Thursday, August 6, 2026
10:00 a.m.

AGENDA

This meeting of the Credit Union Commission's Audit Committee ("Committee") will be held at the Credit Union Department office at 914 East Anderson Lane in Austin, Texas. The meeting is open to the public and will be broadcast live through a link available on the Department website (cud.texas.gov) on the day of the meeting. Public comment on any agenda item or issue within the jurisdiction of the Committee is permitted, but the Committee cannot deliberate or address any item that is not specifically listed on the agenda. Unless authorized by a majority of Committee members present, comments will be limited to ten minutes per person.

The meeting will also be recorded, and a copy of the recording will be available upon request after the meeting.

The Committee may discuss and/or take action regarding any item on this agenda.

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1. Call to order – Chair Becky Ames	3
a. Ascertain quorum	
b. Appoint recording secretary	
c. Acknowledge guests	
d. Invitation for public input	
2. Approve minutes of the July 17, 2025, Committee meeting	4
3. Discussion of the FY 2026 internal audit report and possible vote to recommend that the Commission accept the report and authorize its submission to the State Auditor's Office	8
4. Update regarding FY 2025 internal audit report	25
5. Recommend that the Commission authorize staff to take steps to procure internal audit services	31

6. Adjourn 32

Note: This is a meeting of the Audit Committee of the Credit Union Commission; however, there may be other members of the Credit Union Commission attending this meeting. As there could be a quorum of the Commission attending this meeting of the Audit Committee, it is also being posted as a meeting of the full Commission.

Executive Session: The Audit Committee may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551, including to discuss cybersecurity matters pursuant to Texas Government Code § 551.0761.

Meeting Recess: In the event the Committee does not finish its meeting on the first day for which it was posted, the Committee may recess the meeting until the following day at the time and place announced at the time of recess.

Meeting Accessibility: Under the Americans with Disabilities Act, the Credit Union Commission will accommodate special needs. Those requesting auxiliary aids or services should notify Biancaja Sugars, Credit Union Department, 914 East Anderson Lane, Austin, Texas 78752, telephone (512) 837-9236, as far in advance of the meeting as possible. An individual who is speech- or hearing-impaired may contact Relay Texas for assistance by calling 711.

1. Call to order – Chair Becky Ames
   a. Ascertain quorum
   b. Appoint recording secretary
   c. Acknowledge guests
   d. Invitation for public input

Audit Committee

Becky Ames, Chair

David Bleazard

Cody Huggins

Jim Minge, ex-officio

Staff

Robert Etheridge, Commissioner

Devon Bijansky, General Counsel

David Borden, Deputy Commissioner

Isabel Velasquez, Executive Assistant

2. Approve minutes of the July 17, 2025, Committee meeting

Staff recommendation

Approve the minutes as presented.

Recommended motion

I move that the minutes of the Committee’s July 17, 2025, meeting be approved as presented.

CREDIT UNION COMMISSION
AUDIT COMMITTEE
MEETING MINUTES

July 17, 2025

A. CALL TO ORDER – Chair Cobb-called the meeting to order at 1:01 p.m. pursuant to Chapter 551 of the Texas Government Code and declared that a quorum was present. Committee member David Bleazard and Ex-officio member Jim Minge were present. Committee member Cody Huggins was not in attendance. A motion was made by David Bleazard to excuse the absence of Cody Huggins, Chair Cobb seconded the motion, and the motion was unanimously adopted. Staff members in attendance were Commissioner, Michael S. Riepen, General Counsel, Karen L. Miller, Joel Arevalo, Director of Information Technology, and Brenda Medina, Executive Assistant. The Chair appointed Brenda Medina as Recording Secretary. The Chair inquired and the Commissioner confirmed that the notice of the meeting was properly posted with the Secretary of State **(July 7, 2025, TRD#: 2025003871)**.

The Chair officially announced that under Sections 551.076 and 551.089 of the Texas Government Code, the Committee may enter Executive Session for the purposes of discussing the IT Audit Report.

