

OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

INTERNAL AUDIT ANNUAL REPORT

Fiscal Year 2021



OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2021

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

We performed tests of management's assertion about the effectiveness and efficiency of the Office of Consumer Credit Commissioner's (OCCC) internal control structure, as implemented by the Fiscal Division over Fixed Assets and Travel (Area), and its established policies and procedures, as applicable to the Area, for the purpose of determining OCCC's compliance with applicable laws and regulations provided in the Texas Government Code, for the 7 months ended March 31, 2021.

The results of our tests disclosed that the internal control structure over the Area and the established policies and procedures, 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", which is included in page 12 of this report.

We also performed a follow-up of the findings and recommendations that were presented in the prior year internal audit reports, and this report 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.

We have discussed the comments and recommendations from the audit of the Area; and, the implementation status from the follow-up performed, with various OCCC personnel; and, will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations made.



May 20, 2021

OFFICE OF CONSUMER CREDIT COMMISSIONER

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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 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's primary task is to license and perform examination of licensed industries; such as, motor vehicle sales finance companies, regulated lenders, payday/title loan lenders, and pawnshops/pawn employees; and, oversee registered industries such as debt management and settlement providers and registered creditors.

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; however, the Finance Commission is responsible for setting OCCC's spending authority or limits. OCCC's 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.

2021 Internal Audit Plan

Following are the internal audit functions performed, as identified in OCCC's 2021 Internal Audit Plan, dated November 18, 2020 and approved by the Audit Committee and Finance Commission on December 11, 2020:

- Risk Assessment & Preparation of the 2021 Internal Audit Plan
- TFEE Fund Investment Portfolio Administration Audit
- Fiscal Division Audit (Includes Fixed Assets & Travel)
- Follow-up of Prior Year Internal Audits
- Preparation of the 2021 Internal Audit Annual Report
- Other Tasks

This report contains the results of our audit of the Fiscal Division Area; reflects the results of the follow-up procedures performed in the current year of the findings that were presented in the prior year internal audit reports; and, meets the State of Texas Internal Audit Annual Report requirements. The report of the TFEE Fund Investment Portfolio Administration Audit, dated March 19, 2021, was presented to, and approved by, the Audit Committee and Finance Commission at the April 16, 2021 meetings.

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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 OCCC's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope included the following objectives:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations, and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

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I. Compliance with Texas Government Code 2102: Required Posting of Internal Audit Information

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

- An approved fiscal year 2022 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2021 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*, Sections 3.64-3.106.

III. External Quality Assurance Review

The internal audit department's most recent *System Review Report*, dated November 16, 2018, 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 2021

The approved Internal Audit Plan (Plan) included two audits to be performed during fiscal year 2021. The Plan also included a follow-up of the prior year internal audit recommendations that were not fully implemented as of fiscal year ended August 31, 2020, other tasks as may have been assigned by the Finance Commission or the Audit Committee, and preparation of the Internal Audit Annual Report for fiscal year 2021.

Risk Assessment

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

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

HIGH RISK	MODERATE RISK	LOW RISK
Fiscal Division (Includes Fixed Assets & Travel)	Revenue Accounting Process	Motor Vehicle Sales Finance Examinations
Procurement/Contract Management/HUB	Complaint Intake and Investigation	Credit Access Business Examinations
Management Information Systems [(MIS) Includes Disaster Recovery Plan]	Legal and Enforcement	Pawn Examinations
Payroll and Human Resources	Regulated Lenders Examinations	Property Tax Lender Examinations
		TFEE Fund Grant Administration
		Business Licensing
		Business Registration
		Records Management
		Professional Licensing (Pawnshop Employees & RML0)

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

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

Fiscal Year 2019¹:

- Risk Assessment & Preparation of the Internal Audit Plan
- Investment Administration Controls Audit (*Required Periodic Audit*)
- Information Technology Change Management Program Audit
- Follow-up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2018:

- Risk Assessment & Preparation of the Internal Audit Plan
- Property Tax Lender Examinations Audit
- Follow-up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

¹ Performed by McConnell & Jones LLP.

