

OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2020



Garza/Gonzalez & Associates
CERTIFIED PUBLIC ACCOUNTANTS

OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2020

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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 over the Records Management (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 Finance Code; the Texas Government Code Chapter 441, Subchapter L; and, the Texas Administrative Code Title 13, Chapter 6 for the 8 months ended April 30, 2020.

The results of our tests disclosed that OCCC's internal control structure over the Area and its established policies and procedures, were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters that are 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 13 of this report.

We also performed a follow-up of the findings and recommendations that were presented in the prior year internal audit reports, as prepared by other auditors, 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.



June 19, 2020

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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 Texas Finance Commission, 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 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.

2020 Internal Audit Plan

Following are the internal audits and other functions performed, as identified in OCCC's Internal Audit Plan for Fiscal Year 2020, dated April 2, 2020 and approved by the Audit Committee and Finance Commission on April 17, 2020:

- Records Management (Area)
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of our audit of the Records Management 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.

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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, within 30 days after approval by the Finance Commission, OCCC will post the following information on its website:

- An approved fiscal year 2021 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2020 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The annual internal audit 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 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 Audit 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 2020

The approved Internal Audit Plan (Plan) included one audit to be performed during the 2020 fiscal year. The Plan also included a follow-up of the prior year internal audit recommendations, other tasks as may have been assigned by the Finance Commission, and preparation of the Annual Internal Audit Report for fiscal year 2020.

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
TFEE Fund Investment Portfolio Administration Fiscal Division (Includes Purchasing, Travel, Payroll and Fixed Assets) Management Information Systems	Billing and Collection of Fees Legal and Enforcement Complaint Intake and Investigation TFEE Fund Grants Management Motor Vehicle Sales Finance Examinations Regulated Lenders Examinations Records Management Credit Access Business Examinations Pawn Examinations	Property Tax Lender Examinations Human Resources Business Licensing Business Registration Professional Licensing (Pawnshop Employees & RMLO)

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

Fiscal Year 2019¹:

- Investment Administration Controls
- Information Technology Change Management Program
- Follow-up of the Prior Year Internal Audits

Fiscal Year 2018:

- Property Tax Lender Examinations
- Follow-up of the Prior Year Internal Audits

Fiscal Year 2017:

- Registration
- Texas Financial Education Endowment Fund
- Follow-up of the Prior Year Internal Audits

The internal audit and other tasks performed for fiscal year 2020 were as follows:

Report No.	Audits/Report Titles	Report Date
1.	Records Management <i>Objective:</i> To determine whether OCCC's policies and procedures and internal processes in place over the Records Management Area (Area) provide reasonable assurance of compliance with state requirements; and, whether established internal controls are operating effectively.	6/19/2020
1.	Annual Internal Audit Report – Follow-up of Prior Year Internal Audits	6/19/2020
-	Other Tasks Assigned by the Finance Commission	None

¹ Performed by McConnell & Jones LLP.

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V. Executive Summary

Records Management

Background

The Records Management Area (Area) is responsible for ensuring state records are retained in accordance with applicable laws and regulations, as outlined in Chapter 441, Subchapter L of the Texas Government Code and Title 13, Part 1, Chapter 6 of the Texas Administrative Code; OCCC's established policies, procedures, and/or practices; and, its current records retention schedule (RRS) approved by the Texas State Library and Archives Commission (TSLAC).

Records Management Program

Under state law, each state agency head must establish and maintain a records management program, create and maintain adequate state records, and identify and protect confidential and vital state records.

An Executive Assistant, who reports directly to the Commissioner, has been designated as OCCC's Records Management Officer (RMO), whose legal responsibilities include the following:

- a) administering the agency's records management program;
- b) assisting the agency head in fulfilling his/her duties;
- c) preparing and submitting an RRS to TSLAC for (re)certification; and,
- d) communicating to employees, the agency's policies and procedures relating to records management.

