

# **INTERNAL AUDIT PLAN FY 2019**

**Internal Audit Division**



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

Approved October 2018

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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 TSCSES 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
<b>Total Follow-up Project Hours</b>		<b>450</b>

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
<b>Total Carry-Forward Project Hours</b>			<b>500</b>

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	
<b>Total Close-out Hours</b>		<b>410</b>

<b>Non-Audit Services Projects (Special Projects - Consulting) 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>
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
<b>Total Non-Audit Services (Special Project) Hours</b>				<b>500</b>

<b>Routine Non-Audit Services (Consulting or Advisory) for FY 2019</b>			
<b>Auditable Unit</b>	<b>Non - Audit Area</b>	<b>Scope/Objective</b>	<b>Estimated Budget Hours</b>
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**

<b>Auditable Unit</b>	<b>Non - Audit Area</b>	<b>Scope/Objective</b>	<b>Estimated Budget Hours</b>
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
<b>Total Routine Non-Audit Services (Consulting or Advisory) Hours</b>			<b>1,150</b>

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
<b>Based on 52 weeks @ 40 Hours Per Week</b>	<b>2,080</b>
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 2018	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>