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The internal audits and other tasks performed for fiscal year 2021 were as follows:

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Report Date</u>
1.	TFEE Fund Investment Portfolio Administration Audit (<i>Required Periodic Audit</i>) <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.	3/19/2021
2.	Fiscal Division Audit (Includes Fixed Assets & Travel) <i>Objective:</i> To assess the internal control structure, as implemented by the Fiscal Division, over Fixed Assets and Travel (Area), and its established policies and procedures, as applicable to the Area, for the purpose of determining compliance with applicable laws and regulations provided in the Texas Government Code.	5/20/2021
2.	Annual Internal Audit Report – Follow-up of findings and recommendations that were presented in the Prior Year Internal Audit Report	5/20/2021
-	Other Tasks Assigned by the Finance Commission or the Audit Committee	None

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V. Executive Summary

Fiscal Division (Includes Fixed Assets & Travel)

Background

Fixed Assets

The Texas Government Code (GV) Chapter 403, Subchapter L, provides state agencies with the requirements for accounting of state property. OCCC has developed internal policies and procedures that reflect processes for compliance with the requirements of this statute. The director of Licensing and Finance has been designated as OCCC's property manager, and is responsible for identifying and accurately recording OCCC property.

OCCC uses the State Property Accounting (SPA) system, which is a component of the Uniform Statewide Accounting System (USAS) and maintained by the Comptroller of Public Accounts (CPA), as its internal property accounting system to record capitalized and controlled assets. The SPA system is utilized by OCCC to generate the required information related to Capital Assets for inclusion in its annual financial report. OCCC uses the capitalization threshold guidance as provided by the CPA. As such, OCCC's capitalized assets, which solely consist of furniture and equipment, are those with an initial unit cost equal to or greater than \$5,000, and have an estimated useful life greater than one year; while, controlled assets are those that do not meet the capitalization threshold, but are considered high-risk, such as computers. As of August 31, 2020, OCCC had capitalized and controlled assets with total initial costs of \$40,863 and \$187,040, respectively. OCCC did not add nor delete property during the audit period from September 1, 2020 to March 31, 2021.

The majority of OCCC's capitalized and controlled assets are IT-related; such as, servers and computers; therefore, purchased property is generally first received by and assigned to the IT department, where a sequential tag number is affixed to each item. The IT department provides a list of serial numbers and associated tag numbers of property to the Property Manager to be recorded in the SPA system. All subsequent changes in location or assignment are tracked using the *Equipment Inventory Control* form (Form). Once the IT department completes initial set-up of equipment and deploys it to an end user, the end user then becomes responsible for physical security and reasonable care of the property. The assigned end user signs the Form and sends it to the Property Manager, who updates applicable property information in the SPA system.

In accordance with the policies and procedures, OCCC performs an annual physical inventory of all agency property, which is reconciled to the SPA system. OCCC completed its most recent physical inventory on August 25, 2020.

Travel

The Travel Regulations Act (Act) (GV Chapter 660) governs travel expenditures for state agencies. To ensure compliance with requirements of the statute, OCCC's internal policies and procedures refer to the Act; and, the State Travel Management Program (STMP) and Textravel, which were established by the CPA to implement the Act. In addition, the CPA conducts Fiscal Management audits; such as, Post-Payment audits, of OCCC's expenditures, that include travel expenditures.

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OCCC requires preapproval for all out-of-state travel and in-state travel other than examinations. Travelers are required to perform a rental versus personal vehicle cost analysis using a web tool developed by the CPA prior to the travel, and use the most cost-efficient driving method unless justification is documented for exceptional cases. In addition, state-contracted travel service vendors must be utilized for rental cars, flights, and hotels, unless justification is documented for the use of other vendors.

After travel, the traveler will complete a travel voucher to report travel expenditures and request reimbursement. The traveler must report a detailed travel itinerary and itemized expenditures, not to exceed the per diem rates set by the U.S. General Services Administration (GSA), in the travel voucher, along with supporting documentation; including, cost analysis and receipts. To minimize clerical error, the travel voucher has a built-in formula that automatically computes the total for each expenditure category from itemized expenditures.