In an effort to implement the records management program, OCCC has designated department managers as records custodians who are responsible for (a) identifying state records for their department; (b) establishing specific departmental records management procedures, including safeguarding and disposing of records; and, (c) communicating with the RMO of any changes that may affect the records management program. Each department manager designates a Records Management Liaison within their respective department, who is responsible for the execution of tasks related to records management. Information Technology (IT) staff are also involved in the implementation of the records management program.

TAC §6.8 requires state agencies to establish policies and procedures to ensure state records are retained through the expiration of their respective retention period, as established in its RRS; TAC §6.93 requires state agency heads or designees to approve and institute written policies and procedures that communicate an enterprise-wide approach for the management practice of electronic state records; and, TAC §6.95 further requires vital electronic state records to be addressed in such policies and procedures. OCCC's records management policies and procedures are developed by the Legal department; reviewed by the Security, Policy, and Compliance Committee, which consists of all department heads or their designee; and, approved by the Commissioner.

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OCCC has established a Data Classification Policy, which defines and provides examples of 3 classification levels: (1) Public, (2) Sensitive; and, (3) Confidential. For each classification level, proper data controls in such areas as access, external distribution, and storage, have been implemented. OCCC also has a records inventory listing, which reflects the classification level for each record and identifies records that are vital (critical). The records inventory listing is reviewed and updated annually by department managers.

Records Retention Schedule (RRS)

OCCC's current RRS was recertified by TSLAC in January 2018. Subsequent to the recertification, OCCC submitted an amendment, which was approved by TSLAC with an effective date of May 2018. In accordance with TAC §6.3(b), a state agency's RRS is generally required to be recertified by TSLAC every 5 years from the date of the last recertification. Therefore, the next recertification for OCCC's RRS is January 2023. The RMO is responsible for keeping the RRS current by submitting, to TSLAC, amendments to (a) add a record series; (b) propose an amended retention period; and/or, (c) update other information in the RRS.

Certain records in the RRS are identified with an "A" for designation as an archival record; while, others may be identified with an "R", which indicates that an agency must contact TSLAC's Archives and Information Services (ARIS) division for an archival review of such records. Records identified with an "A" must be transferred to TSLAC's ARIS division, where they are preserved until the ARIS division determines the record no longer merits further retention. Upon review of records identified with an "R", TSLAC's ARIS division will determine if the record should be archived; and, if non-archival, it will instruct the agency to destroy the record. OCCC utilizes the Texas State RRS, as prepared by TSLAC, to identify records requiring archiving and a review.

Records Storage

OCCC's state records, the majority being electronic, are retained in the following locations:

- a) Application, Licensing, Examination, Compliance System (ALECS)

ALECS is an online enterprise resource management system that manages licensing, examinations, and other records for licensed and regulated entities. An employee is provided access levels sufficient to perform their job duties, as determined by the respective supervisor, and managed by the IT Support Services department. Documents can be uploaded to ALECS by OCCC employees or a third-party entity; such as, an applicant, a licensee, or a registrant. A third-party entity is able to upload documents only after creating an ALECS account through OCCC's website.

- b) OCCC Network Folders

Records of large examination files; and, those related to agency administration, legal, financial, payroll, and HR, are stored in folders on OCCC's network drives, which are partitioned to limit access only to authorized personnel. OCCC's IT Support Services department is responsible for the administration of OCCC's network folders; including, data backup, security, and system maintenance.

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c) ApplicationXtender

ApplicationXtender is an enterprise document management system administered by OCCC's sister agency, DOB. This system is primarily used by the Licensing department to image and electronically store current hard copy records; such as, applications and checklists that are not uploaded to ALECS. Historical records imaged prior to the implementation of ALECS, which include various types of records from all divisions/departments, are still retained in ApplicationXtender since they were not migrated to ALECS.

d) Email Archive

Email with no activity for over 90 days are automatically transferred and archived in "Retain", OCCC's email archiving system. Email records in Retain are maintained for 3 years before an automatic deletion takes place, and cannot be manually deleted. Email records determined to have longer retention periods are manually saved in an appropriate network drive folder or ALECS.

e) Physical records

Certain highly sensitive HR records; such as, medical and workers' compensation files, are retained as a hard copy in HR's locked file cabinets. OCCC also maintains, in its server room, 270 reels of microfilm that contain various historical (pre-1989) records; including, those of entities that remain active.

