

FISCAL YEAR 2020
INTERNAL AUDIT ANNUAL REPORT

OCTOBER 2020



Texas Department of Information Resources

BACKGROUND

The Texas Internal Auditing Act (Texas Government Code 2102) requires the Texas Department of Information Resources (DIR) Internal Audit function to prepare and submit an Internal Audit Annual Report each year to the Governor, the Legislative Budget Board, the State Auditor's Office (SAO), the governing board and the executive director. The DIR Fiscal Year 2020 Internal Audit Annual Report has been prepared in accordance with the guidelines prescribed by the SAO.

DETAILED RESULTS

I. **Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on DIR's Web site.**

The Texas Government Code, Section 2102.015 requires each state agency to post the agency's approved Internal Audit Plan and Annual Report on the agency's website. The approved Fiscal Year 2021 Internal Audit Plan and Fiscal Year 2019 Annual Report can be found on DIR's website located at: <https://dir.texas.gov>.

II. **Internal Audit Plan for Fiscal Year 2020**

The Internal Audit Plan for Fiscal Year 2020 was approved by the DIR Board in August 2019. It included planned audits and other required projects for the fiscal year. The following table includes a list of Fiscal Year 2020 planned audits, report numbers, report dates, report titles, and whether the audits were completed. The risk assessment used to prepare the audit plan included reviewing methods for ensuring compliance with contract processes and controls and for monitoring agency contracts.

Number	Audit Name	Status
20-101	FY 2020 IA Follow Up on Open Recommendations	Complete 4/20
20-102	Co-Sourced Audits of COOP Vendors	Complete 4/20
20-103	Contract Development Audit (changed to COOP Program Late Fees)	Not Completed
20-106	COOP Program Late Fees	Complete 8/20

III. **Consulting Services and Nonaudit Services Completed**

Texas Government Code 2054.062 requires DIR to coordinate the assessment of the Texas Data Center Consolidation Measurement Report which measures and reports on financial performance and progress of the data center consolidation effort with DIR's internal auditor for

guidance. Internal audit also analyzed information related to documents in the new policy management system, ConvergePoint.

IV. External Quality Assurance Review (Peer Review)

A copy of the executive summary from the most recent peer review report is included in Appendix A.

V. Internal Audit Plan for Fiscal Year 2021

The DIR board approved the Fiscal Year 2021 Internal Audit Plan at the August 2020 meeting. The Bidstamp Vendor Information System and Contracting Processes Audit will address contract management risks.

FY 2021 Approved Internal Audit Plan	Hours
Risk Based Audits	
Follow Up of Open Recommendations	500
BidStamp Vendor Information System and Contracting Processes	600
Conflict of Interest Processes	500
Service Level Agreements (SLAs) and Customer Scorecards	600
Outsourced Audits of COOP Vendors	250
Projects	
PCI Compliance Monitoring and Training	100
External Audit Coordination	400
TeamMate+ Enhancements.	80
UT Internal Audit Student Project	40
Required Projects	
IA Activity Charter and Audit and Finance Subcommittee Charter Review	5
IA Annual report	50
IA Risk Assessment and Audit Plan	300
IA Quality Assurance and Improvement Program	44
Board Meetings	75
Peer Review (Self-Assessment with Independent Validation)	150
TOTAL HOURS	3,894

Below is a list of additional risks ranked as “high” that were identified but are not included in the fiscal year 2021 audit plan.

High Risk Area	Proposed Activities or Recent Audit History
Asset Management	Review status of recommendations from SAO Audit of Financial Processes (April 2020)
PCI Compliance	Audit staff will continue to monitor progress, provide guidance, and attend PCI training
Cloud Security	Include cloud security SLAs in Audit of Service Level Agreement and Customer Service Scorecard

As required by the Texas Internal Auditing Act, the audit plan was developed using risk assessment techniques. The executive leadership team, their direct reports, and key staff members were interviewed to identify risks and the potential for fraud in their areas. Various documents were reviewed including:

- A survey completed by the Finance and Audit Subcommittee of the DIR board,
- Organizational charts,
- Policies and procedures,
- Prior audit reports and risk assessments,
- Applicable laws and rules, and
- 2019 Annual Financial Report.

Risks to key objectives were evaluated by the probability of the risk occurring and the resulting impact. Risks were ranked to identify potential audit or consulting engagements.

V. External Audit Services Procured in Fiscal Year 2020

Weaver and Tidwell, L.L.P, conducted an audit of SHI International, Inc., a COOP vendor, to determine whether they were accurately reporting sales on DIR contracts and were accurately calculating and submitting administrative fees.

VII. Reporting Suspected Fraud and Abuse

DIR's website includes a link to the State Auditor's Office website for fraud reporting on each webpage and the agency has posters on how to report fraud, waste, and abuse in common areas in the agency's locations. DIR also includes information on how employees may report suspected fraud and the administrator's responsibilities for reporting fraud to the State Auditor's Office (Texas Govt Code §321.022) as part of its Ethics Policy.

Appendix A

State Agency Internal Audit Forum (SAIAF)
Department of Information Resources Internal Audit Department
External Quality Assurance Review – August, 2016

Peer Review Letter Report

December 8, 2016

Ms. Lissette Nadal-Hogan, CIA, CISA, CRISC
Internal Audit Director
Department of Information Resources
300 W. 15th Street, 13th Floor
Austin, Texas 78701

Dear Ms. Nadal-Hogan,


We have completed a Peer Review of the Department of Information Resources for the period August 2015 – August 2016. In conducting our review, we followed the standards and guidelines contained in the Peer Review Manual published by the State Agency Internal Audit Forum (SAIAF).


The Institute of Internal Auditors (IIA) *International Professional Practices Framework*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102) require that Internal Audit functions obtain external quality assurance reviews (peer reviews) to assess compliance with standards and the Act and to appraise the quality of their operations.

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of conformance with the IIA *Standards*, the GAO *Standards*, and the Texas Internal Auditing Act. Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Department of Information Resources' Internal Audit Department receives a rating of "**Pass/Generally Conforms**" and is in compliance with the IIA *Standards*, the GAO *Standards*, and the Texas Internal Auditing Act. 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 internal audit function.

To the extent lawful, the Department of Information Resources agrees to hold SAIAF and its officers and representatives harmless of any liability arising from the actions of the peer review team or issues resulting from the peer review.


Cindy Hancock, CIA, CFE
Internal Audit Director, TPWD
SAIAF Peer Review Team Lead


Linda Reardon, CPA
Auditor, TWC
SAIAF Peer Review Team Member