



# TEXAS REAL ESTATE COMMISSION

## Internal Audit Services

AN INTERNAL AUDIT OF

## Accounting and Finance Services

Report No. 22-002

May 12, 2022



**McConnell Jones**  
Diverse Thinking | Unique Perspectives

This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.

Audit Report Highlights  
 Accounting and Finance

Why Was This Review Conducted?

McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Real Estate Commission (TREC) performed this internal audit as part of the approved FY 2022 Annual Internal Audit Plan.

Audit Objectives and Scope

To assess management controls in place that ensure account reconciliations are performed in a complete, timely, and accurate manner and that reconciling items are addressed in a timely manner.

The audit scope period was FY 2021 through 1st Qtr. FY 2022 and was limited to the following:

- Account Reconciliations
- Cash Forecasting
- Sunset Review Recommendations for Cash Balances

Audit Focus

This audit focused on the following:

- Account Reconciliation
- Investigation of Reconciling Item(s)
- Cash Forecasting
- Separation of Duties
- Policies and Procedures
- Sunset Advisory Recommendations for Cash Balances

Number of Findings/Opportunities by Risk Rating

| Category                  | High | Medium | Low | Total |
|---------------------------|------|--------|-----|-------|
| Findings                  | 0    | 3      | 0   | 3     |
| Improvement Opportunities | 0    | 0      | 0   | 0     |



*We wish to thank all employees for their openness and cooperation. Without this, we would not have been able to complete our review.*

Audit Conclusions

We noted that cash transfers and monthly reconciliations for larger accounts were performed. However, our review of TREC’s processes indicated that TREC cash forecasting, fund transfers and monthly reconciliation policies and procedures are not consistent with the way that the respective processes are performed. Additionally, it does not appear that TREC is successfully reconciling CAPPs to USAS which may be a result of issues identified within CAPPs systems.

We also noted that the cash forecasting and actual transfer amounts were inconsistent with written procedures and varied by individuals who performed the respective month’s transfers.

Internal Control Rating

Some Improvement Needed.

What Did We recommend?

We recommend that TREC:

1. Consider investing in utilizing a CAPPs consultant to identify issues that impact their ability to reconcile CAPPs data to USAS.
2. Conduct monthly reconciliations between CAPPs and USAS to identify any reconciling items and work with CAPPs consultant to understand causes, if needed.
3. Edit / enhance the current written procedures:
  - o for reconciliations to be applicable to all months instead of being specific to one month.
  - o for reconciliations to include all current steps and processes performed and by whom, steps of how to identify and address reconciling items.
  - o for cash forecasting to detail the steps that are currently being performed during the monthly cash forecasting process.

## INTRODUCTION



*McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Real Estate Commission (TREC), performed an internal audit of the Agency's Accounting and Finance reconciliation and cash forecasting processes.*

We performed this audit as part of the approved FY 2022 Annual Internal Audit Plan. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained meets that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

## OBJECTIVE



*The purpose of this audit was to assess management controls in place that ensure account reconciliations are performed in a complete, timely, and accurate manner, that reconciling items are addressed in a timely manner, and cash forecasting provides for appropriate amount of cash available when needed.*

We focused on management's controls and business processes related to account reconciliations, cash forecasting and Sunset Review Recommendations for cash balances.

The scope period was FY 2021 through 1<sup>st</sup> Qtr. FY 2022.

Our focus for this audit was on:

- Account Reconciliation
- Investigation of Reconciling Item(s)
- Cash Forecasting
- Separation of Duties
- Policies and Procedures
- Sunset Advisory Recommendations for Cash Balances

