

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

TEXAS REAL ESTATE COMMISSION

Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2009

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TEXAS REAL ESTATE COMMISSION
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2009

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditors' Report	1
Introduction	2
Internal Audit Objectives	3
Executive Summary	
Compliance with the Public Funds Investment Act	
Background	4
Audit Scope	5
License Application and Registration Process	
Background	5-7
Audit Scope	7
Recovery Fund	
Background	8
Audit Scope	9
I. Internal Audit Plan for Fiscal Year 2009.....	10-13
II. External Quality Assurance Review	14
III. List of Audits Completed by High Level Audit Objectives	14
IV. Key Audit Findings/Recommendations	15-18
V. List of Consulting Engagements and Non-audit Services Completed.....	19
VI. Organizational Chart	19
VII. Report on Other Internal Audit Activities	20
VIII. Proposed Internal Audit Plan for Fiscal Year 2010	20
IX. External Audit Services Procured in 2009.....	20
X. Reporting Suspected Fraud and Abuse	20
Summary of Investments	21

To the Commission Members of the
Texas Real Estate Commission
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the compliance with the Public Funds Investment Act, License Application and Registration Process, and the Recovery Fund Areas of the Texas Real Estate Commission (Commission) and its compliance with the Texas Administrative Code, Texas Real Estate Act, and the Commission's established policies and procedures, as applicable, for the year ended August 31, 2009. The results of our tests disclosed that such controls were adequate and no instances of noncompliance were noted. The report that accompanies this letter includes an update on the status of prior year recommendations.

We have discussed the status of prior year recommendations with various Commission personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by Commission's personnel during the course of our audit.

GarzaGonzalez & Associates

July 17, 2009

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

INTRODUCTION

The Texas Real Estate Commission (the Commission), was created in 1939 under the Texas Real Estate Dealer's License Act and became an independent state agency in 1949. The Real Estate License Act (the Act) is the legislative authorization for the Agency to license and regulate real estate brokers and salespersons and provides for the licensing and regulation of real estate inspectors. The Commission also regulates residential service companies and easement or right-of-way agents. The Agency is responsible for administering and enforcing the provisions contained in the Act. Chapter 221, Texas Property Code, confers authority to the Agency to register by application and regulate entities offering timeshares in Texas.

The Texas Real Estate Commission is composed of nine Commissioners who are appointed by the Governor, with concurrence by the Senate, for six-year overlapping terms. Six members must be licensed real estate brokers who have been engaged in the real estate brokerage business as their major occupations for at least five years preceding their appointments. Three members must be members of the general public who are not licensed under the Act and do not have, other than as consumers, a financial interest in the practice of a real estate broker or salesperson.

The Commissioners appoint an Administrator who serves as the Agency's chief administrative officer. The Agency's operating budget is prepared and approved by the Commission on an annual basis, whereas the State legislative appropriations are determined every two years. Appropriations are approved by the State Legislature. The Agency consists of the enforcement division; the licensing services division (licensing, education, cashier and communication sections); the information services division and the staff services division who report directly to the general counsel/assistant administrator. The Administration Division is headed by the Interim Administrator and includes the Agency's general counsel and human resource areas.

The Agency is appropriated funds by the State for its operations. Revenues are primarily real estate license applications and renewals, education fees, and other charges derived from Agency operations. Funds collected by the Agency are not directly utilized in operations, but instead are passed on to the State.

Based on the 2009 internal audit plan we performed the following internal audits:

- Compliance with the Public Funds Investment Act
- License Application and Registration Process
- Recovery Fund
- Follow-up of Prior Year Internal Audits and the State Auditor Performance Measure Audit
- Other Potential Internal Audit Activities

This report contains the results of our review of the above areas.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

INTERNAL AUDIT OBJECTIVES

In accordance with the **Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes:

- **Reliability and Integrity of Information** - Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Plans, Procedures, Laws, and Regulations** - Review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** - Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Economical and Efficient Use of Resources** - Appraise the economy and efficiency with which resources are employed.
- **Accomplishment of Established Objectives and Goals for Operations or Programs** - Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

EXECUTIVE SUMMARY

Compliance with the Public Funds Investment Act

Background

Effective May 19, 1975 the Real Estate Recovery fund (Real Estate Recovery Trust Account effective June 1, 2003) was established by an amendment to the Real Estate License Act. The Commission was directed to use the fund for reimbursing aggrieved persons who suffer monetary damages by reason of certain acts committed by a duly licensed real estate broker or salesperson, or by an unlicensed employee or agent of a broker or salesperson.

