

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

**Fiscal Year 2018**



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

November 2018

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## **Section I**

# **Compliance with Texas Government Code Section 2102.015**

## **Office of the Attorney General Internal Audit Division's Annual Report for Fiscal Year 2018**

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 2018.

### **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 2018**

## II. Status of the Internal Audit Plan for Fiscal Year 2018

The table below provides information regarding the status of Fiscal Year 2018 Internal Audit Plan audits or activities.

<b><u>Auditable Unit or Project Title</u></b> <b>Status Update</b>	<b>Audit Phase</b>	<b>Internal Audit Project Number</b>	<b>Date Released</b>
Crime Victim Services – System Processing Assurance – Crime Victims’ Compensation Program Processing Assurance Review	Complete	P18-08	6/1/2018
The objective of this audit was to evaluate the agency Crime Victims’ Compensation Program’s current processing controls for select financial transactions, which are designed to ensure accuracy of payments and compliance with processing requirements.			
Child Support Division – Records Management – Review of the OAG’s Child Support Division’s Records Retention Measures on System Reports	Complete	P18-09	6/14/2018
The objective of the audit was to identify and document current measures and controls designed to provide reasonable assurance that downloaded electronic reports containing confidential and sensitive information stored outside of the TXCSES system are maintained and disposed of in compliance with required agency retention guidelines.			
Civil Litigation – Bankruptcy and Collections – Case File Quality Assurance and Sensitive Data Safeguarding Measures	Final Audit Phase (Reporting)	P18-11	N/A
The objective of the audit was to identify processes and controls within the division used to achieve division responsibilities and safeguard sensitive data (information). Offer any enhancements to current division control measures that safeguard sensitive and confidential division data.			
Enterprise-Wide – Contract Monitoring – Vendor Billing Compliance with Contract Requirements	Final Audit Phase (Reporting)	P18-12	N/A
The objective of this audit was to Identify best practices for validating vendor billing to ensure invoice accuracy and completeness in accordance with the terms and conditions of the applicable contract and/or service level agreement.			
Enterprise-Wide – Receiving – Effectiveness of the Direct Shipment Notification Process	Final Audit Phase (Reporting)	P18-13	N/A
The objective of this audit was to evaluate current direct shipment notification processes to provide assurance of timely invoice payments.			

## Carry-Forward Projects

<b><u>Auditable Unit or Project Title</u></b> <b>Status Update</b>	<b>Audit Phase</b>	<b>Internal Audit Project Number</b>	<b>Date Released</b>
Enterprise Wide - IT Project Portfolio Management	Complete	P16-07	11/30/2017
The objective of this audit was to determine the maturity level of the OAG IT Divisions' Project Portfolio Management (PM) processes and provide recommendations based on industry standards that would allow the agency to progress toward an optimized portfolio management level.			
Enterprise Wide – Invoice Approval and Payment Authorization Controls	Complete	P17-08	12/07/2017
The objective of this audit was to document the current invoice approval work flow, determine the clarity of divisional approval roles designated to ensure adequacy of supporting evidence for payment and, as applicable, offer recommendations to improve and maintain efficient work flow.			
Child Support Division – State Disbursement Unit (SDU) Financial Risk Analysis	Complete	P17-10	3/14/2018
The objective of the review was to perform a financial risk analysis to gain an understanding of the agency's risk-based monitoring activities over contractual controls exercised by the vendor relating to the receipt and distribution of daily collections.			
Enterprise-Wide – Procurement Requests – Process Analysis and Assurance	Complete	P17-09	8/29/2018
The objective of the audit was to evaluate the OAG's current procurement process, from the creation of purchase requisitions to the processing of purchase orders, which is designed to ensure that State and Federal laws are upheld in order to procure agency needs so that agency goals are achieved.			
Enterprise-Wide – E-Pro System Controls Assessment	Complete	N/A	N/A
The objective of the project was to perform IT general and select application controls test work to provide assurance of system reliability. Results of the E-Pro System Controls Assessment are captured in the report for project number P17-09.			

