

An Annual Report of the
**Office of the Attorney General
Internal Audit Division**

Fiscal Year 2016



**Office of the Attorney General
State of Texas**

November 2016

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Section I

Introduction and Compliance with Texas Government Code Section 2102.015

Office of the Attorney General Internal Audit Division's Annual Report for Fiscal Year 2016

This report is submitted in accordance with the requirements of Government Code, Chapter 2102 (Texas Internal Auditing Act). The report includes information on Internal Audit activities of the Office of the Attorney General's Internal Audit Division that occurred or was performed during Fiscal Year 2016.

I. Compliance with Texas Government Code, Section 2102.015

The Office of Attorney General Internal Audit Division complies with Texas Government Code, Section 2102.015 by posting the Internal Audit Plan, Internal Audit Annual Report, and other audit applicable information on the agency's Internet website within 30 days from the date approved by the First Assistant Attorney General. Documents that require posting by Texas Government Code, Section 2102.015 are submitted to the Office of the Attorney General's Public Information Officer for review in relation to matters that should be excepted from public disclosure under Chapter 552 of the Texas Government Code prior to posting on the Internet. In addition, prior to posting, review of the document is performed by agency management within the General Counsel and Communications Divisions, and other designated Executive Management including the First Assistant Attorney General.

In addition to annual and periodic reporting compliance, a summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is located in Attachment A.

Section II

**Status of the
Internal Audit Plan
for
Fiscal Year 2016**

II. Status of Internal Audit Plan for Fiscal Year 2016

The table below provides information regarding the status of Fiscal Year 2016 Internal Audit Plan audits or activities.

<u>Auditable Unit or Project Title</u> Status Update	Audit Phase	Internal Audit Project Number
Contract Reform (Enterprise Wide)	Final Audit Phase (Reporting)	P15-08-A
Contract Reform Legislatively Mandated Requirements: The agency has taken action toward compliance with new state legislation regarding agency contracts defined in Senate Bill 20. This audit reflects the current status of those actions and includes recommendations that will help ensure the Agency's continued compliance with contract reform requirements.		
IT Governance Area: IT Portfolio Management (Enterprise Wide)	Final Audit Phase (Reporting)	P16-07
The objective of the audit is to determine the OAG's implementation status of IT Portfolio Management for Legacy Systems.		
Litigation Work Flow within Select Administrative and Legal Divisions	Planning Preliminary Gaining an Understanding Activities in Progress	P16-10
The preliminary objective of the audit is to document the current case workflow process and, as applicable, offer recommendations to maintain efficient workflow.		

Prior Audit Follow-up

<u>Auditable Unit - Status Update</u> <u>Prior Audit Follow-ups</u>	Audit Phase	Date Released
Prior Audit Follow-up Activities	Status Update Complete	11/1/16
<p>The implementation status or applicable recommendations offered in the following audits were obtained during 2016 and is recorded in Attachment A.</p> <p><i>Follow-ups in progress or planned in line with auditing standards are referenced accordingly in Attachment A.</i></p> <ul style="list-style-type: none"> ▪ Decentralized Information Technology Systems Audit (Enterprise Wide) ▪ Fraud Waste and Abuse Prevention Program Audit (Enterprise Wide) ▪ Law Enforcement Defense Division Timekeeping and Travel Audit ▪ State Disbursement Unit (SDU) TXCSES Profiles Management Audit ▪ Texas Debit Card Audit (New processing vendor in fiscal year 2016) ▪ Child Support Division (CSD) Case Processing Controls for Order Entry ▪ CSD Transactional Attorney Section Audit ▪ CSD Network and Telecommunications Change Management 		

Carry-Forward Projects

<u>Auditable Unit or Project Title</u> Status Update – Carry-Forward Projects	Audit Phase	Date Released
Child Support Division – CSD Network Services Audit	Complete	10/6/2016
Child Support Division – Contract Compliance Review (Project P14-08A)	Final Audit Phase (Reporting)	N/A
<p>During fiscal year 2016, a new vendor was awarded the contract. As part of risk awareness activities, observations and recommendations were communicated to applicable Operational and Executive Management personnel for their action as part of risk management. Finalization of the work session deliverable (report) is in progress.</p>		