Upon completion, the travel voucher must be first approved by the traveler's supervisor, whose approval denotes that the expenditures were authorized and necessary to conduct official state business. The traveler then submits the approved travel voucher and supporting documentation to the Accounting department. The Travel Administrative Assistant first reviews the travel voucher and supporting documentation to ensure each itemized expenditure is supported and has not been previously paid; and, that the payee information is accurate. The Travel Administrative Assistant then enters the reviewed expenditures into the MIP system, OCCC's internal accounting system, to generate a batch of up to 10 travel vouchers for reimbursement payment processing. The Travel Coordinator, who is an accountant, then reviews the batch for accuracy and proper account coding, and ensures there are no duplicates. Once the entry in the MIP system is interfaced to USAS, the Director of Licensing and Finance performs a final review, which includes verification of reported mileage and ensuring inclusion of required cost analysis for cost efficiencies, before releasing the batch for payment processing. It is the Accounting department's policy to process travel vouchers within 10 business days of their receipt.

If, at any point during the reviews, it is determined that the reimbursement requires revision, the travel voucher is either returned to the traveler for correction, or corrected by the reviewer if the correction is less than \$10 and the traveler authorizes the correction in writing.

In accordance with the Finance Commission's policies and procedures, all 3 finance agencies track and report to the Finance Commission, on a quarterly basis, travel expenditures classified into the following 4 categories for in-state and out-of-state travel in a uniform manner:

- Regulatory Supervision
- Development and Training
- Other Regulatory Activities
- Non-Employee

The above reporting addresses the Sunset Advisory Commission's Recommendation 2.5 relating to standardized tracking and reporting of travel expenditures, made during the 2018-2019 Review Cycle. OCCC tracks these 4 categories by utilizing the Agency Object Code (AOBJ) and the Comptroller's Cost Object Code (COBJ) in the MIP system.

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OCCC participates in the state charge card program that allows employees to use a state-contracted charge card for travel expenses, although use of the charge card is not mandatory. The Director of Licensing and Finance is the administrator of the program and the only person at OCCC who can manage and view OCCC employees' state charge card accounts from the card issuer's online portal. Upon a supervisor's request, the Director of Licensing and Finance initiates an online application for the respective employee to be issued a new card. The card issuer conducts a routine credit check of the employee, and if approved, issues a charge card in the employee's name and sends it directly to the employee. Each card holder is responsible for making full payment each billing cycle. Certain transactions; such as, cash advances, are prohibited for use and therefore blocked by the card issuer. Transactions may also be declined for other reasons; such as, when cards are suspected to be lost or stolen. The Director of Licensing and Finance receives alerts from the card issuer when transactions are blocked or declined. The Director of Licensing and Finance also logs into the online portal on a periodic basis to review card activity and payment status to detect unusual or unauthorized transactions and late payment.

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Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to assess the internal control structure, as implemented by the Fiscal Division, over Fixed Assets and Travel (Area), and its established policies and procedures, as applicable to the Area, for the purpose of determining compliance with applicable laws and regulations provided in the Texas Government Code.

Scope

The scope of the audit was to ensure accurate reporting of fixed assets in the SPA System; and, that travel transactions were administered in accordance with applicable statutes, rules, and agency policies and procedures, for the 7-month period from September 1, 2020 to March 31, 2021 (audit period).

Methodology

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

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

- a. Texas Government Code (GC) Chapter 441, Subchapter L. *Preservation and Management of State Records and Other Historical Resources*; and, GC Chapter 660, *the Travel Regulations Act*.
- b. Sunset Advisory Commission *Staff Report with Final Results*, 2018-2019, 86th Legislature.
- c. Texas Comptroller of Public Accounts (CPA), Financial Policies & Procedures (FPP) N.005, *SPA Process User's Guide*; and, FPP G.005, *Textravel*.
- d. Finance Commission Policies and Procedures – Finance Agency Budgeting and Reporting.
- e. OCCC Policies and Procedures Manual, #210: Accounting for State Property and #400: Travel Guidelines & Regulations; and, Accounting department travel procedures.
- f. Completed CPA forms related to property management:
 - Form 73-286, *Notice of Agency Head and Designation of Property Manager* dated September 5, 2020.
 - Form 73-283, *Certification of Physical Inventory Conducted by Agency* dated September 9, 2020.
 - Form 73-284, *Certification of Request for Agency Reporting Status* dated February 9, 2021.
- g. SPA property reports as of August 31, 2020 and March 31, 2021; and, OCCC's fiscal year 2020 annual financial report, Note 2, *Capital Assets*.
- h. SPA Security Report generated on April 5, 2021.
- i. Sample forms, to include *Inventory Control Form* and in-state and out-of-state travel vouchers.
- j. OCCC's fiscal year 2021, second quarter travel expenditures, as reported to the Audit Committee on April 16, 2021, and supporting documentation generated from the MIP system.
- k. Travel voucher log for fiscal year 2021.