A \$10.00 Recovery Trust Account fee is collected from each new applicant for a license in addition to the regular License filing fee. On a determination by the commission at any time that the balance remaining in the Real Estate Recovery Trust Account is less than \$1 million, each broker and salesperson will be required to pay an additional fee of \$10.00 or a pro rata share of the amount necessary to bring the Recovery Trust Account to \$1.7 million dollars, whichever is less. To ensure the availability of a sufficient amount to pay anticipated claims on the fund, the commission by rule may provide for the collection of assessments at different times and under different conditions other than those specified by this Act.

As set forth in the Real Estate License Act, as amended, the deposits to the Recovery Trust Account may be invested and reinvested in the same manner as funds of the Employee Retirement System of Texas, except that an investment may not be made that would impair the liquidity necessary to make payments from the trust account as required by this Act. All investment transactions are conducted through the State Treasury. In addition, the Real Estate Inspection Recovery Fund is maintained with collected monies from real estate inspectors being deposited in the State Treasury and earning statutory interest. Similar legislative provisions are present for the Real Estate Inspection Recovery Fund.

According to the Public Funds Investment Act (PFIA), Government Code Chapter 2256, the governing body of state agencies may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006.

State agencies are required to adopt a written investment policy, to be reviewed not less than annually. An investment officer for the agency is required to be appointed by the governing board and is responsible for the investment of its funds consistent with the investment policy adopted by the agency. Each member of the governing board and its investment officer(s) are required to attend at least one training session relating to the person's responsibilities under PFIA within six months after taking office or assuming duties. Additionally, not less than quarterly, the investment officer(s) shall prepare and submit to the governing body of the agency a written report of investment transactions for all funds covered by the PFIA for the preceding reporting period.

To comply with the provisions of the Texas Public Funds Investment Act TREC personnel ensure the investment policies are approved annually by the governing board containing all required elements, each commissioner and investment officer obtains the minimum training requirements and on at least a quarterly basis the investment officer provides to the commission reports of investment transactions containing all required elements.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

Audit Scope

The objective of our audit was to perform a compliance audit of management controls on investments and the Commission's adherence to its established investment policies.

The audit procedures performed were as follows:

- Identified the Commissions policies and procedures for compliance with the Public Funds Investment Act (Government Code 2256) and determined that such policies and procedures were appropriate and reasonable for the Commissions Investment types, goals and strategies.
- Determined that the Commissions policies and procedures and established internal controls are sufficient to safeguard investments, ensure proper conduct by participants in the investment process, and effectively eliminate conflicts of interest over the investments of the Commission.
- Determined that the Commissions policies and procedures limit political and personal interference in the investment decision-making process.
- Considered the appropriateness of the Commissions investments as reflected in the policies, strategies and plans.
- Tested required reports and data for effectiveness and timeliness.
- Tested investment officer training for compliance with the Public Funds Investment Act.

The compliance testing was performed in accordance with the Standards for the Professional Practice of Internal Auditing, generally accepted governmental auditing standards, the Certified Internal Auditor Code of Professional Ethics, the Statement of Responsibilities of Internal Auditing of the Institute of Internal Auditors, and the Texas Public Funds Investment Act. Our tests of the policies, procedures, administrative and accounting systems and controls used to administer compliance with the Public Funds Investment Act disclosed no material instances of noncompliance with the requirements listed above.

License Application and Registration Process

The License Application and Registration Process audit area processes applications and license renewals for real estate salespersons and brokers; real estate and professional inspectors; and easement or right-of-way agents. An examination is required of the broker and salesperson applicants to ensure competent real estate service providers in the State of Texas.

The objective of the Licensing audit area is to determine that applicants for licensure meet legal requirements for real estate license issuance. Ensuring standards includes the following major activities:

- Processing applications and renewals
- Processing information changes
- Entering education credits
- Maintain records on former licensees.
- Issues seven types of licenses: salesperson, broker, inspector (apprentice, real estate, and professional), Limited Liability Corporation (LLC), Corporation, Partnerships, and Easement or Right of Way (ROW).

