An Annual Report of the

Office of the Attorney General
Internal Audit Division

Fiscal Year 2017

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

November 2017

Table of Contents

Section I

Compliance with Texas Government Code Section 2102.015

Office of the Attorney General
Internal Audit Division's Annual Report for Fiscal Year 2017

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 2017.

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, prior to posting, review of the document is performed by agency management within the General Counsel and Communications Divisions, and other designated Executive Management including the First Assistant Attorney General.

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

Section II

Status of the
Internal Audit Plan for
Fiscal Year 2017

II. Status of the Internal Audit Plan for Fiscal Year 2017

The table below provides information regarding the status of Fiscal Year 2017 Internal Audit Plan audits or activities.

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise Wide – Invoice Approval and Payment Authorization Controls	Final Audit Phase (Reporting)	P17-08	N/A
The objective of this audit was to document the current invoice approval work flow, determine the clarity of divisional approval roles designated to ensure adequacy of supporting evidence for payment and, as applicable, offer recommendations to improve and maintain efficient work flow.			
Enterprise Wide – Procurement Requests – Process Analysis and Assurance	Final Audit Phase (Reporting)	P17-09	N/A
The objective of the audit was to evaluate the OAG's current procurement process, from the creation of purchase requisitions to the processing of purchase orders, which is designed to ensure that State and Federal laws are upheld in order to procure agency needs so that agency goals are achieved.			
Enterprise Wide – E-Pro System Controls Assessment	Final Audit Phase (Reporting)	N/A	N/A
The objective of the project was to perform IT general and select application controls test work to provide assurance of system reliability. Results of the E-Pro System Controls Assessment are captured in the report for project number P17-09.			
Child Support Division – State Disbursement Unit (SDU) Financial Risk Analysis	Final Audit Phase (Reporting)	P17-10	N/A
The objective of the review was to perform a financial risk analysis to gain an understanding of the agency's risk-based monitoring activities over contractual controls exercised by the vendor relating to the receipt and distribution of daily collections.			

Carry-Forward Projects

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise Wide – Texas Administrative Code 202 Compliance and Follow-up Activities (IT Governance Component)	Continuous Monitoring Activity	P14-106	N/A
During 2017, the new information Security Division Manager was briefed regarding historical monitoring observations and recommendations offered by Internal Audit. The latest updates to select TAC requirements were covered during the briefing for risk and compliance awareness.			
Child Support – Business Management and Information (Audit and Follow-up Close-out Activities)	Complete	P15-09	6/1/2017
The objectives of the audit and close-out activities were to identify and evaluate the controls implemented by Business Management Information (BMI) to ensure reports developed are accurate and meet the needs of users. As applicable, Internal Audit will identify and evaluate the controls in place to restrict access to BMI reports that contain sensitive data. Also, IA offered recommendations for management's consideration as new personnel were acclimated to the BMI processes and as existing processes were reviewed for possible enhancements.			
Child Support – CS Network Services	Complete	P15-11	10/6/2016
The primary objective of the project was to evaluate the existing Network Services Wide Area Network (WAN) Change Management Policy and Procedures are adequate and working as designed.			
Enterprise Wide - IT Project Portfolio Management	Final Audit Phase (Reporting)	P16-07	N/A
The objective of this audit was to determine the maturity level of the OAG IT Divisions' Project Portfolio Management (PM) processes and provide recommendations based on industry standards that would allow the agency to progress toward an optimized portfolio management level.			

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise Wide Contract Reform	Complete	P16-08	1/4/2017
Pre-implementation review of current contracting environment and modifications necessary to comply with recent contact reform legislation.			
Administrative and Legal (Select Divisions) – Review of Legal Case Workflow	Complete	P16-10	4/13/2017
The objective of the review was to document the current case workflow process and as applicable offer recommendations to maintain efficient workflow utilizing new system technology (e.g., Legal Case Management System - LCMS).			

