

**Office of the Secretary of State
Internal Audit Annual Report
for FY 2017**

November 2, 2017

Office of the Secretary of State - FY 2017 Internal Audit Annual Report

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The Honorable Greg Abbott, Governor
Members of the Legislative Budget Board
Members of the Sunset Advisory Commission
State Auditor

Dear Ladies and Gentlemen:

Attached is a report on the FY 2017 internal audit activity at the Office of Secretary of State ("SOS").

Please contact Vincent Houston, Administrative Services Division Director, at 512-463-5593, if you desire further information about the contents of this report. Mr. Houston is the Chief Audit Executive for the SOS.

Sincerely,

Vincent Houston

Vincent Houston
Administrative Services Division Director

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I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web site

The Director of Financial Management will be responsible for ensuring that the Internal Audit Plan, Internal Audit Annual Report and any other required internal audit information is posted on the Office of the Secretary of State (the “Office”)’s web site under the Publications Section.

II. Audit Plan for Fiscal Year 2017

The Office did not have a formal internal audit function during Fiscal Year 2017, and, accordingly, no formal audits were conducted in Fiscal Year 2017. The contract with the prior auditor ended at the end of Fiscal Year 2016. Following the conclusion of that contract, the Office was considering whether to continue to contract the internal audit services or to hire an internal auditor to be on staff. During this period, the agency did a study and review of previous outstanding audit recommendations. This process was performed to ensure that Office policies and procedures were operating to mitigate unique risks and to assess the Office’s options going forward. The Office now plans to, and understands it needs to seek the requisite approval under Section 321.020 of the Texas Government Code to, secure performance of an internal audit, and complete an Audit Plan for Fiscal Year 2018, through the issuance of a Request for Qualifications for Contracted Internal Audit Services for Fiscal Year 2018, which will also cover Office functions performed in Fiscal Year 2017. If authorized under TEX. GOV’T CODE § 321.020, the Office intends to issue the Request for Qualifications for Contracted Internal Audit Services for Fiscal Year 2018 and complete the selection and award process by the end of Calendar Year 2017.

III. Consulting Engagements and Non-Audit Services Completed

Since there was no formal internal audit function during Fiscal Year 2017, there were not any consulting or non-audit services performed during the year.

IV. External Quality Assurance Review

A quality review of the SOS internal audit program was completed in January 2016. The Opinion of the quality review is shown below.

Office of the Secretary of State
Quality Assurance Review
January 2016

Opinion

Based on the work outlined below, it is the opinion of the reviewer that the internal audit activity at the Office of the Secretary of State is in accordance with the Texas Internal Auditing Act and the audit work being performed by Jansen & Gregorczyk, Certified Public Accountants (the Contractor) **fully complies** with all applicable professional auditing standards.

This opinion, representing the best possible evaluation, means that the Office of the Secretary of State, and the Contractor, have in place all of the relevant structures and policies that are required as well as the processes necessary to insure they are effectively applied.


Richard H. Tarr, CISA, CIA


Date

V. Audit Plan for Fiscal Year 2018

An Audit Plan for Fiscal Year 2018 has not been completed. The Office plans to, and understands it needs to seek the requisite approval under Section 321.020 of the Texas Government Code to, secure performance of an internal audit, and complete an Audit Plan for Fiscal Year 2018, through the issuance of a Request for Qualifications for Contracted Internal Audit Services for Fiscal Year 2018, which will also cover Office functions performed in Fiscal Year 2017. If authorized under TEX. GOV'T CODE § 321.020, the Office intends to issue the Request for Qualifications for Contracted Internal Audit Services for Fiscal Year 2018 and complete the selection and award process by the end of Calendar Year 2017. A risk assessment will be performed and an Internal Audit Plan for Fiscal Year 2018, which will also cover Office functions performed in Fiscal Year 2017, will be prepared. When the Fiscal Year 2018 Internal Audit Plan has been approved, it will be submitted to all required agencies.

VI. External Audit Services

No external audit services were procured in Fiscal Year 2017.

VII. Reporting Suspected Fraud and Abuse

The Office of the Secretary of State has posted the required information on reporting suspected fraud, waste or abuse involving state resources directly to the State Auditor's Office on the home page of the agency's website and has included information in the agency's policies on how to report suspected fraud to the State Auditor's Office.

No instances of suspected fraud, waste or abuse were reported by SOS to the State Auditor's Office during Fiscal Year 2017.

If the Secretary of State has reasonable cause to believe that money received from the state by the agency or by a client or contractor of the agency may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the agency or if this is brought to the attention of the Secretary of State, the Secretary of State will report the reason and basis for the belief to the state auditor.