## Prior Audit Follow-up Activities

<u>Auditable Unit - Prior Audit Follow-up Activities</u> Status Update	Audit Phase	Internal Audit Project Number	Date Released
The implementation status of recommendations offered in the following audits was obtained during 2018 and is recorded in <b>Attachment A</b> .			
Civil Litigation – Litigation Case Flow Follow-up	Complete	P18-10	6/13/2018
Enterprise-Wide – Agency Contract Reform Readiness Follow-up	Complete	P17-11	6/21/2018
Enterprise-Wide – Invoice Approval Flow and Payment Authorization Controls Follow-up	Final Audit Phase (Reporting)	P18-14	N/A
<p><i>The following two audit follow-up activities were originally planned for initiation during FY 2018. Scheduling was adjusted accordingly based on project statuses reported in the 2017 Annual Internal Audit Report. Follow-ups are currently in progress or planned to occur in line with auditing standards. Refer to Attachment A for additional scheduling detail.</i></p> <ul style="list-style-type: none"> <li>▪ Enterprise-Wide – Procurement Requests and Process Analysis Assurance</li> <li>▪ Enterprise-Wide – IT Project Portfolio Management</li> </ul>			



## **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 2018.

Non-Audit Service Project Title/ Summary Description	FY 2018 - Project Number	FY 2019 Activity
Texas Child Support Enforcement System (TXCSES) 2.0 Consulting	P18-100	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.		
Enterprise-Wide - Centralized Accounting and Payroll/ Personnel System Project Management and Risk Mitigation	Audit Support Activity	Approved Activity
Ongoing consulting engagement that will occur until the Centralized Accounting and Payroll/Personnel System (CAPPS) is fully implemented within applicable divisions. As applicable, this consulting engagement affords an avenue for Internal Audit to provide advisory services and feedback for management's consideration as operational personnel plan and implement CAPPS.		
Enterprise Wide – Texas Administrative Code 202 Compliance and Follow-up Activities (IT Governance Component)	Continuous Monitoring Activity	Approved Activity
During 2018, the Information Security Officer (ISO) was briefed regarding the status of historical monitoring observations and recommendations offered by Internal Audit. Also, the latest updates to select TAC requirements were reviewed by Internal Audit and feedback regarding select expanded requirements and current compliance measures were conveyed to the ISO.		
Peer Review Participation for Reciprocity Requirements	Administrative Activity	Approved Activity
In line with reciprocity requirements, additional OAG Internal Audit Division personnel received peer review training during fiscal year 2018. This training certifies that applicable Agency audit personnel are eligible to perform an external quality assurance reviews for another state agency to determine the audit function's compliance with required auditing standards.		
Software Procurement Consulting Engagement	P18-106	Approved Activity
Internal Audit provided targeted technical assistance which included an independent review of software procurement controls. Close-out activities will occur in FY 2019.		

Non-Audit Service Project Title/ Summary Description	FY 2018 - Project Number	FY 2019 Activity
Software Contract Compliance Consulting Engagement	P17-106	Approved Activity
Internal Audit provided targeted technical assistance which included independent and objective recommendations offered to the Information Technology Division for management's consideration. Close-out activities will occur in FY 2019.		
Texas Child Support Enforcement System T1.0 Decommission Assessment	P18-107	Approved Activity
T1.0 Decommission Assessment is an ongoing consulting engagement that will occur until the system is fully retired. This consulting engagement provides advisory services to Child Support Division management to ensure that necessary steps are taken either to retire or retain all other applications, databases and components that are linked to the T1.0 system as the T1.0 system is being decommissioned.		
Texas Child Support Enforcement System IT Architecture Review Board	P18-103	Approved Activity
Architecture Review Board is an ongoing engagement. Internal Audit sits in on the board meetings to gain an understanding of changes occurring in the IT environment and, as necessary, advises management of any risks arising from the changes.		
Crime Victims Services Division	P18-101	Approved Activity
Internal Audit attended periodic project meetings and, as applicable, provided feedback to Crime Victims Compensation (CVC) management for their consideration in the assessment of the adequacy of system designed processing or access controls for various project phases of the CVC system development process.		
Strategic – Business Continuity	Non-Audit Activity	Approved Activity
Internal Audit provided information for management's consideration regarding business continuity as applicable.		
Legacy System Replacement Consulting (IT Governance)	P18-102	Approved Activity
Internal audit provided independent and objective recommendations to management for consideration related to legacy system redesign or replacement projects.		

