

**OFFICE OF CONSUMER CREDIT  
COMMISSIONER**  
Austin, Texas

**INTERNAL AUDIT ANNUAL REPORT**

Fiscal Year 2023



OFFICE OF CONSUMER CREDIT COMMISSIONER  
Austin, Texas

Annual Internal Audit Report  
Fiscal Year 2022

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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Finance Commission Members and  
Audit Committee Members  
Office of Consumer Credit Commissioner  
Austin, Texas

We performed procedures to determine the effectiveness and efficiency of the Office of Consumer Credit Commissioner's (OCCC) internal control structure over the Human Resources and Payroll Area (Area); and, its compliance with the State Auditor's Office Texas Human Resources Management Statutes Inventory, and the Texas Comptroller's fiscal policies and procedures, as applicable to the Area; and, the Area's established policies and procedures, for the 7 months ended March 31, 2023.

The results of our procedures disclosed that OCCC's internal control structure over the Area were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters, included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements and OCCC's established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations" section of this report.

We also performed a follow-up of the findings and recommendations presented in the prior year internal audit reports, that were not fully implemented. This report which reflects the results and implementation status of our follow-up procedures performed; and, includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements, has been prepared by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted 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..

We have discussed the comments and recommendations from the audit of the Area; and, the implementation status from the follow-up procedures performed, with various OCCC personnel; and, will be pleased to discuss them with you in further detail.



July 6, 2023

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INTRODUCTION

The Office of Consumer Credit Commissioner (OCCC) operates pursuant to Chapter 14 of the Texas Finance Code, and under the oversight of the Finance Commission of Texas, who appoints the Consumer Credit Commissioner. OCCC's mission is to regulate nonbank financial services and to educate consumers and industry providers. OCCC has authority to regulate consumer credit transactions and interest rates in Texas, offers protection to consumers, coordinates educational efforts aimed at consumers and industry alike, and advises lenders on compliance issues.

OCCC examines licensed financial service providers; such as, motor vehicle sales finance companies, regulated lenders, payday/title loan lenders, and pawnshops/pawn employees, to ensure legal compliance with applicable statutes and regulations. OCCC also engages in investigations of registered creditors; and, debt management and settlement providers.

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

**2023 Internal Audit Plan**

Following are the internal audit functions performed, as identified in OCCC's 2023 Internal Audit Plan, dated November 28, 2022, and approved by the Audit Committee and Finance Commission on December 16, 2022:

- Risk Assessment & Preparation of the 2023 Internal Audit Plan
- Payroll and Human Resources Audit
- TFEE Fund Investment Portfolio Administration Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the 2023 Internal Audit Annual Report
- Other Tasks

This report contains the results of the Payroll and Human Resources audit; 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 reports; and, meets the State of Texas Internal Audit Annual Report requirements. The TFEE Fund Investment Portfolio Administration audit report, dated April 20, 2023, was presented to, and approved by, the Audit Committee and Finance Commission on June 16, 2023.

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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, OCCC will post the following information on its website:

- An approved fiscal year 2024 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2023 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 OCCC 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 department'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 2023**

The approved Internal Audit Plan (Plan) included two audits to be performed during fiscal year 2023. The Plan also included a follow-up of the prior year internal audit recommendations that were not fully implemented as of fiscal year 2022; other tasks as may have been assigned by the Finance Commission or Audit Committee; and, preparation of the 2023 Internal Audit Annual Report.

#### **Risk Assessment**

Utilizing information obtained through the completed questionnaires received and background information reviewed, 12 areas were identified as potential audit topics. A risk analysis utilizing 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

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Following are the results of the risk assessment performed for the 12 potential audit topics identified:

<b>HIGH RISK</b>	<b>MODERATE RISK</b>	<b>LOW RISK</b>
Payroll and Human Resources Examinations	Legal and Enforcement Procurement/Contract Management/HUB Fiscal Division (Includes Asset Management & Travel) Revenue Accounting Process Management Information Systems [(MIS) Includes Disaster Recovery Plan]	Business Licensing Complaint Intake and Investigation Business Registration & Professional Licensing TFEE Fund Grant Administration Records Management

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

Fiscal Year 2022:

- Risk Assessment & Preparation of the Internal Audit Plan
- Regulated Lenders Examinations Audit
- Follow-up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2021:

- Risk Assessment & Preparation of the Internal Audit Plan
- TFEE Fund Investment Portfolio Administration Audit (*Required Periodic Audit*)
- Fiscal Division (Includes Fixed Assets & Travel) 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
- Records Management Audit
- Follow-up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

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The internal audits and other tasks performed for fiscal year 2023 were as follows:

<b>Report No.</b>	<b>Audits/Report Titles</b>	<b>Report Date</b>
1.	TFEE Fund Investment Portfolio Administration <i>Objective:</i> To determine OCCC’s compliance with applicable state laws and rules, and established policies and procedures, over the administration of the Texas Financial Education Endowment (TFEE) Fund investment portfolio.	4/20/2023
2.	Human Resources and Payroll <i>Objective:</i> To assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Human Resources and Payroll Area; and, to ensure compliance with applicable state requirements.	7/6/2023
2.	Internal Audit Annual Report – Follow-up of findings and recommendations that were presented in the Prior Year Internal Audit Report.	7/6/2023
-	Other Tasks Assigned by the Finance Commission or the Audit Committee	None

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### V. Executive Summary

#### Human Resources & Payroll Area (Area)

##### BACKGROUND

The Human Resources (HR) and Payroll Departments are responsible for the HR and payroll functions at the Office of Consumer Credit Commission (OCCC). The Area is supervised by the Director of Licensing, Finance, and HR (Director), who reports to the Commissioner; and, consists of an HR Officer, and a Payroll Accountant.

As a state agency, all OCCC employees are employed “at-will”, which is defined as an employment relationship that may be terminated by any party (employer or employee), at any time, with no liability. State employees are paid in accordance with the State of Texas Salary Schedules; and, positions of state-classified employees are established in accordance with the State of Texas Position Classification Plan, which provides job classifications, salary groups, and salary schedules.

OCCC implemented the Centralized Accounting and Payroll/Personnel System (CAPPS) HR/Payroll module in July 2021, which resulted in significant streamlining of the Area’s processes.

##### Hiring Process

###### *Job Posting*

When there is a need for an existing position to be filled, or for a new position to be created, the hiring manager from the respective department notifies the HR Officer; and, the hiring manager prepares a Request to Post Job Vacancy form, which must be approved by the Commissioner. The HR Officer, along with the hiring manager, establish the job description, classification, job grade, and qualifications, for the position. The HR Officer assigns the position a job posting number, which includes the agency number, fiscal year, and sequential number, which is then posted to the OCCC website, Texas Workforce Commission’s WorkInTexas website, LinkedIn, Indeed, and college recruiting sites.

###### *Screening and Selection*

All applications are initially screened by the HR Officer, who forwards only those that meet the minimum qualifications, to the hiring manager. Before the selection process may begin, the hiring manager develops specific interview questions, which are reviewed and authorized by the HR Officer, to be used for all applicants interviewed. The hiring manager uses an Applicant Rating Log, which is a matrix rating system of 1-3, to rate each application, and select applicants for interview. The applicant with the highest overall score is generally selected; and, if not, the reason must be justified and documented. Preference is given to applicants that are veterans or former foster children. After receiving authorization from the applicant, reference, and credit checks are performed by the HR staff; and, criminal checks are performed by the Deputy General Counsel.

Upon making a selection, the hiring manager prepares a Justification for Hire memo and submits it to the director of the respective division for approval, along with the official application packet. The official application packet consists of a Personnel Action Form (PAF), transcript(s), and other related hiring materials for the selected applicant; all job applications rated; interview questions; and, the Applicant Rating Log. Once approved, the information is sent to the Commissioner for final approval, then submitted to the HR Officer, who calls and emails the applicant to make an official offer.

