

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

Fiscal Year 2019



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

November 2019

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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 2019

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 2019.

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 to annual and periodic reporting compliance, a summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is in Attachment A.

Section II

Status of the Internal Audit Plan for Fiscal Year 2019

II. Status of the Internal Audit Plan for Fiscal Year 2019

The table below provides information regarding the status of Fiscal Year 2019 Internal Audit Plan audits or activities.

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise-Wide – Information Security Incident Management	Complete	P19-10	7/12/2019
The objective of the audit was to assess current enterprise-wide information security incident management practices designed to ensure compliance with incident reporting requirements.			
Enterprise-Wide – IT Hardware Asset Management	Complete	P19-11	9/27/2019
The objective of this audit was to determine compliance with agency asset management policy for IT hardware assets.			
Enterprise-Wide – FWAPP Biennium Review	Complete	P19-15	N/A
The objective of this review was to perform a biennium review of the Fraud, Waste, and Abuse Prevention Program (FWAPP) in line with Agency program requirements. Approved for reclassification as a non-audit service engagement.			
Enterprise-Wide – Employee Separation Procedures	Complete	P19-08	10/30/2019
The objective of this audit was to determine whether the process governing employee separations removes access to sensitive data and facilities promptly in compliance with safeguarding requirements.			

Prior Audit Follow-up Activities

Auditable Unit - Prior Audit Follow-up Activities Status Update	Audit Phase	Internal Audit Project Number	Date Released
The implementation status of recommendations offered in the following audits was obtained during 2019 and is recorded in Appendix A .			
Enterprise-Wide – Invoice Approval Flow and Payment Authorization Controls Follow-up	Complete	P18-14	12/21/2018
Enterprise-Wide – IT Project Portfolio Management Follow-up	Complete	P19-09	5/10/2019

Auditable Unit - Prior Audit Follow-up Activities Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise-Wide – Procurement Requests - Process Analysis and Assurance Follow-up	Complete	P19-12	9/30/2019
Crime Victim Services - Crime Victims’ Compensation Program Processing Assurance Follow-up	Complete	P19-13	9/30/2019

Carry-Forward Project

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise-Wide – Direct Shipment Notification Process	Complete	P18-13	9/26/2019
The objective of this audit was to identify and analyze current measures in the Direct Shipment Notification process that provide assurance of timely invoice payment.			

Prior Year Close-out Activities

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Civil Litigation – Bankruptcy and Collections Division - Case Quality Control	Complete	P18-11	5/28/2019
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 – Assessment of Invoice Validation Practices (Contract Monitoring – Vendor Billing Compliance with Contract Requirements)	Complete	P18-12	10/31/2019
The objective of this audit was to identify best practices for validating vendor billing which help to ensure invoice accuracy and completeness in accordance with the terms and conditions of the applicable contract and/or service level agreement.			

Approved Revision to the FY 2019 Audit Plan

The plan submitted on November 1, 2018 was revised as follows.

The FWAPP Biennium Review was reclassified from an audit to a non-audit service engagement (project number P19-15). The FWAPP program was impacted by the retirement and subsequent replacement of personnel responsible for performing key steps in the record keeping process.

Compliance with Texas Government Code, Section 2102.005(b)

The Internal Audit Division uses an established risk assessment process to identify agency operational risks and controls. The annual risk assessment survey includes controls designed to ensure compliance with agency policy over contract processes, including monitoring agency contracts, specified under Texas Government Code, Section 2102.005(b) effective September 1, 2019.

Activities performed in Fiscal Year 2019 addressing contract processes and/or contract monitoring were as follows:

- Identified best practices for validating vendor billing to ensure invoice accuracy and completeness;
- Conducted follow-up review of agency invoice approval flow and payment authorization controls;
- Conducted follow-up review of agency procurement controls over purchase requests and purchase orders; and
- Provided non-audit services related to procurement and contract compliance monitoring.

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 2019.

