INTERNAL AUDIT PLAN

FY 2021

Internal Audit Division

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

Approved – November 2020

Table of Contents

Overview

The annual audit plan is a guide that is developed for the utilization of the division's resources during the fiscal year 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 FY21. Additional projects will be submitted to the First Assistant Attorney General for review and approval as needed based on any significant operational changes or special project requests.

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 2021 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 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 (IAD) allocates its resources in a manner that is consistent with the mission and goals of the Office of the Attorney General (OAG). 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 2021 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2021, the following identified projects relate to capital budget control, contract management and other contract requirements.

- Performance Audit and Non-Audit Service Activities – Contract Management:

    - Assessment of Agency Protocol for Reporting Vendor Performance

    - Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up

    - Software Contract Compliance Non-Audit Consulting - Follow-up

The following tables provide information regarding planned Internal Audit activities for FY 2021.

Performance Audit (Assurance) Projects for FY 2021				
Auditable Unit	Audit Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Enterprise Wide	Administrative Operations - Contract Operations	Assessment of Agency Protocol for Reporting Vendor Performance	Assess Agency's controls in place to ensure compliance with reporting requirements to the Texas Comptroller's Office for vendor performance data.	1,000
			Total Audit (Assurance) Project Hours	1,000

Prior Audit or Consulting Follow-up Projects for FY 2021		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	Audit or Consulting Follow-up Area(s)	Estimated Budget Hours
Enterprise Wide	Information Security Audit: Incident Management - Follow-up	150
Enterprise Wide	Information Technology Audit: IT Asset Management Hardware Review - Follow-up	150
Enterprise Wide	Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up	150
	Total Follow-up Project Hours	450

Prior Year – Close-out Activities	
Audit Activity Description	**Estimated Budget Hours**
In accordance with Annual Reporting Guidelines, Internal Audit prepares a report that reflects the status of prior audit activity. In addition to annual report preparation, close-out activities include finalization of prior audit plan audits or consulting engagements in the final audit phase (reporting).	200
Total Close-out Hours	**200**

Non-Audit Services Projects (Special Projects - Consulting) for FY 2021				
Auditable Unit	**Audit Area**	**Title of Project**	**Preliminary Objectives**	**Estimated Budget Hours**
Administrative and Legal	Civil Litigation – Consumer Protection Division	Consumer Protection Workflow Process Assessment	Analyze select components of current Consumer Protection Division workflow and offer recommendations as applicable to enhance processes.	1,000
Administrative and Legal	Legal Counsel – Open Records	Open Records Operational Workflow Assessment	Identify and develop workflow diagrams of open records functions and practices in place that aid in ensuring compliance with regulations and offer recommendations for enhancement as needed.	1,200
Administrative and Legal	Legal Counsel – Legal Technical Support	Legal Technical Support Service Identification	Perform an independent review to identify a comprehensive overview of legal support services available in-house, identify current resource usage trends, and identify any possible/potential cost savings through the expanded use of in-house legal support services.	1,000
Total Non-Audit Services (Special Project) Hours				**3,200**

	Routine Non-Audit Services (Consulting or Advisory) for FY 2021		
Auditable Unit	**Non-Audit Area**	**Scope/Objective**	**Estimated Budget Hours**
Child Support	Project Management and Risk Mitigation Feedback	Child Support System or Operational Enhancements	200
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.	50
Information Security and Technology	Compliance and Risk Mitigation Feedback	Texas Administrative Code (TAC) Compliance and Information Security	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.	100
Administrative and Legal (Crime Victim Services)	Project Management and Risk Mitigation Feedback	Crime Victim Services Consulting	50
Administrative and Legal	Project Management and Risk Mitigation Feedback	Legal Services or Litigation 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	80
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			**930**

Staff hours allocated to mandatory and other internal audit activities are **1,150** 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
- FWAPP Biennium Review
- Internal Audit Division Annual Self-Assessment
- Internal Audit Division Quality Assurance
- Audit Management Software 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 2021

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 2021 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2021.

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.

Appendix II

Total Estimated Internal Audit Division Staff Project Hours
Available in FY 2021 as of September 1, 2020

Total Estimated Available Auditor Project Hours as of September 1, 2020[1]			
Current Audit Resources	**Total Available Direct for Fiscal Year 2021**	**Reserved Direct Audit Hours**	**Total Available Hours as of September 1, 2020**
Budgeted Direct Hours for Audit Staff (6 x 1,398)	6,930	1,458	8,388

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

Summary of Available Audit Hours

Estimated Available Hours as of September 1, 2020	
Description	**Budget**
Internal Audit Division Staff Available Work Hours (1,673 x 6)	10,038
Training/Administrative/Audit Support Hours (275 x 6)	(1,650)
Hours Reserved for Special Projects (10,038-1,650-6,930)	(1,458)
Total Internal Audit Staff Project Hours	**6,930**
Total FY 2021 Audit Project Hours Available Allocated	**6,930**

Allocation of Available Hours	
Description	**Budget**
Total Hours – Performance Audits	1,000
Total Follow-up Audit Hours	450
Total Prior Year Close-Out Activities Hours	200
Total Non-Audit Special Project Consulting Hours	3,200
Total Non-Audit Routine Project Hours	930
Mandatory and Other Internal Audit Activities	1,150
Total Hours Allocated	**6,930**

---

[1]Available hours are based on filled full time equivalent (FTE) employees as of September 1, 2020.