

The seal of the State of Texas is a large, faint watermark in the background. It features a five-pointed star in the center, surrounded by a wreath. The words "OFFICE OF THE ATTORNEY GENERAL" are written in a circular path around the star, and "STATE OF TEXAS" is written at the bottom. The seal is partially cut off on the left and bottom edges.

INTERNAL AUDIT PLAN

FY 2023

Internal Audit Division

**Office of the Attorney General
Ken Paxton**

Approved – November 2022

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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 FY23. 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 (ISACA) 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 2023 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' (IIA) 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 for non-technology and technology areas including information security:

- 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 2023 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2023, 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
 - Contract Monitoring Assessment

The following tables provide information regarding planned Internal Audit activities for FY 2023.

Performance Audit (Assurance) Projects for FY 2023				
Auditable Unit	Audit Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Enterprise Wide	Contract Management	Contract Monitoring Assessment (Carry-Forward Project)	Assessment of select contract monitoring plans to determine compliance with internal monitoring procedures for contract oversight and identify best practices.	1,000
Total Audit (Assurance) Project Hours				1,000

Prior Audit Follow-up Projects for FY 2023		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	Audit Follow-up Area(s)	Estimated Budget Hours
Enterprise Wide	Facilities Security Incident Response Review - Follow-up (Carry-Forward Project)	200
Child Support	Field Operations Physical Layout and Managerial Oversight - Follow-up (Carry-Forward Project)	150
Total Follow-up Project Hours		350

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 Project (Special Project - Consulting) for FY 2023				
Consulting Unit	Project Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Human Resources	Human Resources (and Information Technology)	CAPPS (Centralized Accounting and Payroll/ Personnel System) Human Resources Consulting Engagement	Identification of Select Internal CAPPS Change Controls	500
Total Non-Audit Services (Special Project) Hours				500

Routine Non-Audit Services (Consulting or Advisory) for FY 2023			
Non-Audit Service Unit	Non-Audit Area	Scope/Objective	Estimated Budget Hours
Enterprise Wide	Governance	Information Technology Project – Governance Committee Advisory Role	100
Information Security and Technology	Compliance and Risk Mitigation Feedback	Texas Administrative Code (TAC) Compliance and Information Security	80
Enterprise Wide	Governance	Governance Committee Information Protection and Accessibility Work Groups – Advisory Role	50
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.	40
Enterprise Wide	Business Continuity and Disaster Recovery	Business impact analysis and disaster recovery consulting	40
Various Divisions	Project Management and Risk Mitigation Feedback	Child Support System, Crime Victims, Legal Services or Litigation Consulting	40
Total Routine Non-Audit Services (Consulting or Advisory) Hours			350

Staff hours allocated to mandatory and other internal audit activities are **900** 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 2023

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 2023 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2023.

Total Annual Available Hours Per Full Time Equivalent (FTE)	
Annual Totals	Hours
Based on 52 weeks @ 40 Hours Per Week	2,080
Annual Leave (12.6 hours * 12 months)	-151
Sick Leave (14 days * 8 hours/day)	-112
Holiday/Adm. Leave	-144
Total Available Work Hours	1,673
Training/CPE 40 hours per auditor plus 10 for additional certifications	-50
Audit Support/Miscellaneous (14 days * 8 hours/day)	-112
Administration/Non-CPE Training (45 weeks * 2.5 hours/week)	-113
Total Available Project Hours	1,398

Note: Totals reflect automatic rounding in spreadsheet.

Total Estimated Internal Audit Division Staff Project Hours Available in FY 2023 as of September 1, 2022

Total Estimated Available Auditor Project Hours as of September 1, 2022 ¹			
Current Audit Resources	Total Available Direct for Fiscal Year 2023	Reserved Direct Audit Hours	Total Available Hours as of September 1, 2022
Budgeted Direct Hours for Audit Staff (3 x 1,398+206*)	3,300	1,100	4,400

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

¹Available hours are based on filled full time equivalent (FTE) employees as of September 1, 2022.

Appendix II

Summary of Available Audit Hours

Estimated Available Hours as of September 1, 2022	
Description	Budget
Internal Audit Division Staff Available Work Hours (1,673 x 3)	5,019
Training/Administrative/Audit Support Hours (275 x 3)	(825)
Hours Reserved for Special Projects (5,019-825-3,300+206*)	(1,100)
Internal Audit Management Hours for Reserved Direct Audit Hours	206
Total Internal Audit Staff Project Hours	3,300
Total FY 2023 Audit Project Hours Available Allocated	3,300

*Hours from Internal Audit Management Allocation for Reserved Direct Audit Hours

Allocation of Available Hours	
Description	Budget
Total Performance Audit (Assurance) Project Hours	1,000
Total Follow-up Audit Hours	350
Total Prior Year Close-Out Activities Hours	200
Total Audit or Non-Audit Special Project (Consulting) Hours	500
Total Non-Audit Routine Project Hours	350
Mandatory and Other Internal Audit Activities	900
Total Hours Allocated	3,300