## FINDING VS IMPROVEMENT OPPORTUNITY

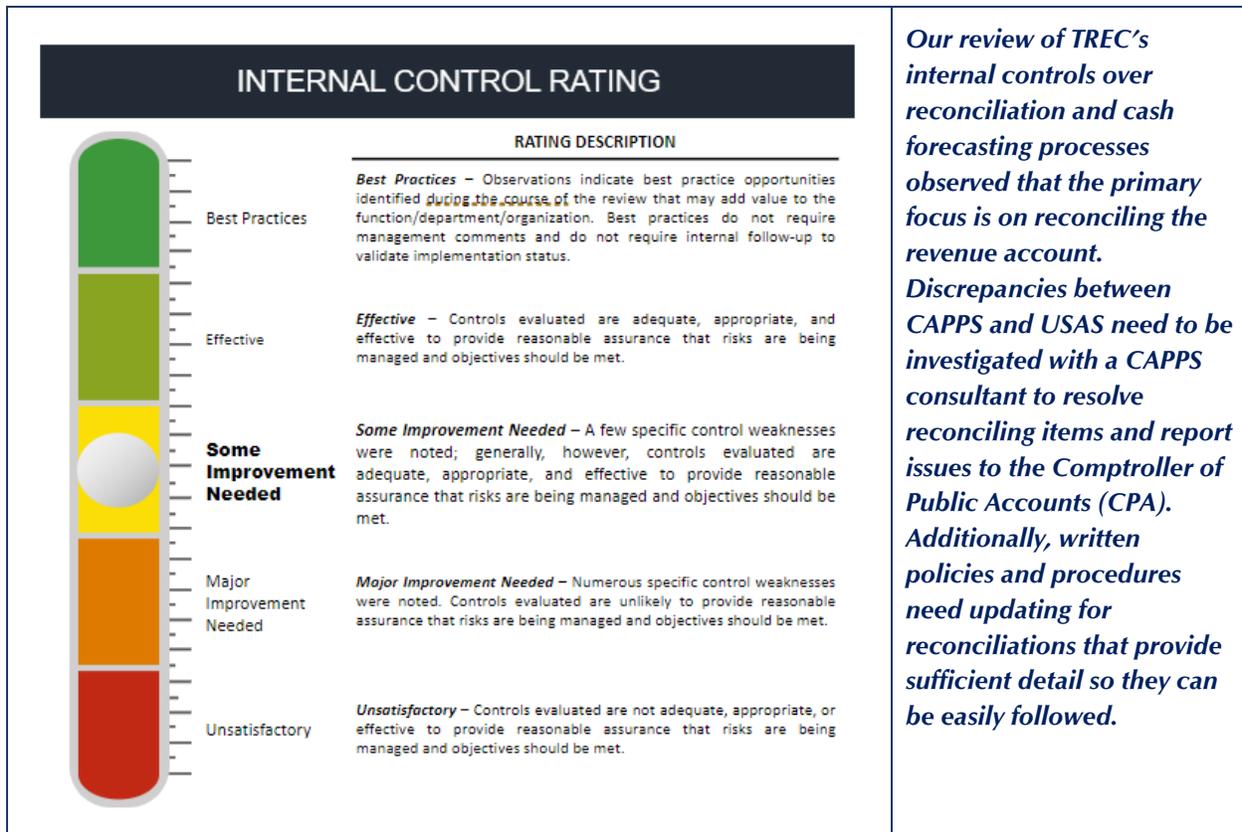
We define a finding as an internal control weakness or non-compliance with required policy, law, or regulation.

We define an improvement opportunity as an area where the internal control or process is effective as designed but can be enhanced.

## CONCLUSION AND INTERNAL CONTROL RATING



We concluded that overall internal controls **major improvement needed**. Exhibit 1 describes the internal control rating.



**Exhibit 1: Internal control rating description.**

The table below summarizes the business objectives, internal control rating, findings, and recommendations.

