



# INTERNAL AUDIT SERVICES



## INTERNAL AUDIT REPORT OCTOBER 12, 2023

Action and Information Items

**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.*

## **INFORMATION ITEMS**



# 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 <ul style="list-style-type: none"><li>• Infrastructure (Power and Internet) Stability</li><li>• Draw Studio</li><li>• Claims Center</li><li>• Server Room</li><li>• Shared Workspace Areas and Offices</li></ul>	Some Improvement Needed for Facilities Best Practices Noted.	8	1
#23-004 Business Continuity Planning <ul style="list-style-type: none"><li>• Network Operations / Stability</li><li>• Drawing Studio</li><li>• Claims Center</li><li>• Administrative Functions</li><li>• Identified Responsibilities</li><li>• Training and Exercises</li><li>• Business Continuity Plan Updates</li></ul>	Generally Effective Internal Controls with Best Practice Processes.	0	0
#23-005 Jackpot Estimation System Changes <ul style="list-style-type: none"><li>• System Change Authorizations</li><li>• System Security Updates</li><li>• Jackpot Estimate Validation Workflow and Authorizations</li></ul>	Generally Effective Internal Controls with Best Practice Processes.	0	0



# FY2023 Annual Internal Audit Report

- Required by the Texas Internal Auditing Act
- Presented to the Commissioners
- Issued by November 1<sup>st</sup> Each Year
- State Auditors Office Prescribed Contents
  - Publication of internal audit reports on TLC's website
  - FY 2023 Annual Internal Audit Plan status
  - Peer review outcome
  - FY 2024 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.