B. APPROVE MINUTES OF THE LAST COMMITTEE MEETING (JULY 18, 2024) Mr. Bleazard moved to approve the minutes of the July 18, 2024 meeting, as presented. Chair Cobb seconded the motion, and the motion was unanimously adopted.

C. DISCUSSION OF THE FY 2025 INTERNAL AUDIT REPORT AND POSSIBLE VOTE TO RECOMMEND THAT THE COMMISSION ACCEPT THE REPORT AND AUTHORIZE ITS SUBMISSION TO THE STATE AUDITOR'S OFFICE

Reema Parappilly, auditor with Weaver and Tidwell gave an explanation of the IT general controls that were performed in the internal audit. She stated they reviewed a number of different systems that included security administration, adding and removing users, change management, computer operation, which included physical access to the servers, and the backup and recovery processes. The results of their review will be discussed in executive session.

Chair Cobb announced that under the Texas Open Meetings Act, Texas Government Code, Sections 551.076 and 551.089, the Committee would enter Executive Session to discuss the IT Security Audit. The Committee entered Executive Session at 1:09 p.m. The Committee returned to open session at 1:27 p.m.

Chair Cobb asked for a motion to accept the staff's recommendation that the Committee accept the FY 2025 Internal Audit Report and authorize it's submission to the State Auditor' Office. Mr. Bleazard moved to approve the motion, as presented. Chair Cobb seconded the motion, and the motion was unanimously adopted.

D. DISCUSSION OF AND POSSIBLE VOTE TO TAKE ACTION ON THE FY 2026 INTERNAL AUDIT PLAN – After a brief discussion, Chair Cobb asked for a motion to accept the staff's recommendation that the Committee accept the FY 2026 Internal Audit Plan. Mr. Bleazard moved to approve the motion, as presented. Chair Cobb seconded the motion, and the motion was unanimously adopted.

FUTURE COMMITTEE MEETING DATES – Chair Cobb announced the next meeting of the Committee has been tentatively scheduled for July 2026.

There being no further business, Chair Cobb adjourned the meeting at 1:31 p.m.

____________________________	____________________________
Becky Ames	Isabel Velasquez
Chair	Recording Secretary

Distribution:

Legislative Reference Library
Texas State Library and Archives Commission

3. Discussion of the FY 2026 internal audit report and possible vote to recommend that the Commission accept the report and authorize its submission to the State Auditor’s Office

Background

In August 2023 the Commission approved an Internal Audit Charter and Plan, reviewing different high-risk operations in successive years. An internal audit has been conducted for FY 2026 with a focus on payroll processes and follow-up on the FY 2025 focus, information technology services and enforcement.

Staff recommendation

Recommend that the Commission accept the FY 2026 Internal Audit Report and authorize its submission to the State Auditor’s Office.

Recommended motion

I move that Committee recommends that the Commission approve the FY 2026 Internal Audit Report and authorize its submission to the State Auditor’s Office.

Texas Credit Union Department

Internal Audit Report over Payroll

February 18, 2026

CONTENTS

Commissioners of the Texas Credit Union Department
914 E. Anderson Lane
Austin, TX 78752

This report presents the results of the internal audit procedures performed for the Texas Credit Union Department (CUD) during the period of September 24, 2025, through January 29, 2026, relating to the payroll processes of the agency.

The objectives of this internal audit were to evaluate the design and effectiveness of the Agency's payroll processes as follows:

A. Determine whether internal controls over Payroll process are designed to ensure effective and efficient management, administration, and compliance of payroll processes.

B. Ensure that controls over selected critical processes within Payroll processes are operating efficiently and effectively, and result in complete, accurate, and timely payroll to CUD employees.

To accomplish these objectives, we conducted interviews and walkthroughs with CUD personnel that have responsibilities in managing and administering payroll to gain an understanding of the current processes in place, examined existing supporting documentation, and evaluated the internal controls over the processes. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from September 1, 2024, through August 31, 2025. Procedures were performed on site and remotely and an exit meeting was conducted on February 5, 2026.