Prior Audit Follow-up Activities

Auditable Unit - Status Update **Prior Audit Follow-up Activities**	**Audit Phase**	**Internal Audit Project Number**	**Date Released**
The implementation status of recommendations offered in the following audits was obtained during 2017 and is recorded in **Attachment A.**			
Child Support – TXCSES Profile Follow-up	Complete	P16-09	9/1/2017
Child Support – Transactional Attorney Section Follow-up	Complete	P16-11	2/15/2017
Administrative and Legal – Fraud Waste and Abuse Prevention Program Follow-up and Biennium Review	Complete	P16-12	3/9/2017
Child Support – CS Network Services Follow-up	Complete	P17-12	10/18/2017
Child Support – Field Operations (Order Entry Case Processing Controls Follow-up	Complete	P17-13	8/4/2017
Follow-ups in progress or planned in line with auditing standards are referenced accordingly below and in Attachment A. ▪ Child Support Contract Compliance Monitoring of State Disbursement Unite (SDU) Electronic Fund Transfer (EFT) Enrollment and Texas Debit Card Processes ▪ Agency Contract Reform Readiness (Enterprise Wide) Audit ▪ Review of Legal Case Workflow			

Approved Revisions to the FY 2017 Audit Plan

The plan submitted on November 1, 2016 was revised as follows: Three projects were removed and three projects were added to the FY 2017 Internal Audit Plan.

Original Projects	Reason for Project Change	Approved Projects Added to the Audit Plan
CSD TXCSES 1.0 Release Management Strategies	Replaced project due to upcoming implementation of TXCSES 2.0.	1. E-Pro System Controls Assessment - Performed in conjunction with the requisition and invoice audit areas.
Non-Audit Service - Information Technology E Discovery Litigation Tools	Consulting Engagement – E-Discovery tool was received at the beginning of the fiscal year. Analysis request withdrawn by Management.	2. Non-Audit Service: Crime Victim Services Division - Evaluate the accuracy of select financial payments.
Non-Audit Service – Grant Contract Reform and Senate Bill 20	Consulting Engagement - Analysis request withdrawn by Management. Prior contract reform audit work will be referenced by the division as applicable.	3. Non-Audit Service (Special Project): Communications Division - Consulting Engagement

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 2017.

Non-Audit Service Project Title/ Summary Description	FY 2017 - Project Number	FY 2018 Activity
Texas Child Support Enforcement System T1.0 Decommission Assessment	P17-94	Approved Activity
T1.0 Decommission Assessment is an ongoing consulting engagement that will occur until the system is fully retired. This consulting engagement provides advisory services to Child Support Division management 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 is being decommissioned.		
Texas Child Support Enforcement System (TXCSES) 2.0 Consulting	P17-100	Approved Activity
TXCSES 2.0 is an ongoing consulting engagement that will occur until the system is fully implemented. This consulting engagement provides advisory services to Child Support Division management during system design, development, and implementation.		
Crime Victims Services Division	P17-101	Approved Activity
Internal Audit attended periodic project meetings and, as applicable, provided feedback to Crime Victims Compensation (CVC) management for their consideration in the assessment of the adequacy of system designed processing or access controls for various project phases of the CVC system development process.		
Legacy System Replacement Consulting	P17-102	Approved Activity
The legacy system project (Legal Case Management System) initial implementation phase was complete. Post implementation meetings were held to discuss phase II development. Project development meetings were held on a weekly basis. As applicable, Internal Audit provided feedback to project management for their consideration regarding potential system controls or system needs communicated to audit staff during other audit activities or reviews.		