Records Disposition

OCCC utilizes a Records Disposition Log (RDL) for documentation of its disposition process. An RDL is completed by an employee (preparer) who, by entering required information into the RDL, ensures the records to be disposed are listed and have exceeded the retention period in the RRS. The preparer must obtain approval signatures on the RDL from his/her supervisor and the RMO before the records can be processed for disposition. The department manager is responsible for ensuring the records, as entered in the RDL, are not subject to a hold under Government Code Sec. 441.187(b), that prohibits destruction of records under certain circumstances; such as, litigation and open records requests. RDLs must be retained for 10 years.

Records Imaging and Verification

Records received by OCCC through channels other than ALECS (mail, fax, etc.), are generally scanned to an electronic image and retained in appropriate locations, as determined by the various departments. OCCC's internal policy requires all imaged records to be reviewed by an employee, other than the one who performed the imaging, to ensure all manual pages are imaged and imaged records are legible before the original document can be destroyed. The majority of hard copy documents are received by the Licensing, Examination, and Consumer Assistance Services (CAS) departments. For accountability purposes, each of these departments has developed the following departmental imaging/verification tracking procedures:

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- (a) **Licensing:** Hard copy documents; such as, paper applications and “checklists”, submitted by applicants to the Licensing department are imaged into ApplicationXtender. However, confidential information; such as, criminal history reports and fingerprints are not imaged; but, are instead destroyed once they have been reviewed for their intended purpose. Upon completion of the imaging, an employee of the Licensing department (Imager) enters an applicable Masterfile number, license number, imaged date and his/her initials into the *Image & Verify* Excel spreadsheet. The Imager will then place the original document in the department’s designated area to be verified by another person (Verifier). Upon completion of verification, the Verifier adds the verification date and his/her initials for the applicable record in the *Image & Verify* Excel spreadsheet. During the audit period, the Licensing department imaged 1,567 records totaling 9,010 pages into ApplicationXtender.
- (b) **Examination:** An *Incoming Records Log* Excel spreadsheet is used by the Examination department to track documents it receives. An Administrative Support staff (Imager) scans and either uploads the document to an appropriate location in ALECS or a network folder. Certain documents received; such as, complaints, debt cancellation agreements, returned mail, and examination vouchers, which are not imaged by an Administrative Support staff, are forwarded to CAS or an appropriate Examination employee. Upon receipt by CAS, their departmental imaging process, as documented below, is followed. The Imager and another Administrative Support staff (Verifier) date and initial the *Incoming Records Log* for the applicable record upon completion of their respective tasks. According to the *Incoming Records Log*, during the audit period, the Examination department logged 1,362 incoming hard-copy records, of which 570 were sent to the Administrative Support staff for imaging, 515 were forwarded to the CAS department, and the remaining 277 were forwarded to other Examination staff.
- (c) **CAS:** Hard copies of complaints and correspondence received by the Examination department and forwarded to CAS are imaged and uploaded to ALECS, or saved in designated network folder if they do not pertain to an OCCC licensee/registrant. Upon closing of a complaint, the Investigator who closed the complaint (Imager) images all documents related to the complaint, and places the original documents in the designated area in the department to be verified by another investigator (Verifier). The department generates a monthly *Written Complaints Processed* report from ALECS which lists written complaints closed during the month along with the names of investigators who closed them. Upon completion of verification, the Verifier enters his/her initials next to the complaint for which imaged documents were verified.

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Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to determine whether OCCC's policies and procedures and internal processes in place over the Records Management Area (Area) provide reasonable assurance of compliance with state requirements; and, whether established internal controls are operating effectively.