The following report summarizes the findings identified, risks to the Agency, recommendations for improvement, and management's responses.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
February 18, 2026

Background

The Texas Credit Union Department (TCUD) is a state regulatory agency responsible for the chartering, supervision, and examination of Texas-chartered credit unions. The Department's mission is to ensure the safety and soundness of state-chartered credit unions while protecting the interests of their members and maintaining public confidence in the credit union system. TCUD oversees credit union operations for compliance with applicable state laws and regulations, conducts risk-based examinations, and works in coordination with federal regulators—primarily the National Credit Union Administration (NCUA)—to promote financial stability, consumer protection, and effective governance within the Texas credit union industry.

The Texas Credit Union Department (CUD) processes payroll monthly using the State's Centralized Accounting and Payroll/Personnel System (CAPPS) in accordance with Comptroller-established payroll calendars and procedures. Employees record time and leave activity in CAPPS, supervisors review and approve time entries, and employees certify timesheets monthly, after which changes require documented approval. Payroll is prepared by authorized personnel using a Comptroller-prescribed checklist and system-generated CAPPS reports, with supporting documentation reviewed for personnel changes, special payments, and variances. Completed payroll packages are reviewed and approved by authorized management prior to release and processing through the Uniform Statewide Accounting System (USAS) for employee payment. Payroll deductions are automatically calculated based on employee elections in the Employee Retirement System and remitted through USAS, and access to payroll processing and approval functions is restricted through defined security roles to support appropriate segregation of duties.

Audit Objective and Scope

The audit focused on the design and effectiveness of Texas Credit Union Department's Payroll processes to ensure internal controls are appropriately designed and procedures are efficiently and effectively performed for accurate and timely payroll cycles. The audit included an evaluation of the payroll processes and internal controls currently in practice covering the activities within key process areas including:

- Timekeeping and Approval
- Payroll Processing
- Voluntary/Involuntary Deductions
- Accrued Leave

Human Resources administration activities were not considered in the scope of this audit, excluding the coordination performed with payroll.

Our procedures were designed to ensure relevant risks were covered and verified the following:

<u>Timekeeping and Approval</u>

- Time entry for employees was captured timely, appropriately approved by supervisors and recorded in the system
- Time sheets (as necessary) were complete, accurate, and included all time submitted during a payroll cycle, including regular time, compensatory time, overtime, sick time or paid time off

Payroll Processing

- Payroll was processed in accordance with the formalized payroll schedule with defined responsibilities and tasks
- Appropriate segregation of duties existed within the payroll processing activities, including payroll distributions
- Payroll was reviewed and approved for accuracy each cycle
- Bonus, stipends, supplemental or other special payments were authorized and appropriate

Voluntary/Involuntary Deductions

- All deductions were accurately calculated and withheld during payroll calculations
- Deductions were released timely, to the appropriate party, and the accruals were removed

Accrued Leave

- Employees leave was reviewed, monitored, and approved by authorized personnel
- Accrued leave was calculated and recorded accurately and timely

Our procedures included interviewing key CUD personnel and examining available documentation to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from September 1, 2024, through August 31, 2025.

Executive Summary

Through our interviews, evaluation of internal control design and testing of transactions, we identified two findings. The listing of findings includes those items that been identified and are considered to be non-compliance issues with documented CUD policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to the Agency. These issues could have significant financial or operational implications.

A summary of our results, by audit objective, is provided in the table below. *See the Appendix for an overview of the Assessment and Risk Ratings*.

OVERALL ASSESSMENT	Strong

SCOPE AREA	RESULT	RATING
Objective A: Determine whether internal controls over Payroll processes are designed to ensure effective and efficient management, administration, and compliance of payroll processes.	We determined that controls are generally in place for the payroll process. We identified opportunities to update the current practices related to the regular update of policies and procedures for the processing of payroll.	Strong
Objective B: Ensure that controls over selected critical processes within Payroll processes are operating efficiently and effectively, and result in complete, accurate, and timely payroll to CUD employees.	We determined that controls are in place, however, we identified that there is opportunity to improve the consistency and timeliness of the approval, recording and documentation for the use of leave time by agency employees.	Strong

Conclusion

Based on the procedures performed for the period of September 1, 2024, through August 31, 2025, we determined that the payroll function has controls in place that are generally designed to mitigate key payroll risks. However, opportunities exist to strengthen the effectiveness and consistency of those controls.