Non-Audit Service Project Title/ Summary Description	FY 2017 - Project Number	FY 2018 Activity
Texas Child Support Enforcement System IT Architecture Review Board	P17-103	Approved Activity
Architecture Review Board is an ongoing engagement. Internal Audit sits in on the board meetings to gain understanding of changes occurring in the IT environment and, as necessary, advises management of any risks arising from the changes.		
Software Compliance Consulting Engagement	P17-106	Approved Activity
Internal Audit provided targeted technical assistance which included independent and objective recommendations offered to the Information Technology Division for management's consideration.		
Special Project – Communications Division	P17-108	N/A
To identify primary deliverables, staff utilization and critical tools allocated to the Communications Division or any of its defined operating sections.		
Crime Victims' Compensation System Development Consulting	P17-109	Approved Activity
Internal Audit provided feedback to Crime Victims Compensation (CVC) management for their consideration in the assessment of the adequacy of system designed mainframe controls for phase two of the CVC system development project.		
Child Support – Independent Risk Assessment of Texas Debit Card Key Performance Areas	P17-110	Approved Activity
The consulting engagement included information for management's consideration related to risk mitigation.		

Non-Audit Service Project Title/ Summary Description	FY 2017 - Project Number	FY 2018 Activity
Peer Review Participation for Reciprocity Requirements	Administrative Activity	Approved Activity
Participate in external quality assurance review for another state agency to determine the audit function's compliance with required auditing standards.		
Agency Work Groups (Information Protection, Records Management, CAPPS, and Accessibility)	Audit Support Activity	Approved Activity
The noted agency work groups meet on a periodic basis, as applicable, Internal Audit will convey information for management's consideration. Generally information conveyed for management's consideration relates to compliance with laws and regulations, risk identification, and potential risk mitigation measures. Internal Audit has an advisory role in the Agency work groups.		
External Audit Liaison Activities	Audit Support Activity	Approved Activity
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.		
Strategic – Business Continuity	Non-Audit Activity	Approved Activity
As applicable, Internal Audit provides information for management's consideration regarding business continuity.		

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, an External Quality Assurance Review will be performed in Q4 of calendar year 2017.

No significant weaknesses were identified during the review that would prevent the Division from fulfilling its responsibilities.   The review's overall conclusion is provided on the following page.

During the period assessed, the Internal Audit Division was transitioning to a new audit director and recommendations were offered for management's consideration as the internal audit function moves forward under the current leadership. A summary of recommendations offered are as follows:

- Formalization of the standing annual meeting with the agency head;
- Consideration of the incorporation of an information systems assessment step within the automated audit project template to ensure transparency of an existing procedure;
- Implementation of measures to ensure transparent/consistent evidence of automated work paper sign-off of review; and
- Development and implementation of project checkpoints to provide assurance of continued compliance with auditing standards related to communicating results.

Actions Taken by Internal Audit

The Internal Audit Division took action during Fiscal Year 2015 to address the four recommendations offered by the peer review team. Examples of actions taken are as follows:

- The standing annual meeting that was established during previous administrations was completed by the current audit director in 2014 and will continue in future fiscal years.
- Standard Automated Audit Template was reviewed and updated as deemed appropriate. Periodic review of the template will be performed as part of the quality assurance process. Updates or enhancements will be implemented as deem necessary by Internal Audit.
- Internal Audit's workflow and audit documentation software tool was upgraded in 2014 and 2015 as an action to help eliminate or reduce known software issues that impacted the transparency/consistency in work paper review sign-off.
- As part of the Internal Audit Division's continuous quality assurance process, established internal performance measures are reviewed for feasibility of achievement by current audit management and personnel.

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 Office of the Attorney General Internal Audit Division receives a rating of *pass with deficiencies* and is overall in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102).

This opinion, which is one of the three possible ratings*, pass, pass with deficiencies*, and *fail*. *Pass with deficiencies* means that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of certain deficiencies that are described in the report on pages six through nine.

The Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The Internal Audit Division staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are generally supported in the working papers; and findings and recommendations are communicated clearly and concisely. No significant weaknesses were identified during the review that would prevent the Division from fulfilling its responsibilities.

Numerous interviews conducted during the quality assurance review indicate that agency management considers Internal Audit a useful part of agency operations and finds that the audit process and report recommendations add value and help improve operations.

