

**TEXAS DEPARTMENT OF LICENSING AND REGULATION**  
Austin, Texas

**INTERNAL AUDIT PLAN**

For Fiscal Year 2015



**TEXAS DEPARTMENT OF LICENSING AND REGULATION**  
Austin, Texas

Internal Audit Plan  
For Fiscal Year 2015

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Commissioners and Audit Committee Members  
Texas Department of Licensing and Regulation  
Austin, Texas

Enclosed is the proposed fiscal year 2015 Internal Audit Plan (Plan) for the Texas Department of Licensing and Regulation (TDLR). This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2015. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised as necessary by the Commissioners or Audit Committee.

This Plan has been prepared following Generally Accepted Auditing Standards and International Standards for the Professional Practice of Internal Auditing, as determined by the Institute of Internal Auditors.

*Garza/Gonzalez  
& Associates*

July 2, 2015

# TEXAS DEPARTMENT OF LICENSING AND REGULATION

## Internal Audit Plan

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### I. Methodology

The fiscal year 2015 Internal Audit Plan (Plan) for the Texas Department of Licensing and Regulation (TDLR) was prepared using a risk assessment process where we reviewed various documents and questionnaires completed by staff, as documented below. Following are some of the documents that were reviewed and considered in our risk assessment process:

- Organizational Charts
- Operating Budgets
- Financial and Non-Financial Reports
- Policies and Procedures
- Applicable Laws and Regulations
- Audits and/or Monitoring Reports from Third Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by the Executive Director, Deputy Executive Director, Audit Liaison, Division Directors, and other staff to update our understanding of each division and its role within the overall scheme of TDLR. The questionnaires included topics; such as, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements. Utilizing information obtained through the questionnaires and background information reviewed, 33 audit areas were identified as potential audit topics. A risk analysis was completed for each of the 33 potential audit topics and then compiled to develop an overall risk assessment for TDLR.

The following 8 risk factors were considered for each potential audit topic:

- |   |  |
|---|--|
| 1. Financial Materiality or Number of Licensees | The measure of the auditable unit's materiality based on the dollar amount per year of assets, receipts, or disbursements for which it is responsible; or, number of licensees by program. |
| 2. Time Since Last Audit or Review              | Measure of the number of years between the date of the previous audit or review and the date of the risk assessment.   |
| 3. Results of Last Audit or Review              | Measure of the results of the previous audit or review.  |
| 4. Adequacy of Staffing Levels                  | Measure of the adequacy of the staffing level of the auditable unit as it relates to the achievement of its objectives.  |
| 5. Policies and Procedures                      | Measure of the existence of policies and procedures documenting the auditable unit's activities.   |

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|---|--|
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the existence of contracts, laws, and/or regulations for which the auditable unit is responsible for complying. |
| 7. Susceptibility of Material Theft or Fraud        | Measure of the auditable unit's risk and controls in place as it relates to material theft or fraud.                       |
| 8. Issues or Concerns                               | Measure of issues or concerns by management, the Commissioners, or Audit Committee.  |

### Risk Assessment

Following are the results of the risk assessment performed for the 33 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Enforcement Administration, Fines, and Penalties  Information Systems – Security and Disaster Recovery  Cash Disbursements, Travel, and Purchasing  Architectural Barriers  Elevators, Escalators, and Related Equipment	Combative Sports  Cosmetology  Used Auto Part Recyclers  Weather Modification  Boilers  Education and Examination  Legal Service Contracts  Polygraph Examiners  Vehicle Protection Product Warrantors	Tow Trucks, Booting, and Vehicle Storage Facilities  Auctioneers  Service Contract Providers  Water Well Drillers and Pump Installers  Cash Receipts and Fee Processing  Fixed Assets Management  Industrialized Housing and Buildings  Licensed Breeders  Payroll and Human Resources  Air Conditioning and Refrigeration Contractors  Barbers  Electricians  Budgeting  Performance Measures Reporting  Records Retention  Professional Employer Organizations  Property Tax Consultants  Property Tax Professionals  Temporary Common Workers

The 2015 Risk Assessment Summary is included in this report as Attachment A.

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

### Fiscal Year 2014:

- Industrialized Housing and Buildings (IHB) Program
- Licensed Breeders Program
- Records Retention

### Fiscal Year 2013:

- Enforcement Administration, Fines, and Penalties
- Property Tax Professionals
- Cash Receipts and Fee Processing
- Fixed Assets Management

### Fiscal Year 2012:

- Air Conditioning and Refrigeration Contractors
- Cosmetology
- Payroll and Personnel Processes
- Service Contract Providers

## II. Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of TDLR's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes:

- **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, and regulations and contracts that 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 Organizations 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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### III. Internal Audit Plan

The Internal Audit Plan (Plan) includes 2 audits to be performed during the 2015 fiscal year. The Plan also includes a follow-up of the prior year audit recommendations, other tasks that may be assigned by the Commissioners or Audit Committee during the year, and preparation of the Annual Internal Audit Report for fiscal year 2015.