Specifically, improvements are needed to update payroll procedures and to improve the timeliness, approval and documentation of leave time within the payroll system. Addressing these areas will enhance control consistency, support timely and accurate payroll processing, and improve alignment between documented procedures and actual practices.

Follow-up procedures will be performed in 2027 to evaluate the effectiveness of remediation efforts taken to address the findings identified.

Detailed Procedures Performed, Findings, Recommendations, and Management Responses

Detailed Procedures Performed, Findings, Recommendations, and Management Responses

Our procedures included interviewing key CUD personnel and examining available documentation to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from September 1, 2024, through August 31, 2025.

Objective A: Design of Internal Controls

Determine whether internal controls over payroll processes are designed to ensure effective and efficient management, administration, and compliance of payroll processes.

Procedures Performed: We conducted interviews of key personnel within the Human Resources Department of the agency who have responsibilities in managing and administering payroll, examined existing documentation to gain an understanding of the current Payroll processes, and identified internal controls that address risks over the critical processes:

- Timekeeping and Approval
- Payroll Processing
- Voluntary/Involuntary Deductions
- Accrued Leave

We evaluated whether the identified internal controls are sufficiently designed to comply with agency policies and procedures, and mitigate all critical risks associated with the payroll processes. We identified any unacceptable risk exposures due to control design inadequacy or any opportunities to strengthen the effectiveness of the existing control design.

Result: Finding identified

Finding 1 – Low – Policies and Procedures
Current policies and procedures do not reflect the current practices of the Credit Union Department. Specifically, this relates to the following:

Employee Benefits and Payroll Deductions
Procedures are currently being drafted for employee benefits. The new Staff Services Officer began drafting the procedures on January 15, 2025. Procedures were not previously documented.

Employee Annual Leave and Sick Leave
Current procedures do not include the procedures for entering annual leave time to timesheets. Additionally, the deadlines for time entries, along with timesheet reviews and approval are not clearly defined.

Recommendation:
We recommend that the Staff Services Officer continues to update and refine the employee benefits procedures related to new hires and employee benefits.

Time entries and approval time periods should be clearly defined and updated to include specific guidelines for the number of days that employees have to enter their time and the time that managers/supervisors must review and approve employees' weekly timesheets for the payroll period. The CAPPS notification dashboard and reports should be utilized to ensure time entries occur within 10 days to help ensure that all time is complete and accurate for payroll processing. This will help prevent potential payroll run issues such as fiscal year cross-over, and entries occurring for previous periods. All corrections to timesheets after the monthly payroll run should require justification and approval prior to any adjustments being made. The documentation should be retained as part of the monthly payroll support.

Additionally, we recommend that the employee handbook and procedures are reviewed at least annually to ensure their accuracy with evidence of a change log with approval.

Management Response: The Department agrees to continue updating and refining its employee benefit procedures.

In addition, we will ensure that time entry and approval time period guidelines are updated to reflect the number of days an employee has to enter their time, as well as the timeframe which supervisors have to review and approve employees' weekly timesheets. Further, we also agree to develop and implement a formalized justification and approval procedure when making corrections to timesheets after the monthly payroll run. In addition, the procedure will require the retainage of such approval documentation and incorporate such with the monthly payroll support.

Lastly, we also agree that our Employee Handbook and procedures will be reviewed at least annually to ensure they accurately reflect our actual processes and practices and will ensure such review and changes are supported with the appropriate approval.

Responsible Party: Staff Services Officer and Managers

Implementation Date: September 30, 2026

Objective B: Effectiveness of Internal Controls

Ensure that controls over selected critical processes within Payroll processes are operating efficiently and effectively, and result in complete, accurate, and timely payroll to CUD employees .