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

As of June 30, 2009, the number of the licensees for all types processed or managed was 151,011, as follows:

Brokers	43,057
Salespersons	102,361
Branch Offices	2,147
Inspectors	3,586
ERWs	2,007

The licensing function at TREC is administered through two (2) sections as follows: Licensing and Education. The Education Section has been the subject of internal audits in prior years over education program monitoring and the proprietary school program approval process. For the purpose of this internal audit over the License Application and Approval Process we will include testing of the evaluation performed and data entered into the TREC Information System by the Education Section of "Core" Education requirements and of Continuing Education requirements for the issuance and renewal of licenses.

The licensing function is automated through the use of TREC's comprehensive and coordinated licensing system entitled the "Texas Real Estate Licensing Information System" (TRELIS). TRELIS is a fee and history-driven system consisting of more than 800 reporting programs and interactive screens maintained by TREC. TRELIS provides a complete licensing system beginning with information on applicants for licenses, integration of education records for candidates, incorporation of examination results, determination of eligibility for licensure, certification that the minimum requirements have been met, and the production of a license which is subsequently mailed to the licensee.

TRELIS is used to track financial and historical events occurring for each applicant and licensee, maintenance of continuing education records, produces an accurate licensee data base, and ensures up to date computerized record-keeping for all active, inactive, and expired licensees for use in processing original applications and renewals. The system automatically produces "curative" letters seeking missing information from licensees, renewal notices in advance of each license expiration; issues new and renewed licenses; and "expires" licenses when appropriate. Additionally TRELIS issues standard requests for information based on the review of licensing personnel. A wide range of reports concerning licensing matters is produced by the TRELIS system to help measure and manage the entire licensing process.

TREC offers online services that include original application and renewal for brokers and salespersons including Corporate and Limited Liability Companies and for the renewal of Professional Inspectors, Real Estate Inspectors, Apprentice Inspectors, Easement ROW Business and Easement ROW Individual licenses.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

The processing of licenses and renewals online reduce the occurrence and /or eliminates the following manual processes:

- Serving walk-in customers who pay via check or money order in Cashier
- Receiving and opening mail in Cashier
- Processing checks and money orders in Cashier
- Processing renewal and application batches in Licensing
- Processing "exceptions" such as incorrect, unsigned, or returned checks (the system edits prevent incorrect data) and the online application is considered a valid record

Audit Scope

The objective of our audit was to review the License Application and Registration Process and determine if:

- The Commission is in compliance with, the Provisions of the Real Estate Licensing Act, the Rules of the Texas Real Estate Commission and the applicable internal policies and procedures established to perform the License Application and Registration process.
- Processes and/or controls have been implemented and are functioning as designed to assure that the application and registration process is performed in an efficient, equitable manner and in compliance with the established policies, procedures and practices.

We performed the following procedures to achieve the objective of the audit of the License Application and Registration Process:

- Reviewed the applicable laws, regulations and Rules of the Texas Real Estate Commission including the applicable sections of the Texas Real Estate Licensing Act (Chapter 1101 & 1102 of the Texas Occupation Code).
- Obtained an understanding of the internal controls in the application of the policies and procedures of the License Application and Registration process by performing inquiries of management of the Licensing Division and other personnel as necessary.
- Obtained and reviewed the job descriptions of licensing personnel to obtain an understanding of the activities and duties involved in the licensing and application process.
- Obtained and reviewed the License Processing Procedures used by the licensing section personnel to determine the applicable procedures for each license, renewal and change control transaction type and to identify applicable control procedures applied to perform tests of those procedures and controls.
- Reviewed the key performance measures as reported in the ABEST system to obtain an understanding of the goals and objectives that affect the Licensing Application and Registration Process.
- Made a selection of licenses, renewals and change control transactions completed during the fiscal year to determine whether policies and procedures of the Texas Real Estate Commission were complied with in the performance of the licensing process.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

Recovery Fund (Real Estate and Inspection Funds)

Background

The Real Estate Recovery fund was established on May 19, 1975 by an amendment to the Real Estate License Act. The Commission was directed to use the fund for reimbursing aggrieved persons who suffer monetary damages by reason of certain acts committed by a duly licensed real estate broker or salesperson, or by an unlicensed employee or agent of a broker or salesperson.