Non-Audit Service Project Title/ Summary Description	FY 2018 - Project Number	FY 2019 Activity
Enterprise-Wide Governance – Information Protection Work Group	Audit Support Activity	Approved Activity
Internal Audit served as an advisory role for Information Protection work group (Texas Government Code Chapter 2054, subchapter M).		
Enterprise-Wide - Procurement Processing Flow: Identification of Procurement Activities Performed by Select Agency Division Personnel	P18-109	N/A – Project Complete
Internal Audit offered recommendations for management’s consideration to further enhance clarity of agency-wide purchasing roles, intra-agency communication, procurement compliance measures, and procurement policies & procedures.		
Enterprise-Wide - Contract Performance and Monitoring Analysis/Activities	P18-111	Approved Activity
<p>Internal Audit identified current contract management controls which ensure select contract services are delivered in-line with contract requirements and contract performance is recorded in a manner that helps ensure efficient contract management.</p> <p>This engagement contained information that covered elements of the two identified special project consulting areas related to Contract Management. This project also provided insight on select operational methods used to identify the contract monitoring universe and associated monitoring activities in effect during fieldwork for this review. Close-out activities will occur during FY 2019.</p>		
External Audit Liaison Activities	Audit Support Activity	Approved Activity
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 meetings, information and research requests, and ensuring the safeguarding of disseminated information.		

**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 initiated in Q4 of calendar year 2017. The final report was issued in March 2018. Internal Audit received the highest of three possible ratings during the last peer review. The review's overall conclusion is provided on the following page.

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 State of Texas Office of the Attorney General (OAG) Internal Audit Division receives a rating of **"Pass/Generally Conforms"** and is in compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and Code of Ethics, the United States Government Accountability Office (GAO) Government Auditing Standards, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the audit function.


We found that the Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Division is well managed internally. In addition, the Division has effective relationships with the Attorney General and First Assistant Attorney General and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Audit a useful part of the overall agency operations and finds that the audit process and recommendations provided in the reporting process add value and help improve OAG's operations.

The Internal Audit Division has reviewed the results of the peer review team's work and has accepted them to be an accurate representation of the Division's operations.


## Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Attorney General, First Assistant Attorney General, and the members of OAG Executive Management who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.

  
Chance Watson  
Director of Internal Audit Texas  
Department of Family & Protective  
Services  
SAIAF Peer Review Team Leader

Date

3-19-18

  
Priscilla Salomon  
Assistant Internal Audit Director Texas  
Comptroller of Public Accounts SAIAF Peer  
Review Team Member

Date

3-22-18

## **Section V**

### **Internal Audit Plan for Fiscal Year 2019**



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## **Internal Audit Plan for Fiscal Year 2019**

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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 2019 were presented to Executive Management for approval and are included in this report (Annual Report Pages 16 through 27).

# **INTERNAL AUDIT PLAN FY 2019**

**Internal Audit Division**



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

Approved October 2018

Annual Report - 16

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## Overview

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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.

The audit plan may be modified 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 updates to the plan. Any significant updates 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 FY19. 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, the Institute of Internal Auditors' (IIA) International Professional Practices Framework and the Information Systems Audit and Controls Association's IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals. 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 2019 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, lower risks, 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 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 2019 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2019, the following identified projects relate to capital budget control, contract management and other contract requirements.

- Performance Audit and Non-Audit Services - Contract Management:
  - Contract Monitoring – Vendor Billing Compliance with Contract Requirements
  - Contract Performance and Monitoring Analysis
  - Information Technology Contract Compliance and Software Procurement Activities
- Prior Audit Follow-ups - Capital Budget Controls:
  - Crime Victims Processing Assurance – Follow-up
  - Procurement: Procurement Requests and Process Analysis Assurance - Follow-up

The following tables provide information regarding planned Internal Audit activities for FY 2019<sup>1</sup>.