ACKNOWLEDGEMENTS

We would like to extend our appreciation for the courtesy and cooperation extended to us by the Director of Internal Audit, Internal Audit Division staff, the First Assistant Attorney General, executive management, and a number of managers who participated in the interview process.

Jan Engler	11/25/14	*Lissette Nadal-Hogan*	11/25/14
Jan Engler	Date	Lissette Nadal-Hogan	Date
Audit Manager		Chief Audit Executive	
Teacher Retirement System of Texas		Department of Information Resources	
SAIAF Peer Review Team Leader		SAIAF Peer Review Team Member	

John Spann	11/25/14
John Spann	Date
Senior Auditor	
Department of Assistive and Rehabilitative Services	
SAIAF Peer Review Team Member	

Section V

Internal Audit Plan for
Fiscal Year 2018

Internal Audit Plan for Fiscal Year 2018

The annual audit plan is a guide that is developed for the effective utilization of the division's resources during the fiscal year in order 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 2018 were presented to Executive Management for approval and are included in this report (Annual Report Pages 18 thru 29).

INTERNAL AUDIT PLAN
FY 2018

Internal Audit Division

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

Approved October 2017

Table of Contents

The annual audit plan is a guide that is developed for the utilization of the division's resources during the fiscal year in order to address the risks of the Office of the Attorney General (OAG). Audits and other projects selected for review and included in the annual audit plan are those areas that represent risk to the agency.

The audit plan is a dynamic document that may change 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 changes to the plan. Any significant changes 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 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 2018 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, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Therefore, the sufficiency and appropriateness of evidence needed and tests of evidence will vary based on the audit objectives and conclusions.

Follow-up reviews are conducted to determine the adequacy, effectiveness, and timeliness of actions taken by management on reported engagement findings and recommendations. This work determines if management actions have resulted in lowering risks or if management has assumed the risk of not taking corrective action on reported findings. Follow-up projects are conducted on previous IAD reported findings, as well as the State Auditor's Office and other external entities' reported audit findings. These audits are scheduled within a reasonable time frame to allow management sufficient opportunity to implement corrective actions.

Non-audit services are advisory client service activities which are intended to add value and improve the agency's governance, risk management, and control processes. Examples include counsel, advice, facilitation, and training. This type of project can only be conducted if providing the non-audit service does not create impairments to independence, either in fact or appearance, with respect to future audit projects.

Development of the Audit Plan

The Internal Audit Division allocates its resources in a manner that is consistent with the mission and goals of the Office of the Attorney General. To support the OAG's mission, audit coverage is considered across the agency. The audit plan is designed to provide coverage of key business processes, over a reasonable period of time, given the existing staff.

The following key factors were considered to assess risk and develop the audit plan:

- Potential for impact on agency-wide policies and procedures
- Changes in systems, processes, policies, or procedures
- Results and time since last audit engagement
- Extent of government regulation
- Information and communication
- Transaction volume
- Staff turnover

In addition to the projects selected based on risk assessment results, audit hours are also dedicated to follow-up reviews, carry-forward projects, and non-audit services.

Internal Audit is also required by law and auditing standards to conduct certain activities on an annual and/or periodic basis, such as an internal quality control assessment, an annual audit report, and an external peer review. Those required activities are also included in the audit plan.

To ensure the auditors maintain a steady workload throughout the year, some audit projects are scheduled to start near the end of one fiscal year and require time in the following year to complete. Specific carry-forward projects are identified in the Fiscal Year 2018 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2018, the following identified projects relate to capital budget control, contract management and other contract requirements.

- Performance Audits and Non-Audit Services - Contract Management:
  - Compliance with Contract Billing Requirements
  - Contract Performance and Monitoring Analysis
  - Contract Monitoring Activities

- Performance Audits and Prior Audit Follow-ups - Capital Budget Controls:
  - Effectiveness of Select Financial Processing Controls
  - Procurement: Procurement Requests and Process Analysis Assurance - Follow-up

The following tables provide information regarding planned Internal Audit activities for FY 2018.