The Real Estate Inspection Recovery Fund provides remedy for consumers holding an unsatisfied judgment against a real estate inspector.

A \$10.00 Recovery Fund fee is collected from each new applicant for a license in addition to the regular License filing fee. If at any time the balance remaining in the Real Estate Recovery Fund is less than \$1 million, each broker and salesperson will be required to pay an additional fee of \$10.00 or a pro rata share of the amount necessary to bring the Recovery Fund to \$1.7 million dollars, whichever is less. To ensure the availability of a sufficient amount to pay anticipated claims on the fund, the commission by rule may provide for the collection of assessments at different times and under different conditions other than those specified by this Act.

A Real Estate Inspection Recovery Fund fee of \$100 is collected prior to the issuance of an inspector's license. If at any time the balance remaining in the Real Estate Inspectors Recovery Fund is less than \$300,000, each inspector will be required to pay a fee of \$75, or a pro rata share of the amount necessary to bring the fund to \$450,000 whichever is less at the time of the next renewal. To ensure the availability of a sufficient amount to pay anticipated claims on the fund, the commission by rule may provide for the collection of assessments at different times and under different conditions other than those specified by this Act.

As set forth in the Real Estate License Act, as amended, the deposits to the Recovery Fund may be invested and reinvested in the same manner as funds of the Employee Retirement System of Texas. All investment transactions for both funds are conducted through the Texas State Treasury Operations of the Comptroller of Public Accounts.

The Administrative Division through the office of the General Counsel is responsible for undertaking legal review of recovery fund claims. The claims are reviewed to determine if all statutory requirements for payment have been satisfied, provided the requirements have been met the claim may be submitted to the members of the Commission for consideration. The Attorney General of the State of Texas represents the Commission in opposition of any claims and is apprised of claims under review. The members of the Commission may authorize payment or instruct staff to oppose the claim.

Payment is limited to the aggregate of \$50,000 per transaction and to \$100,000 for any one licensee or registrant from the Real Estate Recovery Fund. Similarly, for the inspection fund each claim is limited to the aggregate of \$12,500; additionally payments for any one licensed inspector may not exceed \$30,000 from the Real Estate Inspectors Recovery Fund.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

Audit Scope

The objective of our audit was to determine that the Commission operates the recovery funds in a manner consistent with the laws and regulations and the applicable policies and procedures of the Commission and in a fair and equitable manner.

The audit procedures performed to achieve the objective of our audit included the following:

- Reviewed the Commission's policies, procedures, and current practices to ensure that the recovery funds are administered according to the applicable laws, rules and regulations.
- Performed a review of selected applications for recovery to determine that identified policies, procedures and current practices are properly and consistently applied and that related internal controls and practices are properly implemented and consistently applied.
- Performed an analysis of the activity and balances of the recovery funds to determine that the funds are properly and consistently managed with respect to applicable laws and regulations.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

I. Internal Audit Plan for Fiscal Year 2009

The fiscal year 2009 internal audit plan for the Commission is based on the Risk Assessment performed for the fiscal year ended 2009. The internal audit plan includes three (3) audits to be performed during the fiscal year and other internal audit activities as assigned by the Commissioners. The internal audit plan also includes preparation of the Annual Internal Audit Report for fiscal year 2009.

Risk Assessment

Based on the review of significant documents, inquiries of management and the Commission's current practices and procedures seventeen (17) audit areas have been identified in the Internal Audit Plan for fiscal year 2009. We performed an assessment of the potential audit areas using risk assessment techniques. Following are the results of the risk assessment performed:

High	Moderate	Low
Recovery Fund	Customer Communications	Performance Measures
License Application and Registration Process	Residential Service Companies	Payroll and Personnel Process
Cash Collection Fee Process / Remittance	Complaint / Investigation process	Purchasing and Receiving
Information Systems	Reporting and Budgeting	Examination Process
Cash Disbursement and Travel Processing	Fixed Assets	HUB Compliance
	Education Program	Records Retention

