VIII

INTERNAL AUDIT SERVICES

INTERNAL AUDIT REPORTS
OCTOBER 13, 2022

Action and Information Items

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ACTION ITEM
FY2023 Annual Internal Audit Plan

Proposed FY2023 Annual Internal Audit Plan

➤ **7 Scheduled Audits**
- Key Vendor SOC User Control Considerations (UCCs)
- Ticket Warehouse Operations
- Physical Security – New Office Operations
- Business Continuity Planning
- Jackpot Estimation System
- Gaming Changes
- Claims and Prize Payment Management

➤ **1 Consulting engagement**
- CBOD Licensing Processes

➤ **Administrative / Compliance Activities**
- Monitor Ethics Line
- Conduct Quarterly Access Controls Testing
- Update the risk assessment and prepare Fy2024 Annual Internal Audit Plan
- Conduct prior audit finding follow-up activities,
- Prepare the FY 2023 Internal Audit Annual Report

These activities are estimated to require **2,228 hours**.

A copy of the full proposed FY 2023 Internal Audit Plan was provided to Commissioners via email.

Action Item

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INFORMATION ITEMS

➢ Required by the Texas Internal Auditing Act

➢ Presented to the Commissioners

➢ Issued by November 1st Each Year

➢ State Auditors Office Prescribed Contents

- Publication of internal audit reports on TLC's website

- FY 2022 Annual Internal Audit Plan status

- Peer review outcome

- FY 2023 Annual Internal Audit Plan

- External audit service procured in FY 2022

- TLC's policies for reporting suspected fraud and abuse

  A copy of the full report was provided to Commissioners via email.

➢ External Distribution:

- Governor's Office of Budget Planning Policy

- Legislative Budget Board

- State Auditor's Office

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Audit	Audit Rating	Number of Recommendations
22-001 Confidential Data	Best Practices for Access Controls and Generally Effective Overall	0

TLC has implemented numerous controls to provide reasonable assurance of the protection of confidential data, especially anonymous claims information.

Additionally, the Agency has implemented access controls, physical and logical, we consider to be best practice processes.

Audit Focus:

Controls in place to ensure physical & electronic confidential data is properly secured including:

✓ Identification

✓ Classification

✓ Handling and Storage (destruction)

✓ Follow-up on PII audit report recommendations

Audit Activity:

✓ Interviewed key process owners

✓ Conducted walk-throughs

✓ Reviewed Security Manual

✓ Sampled tested claims

✓ Reviewed policies & procedures

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Information Item

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Ticket and Game Management Audit

Audit	Audit Rating	Number of Recommendations
22-003 Ticket and Game Management	Best practices for scratch ticket game planning and closing procedures. Internal controls are generally effective overall.	0

TLC has numerous effective controls to provide reasonable assurance of the continuous availability of scratch ticket games.

Audit Focus:
- ✓ Scratch ticket game planning,
- ✓ Scratch ticket vendor security controls and Scratch ticket supply chain management
- ✓ In-lane lottery product sales retailer security
- ✓ Scratch ticket game closing

Audit Activity:
- ✓ Interviewed key process owners
- ✓ Inspected vendor contracts & vendor security reports
- ✓ Inspected supply chain incidents
- ✓ Inspected RFP documentation
- ✓ Inspected policies and procedures
- ✓ Sampled games for compliance

A copy of the full report was provided to Commissioners via email.

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FY 2022 Annual Internal Audit Plan Status

Schedule

Overall Status:	Green		Percentage Complete:	

Approved Audits and Activities

Audit #	Description	Percent Completed	Status
20-005	Background Investigation of Vendor Staff	100%	Completed
22-001	Retailer Survey Process	100%	Completed
22-002	Confidential Data	100%	Completed
22-003	Ticket and Game Management	100%	Completed
22-004	Agency Performance Measures	100%	Completed
22-005	Jackpot Estimation System	0%	Postponed to FY2023
22-006	Claims and Prize Payment Management	0%	Postponed to FY2023
22-007	Drawings Studio Operations	90%	Reporting
22-008	Game Changes (Aurora)	0%	Postponed to FY2023

Approved Audits and Activities

General Procedures - No Report	Promotional Game Tickets - Procedures Review	100%	Completed
General Procedures - No Report	Information System User Access Monitoring	N/A	On- Going
General Procedures - No Report	Follow-up On Prior Audit Findings	100%	Completed
General Procedures - No Report	Monitor Ethics Line	N/A	On- Going
General Procedures - No Report	External Audit / Review Assistance	100%	Completed
FY 2023 Annual Internal Audit Plan	Update Risk Assessment & Develop Audit Plan	100%	Completed
FY 2023 Annual Internal Audit Report	Annual Audit Report	100%	Completed
General Procedures - No Report	Audit Communications	100%	Completed
21-008	Charitable Bingo Operations Division Ledger Account Reconciliations- Newly Approved Addition To FY2021 Annual Audit Plan	90%	In-Progress

August 31, 2022 Budget Balance:

- 0 Hours (100 % of approved budget)
- $ 134,792   (40% of approved budget)

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Internal Audit Activities Completed This period:

➢ Continued Charitable Bingo Operations Division Ledger Account Reconciliations.

➢ Completed Ticket and Game Management audit.

➢ Completed Confidential Data Management audit.

➢ Completed Annual Risk Assessment and Prepared Proposed FY 2023 Annual Internal Audit Plan.

➢ Completed Drawing Studio audit.

➢ Prepared FY2022 Annual Internal Audit Report.

Internal Audit Activities Anticipated Next Period:

➢ Finalize the Charitable Bingo Operations Division Ledger Account Reconciliations.

➢ Complete Drawing Studio audit report.

➢ Begin Key Vendor SOC User Control Considerations (UCC) audit.

Information Item

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