As of March 31, 2023, OCCC hired/rehired 10 new employees; and, reported a total of 71.1 FTEs to the State Auditor’s Office for the 2<sup>nd</sup> quarter of fiscal year 2023.



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### New Employee Orientation

On the first day of employment, the HR Officer is responsible for ensuring that the new hire attends a New Employee Orientation (NEO) and completes all required employment paperwork. The new employee denotes completion of each required item in the NEO Checklist. Upon being hired, all new employees are provided 'self-service' access to CAPPS. This access allows new hires to complete documents; such as, a W-4, direct deposit information, and emergency contact information. The self-service access to CAPPS also allows all employees to perform timekeeping functions.

### Timekeeping Process

Time for all employees is maintained in CAPPSS. The majority of OCCC employees are paid on an exception basis; therefore, employees are paid the same amount each month unless there is an "exception" to their pay; such as, leave without pay or an adjustment to the existing pay rate. All employees are responsible for entering their weekly time into CAPPSS; and, on a monthly basis, they certify their time of the previous month in CAPPSS, which is then electronically approved by the respective supervisor. The Payroll Accountant utilizes various CAPPSS reports to ensure all time within CAPPSS is timely certified and properly approved.

Employee leave balances are also tracked in CAPPSS, which does not allow a leave entry to exceed the available balance. In instances when a leave entry does exceed the available balance, a Leave Without Pay entry must be entered into CAPPSS by the employee. Certain types of authorized leave balances; such as, Performance Leave and Family and Medical Leave Act (FMLA) leave, must be manually entered into CAPPSS by HR before an employee may make such leave entries into CAPPSS.

### *Emergency Leave*

In accordance with Texas Government Code 661.902, OCCC employees are entitled to an emergency leave without pay deduction for instances; such as, a death in the family, or other acceptable reasons, as determined and authorized by the Commissioner. OCCC is required to report to the Comptroller, no later than October 1<sup>st</sup> of each year, the name and position of each employee who was granted more than 32 hours of emergency leave during the previous year, the reason, and the total number of hours granted. OCCC reported that no employee was granted more than 32 hours of emergency leave during the fiscal year ended August 31, 2022.

### *Sick Leave Pool*

OCCC has established a sick leave pool (pool) to benefit employees who have exhausted all paid leave due to a catastrophic injury or illness as defined by the Employee Retirement System. Upon separation from the agency, an employee may contribute their unused leave to the pool by completing a Sick Leave Pool Contribution/Donation form. Before an employee may withdraw from the pool, they must complete a request to draw from the pool form and submit it to the Director for approval. For the period from September 1, 2023 to March 31, 2023, there were no contributions or withdrawals from OCCC'S pool.

### *Donated Sick Leave*

Texas Government Code 661.207 allows OCCC employees to donate any amount of their sick leave to another OCCC employee who has exhausted their sick leave. The donated leave is in addition to the hours the employee may be eligible to withdraw from the sick leave pool. The employee donating the leave is required to complete a Request to Donate Sick Leave to Another Employee form, indicating the number of hours donated and the name of the employee to whom hours are being donated.

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### Payroll Processing

Payroll is processed in accordance with the Texas Comptroller of Public Account's (CPA) guidelines and pay schedules; and, consists of two payment types: On-cycle payments, approved by the Commissioner, and Off-cycle (supplemental) payments, approved by the Director. The Payroll Accountant (1) generates multiple CAPPs reports for a preliminary payroll file, which is used to identify and eliminate errors; (2) performs a reconciliation between the current and previous payroll to investigate and explain variances, which are sent to the Commissioner or the Director for review; and, (3) transmits the final payroll file through the Standardized Payroll/Personnel Reporting System (SPRS), to be approved and released by the Director.

### Performance Evaluation

OCCC employees are evaluated annually by their supervisor using a performance appraisal system, which evaluates employee performance on job responsibilities based on predetermined criteria. The performance evaluation is then discussed with the employee evaluated; and, signed by the employee, the employee's supervisor; and, if applicable, the supervisor's supervisor.