<u>Auditable Unit or Project Title</u> Status Update – Carry-Forward Projects	Audit Phase	Date Released
Child Support Division – Field Operations Case Processing Controls (Report 13-14)	Complete	10/2/2015
Agency Wide Texas Administrative Code Review – TAC Title 1 Part 10 Chapter 202 Subchapter B (IT Governance Component – Project 14-106)	Continuous Monitoring Activity	N/A
During 2015, observations and recommendations were communicated to applicable Information Security and Executive Management personnel to ensure clarity of observations, feasibility of recommendations and risk awareness. During 2016 the status of related observations was obtained to confirm measures implemented to ensure continued compliance with updated TAC requirements.		
Child Support Business Management (BMI) Reporting Controls (P15-09)	Final Audit Phase (Reporting)	N/A
During the audit review period the division was implementing measures to acclimate new employees to the section’s operational environment. To close-out audit activities, a follow-up was conducted to determine the implementation status of conveyed recommendations.		
Administrative & Legal E-Leave System – Post Implementation Review	Engagement Analysis Complete	N/A
During the audit year, the Agency analyzed the timing of movement of processes to the Centralized Accounting and Payroll/Personnel system (CAPPs). Therefore, feedback provided by the Internal Audit Division for management’s consideration was provided as a non-audit service.		

Section III

Consulting Engagements And Non-Audit Services

III. Consulting Engagements and Non-Audit Services

The following table below provides a description of approved consulting engagements and non-audit services performed during fiscal year 2016.

Non-Audit Service Project Title/ Summary Description	FY 2016 - Project Number	FY 2017 Activity
Texas Child Support Enforcement System (TXCSES) 2.0 Consulting	P16-100	Approved Activity
TXCSES 2.0 is an ongoing consulting engagement that will occur until the system is fully implemented. This consulting engagement provides advisory services to Child Support Division management during system design, development, and implementation.		
Administrative & Legal Crime Victims' Compensation System Development – Consulting	P16-101	Approved Activity
Internal Audit provided feedback to Crime Victims Compensation (CVC) management for their consideration in the assessment of the adequacy of system designed mainframe controls for phase two of the CVC system development project.		
Child Support Legacy System Replacement Consulting - Legal Case Management System Redesign Project <i>(Activity covered in enterprise-wide technology assistance project number)</i>	P16-103	Approved Activity
During 2016, the legacy system project (Legal Case Management System – Phase II and III) project was in various stages of the development life cycle including user testing and implementation. Project development meetings are held on a weekly basis. As applicable, Internal Audit provided feedback to project management for their consideration regarding potential system controls or system needs communicated to audit staff during other audit activities or reviews.		
Agency Work Groups (Information Protection and Accessibility)	Audit Support Activity	Approved Activity
The noted agency work groups meet on a periodic basis, as applicable Internal Audit will convey information for management's consideration. Generally information conveyed for management's consideration relates to compliance with laws and regulations, risk identification, and potential risk mitigation measures. Internal Audit has an advisory role in the Agency work groups.		
Enterprise Wide Senate Bill 20 Contract Reform <i>(Activity covered in enterprise-wide technology assistance project number)</i>	P16-103	Approved Activity
Provided independent feedback for management's consideration regarding select enterprise wide measures (e.g., contract handbook, records retention updates) in progress or development to ensure compliance with Senate Bill 20 Contract Reform Legislation. In addition to non-audit services, Internal Audit performed a formal audit to assess the agency overall operational readiness for continued compliance with contract reform requirements.		

Non-Audit Service Project Title/ Summary Description	FY 2016 - Project Number	FY 2017 Activity
External Audit Liaison Activities	Audit Support Activity	Approved Routine Activity
<p>Served as audit liaison in various external reviews or research requests (e.g., State, Federal, and Software License Reviews). Primary duties included coordination of applicable meeting, information and research requests and ensuring the safeguarding of disseminated information.</p>		

Section IV
External Quality Assurance Review
(Peer Review)

IV. External Quality Assurance Review

In compliance with International Professional Practices Framework (IPPF - red book) and Governmental Auditing Standards, an External Quality Assurance Review was performed and dated November 2014.