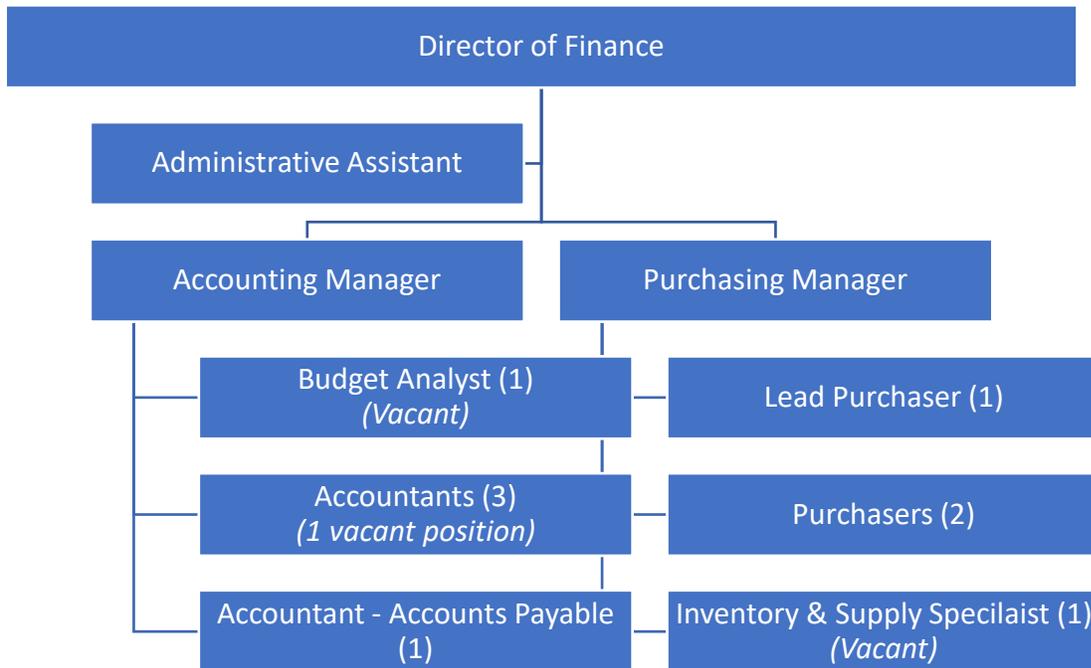
| Business Objective         | Internal Control Rating | Control Assessment / Findings   | Recommendations  |
|----------------------------|-------------------------|---|--|
| 1. Account Reconciliations | Some Improvement Needed | <p><b>Detailed Finding #1, &amp; #2</b></p> <ol style="list-style-type: none"> <li>The detail of the Budget Summary by LBB Business Objects report (CAPPs) does not equal the totals of the report.</li> <li>Two funds, 4055 (indirect administrative costs) for FY2022, and 4056 (insurance) for FY21, did not reconcile between USAS to CAPPs reporting. We were made aware that there are other known</li> </ol> | <ol style="list-style-type: none"> <li>TREC should consider investing in utilizing a CAPPs consultant to identify issues that impact their ability to reconcile CAPPs data to USAS.</li> <li>Conduct monthly reconciliations between CAPPs and USAS to identify any reconciling items and work with CAPPs consultant to understand causes, if needed. This includes the differences</li> </ol> |



|   |                         |  |   |
|---|-------------------------|--|---|
|   |                         | issues in CAPPS reconciling to USAS, e.g., for refunds and recovery payments that are reflected in USAS but not in CAPPS.  | between CAPPS and USAS for funds 4055 (TREC indirect administrative costs) and 4056 (insurance).  |
| 2. Written Procedures                         | Some Improvement Needed | <p><b>Detailed Finding #3</b></p> <p>1. Written procedures are not reflective of the actual process.</p>   | <p>1. Edit / enhance the current written procedures:</p> <ul style="list-style-type: none"> <li>a. for reconciliations to be applicable to all months instead of being specific to one month.</li> <li>b. for reconciliations to include all current steps and processes performed and by whom, steps of how to identify and address reconciling items.</li> <li>c. for cash forecasting to detail the steps that are currently being performed during the monthly cash forecasting process.</li> </ul> |
| 3. Reconciling Items                          | Generally Effective     | No findings noted that were not previously noted.  | No recommendations are made.  |
| 4. Cash Needs Forecasting                     | Generally Effective     | No findings noted that were not previously noted.  | No recommendations are made.  |
| 5. Separation of Duties                       | Generally Effective     | No findings noted.   | No recommendations are made.  |
| 6. Sunset Advisory Commission Recommendations | Generally Effective     | No findings noted. Applicable Sunset Advisory Commission recommendations were addressed through investment and finance policy and procedure updates. TREC determined that they would not be adopting the recommendation to evaluate and update its key performance measures. | No recommendations are made.  |

## BACKGROUND

TREC’s Financial Services includes the Director of Finance and 12 staff. Financial Services performs all the Agency’s (TREC and TALCB) revenue accounting, budgeting, financial payment functions, purchasing and contract administration, and asset and property management. **Exhibit 2** provides TREC’s Financial Services organization.