Timekeeping and Approval

Procedures Performed: We selected a sample of 20 out of 34 employees from the Employee Listing Report and determined whether:

- Time entry for employees was captured timely, appropriately approved and recorded in the system
- Time sheets were complete, accurate, and include all time submitted during a payroll cycle, including regular time, compensatory time, overtime, sick time or paid time off

Result: No findings identified

Payroll Processing

Procedures Performed: We selected a sample of three months in which payroll was performed and determined whether:

- Payroll was processed in accordance with the formalized payroll schedule with defined responsibilities and tasks
- Appropriate segregation of duties existed within the payroll processing activities, including payroll distributions
- Payroll was reviewed and approved for accuracy in each cycle
- Bonus, stipend, supplemental or other special payment was authorized and appropriate

Result: No findings identified

Voluntary/Involuntary Deductions

Procedures Performed: We selected a sample of five out of 34 employees from the Employee Listing Report and determined whether:

- Deductions were accurately calculated and withheld during payroll calculations
- Deductions were released timely, to the appropriate party, and the accruals were removed

Result: No findings identified

Accrued Leave

Procedures Performed: We selected a sample of five out of 34 employees from the Employee Listing Report and determined whether:

- Employee leave was reviewed, monitored, and approved by authorized personnel
- Accrued leave was calculated and recorded accurately and timely

Result: Finding identified

Finding 2 – Low – Employee Annual Leave and Sick Leave
For two out of five samples the employee leave time was not approved timely.
- Sample 1: Created 12/1/2024, Leave Date 12/23/2024, Approved 1/6/2025 = 36 days for approval
- Sample 5: Created 12/1/2024, Leave Date 12/23/2024, Approved 12/30/2024 = 30 days for approval

For three out of five samples, which required prior approval for annual leave, documentation for the annual leave request was not included in the payroll support.

For four out of five samples, in which the employee took sick leave, the time entry was not entered the day upon return.

Timekeeping documentation related to leave request emails are not consistently submitted by employees prior to annual leave time documenting their request and received approval. Additionally, the next day entry for sick leave is not currently monitored by managers/supervisors to ensure timely recording to timesheets per the employee handbook. Annual and sick leave is entered to timesheets, however, the annual leave time is entered prior to and after leave is taken, presenting inconsistencies with the timing of leave entries and management approvals.

Recommendation:
We recommend that the Employee Handbook procedures are reiterated to employees and managers to help ensure that time entries for leave are documented and approved according to policy. Employee annual leave should be approved prior to being taken and documented via email with verification of hours balance available. Leave time entries should be entered to CAPPS prior to leave time taken upon approval at least 24 hours in advance of the leave to be taken. Sick Leave time entries should be entered to CAPPS on the day of return to work. The approvals should be retained with employee time sheet reports for the monthly payroll support. Additionally, low leave balances indicating potential direct deposit payroll delays (less than 24 hours of cumulative leave on or before three working days before the end of the month) should be communicated through the Employee Handbook.

Management Response: We agree that we should retain documentation to support the fact that annual leave and comp time leave has been approved before it is taken. We will ensure that leave time entries are entered into CAPPS upon approval and prior to the leave being taken by at least 24 hours (when possible) in advance of the leave being taken. However, we recognize that isolated circumstances could exist where a request for leave may be made and approved less than 24 hours before it is taken. Thus, we will review our existing policies and procedures relating to the entering of annual and sick leave into CAPPS to determine if any adjustments are necessary for the required timeframes of submitting and approving leave entries.