No significant weaknesses were identified during the review that would prevent the Division from fulfilling its responsibilities. The review's overall conclusion is provided on the following page.

During the period assessed, the Internal Audit Division was transitioning to a new audit director and recommendations were offered for management's consideration as the internal audit function moves forward under the current leadership. A summary of recommendations offered are as follows:

- Formalization of the standing annual meeting with the agency head;
- Consideration of the incorporation of an information systems assessment step within the automated audit project template to ensure transparency of an existing procedure.
- Implementation of measures to ensure transparent/consistent evidence of automated work paper sign-off of review; and
- Development and implementation of project checkpoints to provide assurance of continued compliance with auditing standards related to communicating results.

Actions Taken by Internal Audit

The Internal Audit Division took action during Fiscal Year 2015 to address the four recommendations offered by the peer review team. Examples of actions taken are as follows:

- The standing annual meeting that was established during previous administrations was completed by the current audit director in 2014 and will continue in future fiscal years.
- Standard Automated Audit Template was reviewed and updated as deemed appropriate. Periodic review of the template will be performed as part of the quality assurance process. Updates or enhancements will be implemented as deemed necessary by Internal Audit.
- Internal Audit's workflow and audit documentation software tool was upgraded in 2014 and 2015 as an action to help eliminate or reduce known software issues that impacted the transparency/consistency in work paper review sign-off.
- As part of the Internal Audit Division's continuous quality assurance process, established internal performance measures are reviewed for feasibility of achievement by current audit management and personnel.

The Internal Audit Division will continue to demonstrate its commitment to the IIA Code of Ethics and fulfillment of responsibilities as defined within the Internal Audit Charter.

External Quality Assurance Review

OVERALL OPINION

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Office of the Attorney General Internal Audit Division receives a rating of *pass with deficiencies* and is overall in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102).

This opinion, which is one of the three possible ratings, *pass*, *pass with deficiencies*, and *fail*. *Pass with deficiencies* means that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of certain deficiencies that are described in the report on pages six through nine.

The Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The Internal Audit Division staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are generally supported in the working papers; and findings and recommendations are communicated clearly and concisely. No significant weaknesses were identified during the review that would prevent the Division from fulfilling its responsibilities.

Numerous interviews conducted during the quality assurance review indicate that agency management considers Internal Audit a useful part of agency operations and finds that the audit process and report recommendations add value and help improve operations.

ACKNOWLEDGEMENTS

We would like to extend our appreciation for the courtesy and cooperation extended to us by the Director of Internal Audit, Internal Audit Division staff, the First Assistant Attorney General, executive management, and a number of managers who participated in the interview process.

<u>Jan Engler</u>	<u>11/25/14</u>	<u>Lissette Nadal-Hogan</u>	<u>11/25/14</u>
Jan Engler	Date	Lissette Nadal-Hogan	Date
Audit Manager		Chief Audit Executive	
Teacher Retirement System of Texas		Department of Information Resources	
SAIAF Peer Review Team Leader		SAIAF Peer Review Team Member	

<u>John Spann</u>	<u>11/25/14</u>
John Spann	Date
Senior Auditor	
Department of Assistive and Rehabilitative Services	
SAIAF Peer Review Team Member	

Section V

Internal Audit Plan for Fiscal Year 2017

Internal Audit Plan for Fiscal Year 2017

The annual audit plan is a guide that is developed for the effective utilization of the division's resources during the fiscal year in order to address the risks of the Office of the Attorney General (OAG). Audit activities included in the annual audit plan are those areas that represent risk to the agency based on the agency-wide annual risk assessment.

Proposed Internal audit activities for FY 2017 were presented to Executive Management for approval and are included in this report (Annual Report Pages 15 thru 26).

INTERNAL AUDIT PLAN

FY 2017

Internal Audit Division



**Office of the Attorney General
State of Texas**

Approved: October 2016

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Overview

The annual audit plan is a guide that is developed for the utilization of the division's resources during the fiscal year in order to address the risks of the Office of the Attorney General (OAG). Audits and other projects selected for review and included in the annual audit plan are those areas that represent risk to the agency based on the agency-wide annual risk assessment.