### Employee Separation

Employees are required to give two weeks' notice when separating from OCCC. The notice is provided to the HR Officer to prepare a PAF for termination. On the employee's last day of employment, the HR Officer conducts an exit interview with the employee; and, an Exit Checklist is completed by the employee's supervisor. The Exit Checklist is completed to ensure all required information is obtained; such as, the separating employee's contact information, and that all OCCC property is collected; such as, the employee's badge, laptop, and phone. The HR Officer emails employees who voluntarily separate, a link to the SAO exit survey for "voluntary" completion. If an employee is due any wages, a lump sum payment is paid to them within 30 days of their last day of employment.

As of March 31, 2023, a total of 5 employees separated from OCCC.

### External Reporting

The Area is responsible for preparing and submitting various reports to external parties, with the majority being sent to the CPA and the State Auditor's Office (SAO), and generated using data from CAPPs. In certain instances, the CPA directly extracts data from CAPPs, which is reviewed and certified by the Area. The Area's reporting requirements are found in the SAO's Human Resources Statute Inventory, and the CPA's FMX Texas Payroll/Personnel Resources website.

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### Audit Objective, Scope, and Methodology

#### Objective

The objective of our audit was to assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Human Resources and Payroll Area (Area); and, to ensure compliance with applicable state requirements.

#### Scope

The scope of our audit was the review of the Area's policies, procedures, and processes in place; and, the testing of selected functions performed by the Area for compliance with established policies and procedures, and applicable state requirements, during the period from September 1, 2022 to March 31, 2023 (audit period).

#### Methodology

The audit methodology included a review of laws and regulations; OCCC's established policies and procedures, other internal and external documentation; and, interviews with OCCC personnel.

We obtained and/or reviewed the following information:

- a. SAO's *Texas Human Resources Management Statutes Inventory*
- b. CPA's *Texas Payroll/Personnel Resource (FPP F.027)*; *Payroll Due Dates and Direct Deposit Schedule*; and, *Reason Code Definitions, Restrictions and Salary Schedules for State Agencies*.
- c. Organizational charts applicable to the Area.
- d. OCCC's written policies and procedures related to the Area.
- e. Checklists; and, sample templates, forms, and screenshots.
- f. OCCC's Employee Manual
- g. Listing of active employees as of March 31, 2023.
- h. Listing of employees separated during the audit period.
- i. Selected employee personnel files, pay stubs, and the respective time sheets.
- j. IRS Form 941 for the 2<sup>nd</sup> Quarter and the supporting documentation.
- k. Emergency Leave Reporting for fiscal year 2022 and submission record.
- l. FTE Report for the 2<sup>nd</sup> Quarter submitted to SAO and the supporting documentation.

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

1. Obtained and reviewed the applicable state requirements as established by the CPA and the SAO.
2. Obtained and reviewed OCCC's written policies and procedures; and, conducted interviews to obtain an understanding of controls, processes, and current practices in place over the Area.
3. Selected 22 of the 74 active employees as of March 31, 2023, including 2 of the 10 employees hired or rehired, and 2 of the 5 employees terminated during the audit period; and, for a certain pay period for each of the 22 employees, performed the following procedures:
  - a. Agreed gross salary as reflected in CAPPS, to the PAF.
  - b. Ensured the employee's base salary was within the range established in the Salary Group as determined by Classification Salary Schedules.
  - c. Recomputed gross salary and agreed to the amount paid.
  - d. Ensured time within CAPPS was approved.
  - e. Recomputed longevity pay.