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

1. Reviewed and obtained an understanding of state laws and regulations, and other requirements established by the CPA, the Sunset Advisory Commission, and the Finance Commission, as applicable to the Area.
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, and to evaluate whether such controls adequately ensure compliance with applicable requirements identified in procedure 1 above.
3. Reviewed OCCC's completed CPA forms to ensure compliance with OCCC's policies and procedures, such as the Property Manager designation and performance of annual physical inventory.
4. Assessed the adequacy of access rights assigned to users of the SPA system.
5. For property added during fiscal year 2020, reviewed invoices to ensure the assets met the controlled asset threshold/criteria, and was properly reported in the SPA system.
6. Reconciled capitalized assets as of August 31, 2020 in the SPA system to the annual physical inventory report, and fiscal year 2020 annual financial report, Note 2.
7. Reviewed the processes and internal controls in place for issuance and monitoring of state-issued charge cards.
8. Selected a sample of 25 travel vouchers for travel expenditures incurred during the audit period, and tested for the following attributes:
 - a. Expenditures were supported by receipts and mileage.
 - b. Rental versus personal vehicle cost analysis was performed and followed, or justification for exceptions was documented.
 - c. Expenditures were allowable, appropriately categorized, and recorded with an accurate accounting code in the MIP system.
 - d. Expenditures were within GSA per diem rates applicable to travel date and location, and maximum 75% of daily meal per diem for first and last travel days.
 - e. Incidentals claimed in travel voucher did not exceed \$20 in accordance with OCCC policy.
 - f. Travel voucher was authorized by the supervisor and approved by the Travel Administrative Assistant and the Travel Coordinator.
 - g. Traveler was reimbursed no later than the 45th day after a properly completed reimbursement request was submitted, and, the Accounting department processed the travel voucher within 10 working days.
9. Traced travel expenditures for the first 2 quarters of fiscal year 2021 ended February 28, 2021, as presented to the Audit Committee on April 16, 2021, to supporting documentation generated from the MIP system.

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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 used was developed by the Texas State Auditor’s Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the findings in this report and the related rating.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
1	Travel Policies and Procedures	Low
Observation No.	<i>Observation</i>	
1	Rental versus Personal Vehicle Cost Analysis	-

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.

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OBSERVATIONS/FINDINGS and RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
2	5/20/2021	Fiscal Division	<p>1. Travel Policies and Procedures (P&P)</p> <p>OCCC has written travel P&P; however, some are inconsistent with current practice, as denoted below:</p> <p><u>Policy #400, Travel Guidelines and Regulations</u></p> <ul style="list-style-type: none"> a. Corporate Charge Card: The policy states it is mandatory for employees to use an issued card. Current practice does not mandate use of an issued card. b. Rental - Personal Vehicle Comparison: The policy requires comparison only when exceeding the mileage thresholds (250 miles for one day or 350 miles for two or more days). Current practice requires comparison for all travel, regardless of distance. c. Central Billing Account (CBA): The policy requires traveler to submit to the Accounting department, a CBA Authorization Request Form and travel voucher that includes CBA activity, when rental car expenditures are charged directly to the CBA. Current practice does not require such documentation, and instead, the Accounting department relies on monthly statements received from rental car companies. <p><u>Travel Voucher Processing Procedures</u></p> <ul style="list-style-type: none"> a. Procedure states that an Accountant interfaces the MIP entry to USAS. In current practice, this function is performed by the HR department. <p>Recommendation</p> <p>We recommend that OCCC update its travel policies and procedures to be consistent with current requirements and practices.</p> <p>Management’s Response</p> <p>While Covid-19 has presented unique circumstances and challenges, especially within travel processes, the OCCC will update travel policies and procedures by August 31, 2021.</p>	To ensure travel P&P are consistently followed.

