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Government Serves Texas

# FISCAL YEAR 2024 INTERNAL AUDIT PLAN

Texas Department of Information Resources  
August, 2022

## Executive Summary

The Internal Audit Department (IA) provides independent, objective assurance and consulting services designed to add value and improve the organization's operations. IA 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.

The Texas Internal Auditing Act (Texas Government Code 2102.008) and professional auditing standards requires the Texas Department of Information Resources (DIR) Internal Audit division to prepare an annual risk-based audit plan that identifies the individual audits to be conducted during the year.

The Fiscal Year (FY) 2024 audit plan is designed to cover areas of highest risk to the State and the agency; however, it does not cover all risks. As a result, this audit plan proposes audit activity focused primarily in areas that potentially threaten cybersecurity operations to the State of Texas. Additional risk areas: (1) reliance on legacy systems; and (2) procurement and contracting practices.

## Professional Standards

Internal Audit is required by law and auditing standards (Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing) to conduct certain activities on an annual or periodic basis, including an annual Internal Audit report; Annual Audit Plan; and a Quality Assurance and Improvement Program.

DIR Internal Audit adheres to Government Auditing Standards and requirements as described in the U.S. Government Accountability Office; the International Standards for the Professional Practice of Internal Auditing; the Institute of Internal Auditors, including the Code of Ethics; and the Texas Internal Auditing Act.

## Risk Assessment Methodology

As required, the audit plan was developed using a risk assessment process, which incorporates input from key staff members, including the Executive Leadership Team, who were interviewed to determine risks in their areas and to the agency. The process also involved reviewing various documents, including:

- Organizational charts;
- Policies and procedures
- Prior internal and external audit reports and risk assessments;
- DIR's Strategic Plan; and
- Applicable laws and rules.

The assessment identifies high risk areas that are not included in the audit plan due to variables outside of agency control. Additionally, risks within the agency's control but that are not included on the audit plan should be addressed by the agency through adequate internal controls.

## Scope and Duration

The Internal Audit Plan for FY 2023 covers the period of September 1, 2023 through August 31, 2024 and will cover all DIR business activities during this period; however, we consider cybersecurity risks separate due to the substantial resources and controls of the agency; the sensitive nature of the information in question; and the highly specialized nature of cybersecurity risk assessment.

## Primary Risk Areas on the Audit Plan

DIR's current audit structure consists of one internal auditor who acts as project manager for audits which are outsourced to audit firms on contract with DIR. The risk assessment and proposed audit plan were developed under the leadership of DIR's audit manager, with assistance from DIR's Chief Risk Officer, with administrative, and technical assistance from other DIR personnel under the acting internal auditor's sole direction. This process was conducted according to all relevant professional standards and with both thoroughness and objectivity.

The two primary risk areas included in the internal audit plan involve an audit of a selected Cooperative contract vendor sales reporting, an audit of third-party applications used in conjunction with the Texas.gov portal, and a review of DIR's Cooperative Contracts to determine if contracted companies are affiliated with foreign governments, militaries, or other sanctioned entities.

Audit engagement objectives proposed in the plan are in general terms. The specific objectives of each audit will be determined by the detailed assessment of the risks at the time the project is initiated. The audit plan may be modified during the fiscal year as circumstances change. The table on the next page provides information on the proposed activities.

## Hour Analysis

Hours were estimated using historical data and auditor's judgement and may be adjusted during the fiscal year based on audit staffing and resources.

## FY24 Annual Audit Plan

<b>Audit Engagement and Preliminary Objectives</b>	
Risk Based Audits	Hours
Follow Up of Open Recommendations	50
Selected Cooperative Contracts (COOP) Vendor Audits	50
Compile list of products offered via COOP that originate from companies that are affiliated with foreign governments, militaries, and other sanctioned entities.	50
Texas.gov 3rd Party Applications	50
Continuation of Audits in Progress	Hours
Selected Cooperative Contracts (COOP) Vendor Audit	20
Shared Technology Services SOC 2 Type 2 Contract Requirements	30
Telecommunications Billing	35
Reserve	40
Projects	
External Audit Coordination	250
Sunset Review Coordination	250
Review CPO Process Guide for Compliance with State Procurement Guide	100
Asset Verification Checks	80
Required Projects	
Review of charters for Internal Audit Activity and the Audit, Finance & Legal Subcommittee	15
Annual report	40
Risk Assessment and Audit Plan	250
Quality Assurance and Improvement Program	10
Board and Subcommittee Meetings	66
<b>Total Project Hours</b>	<b>1,386</b>

## Primary Risk Areas Addressed Outside the Audit Plan

Risk	Proposed Activities or Recent Audit History
Asset Management	Review status of recommendations from SAO Audit of Financial Processes (April 2020)
Contract Management System Access Controls	SAO Follow up of previous audit findings (July 2023)
Contract Documentation	The CPO process guide is due to be published on September 2023, IA will review the document for completeness
Vendor Sales Portal	System built on a legacy system, back-up plans do not exist to mitigate the risk of unavoidable system errors prevent vendors to upload their sales. Relying on new funding to procure and build new reporting system.

## Calculation of Available Hours

Audit hours are based on one approved full-time equivalent employee. Professional standards require internal auditors to obtain at least 40 hours of continuing professional education annually, and additional certifications would require at least 36 hours every three years. Percentages and hours for non-audit hours are based on auditor judgement and experience.

FY 22 Total Available Audit Hours	Total Hours
Total Hours Available	2,080
Non-Audit Hours:	
General Administration	250
Training and Professional Development	80
Holidays (15), Vacation & Sick Leave	364
Total Available Audit Hours	1,386