**Exhibit 2:** TREC Financial Services Organization.

TREC is a Self-Directed and Semi-Independent (SDSI) Agency. This means that they receive no appropriated funding from the State of Texas. All revenues they generate are deposited into interest-bearing accounts in the Texas Treasury Safekeeping Trust Company (Safekeeping Trust) and then used to support the agency's operational costs. Although TREC is an SDSI, they are still required to follow state accounting rules and pay all expenditures through the Comptroller's Office.

TREC uses two state owned and supported financial systems for its financial transaction recording and records, these are:

- *Centralized Accounting and Payroll/Personnel System (CAPPS)* is the state supported enterprise resource planning (ERP) application that provides financial, payroll and human resource modules for Texas state agencies.
  - Reflects actuals plus other obligations and encumbrances
  - Managed by the Texas Comptroller of Public Accounts (CPA)
  - TREC's detailed financial system
  - Transactions feed to USAS at summary level
- *Uniform Statewide Accounting System (USAS)* – Accounting system for the State of Texas. All state agencies are required to use this system for reporting their financial activities.
  - Reflects actuals
  - System of record for all state agencies

CAPPS and USAS should balance to each other, with the exception for timing differences (reconciling items).

TREC's Financial Services team processed \$23.33M in revenues, \$13.96M in expenditures, and managed the \$28.11M fund balance during FY2021. These transactions flow through General Funds and Special Revenue Funds, each of which contain numerous funds and accounts.

TREC's balance sheet accounts fall into these funds:

- 3054 TREC Fund
- 3055 TREC Operations
- 3056 TALCB Operations
- 3057 TAMU Real Estate Fee Trust
- 3058 Real Estate Recovery Trust
- 3059 Real Estate Inspection Recovery
- 3060/0028 Appraiser Registry Fee Account
- 3193 TALCB Admin Penalties

TREC's investment accounts fall into these fund types and funds:

- Fund Type 01 Fund 0889
- Fund Type 01 Fund 1005
- Fund Type 15 Fund 0889
- Fund Type 02 Fund 0889

## DETAILED FINDINGS AND MANAGEMENT RESPONSE

### Business Objective #1: Account Reconciliations

**Risk Rating: Medium**

#### Observations Objective - #1

In FY 2021, TREC updated their documented procedures related to the monthly reconciliation and cash forecasting/fund transfer processes. We noted that the monthly reconciliation focus for the procedures is on reconciling the Safekeeping Trust statement to CAPPs for the revenue (cash) account and investment accounts.

There is no documented process for the reconciliation of USAS to CAPPs to ensure that the accounts are in balance, all transactions posted correctly from CAPPs to USAS, and that all transactions in USAS are in CAPPs. During this review we discovered an issue with a CAPPs Business Objects Report. There are two funds that were not reconcilable between USAS and CAPPs, 4055 (indirect administrative costs) for FY2022, and 4056 (insurance) for FY21 however the cause for the imbalances could not be determined if related to timing differences, user error, or issues with CAPPs system.

We also learned there were known issues for refunds and recovery payments that are reflected in USAS but not in CAPPs.

#### Reconciliation Workbooks

The reconciliations we were provided do not contain sufficient detail or instructions on what was performed to determine what was done, what the reconciling items are, who performed the reconciliation, and who reviewed the reconciliation.

#### Recovery Trust Fund

TREC's Financial Services team has a process in place to gather payment estimates for the Recovery Trust Fund each month. However, the account balance provided to Financial Services as of March 31, 2022 differed from the account balance reported in the balance sheet for March 2022 by \$50,000. This was noted in the April 19, 2022 Accounting Manager's review of the report, however, the balance sheet had not been updated as of April 26, 2022 although the reconciling item is listed in the 90-day column. **Exhibit 3** provides a snapshot of the reconciling adjustment identified but not recorded in a timely manner.