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- f. Obtained and reviewed the following documents from each employee's personnel file:
  - i. PAF approved by Commissioner and Director.
  - ii. Application signed by the employee.
  - iii. Benefits Election Form signed by employee.
  - iv. Employee Manual, Harassment Policy, Conflict of Interest, and Ethics Acknowledgement forms signed by the employee.
  - v. Most recent performance evaluation, signed by the employee, the supervisor, and if applicable, the supervisor's supervisor.
4. For the 2 new hires from the above selection, performed the following procedures:
  - a. Reviewed the following selection of new employee forms and documentation to ensure the following documents were properly completed and retained:
    - i. Job posting.
    - ii. Job description.
    - iii. Application Rating Log.
    - iv. Reference Checks.
    - v. Verification of Prior State Service Forms.
    - vi. Interview Questions.
    - vii. Justification to Hire Memorandum approved by the Commissioner.
    - viii. NEO Checklist.
    - ix. Offer Letter.
    - x. Hiring PAF.
    - xi. Employee Authorization forms to release Criminal and Credit History reports.
  - b. Reviewed employee's application to ensure minimum qualifications were met.
  - c. Compared OCCC's job description to the SAO's job description for proper classification.
5. Tested a sample of the following reports prepared and submitted by the Area and agreed them to the CAPPs and other supporting documentation: 2<sup>nd</sup> Quarter IRS Form 941; and, 2<sup>nd</sup> Quarter FTE Report.
6. Ensured the Emergency Leave Reporting for fiscal year 2022 was certified by the required due date.
7. Obtained a list of 5 employees that were separated from OCCC during the audit period and selected a sample of 2 employees to test for the following attributes:
  - a. Final payout using the final time within CAPPs and accrued leave balance at the time of the separation, was accurate.
  - b. Resignation Letter was obtained.
  - c. Termination PAF was prepared and approved.
  - d. Exit Checklist was completed and retained in personnel file.
  - e. HR Exit Interview was properly completed.
  - f. Link to SAO exit interview was provided to the former employee.
  - g. Release of Personal Information Election Form was properly completed.
  - h. Former employee's status in CAPPs was updated to inactive status.

**VI. Observations/Findings and Recommendations**

SUMMARY and RELATED RATING of OBSERVATIONS/FINDINGS and RECOMMENDATIONS

As OCCC’s internal auditors, we used our professional judgment in rating the audit findings identified in this report. The rating system 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 observations/findings and recommendations included in this report and the related rating.

<b>Summary of Observations/Findings &amp; Recommendations and Related Ratings</b>		
<b>Finding No.</b>	<b>Title</b>	<b>Rating</b>
1	Applications	Low
2	HR Forms	Low
<b>Observation No.</b>		
1	PAF – Employee Classification	–
2	Approval of Time	–
<p><u>Description of Rating</u></p> <p>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 programs(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.</p> <p>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 programs(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.</p> <p>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 programs(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity’s ability to administer the programs(s)/function(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 programs(s)/function(s) audited.</p>		

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**OBSERVATIONS/FINDINGS and RECOMMENDATIONS**

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
2	7/6/23	Human Resources and Payroll	<p><b>1. Applications</b></p> <p>The State of Texas Application is required to be completed in its entirety, and must be signed by the applicant, certifying that the information provided is true and complete. Of the 22 applications tested, 3 were not signed by the applicant.</p> <p><b>Recommendation</b></p> <p>We recommend that OCCC ensure applications are not only completed in their entirety, but also signed by the applicant to denote that the information provided is complete and accurate.</p> <p><b>Management’s Response</b></p> <p>Although state applications are received through different channels and some of those channels include certification that information contained in a submission is true and accurate, management agrees with the recommendation. The OCCC will update processes to ensure all accepted state applications are signed by 9/30/2023.</p> <p><b>2. HR Forms</b></p> <p>Of the 22 employees tested, the following HR (new hire) forms were not provided for one of the 22 employees who was a former OCCC employee (rehire):</p> <ul style="list-style-type: none"> <li>• Signed Benefits Elections Form;</li> <li>• Signed Employee Manual Form;</li> <li>• Signed Harassment Policy Acknowledgement Form; and,</li> <li>• Signed Conflict of Interest &amp; Ethics Acknowledgement Form.</li> </ul> <p><b>Recommendation</b></p> <p>We recommend that OCCC determine whether rehires are required to complete new hire forms or if previous completed forms may be relied upon. However, if new forms are not required, the previous completed forms should be located and retained in the employee’s personnel file, in accordance with OCCC’s records retention policy.</p> <p><b>Management’s Response</b></p> <p>The OCCC agrees with the recommendation and will update processes by 9/30/2023.</p>	<p>To ensure applications are properly completed.</p> <p>To ensure HR forms are properly completed, and retained in accordance with OCCC’s records retention policy.</p>