The audit plan is a dynamic document that may change during the fiscal year as circumstances change. Requests from management, changes in audit resources, and changes in the agency's organization or operations could result in changes to the plan. Any significant changes to the plan would require approval from the First Assistant Attorney General.

Project objectives proposed in the plan are in general terms. The specific objective of each audit project is determined by the detailed assessment of relative risks for the project at the time the project is initiated.

The audit plan was developed using current audit resources available in Q1 of FY17. Additional projects will be submitted to the First Assistant Attorney General for review and approval as supplemental hours become available.

The Role of Internal Audit

The Internal Audit Division (IAD) provides independent, objective assurance and consulting services designed to add value and improve the organization's operations. IAD helps the agency accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IAD complies with the United States Government Accountability Office's (GAO) Government Auditing Standards (2011 Revision), the Institute of Internal Auditors' (IIA) International Professional Practices Framework (2013 Edition), and the Information Systems Audit and Controls Association's IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals (September 2014). The Internal Audit Charter, approved by the Attorney General and the First Assistant Attorney General sets forth the purpose, authority, and responsibility of IAD.

Professional and Statutory Requirements

This document provides the Fiscal Year 2017 audit plan as required by the Internal Audit Charter, GAO, and IIA professional auditing standards, and the Texas Internal Auditing Act, Texas Government Code. The Act requires state agencies to conduct a program of internal auditing that includes an annual audit plan prepared using risk assessment techniques and identifies the individual audit projects to be conducted during the year.

This plan is prepared in accordance with the Institute of Internal Auditors' International Professional Practices Framework and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). The plan is developed based on an assessment of risk and potential exposures that may affect the organization. Ultimately, Internal Audit's objective is to provide management with information to reduce exposure to the negative effects that may be associated with operations intended to achieve management's objectives. The degree or materiality of exposure can be viewed as risks mitigated by establishing sound internal controls.

The planning process is consistent with the agency's approved Internal Audit Charter and the division's goals. The plan of engagements is based on a documented risk assessment. In addition to the risk assessment, the planning process includes the assessment of available audit resources.

Types of Reviews

The Internal Audit Division (IAD) conducts performance audits and non-audit services, as well as follow-up reviews.

Performance audits are engagements that provide assurance or conclusions based on an evaluation of sufficient appropriate evidence against stated criteria. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Therefore, the sufficiency and appropriateness of evidence needed and tests of evidence will vary based on the audit objectives and conclusions.

Follow-up reviews are conducted to determine the adequacy, effectiveness, and timeliness of actions taken by management on reported engagement findings and recommendations. This work determines if management actions have resulted in lowering risks or if management has assumed the risk of not taking corrective action on reported findings. Follow-up projects are conducted on previous IAD reported findings, as well as the State Auditor's Office and other external entities' reported audit findings. These audits are scheduled within a reasonable time frame to allow management sufficient opportunity to implement corrective actions.

Non-audit services are advisory client service activities which are intended to add value and improve the agency's governance, risk management, and control processes. Examples include counsel, advice, facilitation, and training. This type of project can only be conducted if providing the non-audit service does not create impairments to independence, either in fact or appearance, with respect to future audit projects.

Development of the Audit Plan

The Internal Audit Division allocates its resources in a manner that is consistent with the mission and goals of the Office of the Attorney General. To support the OAG's mission, audit coverage is considered across the agency. The audit plan is designed to provide coverage of key business processes, over a reasonable period of time, given the existing staff.

The following key factors were considered to assess risk and develop the audit plan:

- Potential for impact on agency-wide policies and procedures
- Changes in systems, processes, policies, or procedures
- Results and time since last audit engagement
- Extent of government regulation
- Information and communication
- Transaction volume
- Staff turnover

In addition to the projects selected based on risk assessment results, audit hours are also dedicated to follow-up reviews, carry-forward projects, and non-audit services.

Internal Audit is also required by law and auditing standards to conduct certain activities on an annual and/or periodic basis, such as an internal quality control assessment, an annual audit report, and an external peer review. Those required activities are also included in the audit plan.