| <i>Note: This amount does not include Item #22-004 (amt: \$50,000), which is dated March 30, 2022</i> |               |                    |                  |                  |                  |
|---|---------------|--------------------|------------------|------------------|------------------|
| <b>Reconciling Items:</b>   |               |                    |                  |                  |                  |
| <b>Date</b>   | <b>Number</b> | <b>Amt Pending</b> | <b>≤ 30 Days</b> | <b>≤ 60 Days</b> | <b>≤ 90 Days</b> |
| 3/30/2022   | 22-004        | \$ 50,000.00       |                  |                  | \$ 50,000.00     |
| <b>Bank Statement Amount:</b>   |               |                    | (404,363.12)     |                  |                  |
| <b>Recovery Trust Account Report Amount:</b>  |               |                    | \$ 454,363.12    |                  |                  |
| <b>Less: Reconciling Item 22-004 (3/30/2022)</b>  |               |                    | (50,000.00)      |                  |                  |
|   |               |                    | \$ 404,363.12    |                  |                  |

**Exhibit 3:** March 30, 2022 Recovery Trust Fund Reconciling Item.

### **Recommendations - Objective #1**

The Financial Services team should document their reconciliation processes to reflect their written policies and procedures.

1. TREC should consider investing in utilizing a CAPPs consultant to identify issues that impact their ability to reconcile CAPPs data to USAS.
2. Research differences between CAPPs and USAS for funds 4055 (TREC indirect administrative costs) and 4056 (insurance).
3. The Financial Services team should ensure that they perform reconciliations of all their accounts and reconcile CAPPs to USAS each month. All reconciling items should be researched, documented, and rectified in a timely manner. If needed, work with a CAPPs consultant to understand causes for discrepancies between CAPPs and USAS.

### **Management's Response - Objective #1**

The agency is aware that there is a problem with the data in CAPPs not being accurate and the expenditure data will have varying totals within the same report (i.e., summary page vs. expenditure detail page). A service request ticket has been submitted to the CAPPs helpdesk and we are hoping they can resolve the issue. In addition, we have reached out to another agency who we have knowledge of that has sought out the services of a CAPPs configuration consultant and is in the process of obtaining additional information so that we may begin our procurement process. Due to the timing of this audit and discovery of this item, a CAPPs consultant was not a part of our initial budget request, but we are committed to requesting additional resources from our governing body if needed.

The agency agrees with the finding and will conduct a monthly reconciliation between CAPPs and USAS to identify and record reconciling items. We will continue to request the assistance of the CAPPs technical helpdesk to fix system coding issues that are the source of our reconciling items and also work with a consultant who can help us draft and submit functional design documents to CAPPs for potential system configurations for our agency.

### **Business Objective #2: Written Procedures**

**Risk Rating: Medium**

#### **Observations Objective - #2**

##### *Reconciliation Procedures*

The written procedures of the reconciliation process are not up to date, complete, and do not provide sufficient detail to accurately perform the reconciliation of the accounts.

We reviewed the written procedures and attempted to follow them to reperform the work on the November 2022 Revenue Reconciliation. We noted that the written procedures were not sufficient for us to reperform the reconciliation without discussion with TREC staff. Below is a summary three (3) out of 11 reconciliation procedure steps listed are not steps that are currently being followed or practiced:

1. The recording of all the various Trust balances for the month's cash payments, manual deposits, credit card payments by date, the chargeback amounts is different than what is written.
2. Pivot Tables are created from the COPY of CAPPs Query Tab not the CAPPs Query Tab.

3. The Pivot Tab has additional work and documentation about how the amounts for transfer are calculated and determined for each fund, however, there are no additional procedures written on that process in this document.

Additionally, the reconciliation procedures document does not have a creation date or a review date on it.

#### *Cash Forecasting Procedures*

The written procedures for cash forecasting are not up to date, complete, and do not provide sufficient detail to for us to accurately reperform the cash forecasting of the accounts.

While six (6) of the 10 steps listed in the written procedure are being followed, two (2) out of 10 steps listed in the written procedures that are not actual procedures and two (2) are not currently being followed or practiced. These are:

1. TREC no longer reviews accounts payable for the prior month and inquire of the purchasing agent as to whether there will be any additional expenditures arising in the current month. Instead, they use a predetermined amount of \$25,000 monthly.
2. The step on prepares Transfer spreadsheet and enters transfer into Trust portal is vague and does not accurately detail all the processes that are performed in this step. Also, this is performed by in two separate steps by two separate individuals.