<b>Performance Audit (Assurance) Projects for FY 2019</b>				
<b>Auditable Unit</b>	<b>Audit Area</b>	<b>Title of Project</b>	<b>Preliminary Objectives</b>	<b>Estimated Budget Hours</b>
Enterprise Wide	Information Technology - Information Security	Information Security - Incident Management	Assessment of current security incident management practices designed to ensure compliance with incident reporting requirements.	750
Enterprise Wide	Information Technology	IT Asset Management Hardware Review	Determine compliance with Agency Asset Management Policy for fixed or controlled assets.	750
Enterprise Wide	Human Resources and IT Access Management	Employee Separation Procedures	Determine whether the process governing employee separations or transfers works as designed to provide assurance that access to sensitive data and facilities is timely removed or updated to ensure compliance with applicable safeguarding requirements.	775
Enterprise Wide	Fraud, Waste and Abuse Prevention Program (FWAPP)	FWAPP Biennium Review	Performance of a biennium review of the Fraud, Waste, and Abuse Prevention Program in line with Agency program requirements.	500
<b>Total Audit (Assurance) Project Hours</b>				<b>2,775</b>

<sup>1</sup> In addition to the approved projects for fiscal year 2019, Internal Audit will also perform an Assessment of Child Support Intake Operations during Q1 of fiscal year 2020. The audit is scheduled to occur during a time period in which potential recommendations will more closely align with TXCSES 2.0 planned system enhancements.

Prior Audit Follow-up Projects for FY 2019		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	Audit Area(s)	Estimated Budget Hours
Enterprise Wide	Procurement: Procurement Requests and Process Analysis Assurance - Follow-up	150
Enterprise Wide	IT Project Portfolio Management - Follow-up	150
Crime Victims	Crime Victims' Compensation Processing Assurance - Follow-up	150
Total Follow-up Project Hours		450

Carry-Forward Project – Fieldwork Phase			
Auditable Unit	Audit Area (s)	Title of Project	Estimated Budget Hours
Enterprise Wide	Receiving	Effectiveness of the Direct Shipment Notification Process	500
Total Carry-Forward Project Hours			500

Prior Year – Close-out Activities	
Audit Activity Description	Estimated Budget Hours
<p>In accordance with Annual Reporting Guidelines, Internal Audit prepares a report that reflects that status of prior audit activity. In addition to annual report preparation, close-out activities include finalization of prior audits in the reporting phase at year end.</p> <p><b>Audit Engagements</b></p> <ul style="list-style-type: none"> <li>Bankruptcy and Collections - Case File Quality Assurance and Sensitive Data Safeguarding Measures</li> <li>Contract Monitoring – Vendor Billing Compliance with Contract Requirements</li> <li>Invoice Approval Flow and Payment Authorization Controls - Follow-up</li> </ul> <p><b>Consulting Engagements</b></p> <ul style="list-style-type: none"> <li>Contract Performance and Monitoring Analysis</li> <li>Information Technology Contract Compliance and Software Procurement</li> <li>Crime Victims Financial Payment Processing</li> </ul>	410
Total Close-out Hours	410



Non-Audit Services Project (Special Project - Consulting) for FY 2019				
Auditable Unit	Audit Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Administrative and Legal	Civil Litigation: Transportation	Transportation Division Process Review	Identify intake and case quality control measures in place which provide assurance that cases will flow through the division and any backlogs that result from increasing case volume are identified and addressed as required by internal policy and procedures.	500
Total Non-Audit Services (Special Project) Hours				500

Routine Non-Audit Services (Consulting or Advisory) for FY 2019			
Auditable Unit	Non - Audit Area	Scope/Objective	Estimated Budget Hours
Child Support	Project Management, Financial, and Implementation Protocol	TXCSES 2.0 Consulting	250
Enterprise Wide	Project Management and Risk Mitigation Feedback	Assist management enterprise wide in a consulting role during assessment of Centralized Accounting and Payroll/Personnel System (CAPPS) project implementation planning.	100
Information Security and Technology	Texas Administrative Code (TAC) Compliance	TAC Compliance Activities	200
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.	150
Child Support	Risk Awareness	T1.0 Decommission Program Consulting	50
Child Support	Risk Awareness	Architecture Review Board	50

Routine Non-Audit Services (Consulting or Advisory) for FY 2019			
Auditable Unit	Non - Audit Area	Scope/Objective	Estimated Budget Hours
Administrative and Legal (Crime Victim Services)	Project Management and Risk Mitigation Feedback	Crime Victim Services Consulting	100
Enterprise Wide	Business Continuity and Disaster Recovery	Business impact analysis and disaster recovery consulting	100
Administrative and Legal	IT Governance	Legacy System Replacement Consulting - to provide independent and objective recommendations to management for consideration during legacy system redesign or replacement projects	100
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	50
Total Routine Non-Audit Services (Consulting or Advisory) Hours			1,150