To ensure the auditors maintain a steady workload throughout the year, some audit projects are scheduled to start near the end of one fiscal year and require time in the following year to complete. Specific carry-forward projects are identified in the Fiscal Year 2017 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2017, the following identified projects relate to capital budget control, contract management and other requirements of Senate Bill 20:

- Follow-up of Contract Reform Internal Audit Recommendations;
- Non-Audit Service – Analysis of contract reform legislation impact on select grant processes; and
- Performance Audits – Capital Budget Controls: Assessment of select procurement and invoice approval processes.

Planned Internal Audit Activities

Planned internal audit activities include the following: performance audits, follow-up audits, carry forward projects, non-audit services, and mandated projects.

Performance (Assurance) Audits Planned for FY 2017				
Auditable Unit	Audit Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Child Support	Information Technology – Application Maintenance	CSD TXCSES 1.0 Release Management Strategies	Evaluate existing release management strategies and processes to determine whether controls are working as designed by management and identify any potential enhancements.	700
Enterprise Wide	Procurement	Procurement Requests – Process Analysis and Assurance	Evaluate current procurement processes designed to ensure the accuracy and completeness of procurement requisitions.	600
Enterprise Wide	Processing Flow for Invoice Approval (Contracts)	Invoice Approval Flow and Payment Authorization Controls	Identify and document current approval workflow and determine clarity of approval roles that are designated to ensure adequacy of supporting evidence for payment.	500
Child Support	State Disbursement Unit	Financial Risk Analysis	To gain an understanding of vendor processing controls related to receipt and distribution of daily collections (including reconciliations and controls to prevent processing of non-sufficient fund items).	500
Total Performance Audit Project Hours				2,300

Prior Audit Follow-up		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	Audit Area (s)	Estimated Budget Hours
Administrative and Legal	Fraud Waste and Abuse Prevention Program	150
Child Support	Transactional Attorney Section	100
Child Support	Field Operations (Order Entry Case Processing Controls)	50
Child Support	CS Wide Area Network Change Management	50
Enterprise Wide	Contract Reform	100
Total Hours		450

Carryforward Projects – Planning or Fieldwork Phase			
Auditable Unit	Audit Area	Title of Project	Estimated Budget Hours for FY 2017
Administrative and Legal (Select Divisions)	Work Flow Efficiency (Planning)	Review of Legal Case Workflow	600
Enterprise Wide	IT Governance (Fieldwork)	IT – Portfolio Management – Phase I	160
Total Hours			760

Carryforward Projects – Reporting Phase			
Auditable Unit	Audit Area	Title of Project	Estimated Budget Hours for FY 2017
Child Support	Technology	CS Network Services	25
Child Support	Contract Report Legislation	Contract Reform	50
Child Support	Process Analysis and Assurance	Business Management and Information (Audit and Follow-up Close-out Activities)	50
Child Support	System Profiles	TXCSES Profile Follow-up	50
Enterprise Wide	IT Governance	TAC 202 (Close-out and Follow-up Activities)	25
Enterprise Wide	Post Implementation Review	E-Leave Consulting	25
Total Hours			225

Non-Audit Services (Consulting or Advisory) for FY 2017			
Auditable Unit	Non - Audit Area	Scope/Objective	Estimated Budget Hours for FY 2017
Child Support	Project Management, Financial, and Implementation Protocol	TXCSES 2.0 Consulting	250
Child Support	T1.0 Decommission Assessment	Consulting – to provide independent and objective recommendations to management during strategic planning	125
Child Support	Risk Awareness	Architecture Review Board	125
Enterprise Wide	Risk Awareness	Identification of processes used to monitor compliance with software contract terms.	140
Enterprise Wide	Software Procurements (Review and Approval)	Identification of current processing controls governing software procurements	160
Child Support	Contract - Risk Awareness, Monitoring, and Management	Independent risk assessment of Texas Debit Card key performance areas	300
Administrative and Legal (Civil Medicaid Fraud)	Information Technology - Litigation Tools	Identify and evaluate electronic document discovery capabilities regarding preservation of metadata.	300
Enterprise Wide	Strategic	Business Continuity – Business impact analysis and disaster recovery consulting	100
Administrative and Legal (Crime Victim Services)	Project Management – Implementation	Crime Victim Services Consulting – Phase II and Phase III	120
Administrative and legal (includes Legal Case Management System Enhancements)	IT Governance	Legacy System Replacement Consulting - to provide independent and objective recommendations to management for consideration during legacy system redesign or replacement projects	100

