

**INTERNAL AUDIT ANNUAL REPORT TO THE GOVERNOR, LEGISLATIVE BUDGET  
BOARD, TEXAS STATE AUDITOR'S OFFICE, TEXAS SECRETARY OF STATE AND  
DEPUTY SECRETARY OF STATE**



**TEXAS SECRETARY OF STATE**  
**Internal Audit**

**Fiscal Year 2025**

**Project No. 2025-402**

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**Section I.**  
**Compliance with Texas Government Code, Section 2102.015**

The Secretary of State's (SOS) Internal Audit Function intends to fully comply with all applicable requirements of Texas Government Code, Section 2102.015. Internal Audit intends to comply with the requirements of Texas Government Code, Section 2102.015 by posting our annual internal audit plan and the annual internal audit report on the agency's internet website.

Additionally, Internal Audit has incorporated in the annual report a listing of audits showing high-level objectives, observations/findings, recommendations, and implementation status.

**Section II.**  
**LIST OF FISCAL YEAR 2025 PLANNED AUDITS**

Report Number	Report Title	Report Date	Status
2025-300	Public Information Request Process Audit	June 2025	Issued
2024-301	Registration Process Audit	August 2025	Issued

### **Section III.**

#### **List of Audits Showing High-Level Objectives, Observations/Findings, Recommendations, and Implementation Status**

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/Findings and Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing or Not Implemented) with brief description if not yet implemented
2025-300	June 2025	Public Information Request Audit	To Determine if the Secretary of State (SOS) has adequate controls in place to ensure the public information request process is in compliance with open records laws and policies, ensuring that public records are properly maintained, accessible, and disclosed in accordance with applicable regulations.	<p>The SOS has a decentralized PIR process. The PIR process involves multiple divisions. Each division receives and processes PIRs with some assistance from the agency's General Counsel.</p> <p>The agency should consider adopting a centralized system for processing PIRs. This should include an individual responsible for overseeing and coordinating requests across departments. The centralized system would help ensure consistency in tracking, reporting, and responding to PIRs.</p>	Incomplete/Ongoing
				<p>The agency does not have a common set of current, written policies and procedures in place as they relate to public information requests.</p> <p>The agency should develop and implement a standard set of policies and procedures for processing open records requests.</p>	Incomplete/Ongoing



				<p>The agency's PIRs are received through multiple channels including email, physical mail, and fax.</p> <p>Management should implement a single, standardized intake portal (e.g., web form or centralized email) for PIRs. All requests should be directed to this standardized intake portal. This will help to ensure a consistent and accurate intake and request logging process.</p>	Incomplete/Ongoing
				<p>Each division tracks, processes, and monitors its own public information requests. Some requests received by the divisions are transferred to General Counsel for processing. The primary method for tracking information requests is Excel spreadsheets.</p> <p>The agency should establish a centralized tracking system. This would help ensure the agency's ability to log, assign, track, respond to, and close requests. The system should have the ability to produce reminders, reporting, and data analysis capabilities.</p>	Incomplete/Ongoing
2025-301	August 2025	Registration Process Audit	To determine if controls over	The Registration Unit has no enforcement authority and therefore cannot ensure compliance with program	Incomplete/Ongoing

			the Registration Process are adequate and working to ensure accurate, timely and complete processing of registrations and are in compliance with applicable laws, rules and policies.	<p>rules and regulations, limiting the achievement of its intended purpose.</p> <p>Management should work with legal counsel and policy staff to seek statutory or regulatory authority to empower the Registration Unit with enforcement tools (e.g., fines, suspensions, revocations, or legal referrals).</p>	
				<p>The registration function does not have a formal management review process in place to oversee registration processing activities, including approvals, renewals, expirations, reinstatements.</p> <p>Management should develop and approve a documented management review and approval process for all registrations processes.</p>	Incomplete/Ongoing
				<p>Several different sets of policies and procedures are in use across the registration function.</p> <p>Management should develop and implement a comprehensive, well-structured licensing policy manual that consolidates all current procedures, organizes them logically, and uses clear, concise</p>	Incomplete/Ongoing