We also noted that the actual amount of cash transferred is dependent upon the individual calculating the transfer amount. For example:

- March 2022 cash needs were projected at \$978,788 yet \$1,283,500 was transferred to cover expenses; an excess of \$304,712.
- April 2022 cash needs were projected at \$1,157,618 yet \$1,63,800 was transferred to cover expenses; an excess of only \$6,182.
- November 2022 cash needs were projected at \$1,141,835 yet \$1,1412,050 was transferred to cover expenses; an excess of \$215.

### ***Recommendations – Objective #2***

*Reconciliation Procedure:* TREC should edit the current written procedures so that they can apply to all months instead of being specific to one month. Additionally, the reconciliation procedures should be updated to include all current steps and processes performed and by whom. The written procedure should also include a review and document date to enhance revision history and version control.

*Cash Forecasting Procedure:* TREC's Financial Services team should review the method of calculation for cash requirements of upcoming expenditures to improve accuracy then determine an amount to be used as a cushion. The written procedures should be enhanced to detail the steps that are currently being performed during the monthly cash forecasting process. They should also include the following:

- Include more detailed instructions on how to populate the Transfer spreadsheet.
- List that a cushion amount of \$25,000 is used for the forecasted amount for the account payable expenditures. (Or whatever the agreed upon cushion amount should be.)
- Document the process for determining how much money should be transferred from each appropriation.
- Include a review date on the procedure document to enhance revision history and version control.

***Managements Response - Objective #2***

Management agrees with the recommendations as provided for the written procedures and is currently in the process of implementing recommendations to our written procedures.

## Appendix A: Business Objectives, Risks, and Conclusions



*This section of the report provides a summary of applicable business objectives, risks, and controls in place related to TREC’s Accounting and Finance processes. Each table also includes our assessment of internal controls for the respective business risk, and our recommendations to address deficiencies noted, or opportunities to enhance current controls.*

| 1. Business Objective: Account Reconciliations |   |
|--|---|
| Business Objective:                            | To ensure that TREC’s financial records and accounts are in agreement with each of the financial systems and external sources, differences identified are researched and addressed in a timely manner.  |
| Business Risk(s):                              | Account reconciliations may not be completed in a complete, timely or accurate manner. Reconciling items may not be identified or addressed in a timely manner.   |
| Management Control(s) in Place:                | Monthly account reconciliation procedures are performed and reviewed within established deadlines.  |
| Control Test(s):                               | <ol style="list-style-type: none"> <li>1. Inspected Monthly CAPPs Revenue Reconciliation procedure documentation to determine the procedures for performing the monthly revenue reconciliation process.</li> <li>2. Inquired of the CFO and Accounting Manager to determine the process for performing monthly revenue reconciliations.</li> <li>3. Reperformed revenue reconciliations for a sample of two months (FY 2022-November and FY2022-February) to determine whether account reconciliations were completed accurately.</li> <li>4. Compared detail pulled USAS data using FMQuery for FY2021 and FY2022. Created a pivot table to compare totals between USAS and LBB/CAPPs data. For FYE2021 we tested to determine if USAS balance was equal or less than accruals (BT16 &amp; BT17). For FY2021 and FY2022, we compared balance by Fund to determine if equaled and if not, were differences identified.</li> </ol> |
| Control Assessment Rating:                     | Some Improvement Needed   |
| Finding(s):                                    | <ol style="list-style-type: none"> <li>1. TREC’s reconciliation processes are not clearly defined and supported with accurate written policies and procedures.</li> <li>2. TREC’s Budget Summary by LBB Category/Fund/PCA reports detail does not equal the totals for Funds 4055 and 4056. This report is in the Business Objects/CAPPs Financial Reports/General Ledger which is maintained by the Department of Information Resources and out of TREC’s control.</li> <li>3. Two funds did not reconcile to CAPPs report:                         <ol style="list-style-type: none"> <li>a. 4055 (indirect administrative costs) for FY2022, and</li> <li>b. 4056 (insurance) for FY21.</li> </ol> </li> <li>4. There are known issues for refunds and recovery payments that are reflected in USAS but not in CAPPs.</li> </ol>   |
| Recommended Actions to Address Findings:       | <ol style="list-style-type: none"> <li>1. Document the reconciliation processes with accurate written policies and procedures.</li> </ol>   |