Non-Audit Services (Consulting or Advisory) for FY 2017			
Auditable Unit	Non - Audit Area	Scope/Objective	Estimated Budget Hours for FY 2017
Enterprise Wide	Governance	Information Protection and Accessibility (Texas Government Code Chapter 2054, subchapter M and Texas Administrative Code, Title 1, Chapters 206 and 213) Work Groups – Advisory Role	25
Enterprise Wide	Project Management and Strategic	Assist management enterprise wide in a consulting role during assessment of Centralized Accounting and Payroll/Personnel System (CAPPS) project implementation planning.	250
Enterprise Wide	Grants Contract Reform and Senate Bill 20	Contract Reform Legislation Grant Impact Assessment Consulting	120
Peer Review (External Entity)	Peer Review Participation for Reciprocity Requirements	Participate in external quality assurance review for another state agency to determine the audit function's compliance with required auditing standards.	160
Total Hours			2,275

Staff hours allocated to mandatory and other internal audit activities are 1,200 hours (listed below).

- Performance of Audit Liaison Activities with External Auditors or Reviewers
- Issuance of an Annual Internal Audit Report
- Development of an Annual Risk Assessment and Audit Plan
- Internal Audit Division Annual Self-Assessment
- TeamMate Upgrade Implementation and Training
- Update of the Internal Audit Charter
- Staff Development Initiatives
- Hiring and Training of New Audit Staff
- General Quality Assurance and Project Close-out Activities

Appendix I

Available Staff Time Estimate for FY 2017

To ensure that internal audit resources are sufficient and effectively utilized to achieve the approved plan, an analysis was conducted to determine the amount of direct audit time that would be available by the audit staff. The Fiscal Year 2017 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2017.

Total Annual Available Hours Per Full Time Equivalent (FTE)	
Annual Totals	Hours
Based on 52 weeks @ 40 Hours Per Week	2,080
Annual Leave (12.6 hours * 12 months)	-151
Sick Leave (14 days * 8 hours/day)	-112
Holiday/Adm. Leave	-144
Total Available Work Hours	1,673
Training/CPE 40 hours per auditor plus 10 for additional certifications	-50
Audit Support/Miscellaneous (14 days * 8 hours/day)	-112
Administration/Non-CPE Training (45 weeks * 2.5 hours/week)	-113
Total Available Project Hours	1,398

Note: Totals reflect automatic rounding in spreadsheet.

Total Estimated Internal Audit Division Staff Project Hours Available in FY 2017 as of September 1, 2016¹

Total Estimated Available Auditor Project Hours as of September 1, 2016			
Current Audit Resources	Total Available Direct for Fiscal Year 2017	Reserved Direct Audit Hours	Total Available Hours as of September 1, 2016
Budgeted Hours for Auditor Staff (5.6 FTEs x 1,398 hours)	7,210	619	7,829

Note: Totals reflect automatic rounding in spreadsheet (rounded up).

¹ Estimated increase of available direct audit hours for two new auditors as they are on boarded is 2,097 (1398 x 1.5). 1,947 hours additional for direct project hours and ~150 for direct reserve hours. Available audit hours reflects applicable deductions for training. As hours become available, new audit staff will supplement existing projects and increase available hours for additional audit coverage and mandated audit activities.

Other Proposed Internal Audit Projects for Addition as Audit Resources are Hired

The audit plan was developed using current audit resources as of Q1 FY17.

Additional auditors are anticipated to be hired to supplement existing audit resources during the audit year. Additional projects will be submitted to the First Assistant Attorney General for review and approval as supplemental hours become available.

Other proposed projects are components of or related to planned audit activities for the fiscal year may include Open Record Rulings, Information Technology and Records Management.