TEXAS REAL ESTATE COMMISSION
Annual Internal Audit Report
Fiscal Year 2009

In prior years, the following internal audits were performed:

Fiscal Year 2008

1. Complaint/Investigation Process
2. Education Program

Fiscal Year 2007

1. Compliance with the Texas Public Funds Investment Act
2. Examination Process
3. Records Retention

Fiscal Year 2006

1. Cash Collection Fee Process / Remittance
2. Customer Communication

Fiscal Year 2005

1. Performed a Comprehensive Risk Assessment and Developed a six (6) Year Audit Plan
2. Compliance with the Texas Public Funds Investment Act
3. License Application and Registration Process

Fiscal Year 2004

1. Compliance with the Residential Service Company Act
2. Information Systems
3. Capital Assets

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

Based on the risk assessment process an Internal Audit Plan was developed that includes the following recommended internal audits for fiscal year 2009, the proposed audit procedures are as follows:

Fiscal Year 2009

1. Compliance with the Public Funds Investment Act

The objective of our audit is to perform a compliance audit of management controls on investments and the Commission's adherence to its established investment policies.

As part of the engagement our audit procedures will include:

- Identification of the Commissions policies and procedures for compliance with the Public Funds Investment Act (Government Code 2256) and determine that such policies and procedures are appropriate and reasonable for the Commissions Investment types, goals and strategies.
- Determine if the Commissions policies and procedures and established internal controls are sufficient to safeguard investments, ensure proper conduct by participants in the investment process, and effectively eliminate conflicts of interest over the investments of the Commission.
- Determine if the Commissions policies and procedures limit political and personal interference in the investment decision-making process.
- Consider the appropriateness of the Commissions investments as reflected in the policies, strategies and plan.
- Test required reports and data for effectiveness and timeliness.
- Test investment officer training for compliance with the Public Funds Investment Act.

The compliance testing was performed in accordance with the Standards for the Professional Practice of Internal Auditing, generally accepted governmental auditing standards, the Certified Internal Auditor Code of Professional Ethics, the Statement of Responsibilities of Internal Auditing of the Institute of Internal Auditors, and the Texas Public Funds Investment Act and included other tests, as we considered necessary. Our tests of the policies, procedures, administrative and accounting systems and controls used to administer compliance with the Public Funds Investment Act disclosed no material instances of noncompliance with the requirements listed above.

2. License Application and Registration Process

The objective of our audit is to review the License Application and Registration Process and determine if:

- The Commission is in compliance with, the Provisions of the Real Estate Licensing Act, the Rules of the Texas Real Estate Commission and the applicable internal policies and procedures established to perform the License Application and Registration process.
- Processes and/or controls have been implemented and are functioning as designed to assure that the application and registration process is performed in an efficient, equitable manner and in compliance with the established policies, procedures and practices.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

The planned procedures to achieve the objective of the audit of the License Application and Registration Process include the following:

- Review the applicable laws, regulations and Rules of the Texas Real Estate Commission including the applicable sections of the Texas Real Estate Licensing Act (Chapter 1101 & 1102 of the Texas Occupation Code).
- Obtain an understanding of the internal controls in the application of the policies and procedures of the License Application and Registration process by performing inquiries of management of the Licensing Division and other personnel as necessary.
- Obtain and review the job descriptions of licensing personnel to obtain an understanding of the activities and duties involved in the licensing and application process.
- Obtain and review the License Processing Procedures used by the licensing section personnel to determine the applicable procedures for each license, renewal and change control transaction type and to identify applicable control procedures and perform tests of those procedures and controls.
- Review the key performance measures as reported in the ABEST system to obtain an understanding of the goals and objectives that affect the Licensing Application and Registration Process.
- Make a selection of licenses, renewals and change control transactions completed during the fiscal year to determine whether policies and procedures of the Texas Real Estate Commission were complied with in the performance of the licensing process.

3. Recovery Fund

The Commission administers two recovery funds used to pay judgments taken by consumers against its licensees or registrants. The Real Estate Recovery fund is available for consumers harmed by brokers, salespersons, or registered easement or right of way agents. The Real Estate Inspection Recovery Fund provides similar remedy for consumers holding an unsatisfied judgment against a real estate inspector.