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact
2	5/20/2021	Fiscal Division	<p style="text-align: center;"><u>Observation</u></p> <p>1. Rental Versus Personal Vehicle Cost Analysis</p> <p>OCCC’s policies and procedures require a traveler to determine the most cost-effective way to travel by completing the CPA’s rental versus personal vehicle cost analysis, and attach the result to the travel voucher as supporting documentation. Justification must be documented if a traveler uses a travel method that is inconsistent with the most cost-effective manner.</p> <p>During the audit period, due to concerns over COVID-19, many travelers opted to use their personal vehicle versus vehicle rental, even when renting a vehicle was more cost-effective. However, in the absence of standard guidance, there were inconsistencies in the justification among travelers. Our testing of 25 travel vouchers disclosed the following instances where justification and mileage were reported differently under similar travel circumstances:</p> <ul style="list-style-type: none"> • 2 travelers added implicit costs (transportation to rental car office; and, one of the 2 travelers included additional compensable time) to vehicle rental in the cost analysis, that resulted in the use of a personal vehicle being more cost-effective and therefore claimed full mileage for the travel. • 5 travelers cited health concerns and claimed reduced, versus full, mileage so that the reimbursement for use of a personal vehicle would be equal to the cost of a rental car. The reduction in claimed mileage varied by traveler since in some instances, travelers added implicit costs to the vehicle rental cost. • 1 traveler cited health concerns and claimed full mileage without adjusting for implicit costs. <p>Recommendation</p> <p>We recommend that OCCC establish agency-wide guidance for justification of alternative travel methods, including those due to health concerns, to ensure employees perform this function in a uniform manner; to optimize a balance between conservation of state funds and employee impact; and, to promote a sense of fairness among travelers.</p> <p>Management’s Response</p> <p>The OCCC will establish guidance for justification of alternative travel methods by August 31, 2021.</p>	<p>To reduce the administrative burden to travelers when completing travel expenditure reports.</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	5/20/2021	2021 Follow-Up	<p align="center"><u>Follow-Up of Prior Year Internal Audits</u></p> <p>Following is the status of the recommendations made in prior years that had not been fully implemented.</p> <p>Records Management (Report date 6/19/2020)</p> <p>1. Records Disposition</p> <p>OCCC should assess, and revise if appropriate, its current RDL review procedures to ensure any errors in the completed RDL are detected timely to ensure state records are not improperly destroyed.</p> <p><u>Observation</u></p> <p>1. Imaged Record Verification</p> <p>The Licensing department should evaluate and revise, as considered necessary, the current imaging and verification logging procedures; and, ensure Licensing staff consistently follow the established procedures.</p> <p><i>Explanation for FY21 Status</i></p> <p>Imaging and verifying have not been performed in fiscal year 2021 due to COVID-19.</p> <p>IT Change Management Program (Report date 7/5/2019)</p> <p>1. IT Change Management Framework</p> <p>#1A. OCCC should develop a process to ensure that action plans are created for all builds and changes.</p> <p>#1C. Document the information technology change date in the change request form.</p> <p>#1D. Document the information technology change implementation dates with the change test results and filed for future operation efficiency test of IT department.</p>	<p>Fully Implemented</p> <p>Incomplete/Ongoing</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

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VII. External Audit Services Procured in Fiscal Year 2020

OCCC procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2021. 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 2022

The risk assessment performed during the 2021 fiscal year was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2022. The Internal Audit Plan for Fiscal Year 2022 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.