Staff hours allocated to mandatory and other internal audit activities are **1,100** 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
- Internal Audit Division Quality Assurance
- TeamMate Upgrade Implementation and Training
- Update of the Internal Audit Charter
- Staff Development Initiatives
- Training of New Audit Personnel
- General Quality Assurance

## Appendix I

### Available Staff Time Estimate for FY 2019

An analysis was conducted to determine the amount of direct audit time that would be available by audit staff to ensure internal audit resources are sufficient and effectively utilized to achieve the approved plan. The Fiscal Year 2019 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2019.

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
<b>Total Available Work Hours</b>	<b>1,673</b>
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
<b>Total Available Project Hours</b>	<b>1,398</b>

**Note:** Totals reflect automatic rounding in spreadsheet.

### Total Estimated Internal Audit Division Staff Project Hours Available in FY 2019 as of September 1, 2018<sup>2</sup>

Total Estimated Available Auditor Project Hours as of September 1, 2018			
Current Audit Resources	Total Available Direct for Fiscal Year 2019	Reserved Direct Audit Hours	Total Available Hours as of September 1, 2018
Budgeted Hours for Auditor Staff (5.5 x 1,398 hours)	6,885	804	7,689

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

<sup>2</sup> Estimated increase of available direct audit hours for two new auditors as they are on boarded is 1,678 (1,398 x 1.2). 1,527 hours additional for direct project hours and 151 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.

## Appendix II

### Summary of Available Audit Hours

Available Hours	
Description	Budget
Internal Audit Division Staff Available Work Hours*	9,202
Training/Administrative/Audit Support Hours	(1,513)
Hours Reserved for Special Projects (9,202-1,513-6,885)	(804)
<b>Total Internal Audit Staff Project Hours</b>	<b>6,885</b>
<b>Total FY 2019 Audit Project Hours Available Allocated</b>	<b>6,885</b>

*\*Audit Deputy Director's hours are reflected in available work hours at 50%.*

Allocation of Available Hours	
Description	Budget
Total Hours – Performance Audits	2,775
Total Follow-up Audit Hours	450
Total Carry Forward Audit Hours	500
Total Prior Year Close-Out Activities Hours	410
Total Non-Audit Special Project and Consulting Hours (500 +1,150)	1,650
Mandatory and Other Internal Audit Activities	1,100
<b>Total Hours Allocated</b>	<b>6,885</b>

## **Section VI**

### **External Audit Services Procured in Fiscal Year 2018**

## **VI. External Audit Services Procured in Fiscal Year 2018**

During Fiscal Year 2018 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-38, the General Appropriations Act (85<sup>th</sup> Legislature), 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 Office fraud hotline and to the OAG. In addition, the OAG's public website provides a link to the State Auditor's Office website for reporting fraud.

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 is forwarded via email to the following oversight agencies:*

Governor's Office - Budget and Policy Division – [budgetandpolicyreports@gov.texas.gov](mailto:budgetandpolicyreports@gov.texas.gov)

State Auditor's Office – [iacoordinator@sao.texas.gov](mailto:iacoordinator@sao.texas.gov)

Legislative Budget Board – [audit@lbb.state.tx.us](mailto:audit@lbb.state.tx.us)

Sunset Advisory Commission – [sunset@sunset.texas.gov](mailto: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.

<b>Summary of Audit Activities – Reported in 2018 (Recommendations, Management Responses, and Implementation Statuses)</b>			
<b>Title (Initial Audit Report Number)</b>	<b>Recommendations</b>	<b>Management Response</b>	<b>Progress Toward Implementation</b>
<b><i>The current 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></b>			
Follow-up on the Child Support Division’s State Disbursement Unit (SDU) TXCSES Profiles Management (Report 12-11)	Seven recommendations regarding access and management of SDU profiles in the TXCSES 1.0 system were offered.	Management responses reflect agreement with observations noted in the prior audit report and the feasibility of audit recommendations.	Management has fully implemented five of the seven recommendations. One recommendation, management has instituted alternative controls to mitigate the risk. The remaining recommendation is in progress as it pertains to TXCSES 2.0.  Internal Audit is monitoring the implementation progress of TXCSES 2.0. Follow-up on the remaining recommendation will occur in line with auditing standards follow-up guidance.
Follow-up on the Child Support Division’s Case Processing Controls for Order Entry (Report 13-14)	Eleven recommendations regarding Case Processing Controls for Order Entry were offered.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to implement recommendations.	Management has fully implemented nine of the eleven recommendations offered. The remaining two are pending implementation when TXCSES version 2.0 goes live.  Internal Audit is monitoring the implementation progress of TXCSES 2.0. Follow-up on the remaining recommendations will occur in line with auditing standards follow-up guidance.

