

**Internal Audit**

**Fiscal Year 2019  
Internal Audit Annual Plan**

**#18-302**

October 2018



Department of Information Resources

## **Internal Audit Mission Statement**

Collaborate with DIR leadership to fulfill the agency's core mission by providing independent and objective audit services designed to add value and improve the effectiveness of risk management, control, and governance processes.

## **DIR Internal Audit**

Catherine J. Sherwood, CPA, CISA, CTCM | Interim Director

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## Background

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The Texas Internal Auditing Act (Texas Government Code 2102)<sup>1</sup> requires the DIR Internal Audit Director to prepare a risk-based annual audit plan to identify individual audits to be conducted during the year.

To comply with state law, DIR Internal Audit prepared this report that documents the agency's Fiscal Year 2019 Internal Audit Plan. The Plan will be presented to the DIR Board for approval at the November 1, 2018 meeting. Upon selection of the Internal Audit Director, the Board will work with Internal Audit to ensure adequate and sufficient resources to effectively achieve the audit plan and amendments will be made, as appropriate.

The annual plan is published in the DIR Internal Audit Web Page located at <http://dir.texas.gov/View-About-DIR/Pages/Content.aspx?id=44>.

## Fiscal Year 2019 Internal Audit Annual Plan

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The Texas Government Code Chapter 2102 (known as the Texas Internal Auditing Act), Subchapter B, §2102.005, Internal Auditing Required, states Internal Audit shall conduct an annual audit plan that is prepared using risk assessment techniques that identify the individual audits to be conducted during the year.

Accordingly, DIR Internal Audit developed an integrated approach to developing its annual risk assessment and annual plan that includes strategic, operational, financial, information technology (IT), information security, contracting, and regulatory compliance considerations.

The following Fiscal Year 2019 Internal Audit Annual Plan was presented to the Finance and Audit Subcommittee and was approved at the November 2018 Board Meeting.

Audit Project #	Audit Project Name/ Preliminary Objective(s)	Budgeted Hours*
19-100	<b>Assurance Audits</b>	
19-101	<i>Hybrid Cloud Services Billing</i> Preliminary Objective - To assess whether the management and accounting methods over the hybrid cloud services billing process are adequate and followed.	400

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<sup>1</sup> Texas Government Code §2102: Internal Auditing

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Audit Project #	Audit Project Name/ Preliminary Objective(s)	Budgeted Hours*
19-102	<i>Continuity of Operations Plan</i> Preliminary Objective – To evaluate the effectiveness of DIR’s continuity of operations plans for disasters or business disruptions.	200
19-103	<i>Management of Public Data</i> Preliminary Objective - To evaluate the effectiveness of established controls for information sharing, privacy policies, and security.	350
19-104	<i>IT General Controls Assessment - NetPlus</i> Preliminary Objective - To evaluate IT general controls <sup>2</sup> for NetPlus, the application used to manage DIR customer billing for telecommunications services.	180
19-105	<i>IT General Controls Assessment - BidStamp</i> Preliminary Objective - To evaluate IT general controls for BidStamp, the application used to manage DIR procurement activity.	180
<b>19-200 Consulting and Non-Audit Services</b>		
19-201	<i>Vendor Sales Reporting for Non-USAS Customers</i> Preliminary Objective (Consulting) - To assist the Chief Procurement Office with developing a risk-based methodology for enhanced monitoring and oversight of vendors sales reporting.	300
19-202	External Audit Coordination	150
19-203	Workgroups/Boards/SAIAF/Service to Profession	100
19-204	Reserved for Agency Management and Board Requests	275
<b>19-300 Required Projects</b>		
19-301	Follow-up on Audit Recommendations: <ul style="list-style-type: none"> <li>• Performance Measures (15-102)</li> <li>• Enterprise Contract Management (15-103)</li> <li>• DIR Governance Assessment (16-101)</li> <li>• DIR Ethics Evaluation (16-102)</li> <li>• Xerox Print-Mail Services (17-103)</li> </ul>	400
19-302	Fiscal Year 2020 Internal Audit Risk Assessment/ Annual Plan	200
19-303	Fiscal Year 2019 Internal Audit Annual Report	40
19-304	Fiscal Year 2019 Internal Audit Annual Assessment	40
<b>19-400 Special Projects</b>		

<sup>2</sup> IT general controls include security management, access controls, configuration management, segregation of duties, and contingency planning for information systems. The scope of the assessment will be based on the results of the project risk assessment.

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19-401	External Assessment (Peer Review Participation)	40
19-402	Transition Teammate to Cloud Solution	80

\* 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) and two outsourced/co-sourced audit projects. The actual execution of this plan will be dependent on the level of resources available to DIR Internal Audit during fiscal year 2019.

Goals for fiscal year 2019 are to:

- Allow for flexibility in the audit plan to move toward a continuous risk assessment process within the internal audit function.
- Establish a core team for stability and continuity in department staffing.
- Utilize contract audit staff to the extent possible to leverage subject matter expertise and to increase access to professional resources, as needed.
- Evaluate (a) the work of external audit teams, (b) available System and Organization Controls (SOC) reports, and (c) other reports or management letters to identify risks covered by other auditors or regulators.