Appendix II

Summary of Available Audit Hours

Available Hours	
Description	Budget
Internal Audit Division Staff Project Hours	11,648
Supplemental - Administrative/Audit Support Hours	(3,819)
Hours Reserved for Special Projects (11,648-3,819-7,210)	(619)
Total Internal Audit Staff Project Hours	7,210
Total FY 2016 Audit Project Hours Available Allocated	7,210

Allocation of Available Hours	
Description	Budget
Total Hours – Performance Audits	2,300
Total Follow-up Audit Hours	450
Total Carry Forward Audit Hours	985
Total Non-Audit Consulting & Review Hours	2,275
Mandatory and Other Internal Audit Activities	1,200
Total Hours Allocated	7,210

Section VI

External Audit Services Procured in Fiscal Year 2016

VI. External Audit Services Procured in Fiscal Year 2016

During Fiscal Year 2016 there were no audit services procured that required approval from the State Auditor's Office in accordance with Texas Government Code, Section 321.020.

Section VII

Reporting Suspected Fraud and Abuse

VII. Reporting Suspected Fraud and Abuse

In accordance with requirements of Section 7.09, page IX-37, the General Appropriations Act (84th Legislature, Conference Committee Report), the Office of the Attorney General (OAG) of Texas provides instructions on its public website for reporting Fraud Waste and Abuse to the State Auditor's hotline and to the OAG.

In addition to information located on the public website, Fraud, Waste, and Abuse Policies and Procedures are posted on the OAG's Intranet for all employees to reference. The agency's Fraud, Waste, and Abuse Prevention Program requires all employees to take Fraud, Waste, and Abuse Prevention Program training within 30 days of initial employment and every two years thereafter. Furthermore, an appointed ethics advisor is available for employees to consult.

In relation to Texas Government Code, Section 321.022, Coordination of Investigations, when the State Auditor's Office receives a complaint and refers that complaint to the Internal Audit Division, the Chief Audit Executive coordinates the investigation with the appropriate divisions within the OAG.

Section VIII

Annual Report Distribution

VIII. Annual Report Distribution

This report will be forwarded via email to the following oversight agencies:

Governor's Office of Budget, Planning, and Policy – budgetandpolicyreports@gov.texas.gov

State Auditor's Office – iacoordinator@sao.texas.gov

Legislative Budget Board – audit@lbb.state.tx.us

Sunset Advisory Commission – sunset@sunset.texas.gov

Attachment A

Compliance with Texas Government Code 2102.015

*Summary of Recommendations, Management
Responses, and Implementation Statuses*

Attachment A

A summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is located in the following table.

<p align="center">Summary of Audit Activities – Reported in 2016 (Recommendations, Management Responses, and Implementation Statuses)</p>			
Title (Prior Audit Report Number)	Recommendations	Management Response	Progress Toward Implementation
<p><i>Status of the following prior audit recommendations are reflected within this annual report for submittal to applicable oversight entities and in compliance with Texas Government Code 2102.015.</i></p>			
<p>Follow- up on the Administrative & Legal Divisions' Decentralized IT Systems Audit (Report 11- 11)</p>	<p>Four recommendations were offered as a result of this review.</p>	<p>Management responses in the original report reflect agreement with observations and denote planned actions to implement recommendations.</p>	<p>The Office of the Attorney General has taken action to address the recommendations. Three recommendations are fully implemented and one is partially implemented. The estimated completion month for the partially implemented recommendation was updated to September 2017.</p>
<p>Follow-up of the State Disbursement Unit Texas Child Support Enforcement System (TXCSES) Profiles Management Audit (Report 12-11)</p>	<p>Seven recommendations were offered to improve various aspects of State Disbursement Unit profile management and/or operational controls.</p>	<p>Management responses in the original report reflect proposed implementation action plans.</p>	<p>A new Child Support State Disbursement Unit vendor was awarded in 2015 and began operating in fiscal year 2016. During fiscal year 2016, Internal Audit conducted a follow-up on the status of recommendations.</p> <p>Five recommendations were fully implemented. One enhancement recommendation was considered by management during contract development but not implemented as a contract requirement. The remaining recommendation relates to TXCSES 2.0 and the Office of the Attorney General (Agency) has taken action to ensure that the recommendation is considered in the development of system reporting features in TXCSES 2.0.</p>

