked on an excel spreadsheet; however, the Manual states they are tracked in a "spiral deposit book". <p>Recommendation We recommend SSB revise the Manual, as considered necessary, to ensure cash receipt related functions are performed in a uniform manner, as intended by management.</p> <p>Management's Response The SSB staff will adhere to the auditor's recommendation by updating the Staff Services Procedures Manual in the manner described in the Annual Internal Audit Report. The Manual will be revised to include a procedure describing the creation of Comptroller accounts for EFT deposits that allow automatic deposit without the use of a journal entry in USAS. The staff will also amend the procedures to state that the Director of Staff Services and the Accountant can review and release deposits. Finally, the staff will change the procedure for tracking deposit numbers to include the new method using an Excel spreadsheet.</p> <p>2. Deposit Documentation</p> <p>Since the original supporting documentation for 1 deposit which contained 2 of the 25 cash receipts selected for testing could not be located, we were not able to test for proper approval process.</p>		<p>Ensure policies and procedures reflect SSB's practices.</p> <p>Ensure deposit supporting documentation is properly maintained.</p>

TEXAS STATE SECURITIES BOARD
 Annual Internal Audit Report
 Fiscal Year 2014

Report No.	Report Date	Name of Report	Findings/Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with brief description if not yet implemented	Fiscal Impact/Other Impact
1	7/3/2014	Processing Cash Receipts & Disbursements	<p>Recommendation We recommend SSB strengthen their controls over the retention of deposit documentation or consider scanning the documentation and keeping an electronic copy.</p> <p>Management's Response The SSB plans to bolster its controls and practices related to the retention of deposit documentation through additional training of applicable personnel.</p> <p>3. Purchase Orders (P.O.)</p> <p>The Manual requires that a P.O. reflect the cost, estimated cost, or a not to exceed amount, of the item or service being requested for purchase, which is required to determine the proper approval process and to determine if sufficient funds are available in the budget.</p> <p>Our testing of 25 disbursements disclosed 1 instance where the P.O. did not reflect the cost, estimated cost, or not to exceed amount for the requested purchase.</p> <p>Recommendation We recommend SSB comply with their internal policies and procedures and ensure the cost, estimated cost, or not to exceed amount is documented on the P.O. before the item or service is purchased.</p> <p>Management's Response The SSB staff will adhere to the auditor's recommendation by reviewing the procedures with applicable division staff and stressing the importance of properly filing all supporting documents.</p> <p>4. Employee Reimbursement</p> <p>Per "eXpendit State Purchase Policies", a state agency's payment is due on the 30th day from the date the agency receives the goods or services or the date the agency receives an invoice, whichever is the latest date.</p> <p>Our testing of 25 disbursements denoted 1 instance where an employee was reimbursed for training; however, we were unable to determine when the request for reimbursement was submitted and since the supporting documentation was not date stamped, we were unable to determine if the employee was reimbursed within 30 days.</p>		<p>To ensure compliance with policies and procedures.</p> <p>To ensure compliance with state policies and procedures.</p>

TEXAS STATE SECURITIES BOARD
 Annual Internal Audit Report
 Fiscal Year 2014

Report No.	Report Date	Name of Report	Findings/Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with brief description if not yet implemented	Fiscal Impact/Other Impact
1	7/3/2014	Processing Cash Receipts & Disbursements	<p>Recommendation We recommend SSB date stamp the supporting documentation when received for reimbursement to ensure payment is made within 30 days from the date received.</p> <p>Management's Response The SSB staff will adhere to the auditor's recommendation by date stamping the supporting documentation for employee reimbursements.</p>		

TEXAS STATE SECURITIES BOARD
 Annual Internal Audit Report
 Fiscal Year 2014

Report No.	Report Date	Name of Report	Findings/Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with brief description if not yet implemented	Fiscal Impact/Other Impact
	7/3/2014	2014 Follow-Up	<p>Follow-Up of Prior Year Audits</p> <p>Following is the status of the recommendations made during fiscal year 2013 that had not been fully implemented.</p> <p><u>Processing Securities Applications</u></p> <ol style="list-style-type: none"> 1. Approval of Refunds for Security Applications and Filings Modify the Registration Division's procedures to authorize both the Director and the Assistant Director to approve refunds. 2. Documentation of Security Registration Ensure confirmation letters are sent indicating the registration of the security is effective and a copy is maintained in the application folder. 3. Training for Registration Division Consider developing a training program, establishing training requirements and developing a process to document training obtained related to the securities industry. 4. Notice Filings with Required Sales Reports Consider establishing a process to perform a verification of the sale amounts reported through the use of a risk assessment process to determine which notice filings should be verified. 	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>Improved Adherence to Policy and Procedures</p> <p>Improved Adherence to Policy and Procedures</p> <p>Improve efficiency and effectiveness</p> <p>Ensure complete and accurate reporting by Notice Filers</p>

TEXAS STATE SECURITIES BOARD

Annual Internal Audit Report

Fiscal Year 2014

VI. Proposed Internal Audit Plan for Fiscal Year 2015

The risk assessment performed during the 2014 fiscal year was used to identify the following *proposed* areas that are recommended for internal audits and other tasks to be performed for fiscal year 2015. The Internal Audit Plan for Fiscal Year 2015 will be developed and presented to the Audit Committee and/or Board at a meeting to be determined at a later date.

- Enforcement
- Records Retention
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Audit Committee or Board.

VII. External Audit Services Procured in Fiscal Year 2014

SSB procured the internal audit services documented in the Internal Audit Plan for fiscal year 2014.

VIII. Reporting Suspected Fraud and Abuse

SSB has provided information on their 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. SSB has also developed a Fraud Prevention Policy that provides information on how to report suspected fraud.

IX. Organizational Chart