				language with visual aids where applicable. Align the manual with regulatory requirements and internal best practices	
				<p>The registration function currently uses Access and Oracle to process registrations along with Appian to process a limited amount of registrations. Maintaining three different databases/systems to process registrations can lead to inefficiencies, data integrity issues, difficulty in tracking registration, and inconsistent or unreliable reporting.</p> <p>Management should continue the transition of all registration related activities to a single, integrated database or registration management platform to eliminate duplicate data entry and reduce the risk of errors and lost records.</p>	Incomplete/Ongoing
				Currently the Registration Unit uses two separate systems to process and manage Credit Service applications. The unit uses Access to process initial Credit Service applications and Appian to process renewals of Credit Service applications.	Incomplete/Ongoing

				<p>Management should consolidate registration processing into a single system to ensure consistency and accuracy. Implement a formal system migration or integration plan, including validation and reconciliation procedures during transition. Management should perform a reconciliation of existing records to ensure the accuracy and completeness of the data.</p>	
				<p>During the audit internal audit observed that no formal mechanism exists to monitor, track or report on the number of new registrations, renewal applications, expirations, rejected applications or reinstatements that are processed.</p> <p>Management should consider implementing a centralized tracking system or enhance existing databases to record all registration activities, including new applications, renewals, expirations, rejections, and reinstatements. Develop periodic management reports summarizing registration activity and trends to enable oversight</p>	Incomplete/Ongoing

				and informed decision-making. Periodically review and reconcile registration data to ensure completeness and accuracy.	
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**Section IV.**  
**EXTERNAL QUALITY ASSURANCE REVIEW**

A quality review of the Secretary of State's 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

**Section V.**  
**LIST OF CONSULTING ENGAGEMENTS AND**  
**NON-AUDIT SERVICES COMPLETED**

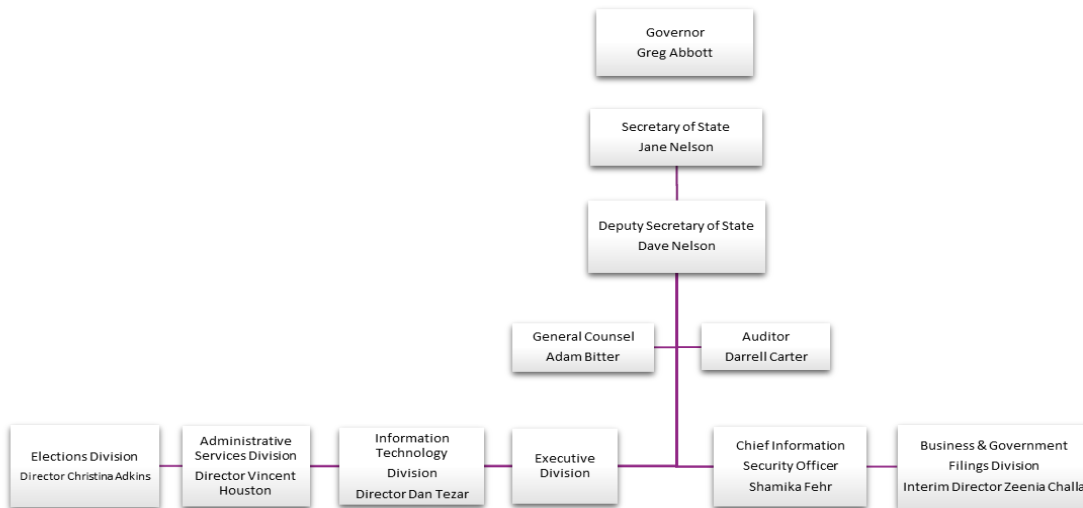


No consulting engagements or non-audit services as defined by the *International Standards for the Professional Practice of Internal Auditing (IPPF)*, or *Government Auditing Standards*, were completed in FY 2025