Responsible Party: Staff Services Officer and Managers

Implementation Date: September 30, 2026

Appendix

The appendix defines the approach and classifications utilized by Weaver to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of the agency
- Agency objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
    - Reliability and integrity of financial and operational information
    - Effectiveness and efficiency of operations and programs
    - Safeguarding of assets
    - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

Strong	The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.
Satisfactory	The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.
Unsatisfactory	The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High

High-risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the agency's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the agency or beyond a single function or department
- Potential material impact on operations or the agency's finances
- Remediation requires significant involvement from senior agency management

Moderate

Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the agency
- Impact could be felt outside of the agency or across more than one function of the agency
- Noticeable and possibly material impact to the operations or finances of the agency
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior agency management to be updated

Low

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the agency's strategic priorities
- Impact is limited to a single function within the agency
- Minimal financial or operational impact to the agency
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk

4. Update regarding FY 2025 internal audit report

Background

The Department's Internal Auditor will present an update on the FY 2025 internal audit report. Any discussion regarding cybersecurity measures or policies may take place in closed session

Staff recommendation

No action is anticipated.

Credit Union Department

Fiscal Year 2026 Annual Internal Audit Report

August 31, 2026

C O N T E N T S

Credit Union Department

Fiscal Year 2026 Internal Audit Report
August 31, 2026

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 Credit Union Department (CUD) will post this report and its Fiscal Year 2027 Internal Audit Plan on its website at https://cud.texas.gov/credit-union-commission/meeting-minutes. The CUD's Commission reviewed and approved the Annual Internal Audit Report as part of their regular meeting held on August 7, 2026. In accordance with Texas Government Code, Section 2102.015, the CUD will post the Annual Internal Audit Report and Fiscal Year 2027 Internal Audit Plan on its website within 30 days of the Commission's approval.

The CUD 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. The CUD will also update the posting with the corrective action taken to address any issues identified.

II. Internal Audit Plan for Fiscal Year 2026

The internal audits planned and performed for fiscal year 2026 were selected to address the agency's significant processes that have not been previously audited. The audits conducted during fiscal year 2026 are listed below.

Internal Audit	Report Date	Current Status
Payroll	February 2026	**Complete** Follow-up procedures to address the open findings are included in the FY 2027 Internal Audit Plan
Follow-up Internal Audit over IT General Controls	July 2026	**Complete** Follow-up procedures to address the open findings are included in the FY 2027 Internal Audit Plan

III. Consulting Services and Non-audit Services Completed

Weaver, as the CUD'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 2026

Other than the contract with Weaver to provide outsourced internal audit services, the CUD did not procure any external audit services during the fiscal year 2026.

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 completed in November 2025.

Eide Bailly

Report on the Firm's System of Quality Control

November 19, 2025

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 Public Company Accounting Oversight Board (PCAOB) permanent inspection in effect for the year ended May 31, 2025. 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 on 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 and complying with a system of quality control to provide the Firm with reasonable assurance of performing and reporting in conformity with the requirements of 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 on in conformity with the requirements of applicable 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.

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, 2025, 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

Eide Bailly LLP

VI. Internal Audit Plan for Fiscal Year 2027

The Department is in the process of open procurement for an internal auditor as part of the agency's regular contract cycle. The Internal Audit Plan for fiscal year 2027 will be developed by the selected service provider. Once the plan is approved by the Department's Commission, it will be posted to the agency's website, and submitted to the State Auditor's Office in accordance with state internal audit requirements.

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, the Commission utilizes the Texas State Auditor's Office Hotline for reporting allegations of fraud, waste or abuse. The Commission posts a link on the CUD home page at https://cud.texas.gov/ to connect users directly to the State Auditor's Office webpage for reporting suspected fraud, waste, or abuse.

If the Commissioner of the CUD 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 Commission, the Commissioner, 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 Commissioner and Commission staff will coordinate the investigation with the State Auditor's Office.

5. Recommend that the Commission authorize staff to take steps to procure internal audit services

Background

The internal audit contract entered into in 2023 had two one-year extensions, the second of which ends August 31, 2026. Section 321.020 of the Government Code requires a new contract to be competitively bid.

Staff recommendation

Staff recommends that the Committee recommend that the Commission authorize staff to take certain steps toward procurement of internal auditing services.

Recommended motion

I move that the Committee recommend that the Commission authorize staff to take the following steps to procure internal auditing services: ____________________.

6. Adjourn

Background

The Committee meets on an as-needed basis. If a meeting is necessary, it would normally be held the day before a regularly scheduled Commission meeting.