**Summary of Audit Activities – Reported in 2016
(Recommendations, Management Responses, and Implementation Statuses)**

Title (Prior Audit Report Number)	Recommendations	Management Response	Progress Toward Implementation
<p>Child Support Texas Debit Card Program (Report 12-102)</p>	<p>Nine key recommendations were offered as a result of this review.</p> <p>In relation to the Texas Debit Card Program, recommendations were offered to help ensure that controls over debit cards are adequate to safeguard client information and prevent fraudulent activities.</p>	<p>Management responses indicate that management has assessed the feasibility of the implementation of offered recommendations and where applicable have denoted proposed action plans.</p> <p>Auditor follow-up comments were included for management’s reference to ensure clarity of audit recommendations.</p>	<p>A new Child Support State Disbursement Unit (SDU) vendor (Texas Debit Card Program) was awarded during 2015.</p> <p>In consideration of the vendor change, Internal Audit will perform a non-audit service during Fiscal Year 2017 related to risk awareness, monitoring, and management.</p>
<p>Administrative & Legal Law Enforcement Defense Division’s Travel and Timekeeping Processes (Report 14-104)</p>	<p>Two recommendations were offered as a result of this review. In relation to timekeeping, a recommendation was made to provide additional assurance of the accuracy of time reported in the Office of the Attorney General’s leave accounting and Legal Billing timekeeping systems (e.g., reconciliations between time keeping systems). Also, one recommendation offered emphasized the importance of written procedures which ensure that personnel are clear on division’s processes related to time and travel.</p>	<p>Management responses reflect agreement with observations noted in the audit report and the feasibility of audit recommendations.</p>	<p>The division identified action plans and target dates for implementation of the recommendations. As of October 2016, both recommendations were fully implemented.</p>

**Summary of Audit Activities – Reported in 2016
(Recommendations, Management Responses, and Implementation Statuses)**

Title (Prior Audit Report Number)	Recommendations	Management Response	Progress Toward Implementation
An Audit Report on the Office of the Attorney General’s – Child Support Division Field Operations Case Processing Controls (Report 13-14)	Fourteen recommendations were offered for management’s consideration to strengthen or enhance essential functions or processes related to order entry to ensure continued effectiveness of established internal controls.	Management responses reflect agreement with recommendations noted in the audit report. Two recommendations may be addressed by future system development enhancements. In the meantime, measures to currently mitigate identified risks were denoted in the management response.	Management identified target implementation dates for all audit recommendations. Follow-up audit in progress.
Agency Wide Evaluation of the Effectiveness of the Agency’s Fraud Waste and Abuse Prevention Program (FWAPP) (Report 14-09)	Ten recommendations were offered for management’s consideration to ensure the continued effectiveness of the FWAPP and enhance internal processes which are designed to ensure the readily apparent resolution of a complaint.	Management responses reflect agreement with observations noted in the audit report and the feasibility of audit recommendations.	Management identified target implementation dates for all audit recommendations. Follow-up audit in progress.
An Audit Report on the Office of the Attorney General’s – Child Support Division Transactional Attorney Section (Report 14-10)	Three recommendations were offered to improve or enhance select business processes.	Management responses reflect agreement with observations noted in the audit report and the feasibility of audit recommendations.	Management has taken action to fully implement two of the three recommendations. Implementation of the remaining recommendation is currently in progress with an estimated completion date during the first quarter of fiscal year 2017.

**Summary of Audit Activities – Reported in 2016
(Recommendations, Management Responses, and Implementation Statuses)**

Title (Prior Audit Report Number)	Recommendations	Management Response	Progress Toward Implementation
Audit reports issued during fiscal year or calendar year 2016 prior to November 1, 2016 are included in this report in compliance with Texas Government Code 2102.015			
An Audit Report on the Office of the Attorney General’s – Child Support Division Network and Telecommunications Change Management (Report 15-11)	Two recommendations were offered to improve or enhance select business processes.	Management responses reflect agreement with observations noted in the audit report and the feasibility of audit recommendations.	The division identified target implementation dates for the identified audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.