Scope

The scope of the audit was for the 8-month period from September 1, 2019 to April 30, 2020 (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; interviewing and corresponding with selected OCCC employees; and, virtual observation of a sample of physical and electronic records.

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

- A. Texas Government Code Chapter 441, Subchapter L. *Preservation and Management of State Records and Other Historical Resources*.
- B. Title 13 of the Texas Administrative Code Chapter 6, Subchapter A. *Records Retention Scheduling*; Subchapter B. *Microfilming Standards for State Agencies*; and, Subchapter C. *Standards and Procedures for Management of Electronic Records*, as compiled by the Texas State Library and Archives Commission (TSLAC) as Bulletin 3, Bulletin 2, and Bulletin 1, respectively.
- C. Organizational chart applicable to the Area.
- D. OCCC Designation of State Agency Records Management Officer.
- E. Texas State Records Retention Schedule, revised 4th edition.
- F. OCCC Records Retention Schedule, certification #6.
- G. OCCC records management policies and procedures, to include:
 - (1) Records Management Manual, June 2020.
 - (2) Licensing Procedures: Imaging, Verifying, & Destruction.
 - (3) Human Resources Standard Operating Procedures, Chapter VI, Subchapter C. File Management, updated January 2020.
 - (4) Policy and Procedures Manual: Examination – Imaging and Uploading Procedure, March 2020.

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- (5) Other agency-wide records management policies and procedures: Email Management Guidelines; Retain and GroupWise FAQs; and Server File Structure and File Naming Conventions Update.
- H. OCCC Records Inventory, Data Classification and Controls, June 2019.
 - I. Records Disposition Logs for records destroyed during the audit period.
 - J. OCCC's imaging log/report/listing, to include:
 - (1) Licensing department's scanned records report for the audit period, as generated from ApplicationXtender.
 - (2) Examination/CAS department *Incoming Records Log* Excel spreadsheet for the audit period, as maintained by the department.
 - (3) Licensing department's *Image & Verify* Excel spreadsheet, as maintained by the department.
 - (4) CAS department Written Complaints Processed report for the months of September through November 2019, as generated from ALECS.
- K. ApplicationXtender User Permission Report generated on May 14, 2020.

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 TSLAC, 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 organizational structure to assess whether the design is adequate in implementing the records management program.
4. Reviewed OCCC's certified RRS and Form SLR 104, *Designation of State Agency Records Management Officer (RMO)*, to verify proper and timely submission.
5. Reviewed the list of access levels for all ApplicationXtender users to determine if access was warranted based on job title.
6. Selected a sample of 10 Licensing records imaged to ApplicationXtender, and 10 Examination/CAS records received for imaging, as listed in the Examination/CAS Incoming Records Log, for the audit period; and, tested for the following attributes:
 - a. Record is available and readable.

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- b. Record is retained in the correct location (or properly indexed) and follows proper folder/file naming convention.
 - c. For Licensing records, confidential information; such as, fingerprints and criminal reports, are not imaged.
 - d. Completion of imaging and verification were properly documented.
 - e. Quality assurance was performed by a person other than the imager.
7. Selected a sample of 10 records destroyed during the audit period, and tested for the following attributes:
- a. Compliance with TAC 6.8(b) relating to final disposition of state records, including archival records.
 - b. The record exceeded the retention period, as listed in the RRS.
 - c. RDL is complete and accurate.
 - d. Proper internal approval was obtained.
8. Selected a sample of 20 records from OCCC's RRS, and tested for the following attributes:
- a. Record is available and readable.
 - b. Record is retained at the security level appropriate for the record type.