The audit procedures to be performed for this audit area will include the following:

- Review the Commission's policies, procedures, and current practices in place to ensure that the recovery funds are administered according to the applicable laws, rules and regulations.
- Perform a review of selected applications for recovery to determine that identified policies, procedures and current practices are properly and consistently applied and that related internal controls and practices are implemented and consistently applied.
- Perform an analysis of the activity and balances of the recovery funds to determine that the funds are properly and consistently managed with respect to applicable laws and regulations.

4. Follow-up of Prior Year Internal Audits and Other Agency Audits
Perform follow-up of audits performed by the internal auditor or other State agencies.

5. Other Potential Internal Audit Activities
Perform other audits as may be directed by the Commission during the fiscal year.

TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

II. External Quality Assurance Review

The internal audit department received a peer review in August 2006. The peer review resulted in an unqualified opinion.

III. List of Audits Completed by High Level Audit Objectives

Report No.	Report Date	Name of Report	High Level Audit Objectives
1	7/17/09	Compliance with the Public Funds Investment Act	Perform a compliance audit of management controls on investments and the Commission's adherence to its established investment policies and the applicable requirements of the Texas Public Funds Investment Act.
2	7/17/09	License Application and Registration Process	Perform a review the License Application and Registration Process to determine if: <ul style="list-style-type: none">• The Commission is in compliance with, the Provisions of the Real Estate Licensing Act, the Rules of the Texas Real Estate Commission and the applicable internal policies and procedures established to perform the License Application and Registration process.• Processes and/or controls have been implemented and are functioning as designed to assure that the application and registration process is performed in an efficient, equitable manner and in compliance with the established policies, procedures and practices.
3	7/17/09	Recovery Fund	Determine that the Commission operates the Real Estate and Inspector recovery funds in a manner consistent with the laws and regulations and the applicable policies and procedures of the Commission and in a fair and equitable manner.

TEXAS REAL ESTATE COMMISSION
 Annual Internal Audit Report
 Fiscal Year 2009

Report No.	Report Date	Name of Report	Findings/Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete Ongoing, Not Implemented)	Fiscal Impact/Other Impact
		Follow-up of Prior Year Audits	<p>5. Record Management</p> <p>We recommend that the Commission supplement the Record Retention Schedule by preparing a listing that includes the date series, the location and a "container number" (box number, file cabinet number and/or shelf location) where the applicable records are stored. Records held for active use in the division/section area may not require location data until considered inactive or moved outside the division/section. To ensure the listing remains accurate a record inventory or survey process should be initiated. In addition, we recommend that the Commission amend the Record Retention Schedule when information changes occur or if inconsistent data is noted.</p>	<p>Incomplete Ongoing—The Commission has re-organized the central file room in preparation for performing electronic imaging of all files which will require an updated storage process.</p>	Improved Record Management
		Follow-up of Other Agency Audits (State Auditor's Office Report on Performance Measures)	<p>1. The Real Estate Commission Did Not Report Reliable Results for the Four Key Performance Measures Tested</p> <p>a) Number of Complaints Resolved</p> <ul style="list-style-type: none"> Update the pre-defined automated reports generated by its licensing and enforcement system (TRELIS) to ensure that proper criteria are used to calculate the performance measure. Also, the Commission should calculate the measure result using the automated report generated by its automated system (TRELIS), rather than manually performing additional calculations. 	<p>Incomplete Ongoing—A manual process to calculate the results will be performed until a complete system upgrade is completed in FY2010. VERSA, the new license management systems vendor, has completed initial implementation interviews and has begun initial analysis of the data in preparation for migration. In addition, Technology Services staff has created the infrastructure and system software products have been installed.</p>	Improved Performance Measure internal control and reporting