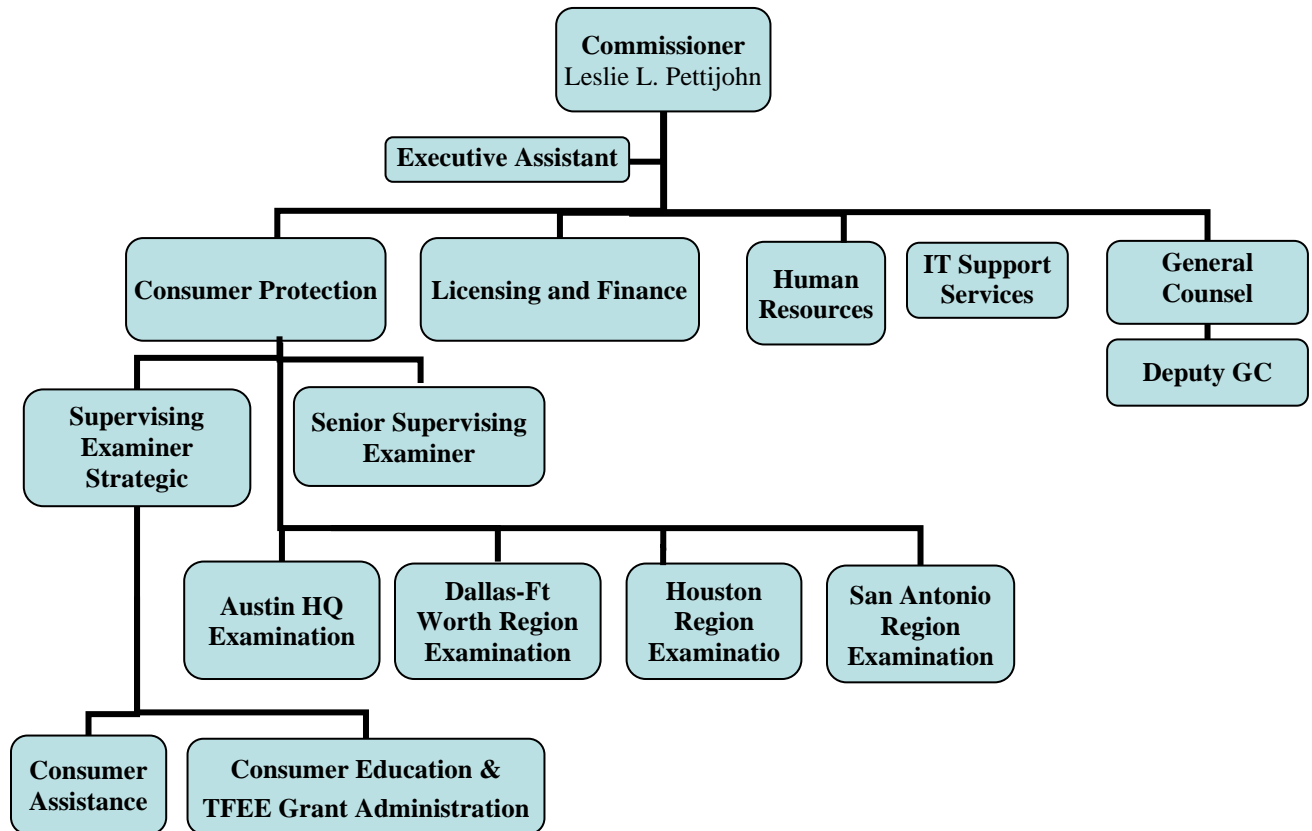
- Human Resources and Payroll
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Finance Commission

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X. Organizational Chart



ATTACHMENT

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History of Areas Audited
For Fiscal Year 2021

POTENTIAL AUDIT TOPIC		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Business Licensing	A					F*	B*	D/F*			
2	Business Registration							A	D			
3	Complaint Intake and Investigation		A						D			
4	Credit Access Business Examinations			A					D			
5	Fiscal Division (Includes Fixed Assets & Travel)			C*				B	C*/D*		C1*	A*/C1*
6	Legal and Enforcement							B*	D			
7	Management Information Systems [(MIS) Includes Disaster Recovery Plan]	A	E*	E*	E	E*	E*	B*/E	D*/E*	A1*/E		E/E*
8	Motor Vehicle Sales Finance Examinations						A		D			
9	Pawn Examinations								D			
10	Payroll and Human Resources			C*/G*					C*	G*		
11	Procurement/Contract Management/HUB			C*				B	C*/D*			
12	Professional Licensing (Pawnshop Employees & RMLO)				A		F*	B*	D/F*			F*
13	Property Tax Lender Examinations								A/D			
14	Records Management										A	
15	Regulated Lenders Examinations								D			
16	Revenue Accounting Process							B	D			
17	TFEE Fund Grant Administration					A		A*	D			
<i>Required Periodic Audit</i>												
18	TFEE Fund Investment Portfolio Administration							A	D	A1		A

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

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

- A Internal audit performed by Garza/Gonzalez & Associates, CPAs.
- A1 Internal audit performed by McConnell & Jones LLP.
- B Audit performed by the State Auditor's Office.
- C Post-Payment audit performed by the Comptroller of Public Accounts (CPA).
- C1 Other 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 Department of Public Safety.
- G Review performed by the Texas Workforce Commission.