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
2	7/6/23	Human Resources and Payroll	<p style="text-align: center;"><b>OBSERVATIONS</b></p> <p><b>1. Personnel Action Form (PAF) – Employee Classification</b></p> <p>For the 22 employees selected for testing, we compared the job title, salary group, and class code documented in the respective PAF to the SAO job description to ensure they were paid in accordance with the state-established pay plan. Our testing disclosed 1 instance where the salary group in the PAF differed from the SAO; however, since the salary group auto-populated in CAPPS was correct, the employee’s salary was properly determined and paid in accordance with the state-established pay plan.</p> <p><b>Recommendation</b></p> <p>We recommend that the HR department conduct a review of each employee’s most recent PAF and ensure all documented information is in alignment with the correct SAO job description; and, verify agreement with what is reflected in CAPPS, which will validate the accuracy of employees’ salaries.</p> <p><b>Management’s Response</b></p> <p>The OCCC agrees with the recommendation and will conduct a review of PAFs to ensure all classifications are correct by 9/30/2023.</p> <p><b>2. Approval of Time</b></p> <p>It is OCCC’s policy that employee time within CAPPS be electronically approved by their supervisor before payment is made to the employee. Management indicated that CAPPS will not allow payment to an employee if the time within CAPPS was not approved by the supervisor set up in the approval path for the respective employee. Our testing of 22 employees disclosed one instance where an employee was paid; however, the electronic approval of the employee’s supervisor was not evident.</p> <p><b>Recommendation</b></p> <p>We recommend that the Payroll department ensure that time reflected in CAPPS is approved by the employee’s supervisor prior to the employee being paid. In addition, we recommend that OCCC further investigate whether supervisor approval may be bypassed to allow for payment; and, contact the Comptroller’s Office to determine why the supervisor’s approval was not evident.</p> <p><b>Management’s Response</b></p> <p>The OCCC will ensure leave is approved by supervisors prior to payment by 9/30/2023 and will inquire with the Comptroller’s Office regarding time approval time lines and indicators in CAPPS.</p>	<p>To ensure employees are paid in accordance with the state-established pay plan for their respective salary group.</p> <p>To ensure time is approved by the employee’s supervisor, which authorizes payment.</p>

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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	7/6/23	2023 Follow-Up	<p style="text-align: center;"><u>Follow-Up of Prior Year Audits</u></p> <p>Following is the status of the recommendations made in prior years that had not been fully implemented.</p> <p>Regulated Lenders Examinations (Report date 5/20/2022)</p> <ol style="list-style-type: none"> <li>1. Special Instructions – Licensee’s Signature           <p>OCCC should determine if ALECS has the capability of having a built-in safeguard that would prevent an examination from being closed without the licensees’ electronic signatures for examination reports that require them to comply with special instructions.</p> </li> <li>2. Examination Frequency           <p>The current weight assigned to the “last examination date” and “last examination rating” attributes used in the risk assessment should be reviewed by OCCC to determine if adjustments are necessary to ensure licensees of higher risk are examined more frequently.</p> </li> <li>3. Examination Review Frequency           <p>OCCC should establish guidelines or goals that will provide review of examinations in a timely manner to identify workpapers that require additional analysis or require further development, which will ensure workpapers contain sufficient information to support the basis for the conclusions reached in the examination and properly reported in the ROE.</p> <p style="text-align: center;">Observations</p> </li> <li>4. Training Certification Program           <p>OCCC examiners hired before January 2017 are exempt from completing the certification training process. OCCC should include this exemption in their training policies and procedures.</p> </li> <li>5. Report of Examination (ROE) – Quality Review           <p>OCCC should re-enforce the importance of inserting complete and accurate information into ALECS, the system used to prepare ROEs; and, any issues should be corrected during the review process.</p> </li> </ol>	<p><b>Fully Implemented</b></p> <p><b>Fully Implemented</b></p> <p><b>Fully Implemented</b></p> <p><b>Fully Implemented</b></p> <p><b>Fully Implemented</b></p>



