

FISCAL YEAR 2019 INTERNAL AUDIT ANNUAL REPORT

NOVEMBER 2019



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 Sunset Advisory Council, the State Auditor’s Office (SAO) and the governing board and chief executives. The DIR Fiscal Year 2019 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 Fiscal Year 2019 Internal Audit Plan and Fiscal Year 2018 Annual Report can be found on DIR’s website in the document library and on the Internal Audit website. The Fiscal Year 2020 Internal Audit Plan approved at DIR’s August 2019 board meeting can be found on DIR’s website in the document library and on the Internal Audit website. Internal Audit reports are posted on the agency website within 30 days after board approval. The DIR Internal Audit website is located at <https://dir.texas.gov/View-About-DIR/Pages/Content.aspx?id=44>.

II. Internal Audit Plan for Fiscal Year 2019

The Internal Audit Plan for Fiscal Year 2019 was approved by the DIR Board in October 2018. It included planned audits and other required projects for the fiscal year. The following table includes a list of fiscal year 2019 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	STATUS
19-101	Hybrid Cloud Services Billing	Not Completed
19-102	Continuity of Operations Plan	Not Completed
19-103	Management of Public Data	Not Completed
19-104	IT General Controls Assessment – NetPlus, April 2019	Complete
19-105	IT General Controls Assessment – Bidstamp, April 2019	Complete

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.

No other consulting services, as defined in the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing, or nonaudit services, as defined in Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, or Government Auditing Standards, 2018 Revision, Sections 3.64 – 3.106, as applicable, were completed during fiscal year 2019.

IV. External Quality Assurance Review (Peer Review)

A copy of the executive summary from the most recent peer review report is included in Appendix 1.

V. Internal Audit Plan for Fiscal Year 2020

The DIR board approved the Fiscal Year 2020 Internal Audit Plan at the August 2019 meeting. The Contract Development Audit will address contract management and other requirements.

FY 2020 Approved Internal Audit Plan	Hours
Risk Based Audits	
Follow Up on Open Audit Findings and Audits Not Completed from Previous Approved Audit Plans This will include a follow up on open audit findings from previous audits and a review of audits not completed from the FY 2019 audit plan to determine if additional work is merited including: <ul style="list-style-type: none">• Hybrid Cloud Services Billing• Continuity of Operations Plan• Management of Public Data	450
Co-sourced Audits of COOP Vendors (2).	700
Contract Development Audit	700
Review of policies and procedures in ConvergePoint	120
Reserve for Audit Projects	500

Required Projects	
External Audit Coordination	200
TeamMate Implementation/Enhancements	300
IA Activity Charter and Audit and Finance Subcommittee Charter Review	40
IA Annual report	100
IA Risk Assessment and Audit Plan	250
IA Quality Assurance and Improvement Program	44
Board Meetings	80
TOTAL HOURS	3,484

Below is a list of additional risks ranked as “high” that were identified but are not included in the fiscal year 2020 audit plan.

High Risk Area	Proposed Activities or Recent Audit History
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, Internal Audit will monitor staffing levels and turnover/hiring process with Human Resources.

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,

- DIR's Strategic Plan,
- Applicable laws and rules,
- 2018 Annual Financial Report and
- FY 2020 and 2021 Legislative Appropriation Request.

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.

VI. External Audit Services Procured in Fiscal Year 2019

McConnell and Jones, LLP conducted the Texas.Gov Financial Audit Report for Calendar Year (CY) 2018. This financial audit is required by Texas Government Code Sec. 2054.2721.

No other external audits were performed during Fiscal Year 2019.

VII. Reporting Suspected Fraud and Abuse

DIR's website includes a link to the State Auditor's Office website for fraud reporting 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 1 – Peer Review Cover Letter

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,

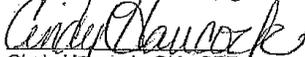
We have completed a Peer Review of the Department of Information Resources for the period August 2015 – August 2016. In conducting our review, we followed the standards and guidelines contained in the Peer Review Manual published by the State Agency Internal Audit Forum (SAIAF).

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


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