**Section VI.**  
**ORGANIZATIONAL CHART**

TEXAS SECRETARY OF STATE'S OFFICE  
FUNCTIONAL ORGANIZATION CHART  
Fiscal Year 2025

Office of the Secretary of State



**Section VII.**  
**Report on Other Internal Audit Activities**

### Report on Other Internal Audit Activities.

REPORT ON OTHER INTERNAL AUDIT ACTIVITIES	Description	Impact/Value Added
Continuing Professional Education	Each professional member of IA is required by professional standards to earn a minimum of 80 hours of continuing professional education every two years with at least 24 of the 80 hours in subjects directly related to government auditing or the industry in which the agency operates.	Training adds value to the organization by enhancing the knowledge, skills and technical expertise of staff and improves overall compliance with <i>Government Audit Standards</i> and IIA standards on professional proficiency.
Internal Audit Community	<p>The Internal Auditor is a member of the State Agency Internal Audit Forum (SAIAF).</p> <p>The Secretary of State's Internal Auditor is an active member in the Austin Chapter of the Institute of Internal Auditors (IIA) and routinely attends monthly meetings.</p> <p>Positions held during the past fiscal year included:</p> <ul style="list-style-type: none"> <li>• District Representative for Mid-West 1 Chapters.</li> </ul>	<p>Networking with other internal auditors and participating in leadership roles in the professional community increases the knowledge and resources available to audit staff to enhance the quality of audit work performed.</p> <p>Participation also confirms that the Secretary of State's Internal Auditor pursues excellence in the quality of its work, as well as compliance with professional standards.</p>

**Section VIII.**  
**INTERNAL AUDIT PLAN FOR FY 2026**

## INTERNAL AUDIT

Fiscal Year 2026 Annual Audit Plan



TEXAS SECRETARY OF STATE

Internal Audit

James E. Rudder Bldg.

1019 Brazos St.

Austin, TX 78701

## **Overview of SOS Internal Audit Annual Audit Plan Fiscal Year 2026**

### **Introduction**

This document provides the Fiscal Year 2026 Annual Audit Plan as required by *The Texas Internal Auditing Act (Texas Government Code, Ch. §2102.008)*. This plan provides our vision of Internal Audit efforts for the fiscal year, allocating resources to the most critical areas within the Secretary of State's Office (SOS).

Projects were identified for the Audit Plan by using a risk assessment model that considered input from SOS management. Using that input, Internal Audit exercised auditor judgment in prioritizing projects for the coming year.

### **Internal Audit's Vision**

To be a valued, trusted and sought-after partner with management. To provide a product that contributes materially to the operational performance and governance processes of the SOS.

### **Internal Audit Objective**

To assist effectively the agency's responsibility to maintain:

- 1) Effective and efficient operations
- 2) Reliability of financial and operational reporting
- 3) Compliance with laws and regulations
- 4) The safeguarding of agency assets

### **Audit Charter and Definition**

The Audit Charter approved by the Secretary of State and Deputy Secretary of State in May 2024 provides authorization to Internal Audit personnel for full, free, and unrestricted access to any of the agency's systems, records (manual or electronic), functions, property, and personnel relevant to the performance of statutory responsibilities and duties assigned by the Secretary of State and Deputy Secretary. The charter also defines reporting relationships, the scope of audit work, audit reporting, and follow-up responsibilities.

The Definition of Internal Auditing states the fundamental purpose, nature, and scope of internal auditing.

*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.<sup>1</sup>*

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<sup>1</sup> Institute of Internal Auditors – *International Professional Practices Framework*, January 2024



### **Risk Assessment**

Internal Audit develops the Audit Plan by first conducting a comprehensive risk assessment of agency program and activities, which includes obtaining input from agency management. Internal Audit prepared a risk assessment matrix, which is sent to management for completion. The risk assessment matrix ranked program activities based on probability and impact. Internal Audit had an 88% response rate to the risk assessment questionnaire.

A risk assessment is performed each year to identify the agency's audit universe and to prioritize the relative risk of each auditable activity within the audit universe. Through this ranking process, the auditor can more objectively and effectively identify and present a risk-based plan to agency management and the Secretary of State and Deputy Secretary of State for review and approval.

