

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 2102.008. 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	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 (1,398 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