FY 2018 Performance Audit (Assurance) Projects				
Auditable Unit	**Audit Area**	**Title of Project**	**Preliminary Objectives**	**Estimated Budget Hours**
Crime Victims	System Processing Assurance	Effectiveness of Select Financial Processing Controls	Evaluate current processing controls designed, for select financial transactions, to ensure accuracy of payment transactions and compliance with processing requirements.	1,000
Civil Litigation	Bankruptcy and Collections	Case File Quality Assurance and Sensitive Data Safeguarding Measures	Identify case quality control measures in place which provide assurance that files contain required data elements as specified by applicable policy and procedures. Offer any enhancements to current division control measures that safeguard sensitive division data.	750
Enterprise Wide	Contract Monitoring	Compliance with Contract Billing Requirements	Identify and share best practices for monitoring vendor billing.	750
Enterprise Wide	Receiving	Effectiveness of the Direct Shipment Notification Process	Evaluate current direct shipment notification processes which provide assurance that goods received reconcile with the procurement order and that processing methods are effective in ensuring timely invoice payment.	750
Child Support	Records Management	Compliance with Records Retention Guidelines for System Reports	Identify current measures designed to provide reasonable assurance that reports (downloaded or query extracts) stored outside of the TXCSES automated system are maintained and disposed of in compliance with required retention guidelines.	150
Total Audit (Assurance) Project Hours				**3,400**

Prior Audit Follow-up Projects for FY 2018		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	**Audit Area (s)**	**Estimated Budget Hours**
Civil Litigation	Litigation Case Flow - Follow-up	150
Enterprise Wide	Procurement: Procurement Requests and Process Analysis Assurance - Follow-up	150
Enterprise Wide	Invoice Approval Flow and Payment Authorization Controls - Follow-up	150
Enterprise Wide	IT Project Portfolio Management - Follow-up	100
	Total Follow-up Project Hours	**550**

Carry-Forward Project – Fieldwork Phase			
Auditable Unit	**Audit Area (s)**	**Title of Project**	**Estimated Budget Hours**
Child Support	State Disbursement Unit	Financial Risk Analysis	300
		Total Carry-Forward Project Hours	**300**

Prior Year – Close-out Activities	
Audit Activity Description	**Estimated Budget Hours**
In accordance with Annual Reporting Guidelines, Internal Audit prepares a report that reflects that status of prior audit activity. In addition to annual report preparation, close-out activities include finalization of prior audits in the reporting phase at year end.	300
Total Close-out Hours	**300**

Non-Audit Services Projects (Special Projects - Consulting) for FY 2018				
Auditable Unit	**Audit Area**	**Title of Project**	**Preliminary Objectives**	**Estimated Budget Hours**
Contract and Asset Management	Contract Management	Contract Performance and Monitoring Analysis	Identify current contract management controls which ensure that select contract services are delivered in-line with contract requirements and that contract performance is recorded in a manner that helps ensure efficient contract management.	600
Contract and Asset Management	Contract Management	Contract Monitoring Activities	Identify contract universe and associated monitoring plan activities. Offer insight on industry contract monitoring best practices.	500
Procurement	Processing Flow	Procurement Routing Analysis and Identification of Best Practices	Identify enterprise wide processing categories that require early involvement by Procurement to ensure compliance with internal and external processing requirements.	250
Total Non-Audit Services (Special Project) Hours				**1,350**

Routine Non-Audit Services (Consulting or Advisory) for FY 2018			
Auditable Unit	**Non - Audit Area**	**Scope/Objective**	**Estimated Budget Hours**
Child Support	Project Management, Financial, and Implementation Protocol	TXCSES 2.0 Consulting	250
Enterprise Wide	Project Management and Risk Mitigation Feedback	Assist management enterprise wide in a consulting role during assessment of Centralized Accounting and Payroll/Personnel System (CAPPS) project implementation planning.	100