Non-Audit Service Projects (Special Project – Consulting) Activities in FY 2019

Non-Audit Service Project Title/ Summary Description	Project Number	FY 2020 Activity
Civil Litigation – Transportation Division Process Review	P19-112	Follow-up on Status of Recommendations
Internal Audit identified case processing activities and case quality control measures in place which provide assurance that cases will flow effectively through the division and backlogs that result from increasing case volume are identified and addressed as required by internal policy and procedures.		
Contract Performance and Monitoring Analysis Consulting Engagement	P18-111	N/A – Project Complete
Internal Audit identified current contract management controls which ensure select contract services are delivered in-line with contract requirements.		
Software Procurement Consulting Engagement	P18-106	N/A – Project Complete
Internal Audit provided targeted technical assistance which included an independent review of software procurement controls. Close-out activities occurred in FY 2019.		
Crime Victims Services Financial Payment Processing Consulting Engagement	P17-107	N/A – Project Complete
Internal Audit provided targeted assistance to CVS related to payment processing and the assessing of the accuracy of payments made to victims and service providers.		
Software Contract Compliance Consulting Engagement	P17-106	Follow-up on Status of Recommendations
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 occurred in FY 2019.		

Routine Non-Audit Service Projects in FY 2019 Audit Plan

Routine Non-Audit Service Project Title/ Summary Description	Project Number	FY 2020 Activity
Child Support – Project Management, Financial and Implementation Protocol	P19-100	Approved Activity
<p>Fiscal Year 2019 Activity – Texas Child Support Enforcement System (TXCSES) 2.0 Consulting. FY 2020 Activity – Child Support System IT Project.</p> <p>This routine non-audit service (consulting engagement) provides advisory services to Child Support Division management during system design, development, and implementation.</p>		
Enterprise-Wide - Project Management and Risk Mitigation (Centralized Accounting and Payroll/ Personnel System)	Audit Support Activity	Approved Activity
<p>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.</p>		
Enterprise Wide – Texas Administrative Code 202 Compliance and Follow-up Activities (IT Governance Component)	Continuous Monitoring Activity	Approved Activity
<p>During 2019, Internal Audit reviewed historical Texas Administrative Code (TAC) requirements and internal recommendations to determine current applicable recommendations to revised and expanded TAC requirements. The information was compiled for the Agency’s Information Security Officer for reference.</p>		
Peer Review Participation for Reciprocity Requirements	Administrative Activity	Approved Activity
<p>In line with reciprocity requirements, the OAG Internal Audit Division has personnel trained to lead and/or assist with external quality assurance reviews for another state agency to determine the audit function’s compliance with required auditing standards.</p>		
Texas Child Support Enforcement System T1.0 Decommission Assessment	P19-107	N/A
<p>This routine non-audit service advisory engagement involved Internal Audit’s attendance in periodic project meetings. The meetings helped promoted risk awareness and risk mitigation decisions 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 was planned for decommission.</p>		

Routine Non-Audit Service Project Title/ Summary Description	Project Number	FY 2020 Activity
Texas Child Support Enforcement System IT Architecture Review Board	P19-103	N/A
<p>Architecture Review Board was an ongoing non-audit engagement that provided a gaining an understanding and risk advisory opportunities for changes occurring in the IT environment. This activity will be proposed in future fiscal years as applicable based on future information technology projects or initiations.</p>		
Crime Victim Services Consulting - Project Management and Risk Mitigation Feedback	P19-101	Approved Activity
<p>Internal Audit attended periodic project meetings and, as applicable, provided feedback to Crime Victims Compensation (CVC) management for their consideration in the assessment of any further enhancement of system designed processing or access controls for various project phases of the CVC system development process.</p>		
Strategic – Business Continuity	Non-Audit Activity	Approved Activity
<p>Internal Audit provided information for management’s consideration regarding business continuity as applicable.</p>		
Legacy System Replacement Consulting (IT Governance)	P19-102	Approved Activity
<p>Internal audit provided independent and objective recommendations to management for consideration related to legacy system redesign or replacement projects.</p>		
Enterprise-Wide Governance – Information Protection Work Group	Audit Support Activity	Approved Activity
<p>Internal Audit served as an advisory role for Information Protection work group (Texas Government Code Chapter 2054, subchapter M).</p>		
External Audit Liaison Activities	Audit Support Activity	Approved Activity
<p>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.</p>		

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, the OAG's Internal Audit Division received an External Quality Assurance Review. The latest quality assurance 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

3-19-18
Date


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

3-22-18
Date

Section V

Internal Audit Plan for Fiscal Year 2020

Internal Audit Plan for Fiscal Year 2020

The annual audit plan is a guide that is developed for the effective utilization of the division's resources during the fiscal year 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 2020 were presented to Executive Management for approval and are included in this report (Annual Report Pages 16 through 27).