TEXAS REAL ESTATE COMMISSION
 Annual Internal Audit Report
 Fiscal Year 2009

Report No.	Report Date	Name of Report	Findings/Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete Ongoing, Not Implemented)	Fiscal Impact/Other Impact
		Follow-up of Other Agency Audits (State Auditor's Office Report on Performance Measures)	<p>1. The Real Estate Commission Did Not Report Reliable Results for the Four Key Performance Measures Tested (Continued)</p> <p>b) Average Time for Complaint Resolution (Days) AND Percent of Documented Complaints Resolved Within Six Months</p> <ul style="list-style-type: none"> • Ensure that the number of complaints resolved used to calculate the results for Average Time for Complaint Resolution (Days) and Percent of Documented Complaints Resolved Within Six Months matches the number reported in ABEST for the Number of Complaints Resolved. • Review the pre-defined automated reports to ensure the proper criteria are used to calculate performance measure. Consider producing detailed reports so that Commission staff can ensure the automated report is generating the correct results. 	<p>Incomplete Ongoing- A manual process to calculate the results will be performed until a complete system upgrade is completed in FY2010. VERSA, the new license management systems vendor, has completed initial implementation interviews and has begun initial analysis of the data in preparation for migration. In addition, Technology Services staff has created the infrastructure and system software products have been installed.</p> <p>Incomplete Ongoing The preparation of detailed reports will be considered in the development of the system upgrade in FY 2010. VERSA, the new license management systems vendor, has completed initial implementation interviews and has begun initial analysis of the data in preparation for migration. In addition, Technology Services staff has created the infrastructure and system software products have been installed.</p>	

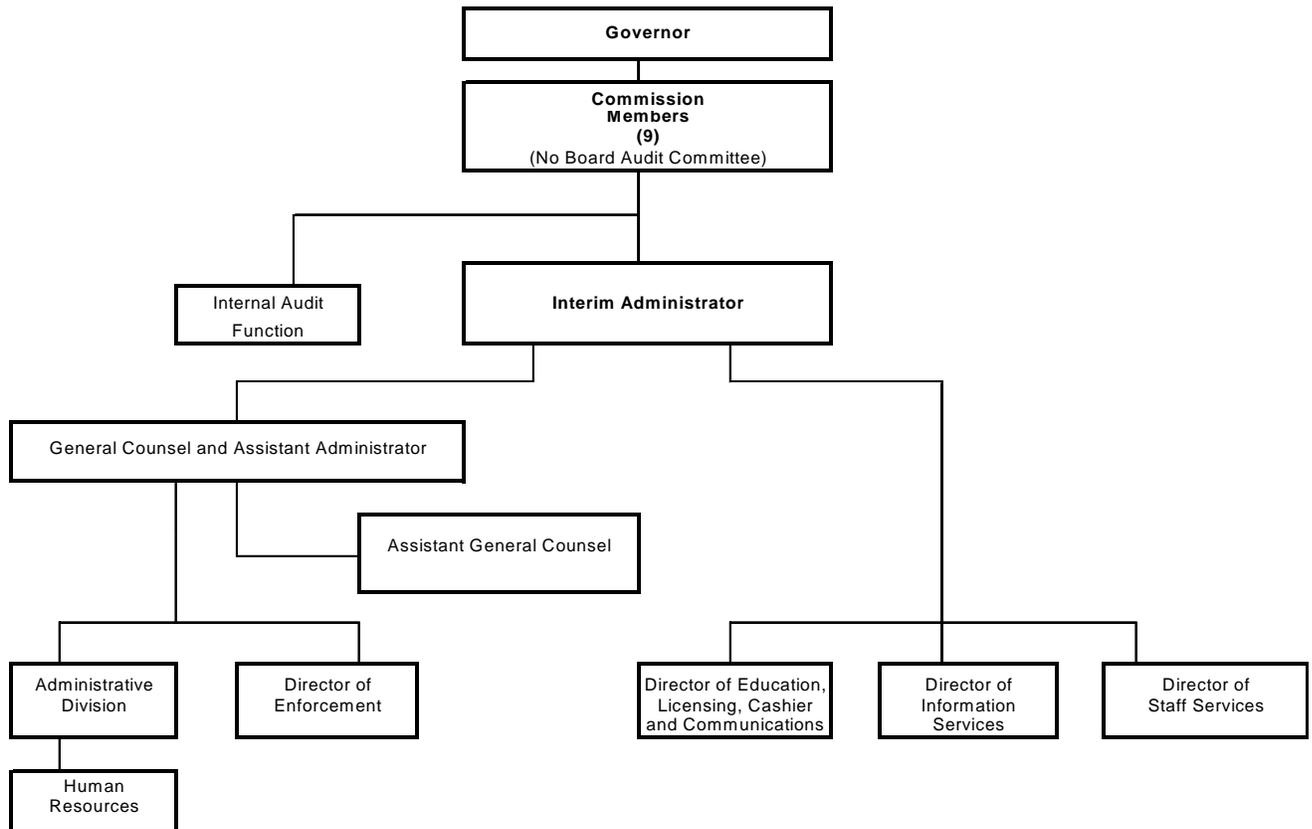
TEXAS REAL ESTATE COMMISSION
 Annual Internal Audit Report
 Fiscal Year 2009