The goal of the risk assessment process is to determine units exposed to high risk and to allocate limited audit resources appropriate to that level of risk. Steps to accomplish this purpose, which ultimately results in audit selection and inclusion in the annual audit plan, include the following:

1. Identifying and cataloging auditable activities (the "audit universe") of the agency.
2. Selecting the criteria (risk categories) used to identify the significance of and likelihood that conditions and/or events may occur that would adversely affect the organization.
3. Developing definitions and guidelines relating to probability and impact rankings.
4. Preparing a risk matrix which includes each universe item to be ranked.
5. Computing the combined ranking for each universe item and the cumulative ranking.
6. Selecting and prioritizing the audits to be conducted.
7. Examining available resources.

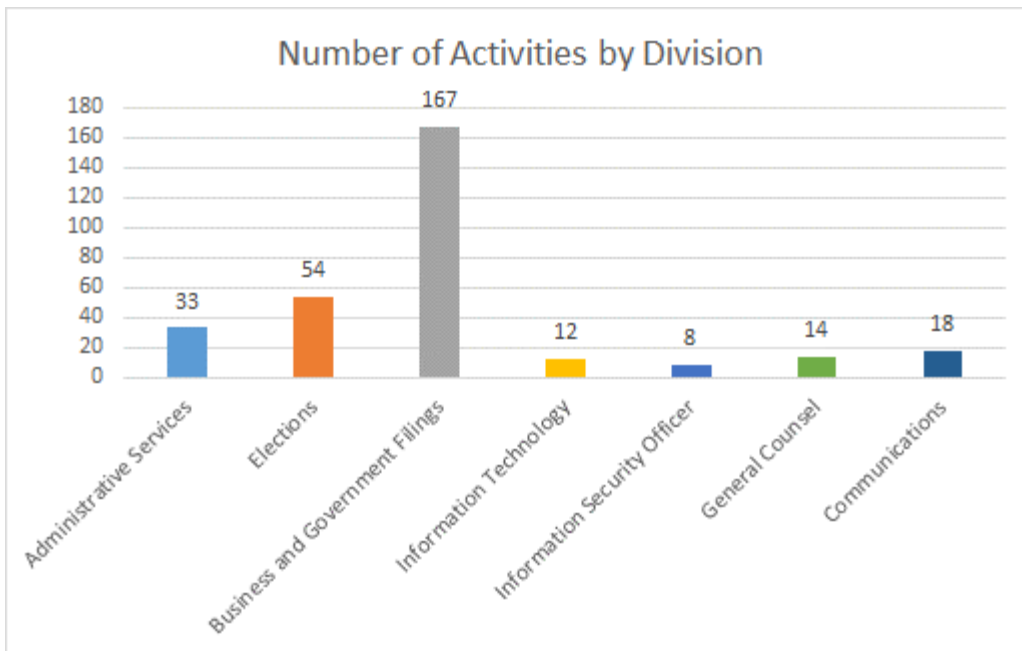
The following functional areas were asked to participate in the risk assessment process:

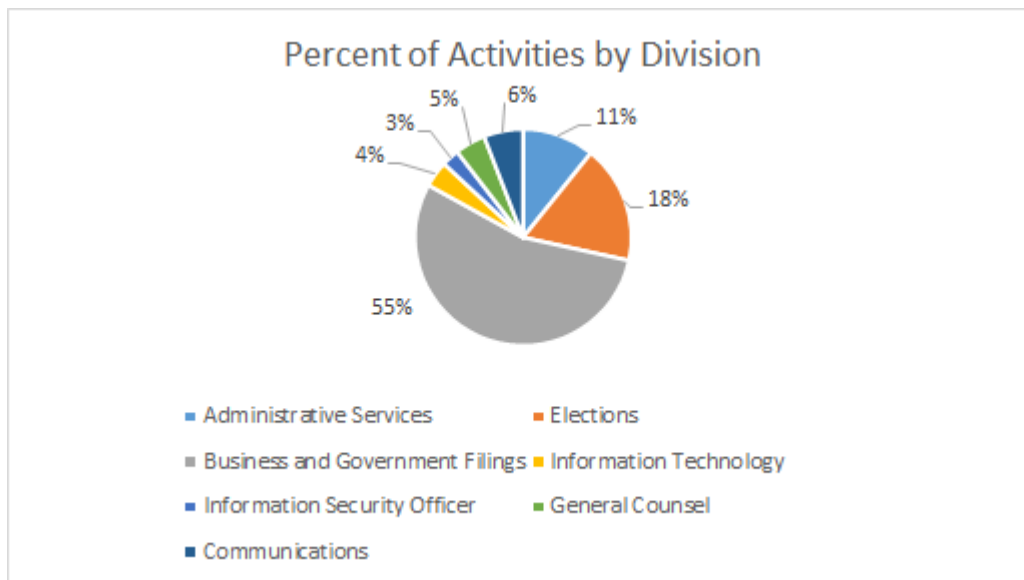
- Administrative Services Division
- Business and Government Filings Division
- Communications Division
- Elections Division
- General Counsel
- Information Security Officer
- Information Technology Division

