

Texas Department of Licensing and Regulation

Fiscal Year 2025 Annual Internal Audit Report

August 31, 2025

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Website

Texas Government Code, Section 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post their Internal Audit Plan, Internal Audit Annual Report, and other audit information on the Internet.

The Texas Department of Licensing and Regulation (TDLR or the agency) will post this report and its Fiscal Year 2026 Internal Audit Plan on its website at <https://www.tdlr.texas.gov/reports.htm#audit>. TDLR's Commission reviewed and approved the Annual Internal Audit Report as part of their regular meeting held on October 28, 2025. In accordance with Texas Government Code, Section 2102.015, TDLR will post the Annual Internal Audit Report and Fiscal Year 2026 Internal Audit Plan on its website within 30 days of the Commission's approval.

TDLR will update its posting with a detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns raised by performance of the audit plan as they are identified. TDLR will also update the posting with the corrective action taken to address any issues identified.

II. Internal Audit Plan for Fiscal Year 2025

The internal audits planned and performed for fiscal year 2025 were selected to address the agency's highest risk areas, based on the 2024 risk assessment and to address open internal audit findings and significant processes that have not been previously audited. The audits conducted during fiscal year 2025 are listed below.

Internal Audit and Report Number	Report Date	Status
Disaster Recovery/ Business Continuity (#01-2025)	September 19, 2025	This report was issued September 24, 2025. Follow-up procedures to verify that corrective action has been performed on the open findings are included in the 2026 internal Audit Plan.
Anti-Trafficking Activities Follow-up (# 02-2025)	September 19, 2025	This report was issued September 19, 2025. All findings have been remediated.
IT Services Follow-up (#03-2025)	September 23, 2025	This report was issued September 23, 2025. Follow-up procedures to verify that corrective action has been performed on the open findings are included in the 2026 internal Audit Plan.

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Internal Audit and Report Number	Report Date	Status
Texas Board of Veterinary Medical Examiners Follow-up	September 19, 2025	<p>This report was issued September 19, 2025.</p> <p>Follow-up procedures to verify that corrective action has been performed on the open finding are included in the 2026 internal Audit Plan.</p>

III. Consulting Services and Non-audit Services Completed

Weaver, as TDLR's Internal Auditor, did not perform any consulting services, as defined in the Institute of Internal Audit Auditors' International Standards for the Professional Practice of Internal Auditing or any non-audit services, as defined in the Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, or Government Auditing Standards, 2018 Revision, Sections 3.64-3.106, as applicable.

IV. External Audit Services Procured in Fiscal Year 2025

Other than the contract with Weaver to provide outsourced internal audit services, TDLR did not procure any external audit services during the fiscal year 2025.

V. External Quality Assurance Review

In accordance with professional standards, and to meet the requirements of the Texas Internal Auditing Act, Internal Audit is required to undergo an external quality assurance review at least once every three years. Weaver's review was performed in September 2022.

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Report on Firm's System of Quality Control

September 19, 2022

To the Partners of Weaver & Tidwell, L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver & Tidwell, L.L.P. (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, an audit performed under FDICIA, and examinations of service organizations [SOC 1 and SOC 2 engagements].)

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

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Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Weaver & Tidwell, L.L.P. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2022, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Weaver & Tidwell, L.L.P. has received a peer review rating of *pass*.



Eide Bailly LLP

VI. Internal Audit Plan for Fiscal Year 2026

The Internal Audit Plan was submitted to the TDLR Commission. The Commission approved the plan on October 28, 2025, based on the risk assessment update performed in September 2025. Below is the Fiscal Year 2026 Internal Audit Plan submitted to the Commission based on the results of the 2025 Internal Audit Risk Assessment update.

Fiscal Year 2026 Internal Audit Plan		
Audit Area	Risk Rating	Estimated Hours
Open Records and Data Privacy	High	110
Inter-Divisional Position Alignment	High	220
TBVME Administrative Procedure Act Compliance	NA	220

Planned follow-up procedures for fiscal year 2026 to verify and communicate with TDLR Management the remediation efforts of prior Internal Audit Recommendations.

Fiscal Year 2026 Follow-up Procedures		
Audit Area	Risk Rating	Estimated Hours
IT General Controls	High	40
Disaster Recovery and Business Continuity	High	50
TBVME Observations	NA	15

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As part of the risk assessment, TDLR assesses the probability and impact of the following risk categories across all significant activities of the agency. The following risk categories include information technology risks and considerations related to Title 1, Texas Administrative Code, Chapter 202, as well as compliance risks associated with contract processes, controls, and monitoring outlined in Texas Government Code, Section 2102.005(b):

- Financial Stability and Fraud Risk
- Operations and Complexity Risk
- Reputational Risk
- Organization and Human Capital Risk
- Information Technology Risk

Taking into consideration the input from the TDLR management, all significant activities are assigned a risk rating for probability and impact related to each risk category. The overall risk rating (1, 2, 3, 4) is assigned to each risk for each significant activity. The risk assessment is updated on an annual basis.

Weaver facilitated TDLR's initial Risk Assessment in fiscal year 2025 which resulted in 14 Significant Activities rated as "High" risk. Eleven of these significant activities are not included in the Fiscal Year 2026 Internal Audit Plan. Those activities are as follows:

1. Information Security
2. Licensing
3. Application Selection/Development
4. Enforcement Administration
5. Revenue
6. Budget and Planning
7. Contract Administration
8. Payment Processing
9. Payroll
10. Procurement
11. Fleet Management

VII. Reporting Suspected Fraud, Waste and Abuse

In accordance with the requirements of Section 7.09, the General Appropriations Act (86th Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, TDLR utilizes the Texas State Auditor's Office Hotline for reporting allegations of fraud, waste or abuse. The agency posts a link on the TDLR home page at <https://www.tdlr.texas.gov/> to connect users directly to the State Auditor's Office webpage for reporting suspected fraud, waste, or abuse.

If the Executive Director of TDLR believes that any money received from the state is lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the agency, the Executive Director, or their designee will report the reason and basis for that belief to the State Auditor's Office. If any investigation is deemed necessary, the Executive Director and Agency staff will coordinate the investigation with the State Auditor's Office.