|  |  |
|--|--|
|  | <ol style="list-style-type: none"> <li>2. TREC should consider investing in utilizing a CAPPs consultant to identify issues that impact their ability to reconcile CAPPs data to USAS.</li> <li>3. Research differences between CAPPs and USAS for funds 4055 (TREC indirect administrative costs) and 4056 (insurance).</li> <li>4. Conduct monthly reconciliations between CAPPs and USAS to identify any reconciling items and work with CAPPs consultant to understand causes, if needed.</li> </ol> |
|--|--|

| 2. Business Objective: Written Procedures |  |
|---|--|
| Business Objective:                       | To define expectations and processes for account reconciliations in written policy and procedures.   |
| Business Risk(s):                         | Policies and procedures may be out of date or may not be comprehensive or accurate.  |
| Management Control(s) in Place:           | TREC has undertaken a project to update policies and procedures to reflect current processes and requirements. Procedure documents have been created for some relevant accounting and finance processes.   |
| Control Test(s):                          | <ol style="list-style-type: none"> <li>1. Reviewed reconciliation and cash forecasting procedures</li> <li>2. Attempted to reperform work based off the procedures</li> </ol>  |
| Control Assessment Rating:                | Some Improvement Needed  |
| Finding(s):                               | <ol style="list-style-type: none"> <li>1. Written procedures are not reflective of the actual process. Three (3) out of 11 reconciliation procedure steps listed are not steps that are currently being followed or practiced:                             <ol style="list-style-type: none"> <li>a. The recording of all the various Trust balances for the month’s cash payments, manual deposits, credit card payments by date, and chargeback amounts contain differences between the support and the data posted.</li> <li>b. Pivot tables are created from the ‘COPY of CAPPs Query’ worksheet, which includes manually added transactions, rather than the ‘CAPPs Query’ worksheet, which contains the actual results of the CAPPs query.</li> <li>c. The ‘Pivot’ worksheet has additional work and documentation related to the calculation of transfer amounts for each fund, however, there are no additional procedures written on that process in the reconciliation procedure document.</li> <li>d. Additionally, the reconciliation procedures document does not have a creation date or a review date on it.</li> </ol> </li> <li>2. Two (2) out of ten (10) cash forecasting procedure steps listed are not steps that are currently being followed or practiced:                             <ol style="list-style-type: none"> <li>a. TREC no longer reviews accounts payable for the prior month to determine the number of expenditures to anticipate in the current month. Instead, they use a predetermined amount of \$25,000 monthly.</li> <li>b. The procedure step that describes the preparation of the ‘Transfer’ spreadsheet and the process for entering cash transfers into the Trust portal is vague and does not accurately detail all the processes that are performed in these steps. Also, this process is performed in two separate steps by two separate individuals.</li> </ol> </li> </ol> |

| 2. Business Objective: Written Procedures |   |
|---|---|
| Recommended Actions to Address Findings:  | <ol style="list-style-type: none"> <li>Edit the current written procedures so that they can apply to all months instead of being specific to one month. Additionally, the reconciliation procedures should be updated to include all current steps and processes performed and by whom. The written procedure should also include a review and document date to enhance revision history and version control.</li> <li>Enhance the cash forecasting procedures to detail the steps that are currently being performed during the monthly cash forecasting process.</li> </ol> |

| 3. Business Objective: Reconciling Items |   |
|--|---|
| Business Objective:                      | To implement processes and controls that ensure reconciling items are identified, posted, and resolved in a timely manner.  |
| Business Risk(s):                        | Reconciling items may not be identified, posted, or resolved in a timely manner.  |
| Management Control(s) in Place:          | Personnel performing reconciliations follow-up on identified reconciling items.   |
| Control Test(s):                         | <ol style="list-style-type: none"> <li>Inquired of TREC management to determine the procedures for the investigation of reconciling items.</li> <li>Inspected TREC monthly reconciliation policies and procedures.</li> </ol> |
| Control Assessment Rating:               | Generally Effective   |
| Finding(s):                              | Finding was already addressed in Business Objective 2: Written Procedures.  |
| Recommended Actions to Address Findings: | Recommendation was already addressed in Business Objective 2: Written Procedures.   |