INTERNAL AUDIT PLAN

FY 2020

Internal Audit Division



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

Approved - October 2019

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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 FY20. 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 2020 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 2020 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2020, 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 – Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up
 - Information Technology – Software Contract Compliance Non-Audit Consulting - Follow-up

The following tables provide information regarding planned Internal Audit activities for FY 2020.¹

Performance Audit (Assurance) Projects for FY 2020				
Auditable Unit	Audit Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Enterprise Wide	Security – Employee Safety	Facilities Security Incident Response Review	<p>Assessment of current security incident response. (Plan exists, compare plan components to best practices)</p> <p><i>CSD area of emphasis</i></p> <ul style="list-style-type: none"> Evaluate processes over identifying and responding to human threats 	1,250
Child Support	Field Operations	Field Operations Physical Layout and Managerial Oversight	Identify and document the inventory of physical locations as well as the organization of management oversight.	1,000
Total Audit (Assurance) Project Hours				2,250

¹ In addition to the approved projects for fiscal year 2020, Internal Audit will also perform an Assessment of Child Support Intake at a time when potential recommendations will more closely align with the system modernization project.

Prior Audit or Consulting Follow-up Projects for FY 2020		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	Audit or Consulting Follow-up Area(s)	Estimated Budget Hours
Civil Litigation	Bankruptcy and Collections Audit: Case File Quality Assurance and Sensitive Data Safeguarding - Follow-up	150
Enterprise Wide	Information Security Audit: Incident Management - Follow-up	150
Enterprise Wide	Receiving Audit: Direct Shipment Notification Process - Follow-up	150
Enterprise Wide	Information Technology Audit: IT Asset Management Hardware Review - Follow-up	150
Enterprise Wide	Human Resources and IT Access Management Audit: Employee Separation Process - Follow-up	150
Enterprise Wide	Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up	150
Civil Litigation	Transportation Consulting: Process Review - Follow-up	50
Enterprise Wide	Information Technology Consulting: Software Contract Compliance Monitoring Activities - Follow-up	50
Total Follow-up Project Hours		1,000

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).	120
Total Close-out Hours	120

Non-Audit Services Projects (Special Projects - Consulting) for FY 2020				
Auditable Unit	Audit Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Administrative and Legal	Law Enforcement: Internet Crimes Against Children (ICAC) Grant	ICAC Workflow Assessment	Analyze current ICAC workflow and offer recommendations as applicable to enhance processes.	750
Administrative and Legal	Law Enforcement: Fugitive Apprehension	Fugitive Apprehension Workflow Assessment	Analyze current workflow and staff utilization to determine whether adequate resources are available for daily operations.	500
Total Non-Audit Services (Special Project) Hours				1,250

Routine Non-Audit Services (Consulting or Advisory) for FY 2020			
Auditable Unit	Non - Audit Area	Scope/Objective	Estimated Budget Hours
Child Support	Project Management, Financial, and Implementation Protocol	Texas Child Support System IT Project	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	Texas Administrative Code (TAC) Compliance	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

Routine Non-Audit Services (Consulting or Advisory) for FY 2020			
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	50
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			850

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 2020

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 2020 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2020.

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 2020 as of September 1, 2019²

Total Estimated Available Auditor Project Hours as of September 1, 2019			
Current Audit Resources	Total Available Direct for Fiscal Year 2020	Reserved Direct Audit Hours	Total Available Hours as of September 1, 2019
Budgeted Direct Hours for Audit Staff (5 x 1,398) + 580	6,470	1,100	7,570

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

² 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 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

Available Hours	
Description	Budget
Internal Audit Division Staff Available Work Hours (1,673 x 5) +580*	8,945
Training/Administrative/Audit Support Hours (275x 5)	(1,375)
Hours Reserved for Special Projects (8,945-1,375-6,470)	(1,100)
Total Internal Audit Staff Project Hours	6,470
Total FY 2019 Audit Project Hours Available Allocated	6,470

**Includes 580 direct Audit Directors' hours for Routine Non-Audit Service Activities or Special Projects.*

Allocation of Available Hours	
Description	Budget
Total Hours – Performance Audits	2,250
Total Follow-up Audit Hours	1,000
Total Prior Year Close-Out Activities Hours	120
Total Non-Audit Special Project Consulting Hours	1,250
Total Non-Audit Routine Project Hours	850
Mandatory and Other Internal Audit Activities	1,000
Total Hours Allocated	6,470

Section VI

External Audit Services Procured in Fiscal Year 2019

VI. External Audit Services Procured in Fiscal Year 2019

During Fiscal Year 2019 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-37, the General Appropriations Act (86th 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

State Auditor's Office – iacordinator@sao.texas.gov

Legislative Budget Board – audit@lbb.state.tx.us

Appendix A

Compliance with Texas Government Code 2102.015

*Summary of Recommendations, Management Responses, and
Implementation Statuses*

Appendix A

A summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is in the following table.