Internal Audit prepared a worksheet for each functional area that contained a listing of activities conducted in each area. Each functional area was asked to complete the worksheet by reviewing the activities previously identified by Internal Audit and providing any updates, deletions or corrections.

Individual activities were ranked based on probability and impact and assigned a ranking from high to low.

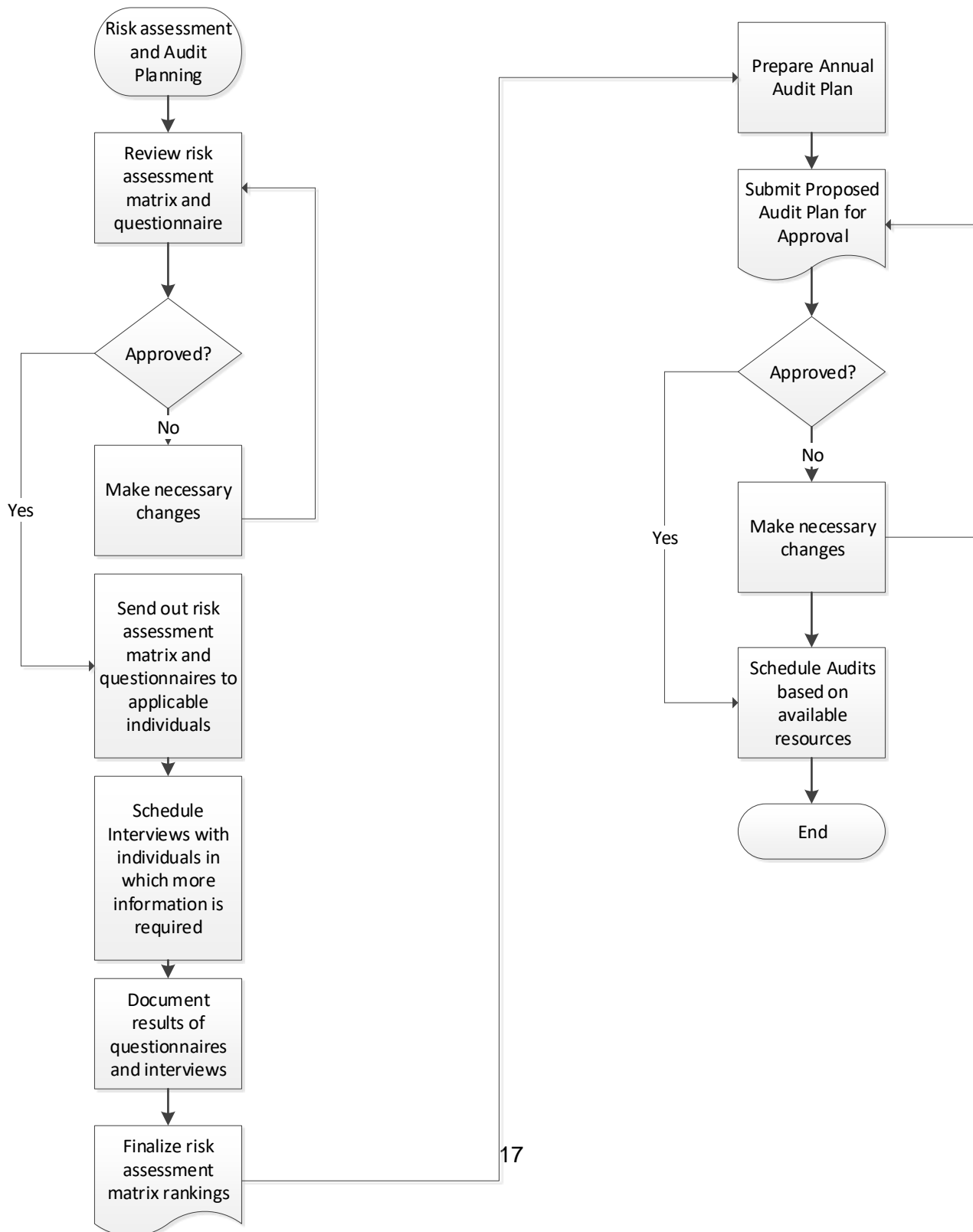
Internal Audit identified 306 activities conducted by the Secretary of State's Office. Internal Audit requested each division rank the individual activities based on probability and impact.



