

# FISCAL YEAR 2021 INTERNAL AUDIT PLAN

AUGUST 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 an annual risk-based audit plan that identifies the individual audits to be conducted during the year. The Fiscal Year 2021 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.

Audit Engagement and Preliminary Objectives	Hours
Risk Based Audits	
Follow Up of Open Recommendations <i>To follow-up on open findings from the State Auditor's Office and Internal Audit</i>	500
BidStamp Vendor Information System and Contracting Processes <i>To determine if BidStamp ensures compliance with procurement and record management requirements and if contracting processes are documented.</i>	600
Conflict of Interest Processes <i>To ensure that DIR has adequate processes in place to document and manage conflicts of interest.</i>	500
Service Level Agreements (SLAs) and Customer Scorecards <i>To ensure SLA and Customer Scorecard data is reported accurately, meets contract requirements, and is reviewed and managed.</i>	600
Outsourced Audits of COOP Vendors (2) <i>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.</i>	250
Projects	
PCI Compliance Monitoring and Training <i>To assist DIR with PCI compliance by serving on the PCI Governance Committee and attending training.</i>	100
External Audit Coordination <i>To coordinate activities related to external audits conducted by the State Auditor's Office, external auditors, and customer auditors.</i>	400
TeamMate+ Enhancements <i>To implement enhancements to the TeamMate audit management software.</i>	80
UT Internal Audit Student Project	40
Required Projects	
IA Activity Charter and Audit and Finance Subcommittee Charter Review <i>To perform a periodic review of the Internal Audit Activity Charter.</i>	5
IA Annual report <i>To complete the Internal Audit annual report as required by the Texas Internal Auditing Act (Govt Code, Chapter 2102). Due November 1, 2020.</i>	50
IA Risk Assessment and Audit Plan <i>To perform the risk assessment and develop the annual audit plan.</i>	300
IA Quality Assurance and Improvement Program <i>To develop and maintain a quality assurance and improvement program as required by Internal Audit Standards.</i>	44
Board Meetings <i>To prepare information and presentations for board meetings.</i>	75
Peer Review (Self-Assessment with Independent Validation)	150
<b>TOTAL HOURS</b>	<b>3,894</b>

## 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).

	Chief Audit Executive	Senior Auditor	Staff Auditor	Total
Audit Hours	2,080	2,080	2,080	6,240
Non-Audit Hours:				
General Administration	400	300	300	1,000
Training	80	80	80	240
Holidays (14)	112	112	112	336
Vacation & Sick Leave	260	260	250	770
<b>Total Available Hours</b>	<b>1,228</b>	<b>1,328</b>	<b>1,338</b>	<b>3,894</b>

## 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,
- 2019 Annual Financial Report and Budget, and
- the most recent Legislative Appropriation Request.

The Executive Leadership Team and other key staff members were interviewed to determine risks and potential fraud in their areas. Due to the recent audit of financial processes by the State Auditor's Office (SAO), there was limited discussion in the Finance area.

High Risk Area	Proposed Activities or Recent Audit History
Asset Management	Review status of recommendations from SAO Audit of Financial Processes (April 2020)
Bidstamp Vendor Information System and Contracting Processes	Review of BidStamp to ensure compliance with state procurement and record management requirements
PCI Compliance	Audit staff will continue to monitor progress, provide guidance and attend PCI training
Conflict of Interest Processes	Audit of Conflicts of Interest
Service Level Agreements and Customer Scorecards	Audit of Service Level Agreement and Customer Scorecard Information
Business Process Documentation	Review of ConvergePoint policies completed
Cloud Security	Include cloud security SLAs in Audit of Service Level Agreement and Customer Service Scorecard
Cooperative Contracts Vendor Sales Reporting	Audit of COOP Vendors