Summary of Audit Activities – Reported in 2018 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
<i>The current status of the following prior audit recommendations is reflected within this annual report for submittal to applicable oversight entities and in compliance with Texas Government Code 2102.015.</i>			
Follow-up on the Child Support Division’s State Disbursement Unit (SDU) TXCSES Profiles Management (Report 16-09)	Seven recommendations were offered in the original audit (Report 12-11) for management’s consideration.	Management responses reflect agreement with observations noted in the prior audit report and the feasibility of audit recommendations.	Management has taken action to address six of the seven recommendations. The remaining recommendation pertains to an automated system feature. This enhancement recommendation was submitted for CSD’s management’s consideration during applicable future child support system technology initiatives.
Follow-up on the Child Support Division’s Case Processing Controls for Order Entry (Report 17-13)	Eleven recommendations were offered in the original audit (Report 13-14) for management’s consideration regarding Case Processing Controls for Order Entry.	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 risk associated with one control environment enhancement was mitigated by an alternative interim control. During FY 2020, IAD will revisit with new CSD management to assess the feasibility of future automated control measures for the applicable recommendations.
Follow-up on Agency Wide Evaluation of the Effectiveness of the Agency’s Fraud Waste and Abuse Prevention Program (FWAPP) and Biennium Review (Report 16-12)	Twelve recommendations were offered for management’s consideration (11 in report 14-09 and one in report 16-12). Recommendations were offered 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 reports and the feasibility of audit recommendations.	Management has addressed ten of the eleven recommendations offered in report 14-09. One recommendation was offered in report 16-12. During fiscal year 2019, a consulting engagement was performed for this area. The remaining two recommendations are scheduled for follow-up during calendar year 2020. As of 10/31/2019, one is partially implemented (internal procedures enhancement) and one is in progress (training of new program personnel).

Summary of Audit Activities – Reported in 2018 (Recommendations, Management Responses, and Implementation Statuses)

Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
Follow-up on Agency Wide Contract Reform Audit (Report 17-11)	Eleven recommendations were offered in the original audit (Report 16-08) for management consideration 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>Remaining recommendations: Enhanced contract solicitation and contract information reporting to the Texas Comptroller’s Office through CAPPS.</p> <p>The estimated goal for implementation of CAPPS is during fiscal year 2021.</p>
Bankruptcy and Collections – Case Quality Control (Report 18-11)	Seven recommendations were offered for management’s consideration.	Management responses reflect agreement with observations noted in the 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.
Assessment of Invoice Validation Practices (Contract Monitoring – Vendor Billing Compliance with Contract) (Report 18-12)	Four recommendations were offered for management’s consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	The divisions identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards
Direct Shipment Notification (Report 18-13)	Six recommendations were offered for management’s consideration.	Management responses reflect agreement with observations noted in the 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.

Summary of Audit Activities – Reported in 2018 (Recommendations, Management Responses, and Implementation Statuses)

Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
<p>Invoice Approval and Payment Authorization Controls Follow-up (Report 18-14)</p>	<p>Nine recommendations were offered in the original audit (Report 17-08) for management's consideration.</p>	<p>Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.</p>	<p>Management has taken action to fully address seven of the nine prior audit recommendations. One recommendation is classified as an on-going process (assessment and coordination of feasible receiving and inventory tracking system enhancement).</p> <p>The second open recommendation (possible application interface) 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>
<p>Enterprise-wide IT Project Portfolio Management Follow-up (Report 19-09)</p>	<p>Fifteen recommendations were offered in the original audit (Report 16-07) for management's consideration.</p>	<p>Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.</p>	<p>Management has taken action to fully implement ten of the fifteen prior audit recommendations. During the latest follow-up, the division identified current target action dates for the remaining five partially implemented audit recommendations.</p> <p>Follow-up will occur in calendar year 2020 in line with Internal Audit Annual Report development.</p>
<p>Information Security Incident Management (Report 19-10)</p>	<p>Six recommendations were offered for management's consideration.</p>	<p>Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.</p>	<p>Information security management identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.</p>

Summary of Audit Activities – Reported in 2018 (Recommendations, Management Responses, and Implementation Statuses)

Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
IT Asset Hardware Management (Report 19-11)	Six recommendations were offered for management’s consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	The division and technology management identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.
Enterprise-wide Procurement Requests – Process Analysis and Assurance Follow-up (Report 19-12)	Nine recommendations were offered in the original audit (Report 17-09) 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>The division has taken action to address eight of the nine prior audit recommendations. One recommendation is in progress and a target implementation date was identified by information security management.</p> <p>Follow-up will occur in calendar year 2020 in line with Internal Audit Annual Report development.</p>
Crime Victims’ Compensation Program Processing Assurance Review Follow-up (Report 19-13)	Seven recommendations were in the original audit (Report 18-08) for management’s consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	<p>The division has taken action to address the seven prior audit recommendations. Three recommendations are fully implemented, three are in progress (continuous assessment policy or procedure activity for the division), and one is partially implemented by the division.</p> <p>Follow-up will occur in calendar year 2020 in line with Internal Audit Annual Report development.</p>

Appendix B

Internal Audits Related to Agency Contract, Contract Process and Controls

September 1, 2014 through November 1, 2019

Appendix B

Internal Audits Related to Agency Contract, Contract Process and Controls from September 1, 2014 (FY 2015) through November 1, 2019.

Listing of Contract Related Internal Audits - Completed at the Office of the Attorney General September 1, 2014 through November 1, 2019			
Report Title	Report Number	Report Release Date	Follow-up Activities
An Audit Report on the Office of the Attorney General's Child Support Division Texas Debit Card Program	P12-102	12/31/2014	Fieldwork scope prior to FY 2015. Relevant follow-up activities are covered under project number P14-08.
An Audit Report on the Office of the Attorney General's Child Support Division - Contract Compliance Monitoring of SDU EFT Enrollment and Texas Debit Card Processes	P14-08	11/28/2016	New vendor and contract in effect during FY 2016. Review includes a follow-up assessment of existing risk mitigation measures and consideration of relevant prior audit recommendations. Continuous operational monitoring activity.
A Follow-up Audit Report on the Office of the Attorney General's Child Support Division - Technology Contract Management	P14-11	8/5/2015	Management actions related to recommendations are complete.
An Audit Report on the Office of the Attorney General's Contract Reform - Agency Readiness (Enterprise Wide)	P16-08	1/4/2017	Follow-up performed under project number P17-11 (Report released on 6/21/2018).
A Follow-up Audit Report on the Office of the Attorney General's Child Support Division State Disbursement Unit TXCSES Profiles Management	P16-09	9/1/2017	Follow-up on the feasibility of the remaining enhancement recommendation (automated reporting measures) will occur during applicable future child support system technology initiations.
A Follow-up Audit Report on the Office of the Attorney General's Child Support Division Transactional Attorneys Section	P16-11	2/15/2017	Management actions related to recommendations are complete.

**Listing of Contract Related Internal Audits - Completed at the Office of the Attorney General
September 1, 2014 through November 1, 2019**

Report Title	Report Number	Report Release Date	Follow-up Activities
An Audit Report on the Office of the Attorney General's Enterprise Wide - Invoice Approval and Payment Processing Controls	P17-08	12/7/2017	Follow-up performed under project P18-13 (Report released on 12/21/18).
An Audit Report on the Office of the Attorney General's Enterprise-wide Procurement Requests - Process Analysis and Assurance	P17-09	8/29/2018	Follow-up performed under project number P19-12 (Report released on 9/30/2019).
An Audit Report on the Office of the Attorney General's Child Support Division - State Disbursement Unit (SDU) Financial Risk Analysis	P17-10	3/4/2018	Continuous operational monitoring activity.
A Follow-up Audit Report on the Office of the Attorney General's Contract Reform Audit	P17-11	6/21/2018	Contract reform is a continuous operational monitoring activity. The two remaining recommendations contingent upon CAPPs implementation project to occur during FY 2021.
An Audit Report on the Office of the Attorney General's Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements)	P18-12	10/30/2019	Follow-up planned to occur during 2020.
A Follow-up Audit Report on the Office of the Attorney General's Invoice Approval and Payment Authorization Controls Audit	P18-14	12/21/2018	Follow-up planned to occur during 2020.
A Follow-up Audit Report on the Office of the Attorney General's Procurement Requests – Process Analysis and Assurance Review	P19-12	9/30/2019	Follow-up planned to occur during 2020.