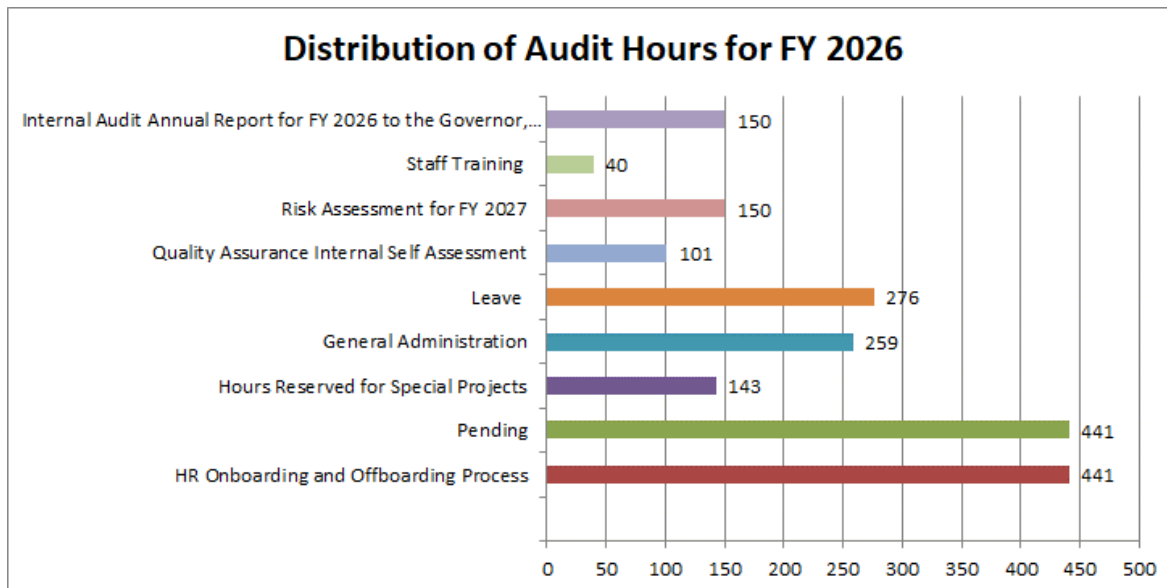


The following diagram depicts a high-level view of the risk assessment and audit planning process.

Texas Secretary of State  
Internal Audit  
Risk Assessment and Audit Planning Process



The Chart below shows Internal Audit's budgeted time allocations for the coming fiscal year.



### **Acceptable Level of Risk**

Although the Audit Plan contemplates a range of audit effort, it does not provide coverage for all SOS components or systems. Internal Audit attempted to maximize Internal Audit resources to provide reasonable coverage of the business activities requiring the most attention.

