

INTERNAL AUDIT SERVICES



INTERNAL AUDIT REPORT OCTOBER 12, 2023

ACTION ITEM FY2024 Annual Internal Audit Plan



Proposed FY2024 Annual Internal Audit Plan

> 6 Scheduled Audits Action Item

- Ticket Warehouse Operations
- Legislation Change Management
- Procurement and Contracting Processes
- Retailer Incentive & Bonus Programs
- Claims and Prize Payment Management
- Customer, Stakeholder, and Retailer Satisfaction and Complaint Handling

2 Consulting Engagements

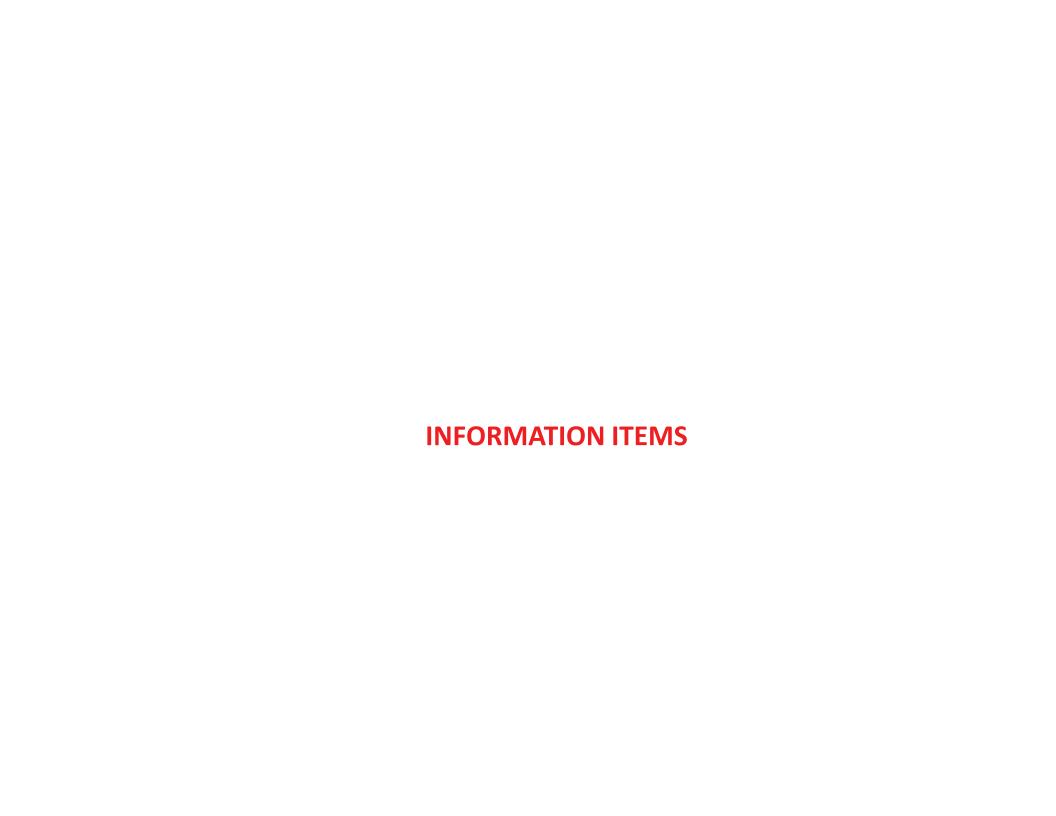
- CBOD Licensing Processes
- Lottery Operator Contract Solicitation Processes

> Administrative / Compliance Activities

- Monitor Ethics Line
- Quarterly network access controls testing
- Updated risk assessment and FY2025 Annual Internal Audit Plan
- Prior audit finding follow-up activities
- FY 20234 Internal Audit Annual Report

These activities are estimated to require 2,234 hours and will not exceed \$300,000.

A copy of the full proposed FY 2024 Internal Audit Plan was provided to Commissioners via email.





FY2023 Annual Internal Audit Plan Budget

The FY2023 Annual Internal Audit Plan was executed as approved. We carried over two audits to FY2024.

	Budget	Actual	Balance	% Consumed
Hours	2,228	1,949	279	87%
Fees \$	300,000 \$	188,525	\$ 111,475	63%



FY2023 Annual Internal Audit Report Summary

Report # and Title	Internal Control Rating	# of Findings	Open Findings
 # 23-003 Physical Security - New Office Operations • Infrastructure (Power and Internet) Stability • Draw Studio • Claims Center • Server Room • Shared Workspace Areas and Offices 	Some Improvement Needed for Facilities Best Practices Noted.	8	1
 #23-004 Business Continuity Planning Network Operations / Stability Drawing Studio Claims Center Administrative Functions Identified Responsibilities Training and Exercises Business Continuity Plan Updates 	Generally Effective Internal Controls with Best Practice Processes.	O	0
 #23-005 Jackpot Estimation System Changes System Change Authorizations System Security Updates Jackpot Estimate Validation Workflow and Authorizations 	Generally Effective Internal Controls with Best Practice Processes.	O	O



FY2023 Annual Internal Audit Report

- 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 20223 Annual Internal Audit Plan status
 - Peer review outcome
 - FY 20234 Annual Internal Audit Plan
 - External audit service procured in FY 2023
 - TLC's policies for reporting suspected fraud and abuse

External Distribution:

- Governor's Office of Budget
 Planning Policy
- Legislative Budget Board
- State Auditor's Office

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





Internal Audit Activities

Internal Audit Activities Completed This period:

- ➤ Continued Key Vendor SOC User Control Considerations (UCC) audit.
- Completed risk assessment and developed the FY2024 Annual Internal Audit Plan.
- Prepared the FY2023 Annual Internal Audit Report.

Internal Audit Activities Anticipated Next Period:

- Finalize Key Vendor SOC User Control Considerations (UCC) audit.
- Complete quarterly user access testing.
- Begin Ticket Warehouse and Ticket Destruction audit fieldwork.