The areas recommended for internal audit and other functions to be performed for fiscal year 2015 are as follows:

#### 1. Elevators, Escalators, and Related Equipment

The planned audit procedures include the following:

- a. Obtain an understanding of the laws and regulations provided in the Texas Health and Safety Code, Chapter 754; and Texas Administrative Code, Chapter 74, as applicable to the Elevators, Escalators, and Related Equipment Program.
- b. Review established policies and procedures, collect various documents, and conduct interviews to obtain an understanding of controls, processes and current practices in place over registration of inspectors and contractors, and monitoring and regulating the Elevators, Escalators, and Related Equipment Program.
- c. Test a sample of new and renewed inspector and contractor registration applications for compliance with policies, procedures, rules and regulations; and, current practices in place.
- d. Test a sample of inspections performed during the year to ensure compliance with applicable laws, regulations, policies, procedures; and, current practices in place.
- e. Test a sample of certificates of compliance issued during the year to ensure compliance with applicable laws, regulations, policies and procedures; and, current practices in place.
- f. Other procedures that may be deemed necessary during audit fieldwork.

#### 2. Architectural Barriers Program

The planned audit procedures include the following:

- a. Obtain an understanding of the laws and regulations provided in the Texas Government Code Chapter 469, Texas Administrative Code Chapter 68, and Texas Accessibility Standards, as applicable to the Architectural Barriers Program.
- b. Review established policies and procedures, collect various documents, and conduct interviews to obtain an understanding of controls, processes and current practices in place over the licensing of the Architectural Barriers Program.

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- c. Test a sample of new and renewed licensees of the Architectural Barriers Program for compliance with policies, procedures, rules and regulations; and, current practices in place.
  - d. Test a sample of inspections performed of the Architectural Barriers Program during the year to ensure compliance with applicable laws, regulations, policies, procedures, and current practices in place
  - e. Other procedures that may be deemed necessary during audit fieldwork.
3. Follow-up of Prior Year Internal Audits and Prepare the 2015 Annual Report

Perform follow-up procedures to determine the status of prior year comments that were not implemented as of fiscal year 2014. The audit procedures will result in a determination that the recommendation is (1) Implemented; (2) Partially Implemented; (3) Implementation Delayed; (4) No Action Taken; (5) Do Not Plan to Take Corrective Action; or, (6) Other.

4. Other Tasks

Other tasks as may be assigned by the Commissioners or Audit Committee during the fiscal year.

**TEXAS DEPARTMENT OF LICENSING AND REGULATION**  
**Risk Assessment Summary**  
**For Fiscal Year 2015**

RISK FACTOR WEIGHT							
10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%

RISK FACTORS									
	1	2	3	4	5	6	7	8	
POTENTIAL AUDIT TOPIC	Financial Materiality or Number of Licensees	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Compliance with Contracts, Laws & Regulations	Susceptibility of Material Theft or Fraud	Existence of Issues or Concerns	Total

**High Risk: > 164**

1	Enforcement Administration, Fines, and Penalties	3	30.00	1	16.50	2	32.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	183.00
2	Information Systems - Security & Disaster Recovery	1	10.00	1	16.50	2	32.00	2	30.00	2	25.00	3	36.00	2	16.00	1	10.00	175.50
3	Cash Disbursements, Travel, and Purchasing	3	30.00	2	33.00	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	172.50
4	Architectural Barriers	1	10.00	3	49.50	1	16.00	2	30.00	1	12.50	3	36.00	1	8.00	1	10.00	172.00
5	Elevators, Escalators, and Related Equipment	2	20.00	2	33.00	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	166.50

**Moderate Risk: 144 - 164**

6	Combative Sports	1	10.00	2	33.00	1	16.00	2	30.00	1	12.50	3	36.00	2	16.00	1	10.00	163.50
7	Cosmetology	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	160.00
8	Used Auto Part Recyclers	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	157.00
9	Weather Modification	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	157.00
10	Boilers	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	150.00
11	Education and Examination	1	10.00	2	33.00	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	149.00
12	Legal Service Contracts	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	145.00
13	Polygraph Examiners	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	145.00
14	Vehicle Protection Product Warrantors	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	145.00

**Low Risk: < 144**

15	Tow Trucks, Boating, and Vehicle Storage Facilities	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	2	16.00	1	10.00	142.00
16	Auctioneers	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	140.50
17	Service Contract Providers	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	140.50
18	Water Well Drillers and Pump Installers	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	140.50
19	Cash Receipts and Fee Processing	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
20	Fixed Assets Management	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
21	Industrialized Housing & Buildings	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	140.00
22	Licensed Breeders	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	140.00
23	Payroll and Human Resources	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	140.00
24	Air Conditioning and Refrigeration Contractors	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	134.00
25	Barbers	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	134.00
26	Electricians	2	20.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	134.00
27	Budgeting	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.50
28	Performance Measures Reporting	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.00
29	Records Retention	1	10.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	128.00
30	Professional Employer Organizations	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	124.00
31	Property Tax Consultants	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	124.00
32	Property Tax Professionals	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	3	36.00	1	8.00	1	10.00	124.00
33	Temporary Common Workers	1	10.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	100.00

**Risk Factor Rating:**

- 1 - Low Risk
- 2 - Moderate Risk
- 3 - High Risk