However, because Internal Audit cannot audit every area, it is important for the Secretary of State, Deputy Secretary of State and management to understand the limitations of the audit coverage. Internal Audit believes that this plan allocates Internal Audit resources to the most important priorities and risks of the agency at this point in time.

Internal Audit is committed to being a valuable resource in improving the agency's operations and proposes a plan that targets key processes, yet builds flexibility to allow for the Secretary of State, Deputy Secretary of State and management requests that require immediate attention.

In recognition that operating environments and risks are subject to change, Internal Audit may adjust its Internal Audit Plan to address significant changes that occur throughout the year. In response to unanticipated changes in the operating environment, some projects included in the plan may not be performed and others may be added. Proposed modifications to the Internal Audit Plan will be communicated to the Secretary of State and Deputy Secretary of State for approval.

### **Fiscal Year 2026 Internal Audit Plan Allocation**

The Audit Plan depicts hours allocated to audit engagements in various programs and Divisions of the Secretary of State's Office and is shown in Schedule 1. Detailed objectives will be formalized for each engagement during the planning process.

The Audit Plan includes the following sections:

#### **Projects Carried Forward**

There are no carryover projects from FY 2025.

#### **Financial and Performance Assurance Activities**

Internal Audit provides assurance services for the agency, which are defined as objective examinations of evidence for providing an independent assessment on risk management, control, and governance processes for the organization. Examples may include financial, compliance, economy and efficiency, effectiveness, investigations, and information technology engagements.

#### **Special Initiatives**

In addition to assurance and consulting engagements, Internal Audit allocates resources toward special initiatives. These initiatives include any liaison activities that may occur

during the year and special requests to be responsive to the immediate needs of the Secretary of State, Deputy Secretary of State and management.

### **Consulting and Advisory Activities**

By definition, internal auditing includes the provision of consulting services. Consulting services are advisory and related client service activities, the nature and scope of which are agreed upon with the client. These activities are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Examples include counsel, advice, facilitation, and training. Progressive Internal Audit departments provide additional management assistance or consulting services to their organizations. Upon request, Internal Audit will provide both formal and informal advice and suggestions on management issues, concerns, and draft policies and procedures.

Additionally, Internal Audit will provide representation on SOS committees and working groups as needed and requested by the Secretary of State, Deputy Secretary of State and management. By providing consulting or advisory activities, Internal Audit adds value to the SOS beyond assurance services and assists in strengthening agency internal controls.

### **Administrative Activities**

Internal Audit included hours for various administrative activities, some of which are mandated either by the professional standards or required by statute. Leave time for Internal Audit is also included to show a full picture of hours to be used by Internal Audit during the year.

### **Professional Standards**

Internal Audit adheres to *Government Auditing Standards*, as promulgated by the U.S. Government Accountability Office and the *International Standards for the Professional Practice of Internal Auditing*, as promulgated by the Institute of Internal Auditors, which includes the *Code of Ethics*. In addition, Internal Audit conforms to requirements found in the *Texas Internal Auditing Act* (Texas Government Code Chapter 2102 and complies with all policies and procedures of the SOS.

### **Changes Subsequent to Approval**

Changes in operations, priorities, workloads, and timing of agency initiatives, management requests, and staff availability may affect the audit plan and require changes to the approved audit plan. Internal audit will assess emerging risks and monitor the audit plan throughout the year and consult with Executive Management to adjust the plan as needed. Material recommendations for change to the audit plan will be submitted to Executive Management for approval.

### **Closing**

Audit plans act as a guide for audit departments. Internal Audit's plan includes proposed projects and other initiatives to perform during the year. Internal Audit budgeted time for

special requests in order to be responsive to the immediate needs of the Secretary of State, Deputy Secretary of State and management as they may arise throughout the fiscal year.

As discussed above under "Acceptable Level of Risk", the Internal Audit plan does not, nor is it intended to, address or provide complete coverage for all SOS components or system risks. Internal Audit believes that this plan allocates the resources of Internal Audit to the most important priorities and risks of the agency at this point in time.

