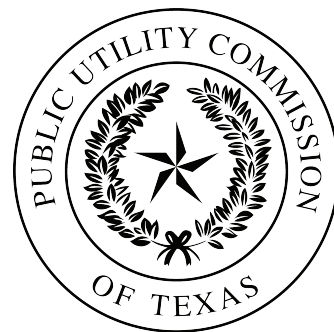


Internal Audit

Fiscal Year 2021

# Annual Report



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

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## Section I: Internal Audit Plan for Previous Fiscal Year (FY 21)

The Internal Audit Division completed three audits during fiscal year 2021. The audits included work in Financial Resources, Contracting, and Central Records. The Internal Audit Division also began a process to review the implementation status of prior audit recommendations from the preceding year. All previous recommendations from FY 2020 have been implemented.

### **Fiscal Year 2021 Audits**

Report Number	Report Date	Report Title	Status
2021-100	February 2021	An Internal Audit Report on Asset Management	Completed
2021-200	June 2021	Contract Oversight at the Public utility Commission	Completed
2021-300	September 2021	An Internal Audit Report -Central records Division	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 as well as supervising the formation and renewal of all contracts. The agency continues to use a contract database to improve contract oversight. In addition, the agencies Internal Audit Division continues to work closely with the contract administrator and will continue performing contracting audits annually.

## 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 2021.

## Section IV: Internal Audit Plan for Fiscal Year 2022

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 2022 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 three planned audits as well as time allotted for special projects, consulting opportunities, and any non-audit services. The Internal Audit Plan for FY 2022 was approved by the agency's Commissioners during the open meeting on September 23, 2021. 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 2022 Audit Plan

Project Number	Project Description	Program Area	Budgeted Hours
2022-100	Infrastructure Audit	Deputy Executive Director	400
2022-200	Enforcement Audit	Deputy Executive Director	400
2022-300	Contracting Process Audit	Agency Operations	400
Various	Special Projects as Assigned	Agency Wide	400
<b>Audit Subtotal</b>			<b>1600</b>
<b>Administrative &amp; Required Internal Audit Activities</b>			
Continuing Professional Education			40
General Administration			68
Annual Leave			80
State Holidays			112
Internal Audit Plan			60
Internal Audit Annual Report -Previous Year			60
Risk Assessment-Upcoming Fiscal Year			60
<b>Administration &amp; Audit Activities -Subtotal</b>			<b>480</b>
<b>Total Budgeted Hours</b>			<b>2080</b>

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

- Market Analysis
- The Rate Setting Process for Telecom, Electricity, and Water -Rate Regulation Division
- Emergency Management Preparedness
- ERCOT Oversight

## Section V: External Audit Services Procured in Fiscal Year 2021

The following represents external audit services that were procured or ongoing during fiscal year 2020.

Report Title	Auditee	Auditor
Texas Universal Service Fund Independent Auditor's Report-A Compliance and Financial Audit	Solix, Inc	Vic Hurlbert, CPA

## Section VI: Reporting Suspected Fraud and Abuse

The Public Utility Commission of Texas 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 investigations into suspected fraud as required by Government Code, section 321.022.