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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	Records Disposition	Medium
Observation No.	<i>Observation</i>	
1	Imaged Record Verification	-
<u>Description of Rating</u>		
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 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 <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 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 <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 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 <i>Low</i> if the audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s) audited <u>or</u> 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
1	6/19/2020	Records Management	<p>1. Records Disposition</p> <p>Government Code Sec. 441.187 allows state agencies to destroy a state record if the record's retention period, as listed in the state agency's approved records retention schedule, has expired. Our testing of 10 record series destroyed during the audit period, as documented in the records disposition logs (RDL) prepared by various departments, disclosed an instance where 2 boxes of records were destroyed more than 9 months before the retention period expired. This exception was caused by the incorrect retention period being entered in the RDL by the employee who prepared the RDL, and not detected by the supervisor or the RMO during the RDL review and approval process.</p> <p>Recommendation</p> <p>We recommend that OCCC 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>Management's Response</p> <p>The OCCC will analyze and revise records disposition log review procedures to allow for review on multiple levels and allow ample time for review and verification to ensure compliance with OCCC RRS. Additionally the OCCC will add a step to the process that RML must receive a scanned copy of approved log before disposition can begin. Staff will be trained on the new procedures. The new procedures and training will be implemented by October 1, 2020.</p> <p>Observation</p> <p>1. Imaged Record Verification</p> <p>To ensure that an imaged state record is a complete representation of the original document, OCCC has developed and implemented, at departmental levels, procedures requiring all hard copy documents to be imaged by one employee (the Imager), and then visually verified for completeness and image quality by a different employee (the Verifier). The original documents can be destroyed only after the verification is performed. For accountability purposes, the departments have developed logging procedures for documentation of the Imager and the Verifier, along with the dates the record was imaged and verified.</p>	To ensure state records are retained for the duration of retention period.

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Fiscal Impact/ Other Impact														
			<p>Our testing of 20 imaged records, consisting of 10 from Licensing, 7 from Examination, and 3 from Consumer Assistance Services (CAS), disclosed that the 10 imaged Licensing records were not logged in the <i>Image & Verify</i> Excel spreadsheet (the Spreadsheet), which is utilized by the Licensing department to log imaging and verification. Since the records were not logged in the Spreadsheet, we were unable to determine whether these records were verified. We were subsequently informed that verification by the Licensing department was not performed during fiscal year 2020. A further review of the Spreadsheet disclosed that, although the department properly retains original documents until verification is complete, the number of verified records logged in the Spreadsheet has declined in the last 3 years, as shown below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Fiscal Year</th><th style="text-align: center;">Number of Records Verified</th></tr> </thead> <tbody> <tr> <td style="text-align: center;">2016</td><td style="text-align: center;">176</td></tr> <tr> <td style="text-align: center;">2017</td><td style="text-align: center;">3,620</td></tr> <tr> <td style="text-align: center;">2018</td><td style="text-align: center;">470</td></tr> <tr> <td style="text-align: center;">2019</td><td style="text-align: center;">34</td></tr> <tr> <td style="text-align: center;">2020</td><td style="text-align: center;">5</td></tr> <tr> <td style="text-align: center;">Total</td><td style="text-align: center;">4,305</td></tr> </tbody> </table> <p>Recommendation</p> <p>We recommend that the Licensing department evaluate and revise, as considered necessary, the current imaging and verification logging procedures; and, ensure Licensing staff consistently follow the established procedures.</p> <p>Management's Response</p> <p>The Licensing department has determined that the current imaging, verification, and logging procedures for digital records stored in Application Xtender are appropriate and adequate. The department will ensure that staff are re-trained to ensure the procedures are consistently followed. The training will occur by October 1, 2020.</p>	Fiscal Year	Number of Records Verified	2016	176	2017	3,620	2018	470	2019	34	2020	5	Total	4,305	
Fiscal Year	Number of Records Verified																	
2016	176																	
2017	3,620																	
2018	470																	
2019	34																	
2020	5																	
Total	4,305																	