Routine Non-Audit Services (Consulting or Advisory) for FY 2018			
Auditable Unit	**Non - Audit Area**	**Scope/Objective**	**Estimated Budget Hours**
Information Security and Technology	Texas Administrative Code (TAC) Compliance	TAC Compliance Activities	200
Peer Review (External Entity)	Peer Review Participation for Reciprocity Requirements	Participate in external quality assurance review for another state agency to determine the audit function's compliance with required auditing standards.	160
Enterprise Wide	Software Procurement (Review and Approval)	Identification of current processing controls governing software procurements	150
Child Support	Risk Awareness	T1.0 Decommission Assessment	125
Child Support	Risk Awareness	Architecture Review Board	125
Administrative and Legal (Crime Victim Services)	Project Management and Risk Mitigation Feedback	Crime Victim Services Consulting – Various Phases	120
Enterprise Wide	Business Continuity	Business Continuity – 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 Hours	**1,480**

Staff hours allocated to mandatory and other internal audit activities are **1,200** 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
- OAG Internal Audit Division Peer Review
- TeamMate Upgrade Implementation and Training
- Update of the Internal Audit Charter
- Staff Development Initiatives
- Training of New Audit Personnel
- General Quality Assurance and Project Close-out Activities

Appendix I

Available Staff Time Estimate for FY 2018

To ensure that internal audit resources are sufficient and effectively utilized to achieve the approved plan, an analysis was conducted to determine the amount of direct audit time that would be available by the audit staff. The Fiscal Year 2018 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2018.

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 2018 as of September 1, 2017

Total Estimated Available Auditor Project Hours as of September 1, 2017			
Current Audit Resources	**Total Available Direct for Fiscal Year 2018**	**Reserved Direct Audit Hours**	**Total Available Hours as of September 1, 2017**
Budgeted Hours for Auditor Staff (7 FTEs x 1,398 hours)	8,580	1,206	9,786

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

Appendix II

Summary of Available Audit Hours

Available Hours	
Description	**Budget**
Internal Audit Division Staff Available Work Hours*	11,711
Training/Administrative/Audit Support Hours	(1,925)
Hours Reserved for Special Projects (11,711-1,925-8,580)	(1,206)
Total Internal Audit Staff Project Hours	**8,580**
Total FY 2016 Audit Project Hours Available Allocated	**8,580**

Audit directors' hours are not reflected in available work hours.

Allocation of Available Hours	
Description	**Budget**
Total Hours – Performance Audits	3,400
Total Follow-up Audit Hours	550
Total Carry Forward Audit Hours	300
Total Prior Year Close-Out Activities Hours	300
Total Non-Audit Special Project and Consulting Hours	2,830
Mandatory and Other Internal Audit Activities	1,200
Total Hours Allocated	**8,580**

Section VI

External Audit Services Procured in Fiscal Year 2017

VI. External Audit Services Procured in Fiscal Year 2017

During Fiscal Year 2017 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 (84th Legislature, Conference Committee Report), 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 hotline and to the OAG.

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 Budget and Policy Division – budgetandpolicyreports@gov.texas.gov