<b>Summary of Audit Activities – Reported in 2018</b> <b>(Recommendations, Management Responses, and Implementation Statuses)</b>			
<b>Title (Initial Audit Report Number)</b>	<b>Recommendations</b>	<b>Management Response</b>	<b>Progress Toward Implementation</b>
Child Support Division's (CSD) - Contract Compliance Monitoring of SDU Electronic Fund Transfer (EFT) Enrollment and Texas Debit Card Processes (Report 14-08)	Nine recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to implement recommendations.	<p>The applicability of recommendations offered during the original audit to current CSD Contract Compliance Monitoring activities was assessed by Internal Audit during fiscal years 2017 and 2018.</p> <p>Information was provided for management's consideration that will aid in the continued mitigation of payment card processing risks.</p>
Follow-up on Agency Wide Evaluation of the Effectiveness of the Agency's Fraud Waste and Abuse Prevention Program (FWAPP) and Biennium Review (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 prior audit report and the feasibility of audit recommendations.	<p>Management has taken action to address the majority (eight) of the prior audit recommendations.</p> <p>The status of the two remaining partially implemented recommendations will be assessed during the latest FWAPP Biennium Review scheduled to occur in fiscal year 2019.</p>
Enterprise-wide IT Project Portfolio Management (Report 16-07)	Fifteen recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	<p>Target action dates for the audit recommendations were identified by Information Technology Management.</p> <p>A follow-up audit has been initiated in accordance with auditing standards. An implementation status update will be reported to oversight entities at the completion of this follow-up audit.</p>

<b>Summary of Audit Activities – Reported in 2018</b> <b>(Recommendations, Management Responses, and Implementation Statuses)</b>			
<b>Title (Initial Audit Report Number)</b>	<b>Recommendations</b>	<b>Management Response</b>	<b>Progress Toward Implementation</b>
Follow-up on Agency Wide Contract Reform Audit (Report 16-08)	Eleven recommendations were offered to management regarding new contract legislative requirements.	Management responses in the prior audit report reflect agreement with observations and denote planned actions to implement recommendations.	<p>Management has taken action to fully implement nine of the eleven prior audit recommendations. The implementation of the two remaining recommendations is contingent upon Agency's implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS).</p> <p>The estimated goal for implementation of CAPPS is during fiscal year 2021.</p>
Review of Legal Case Flow (P16-10)	Five recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	Management has fully implemented actions to address all five prior audit observations and associated recommendations.
Invoice Approval and Payment Authorization Controls Audit (Report 17-08)	Nine recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	Applicable Agency divisions identified target action dates for offered audit recommendations. A follow-up audit is in progress in accordance with auditing standards. An implementation status update will be reported to oversight entities at the completion of this follow-up audit.
Enterprise-wide Procurement Requests – Process Analysis and Assurance Audit (Report 17-09)	Nine recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	The division identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.

<b>Summary of Audit Activities – Reported in 2018</b> <b>(Recommendations, Management Responses, and Implementation Statuses)</b>			
<b>Title (Initial Audit Report Number)</b>	<b>Recommendations</b>	<b>Management Response</b>	<b>Progress Toward Implementation</b>
Child Support Division – State Disbursement Unit Financial Risk Analysis (Report 17-10)	One recommendation was offered for management's consideration.	Management agrees with the recommendation offered and continuous monitoring activities are in place.	Continuous Activity. Internal Audit will perform periodic status checks with management to obtain feedback regarding established monitoring activities.
Crime Victims' Compensation Program Processing Assurance Review (Report 18-08)	Four recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	The division identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.