# INTERNAL AUDIT PLAN

# FY 2022

## Internal Audit Division

**Office of the Attorney General
Ken Paxton**

Approved – November 2021

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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 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 FY22. 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 2022 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 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 2022-Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2022, the following identified projects relate to capital budget control, contract management and other contract requirements.

- Performance and Follow-up Audits - Contract Management and Capital Budget Control:

  - Contract Management - Contract Monitoring Assessment; and

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

The following tables provide information regarding planned Internal Audit activities for FY 2022.

| Performance Audit (Assurance) Projects for FY 2022 | | | | |
|---|---|---|---|---|
| **Auditable Unit** | **Audit Area** | **Title of Project** | **Preliminary Objectives** | **Estimated Budget Hours** |
| Enterprise Wide | Contract Management | Contract Monitoring Assessment | Assessment of select contract monitoring plans to determine compliance with internal monitoring procedures for contract oversight and identify best practices. | 1,200 |
| | | | **Total Audit (Assurance) Project Hours** | **1,200** |

| Prior Audit Follow-up Projects for FY 2022 | | |
|---|---|---|
| **Follow-up on Implementation Status of Prior Audit Recommendations** | | |
| **Auditable Unit** | **Audit Follow-up Area(s)** | **Estimated Budget Hours** |
| Enterprise Wide | Information Security Audit:  Incident Management - Follow-up (Carry-Forward Project) | 100 |
| 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 |
| Enterprise Wide | Facilities Security Incident Response Review - Follow-up | 300 |
| Child Support | Field Operations Physical Layout and Managerial Oversight - Follow-up | 150 |
| | **Total Follow-up Project Hours** | **850** |

| 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). | 400 |
| **Total Close-out Hours** | **400** |

| Non-Audit Services Projects (Special Projects - Consulting) for FY 2022 | | | | |
|---|---|---|---|---|
| **Auditable Unit** | **Audit Area** | **Title of Project** | **Preliminary Objectives** | **Estimated Budget Hours** |
| Child Support | Administrative Operations and Field -Based Units | Training Assessment | Assess alignment and identify gaps between regional training and State Office training in terms of content, practices, and efficacy. | 1,000 |
| Enterprise Wide | Litigation Technical Support | Legal Technical Support Services Assessment | Compare the roles and responsibilities of legal analysts hired within legal divisions to those of the legal analysts within the Litigation Technical Support Division to identify potential duplication of effort. | 1,000 |
| **Total Non-Audit Services (Special Project) Hours** | | | | **2,000** |

| Routine Non-Audit Services (Consulting or Advisory) for FY 2022 | | | |
|---|---|---|---|
| **Area/Unit** | **Non - Audit Area** | **Scope/Objective** | **Estimated Budget Hours** |
| Child Support | Project Management and Risk Mitigation Feedback | Child Support System or Operational Enhancements | 100 |
| 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 | 100 |
| 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 |
| 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 |
| 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 | IT Governance | Information Technology FY 2022 System Development or Enhancement - Governance Work Group – Advisory Role | 50 |
| **Total Routine Non-Audit Services (Consulting or Advisory) Hours** | | | **800** |

## Mandated Projects and Other Internal Audit Activities

Staff hours allocated to mandatory and other internal audit activities are **1,000** 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
- 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 2022

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 2022 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available for Fiscal Year 2022.

| 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) | -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 2022 as of September 1, 2021[1]

| Total Estimated Available Auditor Project Hours as of September 1, 2021 | | | |
| --- | --- | --- | --- |
| **Current Audit Resources** | **Total Available Direct for Fiscal Year 2022** | **Reserved Direct Audit Hours** | **Total Available Hours as of September 1, 2021** |
| Budgeted Direct Hours for Audit Staff (5 x 1,398) + 260 | 6,250 | 1,000 | 7,250 |

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

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[1] Estimated increase of available direct audit hours for one new auditor as they are on boarded is 700 (1,398 x .5).  600 hours additional for direct project hours and 100 for direct reserve hours.  Available audit hours reflect 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 for
## FY 2022 as of September 1, 2021

| Available Hours | |
|---|---|
| **Description** | **Budget** |
| Internal Audit Division Staff Available Work Hours (1,673 x 5) + 260 | 8,625 |
| Training/Administrative/Audit Support Hours (275 x 5) | (1,375) |
| Hours Reserved for Special Projects (8,945-1,375-6,470) | (1,000) |
| **Total Internal Audit Staff Project Hours** | **6,250** |
| **Total FY 2022 Audit Project Hours Available Allocated** | **6,250** |

*Includes 260 direct Audit Directors' hours for Routine Non-Audit Service Activities or Special Projects.*

| Allocation of Available Hours | |
|---|---|
| **Description** | **Budget** |
| Total Hours - Performance Audits | 1,200 |
| Total Follow-up Audit Hours | 850 |
| Total Prior Year Close-Out Activities Hours | 400 |
| Total Non-Audit Special Project Consulting Hours | 2,000 |
| Total Non-Audit Routine Project Hours | 800 |
| Mandatory and Other Internal Audit Activities | 1,000 |
| **Total Hours Allocated for FY 2022** | **6,250** |