| 4. Business Objective: Cash Forecasting |   |
|---|---|
| Business Objective:                     | To implement processes and internal controls that ensure cash needs are identified, calculated, and funded.   |
| Business Risk(s):                       | Cash Forecasting may be inaccurate which may lead to under-funding or over-funding the cash payment account.  |
| Management Control(s) in Place:         | Personnel performing cash forecasting procedures follow a documented process to ensure consistency. Forecasted amounts are approved prior to transferring cash to the cash account.   |
| Control Test(s):                        | <ol style="list-style-type: none"> <li>Inspected cash forecasting procedures to determine the established process for performing cash forecasting and trust transfers to USAS.</li> <li>Inquired of TREC management to determine the process in place to determine the agency's monthly cash needs and transfer funds to USAS.</li> <li>Inspected the TREC cash forecasting results to determine whether the cash forecasting process was performed according to the established procedures and to meet the needs of the agency.</li> </ol> |
| Control Assessment Rating:              | Generally Effective   |

| 4. Business Objective: Cash Forecasting  |   |
|--|---|
| Finding(s):                              | Finding was already addressed in Business Objective 2: Written Procedures.        |
| Recommended Actions to Address Findings: | Recommendation was already addressed in Business Objective 2: Written Procedures. |

| 5. Business Objective: Separation of Duties |   |
|---|---|
| Business Objective:                         | To ensure that the organization structure and controls provide for adequate span of control and separation of duties between preparation, review, and posting of transactions and reconciliations to prevent errors and/or misappropriation of financial assets.  |
| Business Risk(s):                           | Separation of duties and/or span of control issues may exist which could potentially lead to errors and/or misappropriation of financial assets.  |
| Management Control(s) in Place:             | User/group privilege restrictions enforced on shared accounting folders according to personnel job requirements.  |
| Control Test(s):                            | <ol style="list-style-type: none"> <li>1. Inspected the accounting shared folder permissions to determine the list of users and groups with access to the accounting shared folder and the level of access provided to each user or group.</li> <li>2. Inquired of the Security Analyst to determine group membership for groups with access to the accounting shared folder.</li> <li>3. Inspected the Finance Services and IT organization charts to determine the job titles of users with access to the accounting shared folder.</li> <li>4. Inspected job descriptions for each individual with modify access to the shared accounting folders to determine whether modify access was reasonable given the individual's job duties.</li> <li>5. Inspected TREC procedure documentation to determine whether instances of potential incompatible duties were limited and monitoring controls were in place to ensure detection of potential issues arising from separation of duties conflicts.</li> </ol> |
| Control Assessment Rating:                  | Generally Effective   |
| Finding(s):                                 | None noted.   |
| Recommended Actions to Address Findings:    | None.   |

| 6. Business Objective: Sunset Advisory Recommendations |   |
|--|---|
| Business Objective:                                    | To ensure that applicable Sunset recommendations concerning reducing cash balances are implemented. |

| 6. Business Objective: Sunset Advisory Recommendations |  |
|--|--|
| Business Risk(s):                                      | Sunset recommendations concerning reducing cash balances may not have been implemented.  |
| Management Control(s) in Place:                        | <ul style="list-style-type: none"> <li>• Applicable Sunset Advisory Commission recommendations were addressed through investment and finance policy and procedure updates.</li> <li>• TREC determined that they would not be adopting the recommendation to evaluate and update its key performance measures.</li> </ul>   |
| Control Test(s):                                       | <ol style="list-style-type: none"> <li>1. Inspected the Sunset Advisory Commission - Staff Report with Commission Decisions to determine recommendations related to issues below and additional adopted recommendations.</li> <li>2. Inquired of the CFO and Accounting Manager to determine the commission's response activities with regards to the Sunset Advisory Commission's recommendations.</li> </ol> |
| Control Assessment Rating:                             | Generally Effective  |
| Finding(s):  | None noted.  |
| Recommended Actions to Address Findings:               | None.  |