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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
1	6/19/2020	2020 Follow-Up	<p>Follow-Up of Prior Year Internal Audits</p> <p><i>Following is the status of the recommendations made during fiscal year 2019 by the predecessor auditors that had not been fully implemented.</i></p> <p><u>Investment Administration Controls (Report date 3/27/2019)</u></p> <p>1. Investment Officer Training Requirement Documentation</p> <p>OCCC should update its Investment Policy Statement training section to include the training requirements for members of the Texas Finance Commission.</p> <p><u>IT Change Management Program (Report date 7/5/2019)</u></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><i>Explanation of FY20 Status</i></p> <p>Various change management forms have been developed but are not yet consistently utilized, as OCCC's limited resources must be often directed to other higher-priority activities.</p> <p>#1B. Create an information technology change request form that includes relevant information about a change, including the description of the change, initial change requirements, date of change and authorization.</p> <p>#1C. Document the information technology change date in the change request form.</p> <p><i>Explanation of FY20 Status</i></p> <p>Various change management forms have been developed but are not yet consistently utilized, as OCCC's limited resources must be often directed to other higher-priority activities.</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><i>Explanation of FY20 Status</i></p> <p>Various change management forms have been developed but are not yet consistently utilized, as OCCC's limited resources must be often directed to other higher-priority activities.</p> <p>#1E. Authorization/approval of the information technology change request should be granted and documented with approver's name and title before commencing any work related to the change.</p>	<p>Fully Implemented</p> <p>Substantially Implemented</p> <p>Fully Implemented</p> <p>Substantially Implemented</p> <p>Substantially Implemented</p> <p>Substantially Implemented</p> <p>Fully Implemented</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
1	6/19/2020	2020 Follow-Up	<p>#1F. Implement a process to capture, record and retain information on the total number of hours expended on implementing each change.</p> <p><i>Explanation for FY20 Status</i></p> <p>OCCC has evaluated this recommendation and concluded it is impractical to implement the recommendation.</p> <p>2. IT Change Risk Assessment Process</p> <p>OCCC should develop a formal risk assessment process for information technology changes with a defined risk tolerance that is divided into high, medium and low categories.</p> <p>3. Segregation of Duties</p> <p>The agency should consider the implementation of formal segregation of duties to ensure all IT changes are reviewed prior to implementation. If this is not feasible then the agency should ensure changes with a high risk are reviewed, approved and documented before the implementation of the change. Changes that are not rated as a high risk can be assessed and approved at the user acceptance level.</p>	<p style="text-align: center;">Not Implemented</p> <p style="text-align: center;">Fully Implemented</p> <p style="text-align: center;">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 2020. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

OCCC 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. 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 2021

The risk assessment performed during the 2020 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 2021. The Internal Audit Plan for Fiscal Year 2021 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.

