

# **Texas Department of Licensing and Regulation**

IA# 2022-02 Internal Audit Follow-Up Procedures

Report over Contract Administration

October 6, 2022

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Commissioners of the  
Texas Department of Licensing and Regulation  
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Austin, TX 78701

This report presents the results of the internal audit follow-up procedures performed for the Texas Department of Licensing and Regulation (TDLR) during the period April 18, 2022 through October 6, 2022 related to the findings identified in the Internal Audit Report over Contract Administration dated September 27, 2021.

The objective of these follow-up procedures was to validate that adequate corrective action has been taken in order to remediate the issues identified in the Internal Audit Report over Contract Administration.

To accomplish this objective, we conducted interviews with key TDLR personnel responsible for each of the reported findings. We also examined documentation and performed specific testing procedures to validate actions taken. An exit meeting was conducted on October 6, 2022.

The following report summarizes the results of our follow-up procedures, recommendations for improvement and management's responses.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
October 6, 2022

# **Texas Department of Licensing and Regulation**

## Internal Audit Follow-Up Procedures Report over Contract Administration

October 6, 2022

### **Background**

Internal audit procedures were performed over TDLR's Contract Administration process in 2021 and reported to the Commission. The Internal Audit Report over Contract Administration identified two (2) areas for improvement:

- 1) TDLR does not have a complete detailed listing of all contracts, including MOU's and IAC's. Currently, TDLR uses CAPPs for their contract listings that have a direct financial impact; however, the contract listing does not include the MOU's or IAC's without a financial component.
- 2) TDLR relies on the Texas Comptroller of Public Accounts (CPA) Certified Texas Contract Manager (CTCM) certification system to track and monitor their compliance with the ongoing training requirements. The agency does not have a monitoring system in place to ensure that the certified Contract Managers maintain compliance with the CPA training requirement.

The 2022 Internal Audit Plan included performing follow-up procedures to determine whether management has implemented corrective actions for the two remaining outstanding internal audit findings identified in the 2021 report.

### **Follow-Up Procedures Objective and Scope**

The follow-up procedures focused on the remediation efforts taken by TDLR management to address the two remaining outstanding internal audit findings included in the Internal Audit Report over Contract Administration, and to validate that appropriate corrective action had been taken.

We evaluated the corrective action for the two outstanding internal audit findings identified in the Internal Audit Report over Contract Administration.

Our procedures included interviewing key personnel within the Contract Administration process, examining existing documentation, and evaluating if corrective action has been taken. Our coverage period was June 1, 2021 through March 31, 2022.

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### Executive Summary

The findings from the 2021 Internal Audit Report over Contract Administration include those items that were identified and are considered to be non-compliance issues with TDLR's policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to TDLR. These issues could have significant financial or operational implications.

Through our interviews, review of documentation, observations and testing we determined that the two findings we evaluated for corrective actions were remediated.

Risk Rating	Total Findings	Remediated	Partially Remediated	Open
High	-	-	-	-
Moderate	2	2	-	-
Low	-	-	-	-
<b>Total</b>	<b>2</b>	<b>2</b>	-	-

A summary of our results, by audit objective, is provided in the table below. See the Appendix for an overview of the Assessment and Risk Ratings.

<b>FOLLOW-UP ASSESSMENT</b>	<b>Strong</b>
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Scope Area	Result	Rating
<b>Objective:</b> Validate that adequate corrective action has been taken in order to remediate the issues identified in the 2021 Internal Audit Report over Contract Administration.	We identified that procedures implemented by management fully remediated the two outstanding internal audit findings.	<b>Strong</b>

### Conclusion

Based on our evaluation, the agency has remediated the two outstanding findings from the 2021 Internal Audit Report over Contract Administration.

**Detailed Procedures Performed, Findings,  
Recommendations and Management  
Response**

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## IA # 2022-02 Internal Audit Follow-Up Procedures Report over Contract Administration

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### **Detailed Procedures Performed, Findings, Recommendations and Management Response**

Our procedures included interviewing key personnel within the Contract Administration process to gain an understanding of the corrective actions taken to address the two outstanding internal audit findings identified in the 2021 Internal Audit Report over Contract Administration, examining existing documentation, and performing testing to validate corrective actions taken. We evaluated the existing policies, procedures, and processes in their current state.

#### **Objective: Validate Remediation**

Validate that adequate corrective action has been taken in order to remediate the two outstanding internal audit findings identified in the 2021 Internal Audit Report over Contract Administration.

#### **Contract Administration**

##### **Finding 1 – Moderate – Complete Contract Listing**

TDLR does not have a complete detailed listing of all contracts, including MOU's and IAC's. Currently, TDLR uses CAPPS for their contract listings that have a direct financial impact; however, the contract listing does not include the MOU's or IAC's without a financial component.

##### **Results: Finding remediated**

We obtained a complete detailed listing of all contracts captured in CAPPs as of May 25, 2022, to verify that MOU's and IAC's without financial components were included in the list. The list contained fifty-seven (57) contracts, of which, twenty-three (23) did not include a financial component. Upon inspection of the contract listing, we were able to conclude that corrective action has been taken to include contracts with non-financial components to the CAPPs system.

##### **Finding 2 – Moderate – Monitoring of CTCM Training**

TDLR relies on the Texas Comptroller of Public Accounts (CPA) Certified Texas Contract Manager (CTCM) certification system to track and monitor their compliance with the ongoing training requirements. The agency does not have a monitoring system in place to ensure that the certified Contract Managers maintain compliance with the CPA training requirements.

##### **Results: Finding remediated**

We obtained a TDLR-generated report of CTCM employee certifications based on IHR system as of April 27, 2022, to verify the following:

- Existence of CTCM certification tracking system
- CTCM license reports were generated from IHR system
- System implementation for tracking the completion, renewal, and expiration dates of certifications
- Notification system in place to notify employees of expiration of certification

Upon examination of the report, we were able to conclude that a monitoring system has been implemented to ensure that certified Contract Managers maintain compliance with the CPA training requirements.

# Appendix



# Texas Department of Licensing and Regulation

## IA # 2022-03 Internal Audit Follow-Up Procedures Report over Contract Administration October 6, 2022

The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

### Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of Texas Department of Licensing and Regulation
- Texas Department of Licensing and Regulation objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
  - Reliability and integrity of financial and operational information
  - Effectiveness and efficiency of operations and programs
  - Safeguarding of assets
  - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

#### Strong

The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.

#### Satisfactory

The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.

#### Unsatisfactory

The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

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## IA # 2022-03 Internal Audit Follow-Up Procedures Report over Contract Administration October 6, 2022

### Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

#### High

High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten TDLR's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of TDLR or beyond a single function or department
- Potential material impact to operations or TDLR's finances
- Remediation requires significant involvement from senior TDLR management

#### Moderate

Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of TDLR
- Impact could be felt outside of TDLR or across more than one function of TDLR
- Noticeable and possibly material impact to the operations or finances of TDLR
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior TDLR management to be updated

#### Low

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten TDLR's strategic priorities
- Impact is limited to a single function within TDLR
- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk