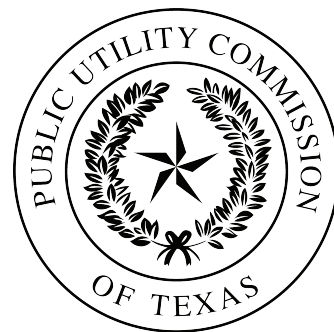


Internal Audit

Fiscal Year 2019

# Annual Report



**Internal Audit Division**  
Public Utility Commission of Texas

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## Section I: Internal Audit Plan for Fiscal Year 2019

The Internal Audit Division initially planned two audits for fiscal year 2019. The planned audits were not completed due to turnover within the Internal Audit Division. During the fourth quarter of fiscal year 2019 incoming staff proposed an additional audit to the agency's Commissioners. This audit was approved and completed prior to the end of fiscal year 2019.

### Fiscal Year 2019 Audits

Report Number	Report Date	Report Title	Status
2019-100	August 2019	An Internal Audit of Key Performance Measures at the Public Utility Commission	Completed
2019-300	N/A	Telecommunications Licensing Process	Not Completed
2019-301	N/A	SB 20 Contract Reporting Requirements	Not Completed

## Section II: Contracting

The agency continues to improve its processes and controls for monitoring agency contracts. A single point of contact has been established by designating a contract administrator to oversee the contracting process. The contract administrator is responsible for enhanced contract monitoring. The agency also developed a contract database to improve contract oversight. In addition, the agency participated in a contracting audit performed by the State Comptroller of Public Accounts during fiscal year 2019 which provided additional oversight for the agency.

## Section III: Consulting Services, Non-audit Services, and External Quality Assurance Reviews

The Public Utility Commission has not engaged in consulting services or non-audit services as defined by the International Standards for the Professional Practice of Internal Auditing or Government Auditing Standards. There was not an external quality assurance review conducted during fiscal year 2019.

## Section IV: Internal Audit Plan for Fiscal Year 2020

The goal of Internal Audit is to achieve audit coverage throughout the agency over time while focusing on areas with the greatest amount of risk. The audit plan for fiscal year 2020 was developed using a risk assessment matrix. The risk assessment process included feedback from each division director to aid in the development of upcoming projects. The steps included in the risk assessment process are as follows:

1. Identified and cataloged agency activities by division.
2. Reviewed the Strategic Plan to identify areas that may need additional attention.
3. Selected the criteria used to evaluate the impact and likelihood of events that could adversely affect the agency.
4. Ranked the identified risks in terms of likelihood and impact on the goals of the agency.
5. Selected and prioritized potential audits.

Identified risks were scored on a scale from one to four with four considered a substantial risk. Based on this methodology the audit plan includes four planned audits as well as time allotted for special projects, consulting opportunities, and any non-audit services. The Internal Audit Plan and Internal Audit Annual Report are posted on the agency's website as required by Texas Government Code, Section 2102.015.

### Fiscal Year 2020 Audit Plan

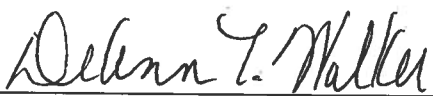
Project Number	Project Description	Program Area	Budgeted Hours
2020-100	An Audit of the Process for Contested Cases	Legal	360
2020-200	An Audit of the Public Information Act at the Public Utility Commission	Agency Counsel	320
2020-300	An Audit of the Contracting Process at the Public Utility Commission	Financial Resources	320
2020-400	A Follow up Audit of Complaint Processing	Customer Protection	320
Various	Special Projects as Assigned	Agency Wide	320
<b>Audit Subtotal</b>			<b>1640</b>

### Administrative & Required Internal Audit Activities

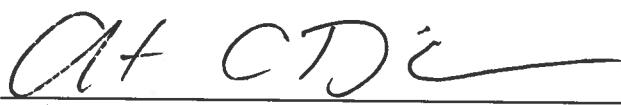
Continuing Professional Education	40
General Administration	72
Risk Assessment for 2021	80
Leave	80
State Holidays	88
Internal Audit Annual Report for FY 2019	80
<b>Administration &amp; Audit Activities -Subtotal</b>	<b>440</b>
<b>Total Budgeted Hours</b>	<b>2080</b>

**Public Utility Commission of Texas**  
**Internal Audit Plan for Fiscal Year 2020**  
**October 2019**

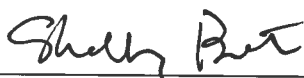
Plan Approved:

  
\_\_\_\_\_  
DeAnn T. Walker  
Chairman

10/11/19  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Arthur C. D'Andrea  
Commissioner

10/11/19  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Shelly Botkin  
Commissioner

10/11/19  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
John Paul Urban  
Executive Director, Public Utility Commission

10/11/19  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Michael Sanford  
Internal Auditor, Public Utility Commission

10/11/19  
\_\_\_\_\_  
Date

Additional areas ranked as a substantial risk that were not selected due to time and staffing constraints are as follow:

- Office of Policy and Docket Management
- The Division of Oversight and Enforcement
- The Rate Setting Process for Telecom, Electricity, and Water -Rate Regulation Division

## Section V: External Audit Services Procured in Fiscal Year 2019

The following represents external audit services that were procured or ongoing during fiscal year 2019.

Auditee	Auditor
Solix, Inc	Vic Hurlbert, CPA
Public Utility Commission	State Auditor's Office
Public Utility Commission	Comptroller of Public Accounts

## Section VI: Reporting Suspected Fraud and Abuse

The Public Utility Commission complies with the state fraud reporting requirements of the General Appropriations Act (86<sup>th</sup> Legislature), Section 7.09, by providing a link to the State Auditor's Office fraud hotline on the agency's website. In addition, the agency publishes internal procedures for staff to report fraud, waste, and abuse to the Internal Auditor or the State Auditor.

The procedures in place require all PUC employees, as well as any person with whom PUC employees interact with while performing job responsibilities to report suspected fraud, waste, or abuse to the Internal Auditor or the State Auditor's Office. The Internal Auditor will coordinate all investigations into suspected fraud as required by Government Code, section 321.022.