State Auditor's Office – iacoordinator@sao.state.tx.usLegislative

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

Sunset Advisory Commission – sunset@sunset.state.tx.us

Attachment A

Compliance with Texas Government Code 2102.015

Summary of Recommendations, Management Responses, and Implementation Statuses

Attachment A

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

Summary of Audit Activities – Reported in 2017 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Prior Audit Report Number)	**Recommendations**	**Management Response**	**Progress Toward Implementation**
Status of the following prior audit recommendations are reflected within this annual report for submittal to applicable oversight entities and in compliance with Texas Government Code 2102.015.			
Follow-up on the Child Support Division's State Disbursement Unit (SDU) TXCSES Profiles Management (Report 12-11)	Seven recommendations regarding access and management of SDU profiles in the TXCSES 1.0 system were offered.	Management responses reflect agreement with observations noted in the prior audit report and the feasibility of audit recommendations.	Management has fully implemented five of the seven recommendations. One recommendation, management has instituted alternative controls to mitigate the risk. The remaining recommendation is in progress as it pertains to TXCSES 2.0.
Follow-up on the Child Support Division's Case Processing Controls for Order Entry (Report 13-14)	Eleven recommendations regarding Case Processing Controls for Order Entry were offered.	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 remaining two are pending implementation when TXCSES version 2.0 goes live.
Child Support Division's – Contract Compliance Monitoring of SDU Electronic Fund Transfer (EFT) Enrollment and Texas Debit Card Processes (Report 14-08)	Nine Recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to implement recommendations.	Assessment of the status of offered recommendations will occur during fiscal year 2018.

Summary of Audit Activities – Reported in 2017 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Prior Audit Report Number)	**Recommendations**	**Management Response**	**Progress Toward Implementation**
Follow-up on Agency Wide Evaluation of the Effectiveness of the Agency's Fraud Waste and Abuse Prevention Program (FWAPP) and Biennium Review (Report 14-09)	Ten recommendations were offered for management's consideration 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 report and the feasibility of audit recommendations.	Regarding the ten prior audit observations and planned management implementation actions, eight were fully implemented or alternative actions were taken that enhance the identified processes or strengthen documentation. Two of the ten recommendations were partially implemented as of September 30, 2016.

One new recommendation was offered for management's consideration. Management's response reflects agreement with the observation and feasibility of the recommendation. |
Follow-up on the Child Support Division's Transactional Attorney's Section (Report 14-10)	Three recommendations were offered in regards to this section.	Management responses reflect agreement with observations noted in the prior audit report and the feasibility of audit recommendations.	In relation to observations and recommendations offered to the Transactional Attorneys Section, all three were fully implemented.
Child Support Division's Business Management Information (BMI) Reporting Controls (Report 15-09)	Six recommendations were offered to BMI management as a result of this review.	Management responses reflect agreement with observations noted in the report and have implemented actions for the recommendations.	Management has taken action to implement all recommendations or alternative risk mitigation actions.
Follow-up on the Child Support Division's Network Services Audit (Report 15-11)	Two recommendations were offered as a result of this review.	Management responses indicate that one of the recommendations was fully implemented at the time the audit report was distributed. In regards to the second recommendation, management denoted planned actions to implement the recommendation offered.	Management has taken action to address the recommendations. As of July 2017, both recommendations were fully implemented.

Summary of Audit Activities – Reported in 2017 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Prior Audit Report Number)	**Recommendations**	**Management Response**	**Progress Toward Implementation**
Follow-up on Agency Wide Contract Reform Audit (Report 16-08)	Eleven recommendations were offered to management regarding new contract legislative requirements.	Management responses in the prior audit report reflect agreement with observations and denote planned actions to implement recommendations.	Regarding the eleven prior audit observations and planned management implementation actions, six were fully implemented as planned. One was partially implemented as of June 30, 2017. The implementation status of two recommendations are contingent upon completion of planned system changes. As of October 31, 2017, the remaining two recommendations are pending implementation status responses from the operational area and will be communicated upon completion of the follow-up review.
Audit reports issued during fiscal year or calendar year 2017 prior to November 1, 2017 are included in this report in compliance with Texas Government Code 2102.015			
Review of Legal Case Workflow (Report 16-10)	Five recommendations were offered to the Administrative and Legal divisions.	Management responses in the audit report reflect agreement with observations and denote planned actions to implement recommendations.	The division identified target implementation dates for the audit recommendations. A follow-up audit was initiated in October of 2017 and the implementation status of these recommendations will be communicated upon completion of the follow-up review.