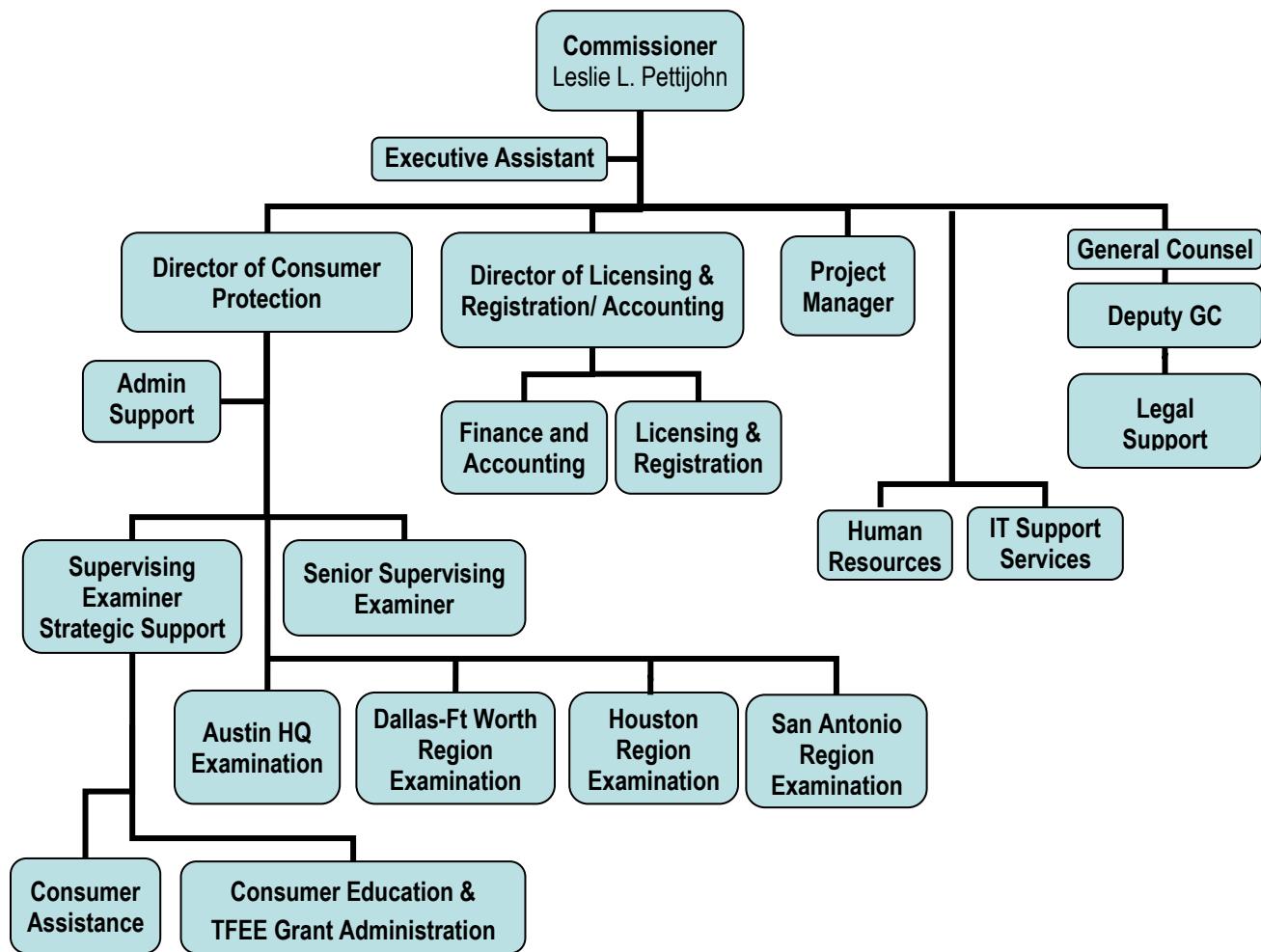
- Fiscal Division – Vendor Payments, Procurement, Contract Management
- TFEE Fund Investment Portfolio Administration
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Finance Commission

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X. Organizational Chart



Source: OCCC

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Attachment

OFFICE OF CONSUMER CREDIT COMMISSIONER
History of Areas Audited
For Fiscal Year 2020

	POTENTIAL AUDIT TOPIC									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Billing and Collection of Fees						B	D		
2	Business Licensing	A				F*	B*	D/F*		
3	Business Registration						A	D		
4	Complaint Intake and Investigation		A					D		
5	Credit Access Business Examinations		A					D		
6	Fiscal Division (includes Purchasing, Travel, Payroll, & Fixed Assets)		C			B	C*/D*			
7	Human Resources			C/G*				C*	G*	
8	Legal and Enforcement						B*	D		
9	Management Information Systems	A	E*	E*	E	E*	B*/E	D*/E*	A1*/E	E*
10	Motor Vehicle Sales Finance Examinations					A		D		
11	Pawn Examinations							D		
12	Professional Licensing (Pawnshop Employees & RMLO)				A		F*	B*	D/F*	
13	Property Tax Lender Examinations								A/D	
14	Records Management									A
15	Regulated Lenders Examinations							D		
16	TFEE Fund Grant Administration					A		A*	D	
17	TFEE Fund Investment Portfolio Administration							A	D	A1

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.
- 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.