Internal Audit wishes to thank SOS management and staff for their assistance in providing information, which led to the development of this proposed plan. In addition, Internal Audit looks forward to helping the agency meet its objectives this fiscal year. For further information on the FY2026 Internal Audit Plan, please contact Darrell Carter, at (512) 475-2726 or by email at [wcarter@sos.texas.gov](mailto:wcarter@sos.texas.gov).



**Schedule 1 - Fiscal Year 2026 Internal Audit Plan**

<b>PROJECT NUMBER</b>	<b>PROJECT DESCRIPTION (Note E)</b>	<b>Program (Note A)</b>	<b>BUDGETED FY 2026 HOURS</b>
<b>Projects Started and Carried Forward from Fiscal Year 2025</b>		<b>AW</b>	
<b>Subtotal Carry Forward Projects</b>			<b>0</b>
<b>Financial / Performance Assurance Activities</b>			
<b>2026-300</b>	HR Onboarding and Offboarding Process	ASD	441
<b>2026-301</b>	Pending	N/A	441
<b>Subtotal Financial / Performance Audits</b>			<b>882</b>
<b>Special Initiatives</b>			
<b>Various</b>	<b>Hours Reserved for Special Assigned Audits, Investigations or Advisory Projects</b>	N/A	<b>143</b>
<b>Consulting / Advisory Activities</b>			
<b>Subtotal Advisory / Liaison Projects</b>			<b>0</b>

**Subtotal - Audits, Investigations and Advisory Projects** **1,025**

**Administrative & Required Internal Audit Activities**

2026-400	General Administration (Note B)	N/A	259
	Leave (Note C)	N/A	276
<b>Pending</b>	Quality Assurance Internal Self-Assessment (Note G)	N/A	101
<b>Pending</b>	Risk Assessment for FY 2027	N/A	150
2026-401	Staff Training (Note F)	N/A	40
2026-402	Internal Audit Annual Report for FY 2026 to the Governor, LBB, SAO	N/A	150

**Subtotal - Administrative & Other Internal Audit Projects** **976**

**Total Available Hours (Note D)** **2,000**

**Notes:**

Acronyms: SOS-Secretary of State; IR-Information Technology; AW-Agency Wide; ASD-Administrative Services; AG-Agency Counsel; HR-Human Resources; ED-Elections Division; BPD-Business and Public Filings; GF-Govt Filings; BA-Boarder Affairs; LG-Legal; GR-Govt Relations; CM-Communications

**B** Administration / Special Projects of the Internal Audit Function (Ave 15%)

**C** Based on maximum annual accrual (vacation & sick) for 12 months

**D** Available Hours: (261 working days X 8 hrs./day) - (11 holidays X 8 hrs. / day) = 2,000 total Audit hours.

**E** Detailed objectives will be formalized for each engagement during the planning process.

**F** Internal Auditors are required by professional standards to obtain forty hours of Continuing Professional Education (CPE) each year.

**G** Required by professional standards.

TEXAS SECRETARY OF STATE

Annual Internal Audit Plan Fiscal Year 2026

September 2025

Plan Approved:

<div>Jane Nelson Secretary of State</div>	<div>Date</div>
<div>Dave Nelson Deputy Secretary of State</div>	<div>Date</div>
<div>Darrell Carter, CPA, CIA, CRMA Internal Auditor, Secretary of State</div>	<div>Date</div>

**Section IX.**  
**EXTERNAL AUDIT SERVICES**

There were no external audit services procured or in progress in fiscal year 2025.

**Section X.**  
**REPORTING SUSPECTED FRAUD AND ABUSE**

The following represent SOS actions taken to meet suspected fraud and abuse reporting requirements.

Requirement	Actions Taken
Reporting Requirements: Fraud Reporting, Section 7.09 page IX-41, General Appropriations Act (88 <sup>th</sup> Legislature)	The agency provides a link to the SAO fraud hotline on the home page of the agency's internet and intranet websites. In addition, the agency has internal procedures for staff to report fraud, waste or abuse.
Texas Government Code, Section §321.022	The Internal Auditor sends reports of any suspected fraud, waste, or abuse to the SAO Special Investigative Unit. Any incident considered as remarkable will be immediately reported to the SAO.