

Internal Audit

Fiscal Year 2022

Annual Report



Internal Audit Division
Public Utility Commission of Texas

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Section I: Internal Audit Plan for Previous Fiscal Year (FY 22)

The Internal Audit Division completed one audit during fiscal year 2022. The audit included work within the Infrastructure Division. The remaining two planned audits were not completed due to staff turnover within the Internal Audit Division. The Internal Audit Division reviewed the implementation status of prior audit recommendations from preceding years and during fiscal year 2023 will conduct follow-up audits.

Fiscal Year 2022 Audits

Report Number	Report Date	Report Title	Status
2022-100	February 2022	Infrastructure Audit	Completed
2022-200	N/A	Enforcement Audit	Postponed
2022-300	N/A	Contracting Process Audit	Incorporated into FY23 Audit Plan, 2023-300

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 2022.

Section IV: Internal Audit Plan for Fiscal Year 2023

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 2023 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. Used established criteria 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 five with five considered a substantial risk or agency importance. Based on this methodology the audit plan includes two planned audits and three follow up audits as well as time allotted for special projects, consulting opportunities, and any non-audit services. The Internal Audit Plan for FY 2023 was approved by the agency's Commissioners during the open meeting on October 6, 2022. 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 2023 Audit Plan

Project Number	Project Description	Program Area	Budgeted Hours
2023-100	Complaints Process – Follow Up Audit	Deputy Executive Director	200
2023-200	Legal Division Processes – Follow Up Audit	Deputy Executive Director	200
2023-300	Contract Oversight – Follow-Up Audit	Agency Operations	200
2023-400	Division of Utility Outreach Audit	Deputy Executive Director	400
2023-500	Information Technology Division Audit	Agency Operations	400
Various	Special Projects as Assigned	Agency Wide	200
Audit Subtotal			1600
Administrative & Required Internal Audit Activities			
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
Administration & Audit Activities -Subtotal			480
Total Budgeted Hours			2080

Additional areas noted in the risk rankings that were not selected due to time and staffing constraints are as follows:

- Market Analysis
- Rate Regulation
- Critical Infrastructure & Security Risk Management, including Emergency Management Preparedness

Section V: External Audit Services Procured in Fiscal Year 2022

The following represents external audit services that were procured or ongoing during fiscal year 2022.

Report Title	Auditee	Auditor
Texas Universal Service Fund Independent Auditor’s Report-A Compliance and Financial Audit (Feb. 2022)	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 (86th 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.