Fiscal year 2020

Internal Audit Plan

august 2019



# background

The Texas Internal Auditing Act (Texas Government Code 2102) requires the Texas Department of Information Resources (DIR) Internal Audit function to prepare an annual risk-based audit plan that identifies the individual audits to be conducted during the year. The Fiscal Year 2020 audit plan is designed to cover areas of highest risk to the State and the agency; however, it does not cover all risks. Risks outside the audit plan should be mitigated with adequate internal controls designed by management.

The audit plan may be modified during the fiscal year as circumstances change. Any significant updates to the plan will be approved by the Audit and Finance Subcommittee of the DIR board.

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 relative risks at the time the project is initiated.

In addition to the audit projects selected based on the risk assessment, audit hours are also dedicated to non-audit services. 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 such as an annual Internal Audit report, Annual Audit Plan and a Quality Assurance and Improvement Program.

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| --- | --- |
| Audit Engagement and Preliminary Objectives | Hours |
| Risk Based Audits |  |
| Follow Up on Open Audit Findings*Objective: To review open findings from previous audit reports and determine if they are still applicable, have been implemented or are in progress.* | 450 |
| Co-sourced Audits of COOP Vendors (2)*Objective: With the assistance of a contracted audit firm, determine whether COOP vendors are accurately reporting sales on DIR contracts and are accurately calculating and submitting administrative fees.*  | 700 |
| Contract Development Audit*Objective: To determine whether DIR’s actions taken prior to contract execution follow applicable laws and rules.* | 700 |
| Review of policies and procedures in ConvergePoint*Objective: Review the policies and procedures in ConvergePoint document management system to ensure policies are consistent, complete and up to date.*  | 120 |
| Reserve for Audit Projects*Reserve to conduct audits, consulting, investigations, or other assurance activities as requested from the board, management or other sources.* | 500 |
| Required Projects |  |
| External Audit Coordination *To coordinate activities related to external audits conducted by the State Auditor’s Office or other external auditors.* | 200 |
| TeamMate Implementation/Enhancements*To implement enhancements to the TeamMate audit management software.* | 300 |
| IA Activity Charter and Audit and Finance Subcommittee Charter Review*To perform a periodic review of the Internal Audit Activity Charter*  | 40 |
| IA Annual report*To complete the Internal Audit annual report as required by the Texas Internal Auditing Act (Govt Code, Chapter 2102). Due November 1, 2019* | 100 |
| IA Risk Assessment and Audit Plan*To perform the risk assessment and develop the annual audit plan.* | 250 |
| IA Quality Assurance and Improvement Program*To develop and maintain a quality assurance and improvement program as required by Internal Audit Standards*. | 44 |
| Board Meetings*To prepare information and presentations for board meetings.* | 80 |
| **TOTAL HOURS** | **3,484** |

## calculation of available hours

Audit hours are based on 52 weeks at 40 hours per week. Professional standards require internal auditors to obtain at least 40 hours of continuing professional education yearly. Percentages and hours for non-audit hours are based on auditor judgement and experience.

Budgeted hours allocated to the projects included in the plan are based on the total available hours calculated for three approved full-time equivalent employees (FTEs) with the assumption that the staff auditor will not be hired until after the beginning of the fiscal year.

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| --- | --- | --- | --- | --- |
|  | Chief Audit Executive | Senior Auditor | Staff Auditor | Total |
| Audit Hours | 2,080 | 2,080 | 1,040 | 5,200 |
| Non-Audit Hours: |  |  |  |  |
|  General Administration | 300 | 200 | 100 | 600 |
|  Training  | 80 | 80 | 80 | 240 |
|  Holidays (15) | 120 | 120 | 60 | 300 |
|  Vacation & Sick Leave | 240 | 224 | 112 | 576 |
| Total Available Hours | 1,340 | 1,456 | 688 | **3,484** |

## Risk Assessment Methodology

As required, the audit plan was developed using a risk assessment process. The process included reviewing various documents including:

* a survey completed by the Audit and Finance subcommittee,
* organizational charts,
* policies and procedures,
* prior audit reports and risk assessments,
* DIR’s Strategic Plan,
* Applicable laws and rules,
* the 2018 Annual Financial Report and
* the most recent Legislative Appropriation Request.

Executive Leadership Team and other key staff members were interviewed to determine risks and potential fraud in their areas. Due to the current audit of financial processes by the State Auditor’s Office (SAO), there was limited discussion in the Finance and Procurement areas. Once the SAO has defined their objectives and scope of work, they have agreed to share any risks that were identified but not included in the scope of their audit.

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| --- | --- |
| High Risk Area | Proposed Activities or Recent Audit History |
| Internal Audit function | Hire additional staff and develop quality assurance and improvement program |
|  | Review internal audit activity charter and audit and finance subcommittee charter |
|  | Conduct follow up audit of open findings |
|  | TeamMate+ implementation and enhancements |
| COOP Vendor Administrative Fees | Two co-sourced audits of vendor sales reports and submission of administrative fees |
| Contract development and management | Conduct audit of contract development |
| Vendor conformance to SLA requirements | DCS Vendor Management and Performance (January 2018) |
| DCS Security | DCS Compliance with the Texas Administrative Code (Sept 2018) |
| Texas.gov payment processing and revenue sharing | Financial audit of FY 2018 performed by third party CPA firm (July 30, 2019) that included revenue sharing.  |
| Procurement of new DCS/STS services and transition to new vendors | Will monitor as needed and will include work on Fiscal Year 2021 audit plan |
| Staff levels and resources may not be adequate to meet agency needs and objectives | Although turnover is relatively low at DIR, will monitor staffing levels and turnover/hiring process with Human Resources. |