Report No.	Report Date	Name of Report	Findings/Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete Ongoing, Not Implemented)	Fiscal Impact/Other Impact
		Follow-up of Other Agency Audits (State Auditor's Office Report on Performance Measures)	<p>2. General Information Technology and Application Controls</p> <p>The Commission should:</p> <ul style="list-style-type: none"> • System related upgrades and improvements <ul style="list-style-type: none"> - Improve logical access controls to TRELIS and its data. - Develop documentation of TRELIS, including the relevant fields, tables, and their relationships. - Improve the controls over key data fields in TRELIS, or develop compensating controls. <p>• Test and update its disaster recovery plan.</p>	<p>Incomplete Ongoing- System upgrades and improvements will be considered in the development of the system upgrade in FY 2010. VERSA, the new license management systems vendor, has completed initial implementation interviews and has begun initial analysis of the data in preparation for migration. In addition, Technology Services staff has created the infrastructure and system software products have been installed.</p> <p>Fully Implemented</p>	Improved security; production environment; disaster preparedness; hazard safety and control environment

V. List of Consulting Engagements and Non-audit Services Completed

None to Report

VI. Organizational Chart



TEXAS REAL ESTATE COMMISSION

Annual Internal Audit Report

Fiscal Year 2009

VII. Report on Other Internal Audit Activities

None

VIII. Proposed Internal Audit Plan for Fiscal Year 2010

- Cash Collection Fee Process / Remittance
- Customer Communications
- Residential Service Companies
- Other Tasks as May Be Assigned by the Commission

IX. External Audit Services Procured in 2009

The Agency procured the following external audit services:

- Annual Risk Assessment
- Current year Internal Audit Services
- Financial data analysis for Residential Service Company (RSC)
- Financial data analysis of the Examination Provider

X. Reporting Suspected Fraud and Abuse

TREC has implemented the requirements of Article IX, Section 17.05 and Article XII, Section 5 (c) of the General Appropriations Act by providing information on their home page regarding how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO), posting a link to the SAO's fraud hotline, and including in their policies information on how to report suspected fraud involving state funds to the SAO. During fiscal year 2009, TREC did not have any suspected fraud waste or abuse to report to the SAO, as required by Texas Government Code, Section 321.022.

TEXAS REAL ESTATE COMMISSION (TREC)
Summary of Investments

	August 31, 2008 Book Value	August 31, 2008 Market Value
Equity Securities	N/A	N/A
Other Investments	N/A	N/A
Debt Investments >1 year:		
U.S. Government	1,648,480	1,677,063
U.S. Government Agency	N/A	N/A
Mortgage Pass Throughs	N/A	N/A
C.M.O.s	N/A	N/A
Other Asset-Backed Bonds	N/A	N/A
Foreign Issued Obligations	N/A	N/A
Municipal Obligations	N/A	N/A
Corporate Obligations	N/A	N/A
G.I.C's	N/A	N/A
Bond Mutual Funds	N/A	N/A
Other (list)	N/A	N/A
<i>Total Debt Investments >1 year</i>	1,648,480	1,677,063
Short Term Investments:		
U.S. Government	518,344	506,406
U.S. Government Agency	N/A	N/A
C.D.'s/B.A.'s	N/A	N/A
A1/P1 Commercial Paper	N/A	N/A
Repurchase Agreements	N/A	N/A
TexPool	N/A	N/A
Other Money Market Funds & Pools	N/A	N/A
Bank Deposits	N/A	N/A
Cash Held at State Treasury	1,051,402	1,051,402
Other (list)	N/A	N/A
<i>Total Short Term Debt</i>	1,569,746	1,557,808
TOTAL INVESTMENTS:	3,218,226	3,234,871