**OFFICE OF CONSUMER CREDIT COMMISSION**

Internal Audit Annual Report

Fiscal Year 2023

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<b>Report No.</b>	<b>Report Date</b>	<b>Name of Report</b>	<b>Observations/Findings and Recommendations</b>	<b>Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with explanation if not yet fully implemented</b>
2	7/6/23	2023 Follow-Up	6. Examination Status Reports  OCCC should continue investigating the cause of the conflicting information between reports generated from ALECS to ensure the data in ALECS is correct and can be relied upon by OCCC.  Fiscal Division (Report date 5/20/2021)  7. Travel Policies & Procedures (P&P)  OCCC should update its travel policies and procedures to be consistent with current requirements and practices.  <i><u>FY 2023 Status</u> Travel policies and procedures (P&amp;P) were updated for 4 of the areas where the P&amp;P were inconsistent with current practice.</i>  <i>The P&amp;P still indicate that it is mandatory for employees to use an issued corporate charge card; however, current practice does not mandate use of an issued card.</i>	<b>Fully Implemented</b>        <b>Substantially Implemented</b>

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### **VII. External Audit Services Procured in Fiscal Year 2023**

OCCC procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2023. No other external audit services were performed.

### **VIII. Reporting Suspected Fraud and Abuse**

OCCC 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. OCCC 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 2024**

The risk assessment performed during fiscal year 2023 was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2024. The Internal Audit Plan for Fiscal Year 2024 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.

- Examinations
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Finance Commission

ATTACHMENT

**OFFICE OF CONSUMER CREDIT COMMISSIONER**  
**History of Areas Audited**  
**For Fiscal Year 2023**

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited/Reviewed									
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Business Licensing				<b>B*</b>	<b>D</b>					
2	Business Registration & Professional Licensing	<b>A*</b>			<b>A*/B*</b>	<b>D</b>					
3	Complaint Intake and Investigation					<b>D</b>				<b>B*</b>	
4	Examinations			<b>A*</b>		<b>A*/D</b>				<b>A*</b>	
5	Fiscal Division (Includes Asset Management & Travel)				<b>B</b>	<b>C*/D*</b>		<b>C1*</b>	<b>A*</b>	<b>B</b>	
6	Legal and Enforcement				<b>B*</b>	<b>D</b>				<b>B*</b>	
7	Management Information Systems [(MIS) Includes Disaster Recovery Plan] <sup>1</sup>	<b>E</b>			<b>B*</b>	<b>D*</b>	<b>A1*</b>		<b>E</b>	<b>B*</b>	
8	Payroll and Human Resources					<b>C*</b>	<b>F*</b>				<b>A</b>
9	Procurement/Contract Management/HUB				<b>B</b>	<b>C*/D*</b>					
10	Records Management							<b>A</b>			
11	Revenue Accounting Process				<b>B</b>	<b>D</b>				<b>B</b>	
12	TFEE Fund Grant Administration		<b>A</b>		<b>A*</b>	<b>D</b>					
<i>Required Periodic Audit</i>											
13	TFEE Fund Investment Portfolio Administration				<b>A</b>	<b>D</b>	<b>A1</b>		<b>A</b>		<b>A</b>

<sup>1</sup> Quarterly vulnerability 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.

- Note:** 1. Performance Measures are included in the scope of the applicable audit area(s).  
2. Effective FY23 —
- All examinations-related areas were combined into the "Examinations" auditable area.
  - Business Registration and Professional Licensing were combined into the "Business Registration & Professional Licensing" auditable area.

**Legend (audits/reviews with an 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 (CPA).
- C1** Overpayment Recovery audit performed by the CPA.
- D** Sunset Review performed by the Sunset Advisory Commission.
- E** IT assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through the DIR.
- F** Review performed by the Texas Workforce Commission.