The following auditable activities are for recently procured services with contracts in effect beginning September 1, 2018, so these high-risk areas were not included in the Fiscal Year 2019 Internal Audit Plan. However, the risks will be reevaluated after the new contracts are operational for at least 6-12 months.

- Multi-Sourcing Integrator (MSI) Vendor Management and Performance
- Texas.Gov Payment Processing
- Managed Security Services

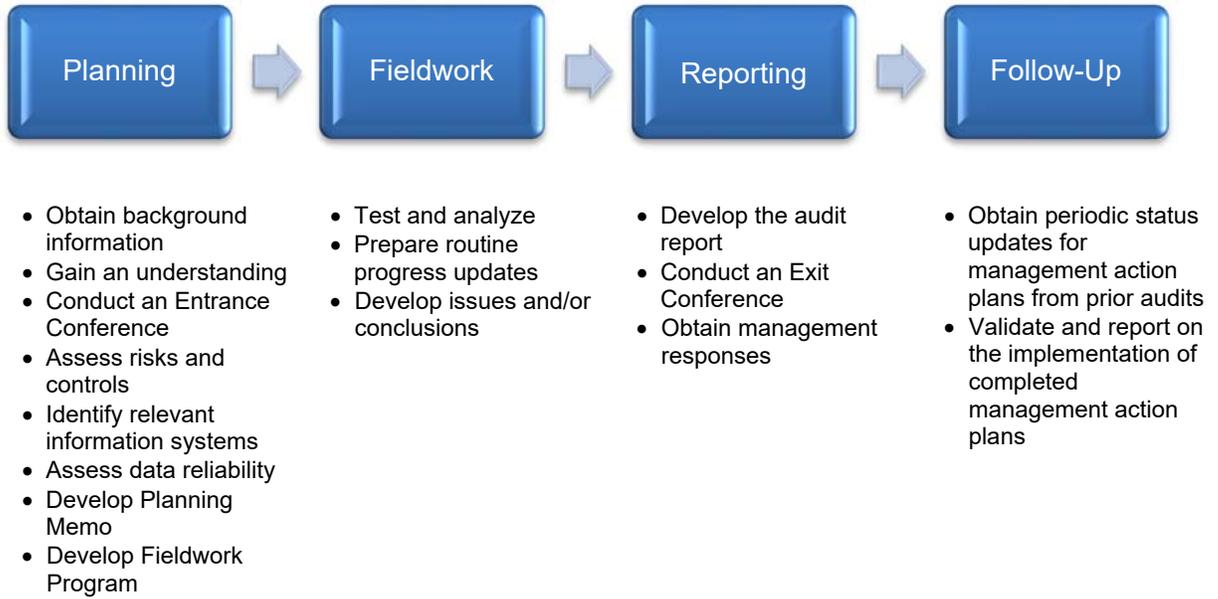
None of the audit projects included in the annual plan address benefit proportionality, expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act (GAA).

The Fiscal Year 2019 Internal Audit Annual Plan will be modified to accommodate any changes in risk that require modification of the plan, if needed. Revised plans will be submitted to the DIR Board for approval and a copy will be submitted to the oversight agencies.

## Internal Audit Process

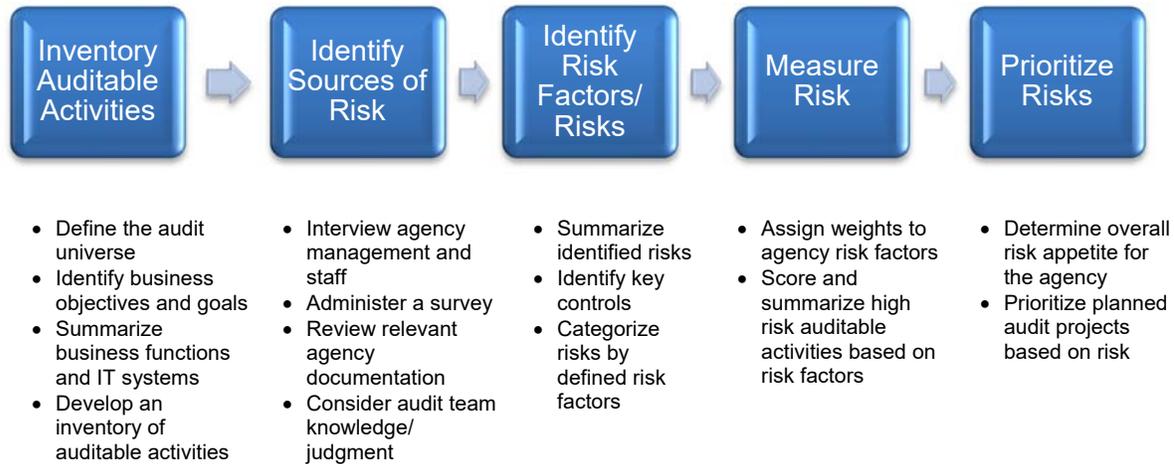
DIR Internal Audit established the following audit process to execute audits included in the annual plan and to comply with auditing standards.

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### Risk Assessment Process

DIR Internal Audit established the following risk assessment process to identify and measure agency risks for purposes of prioritizing planned audit projects.



Risks were identified using a risk factor approach and were measured using impact and likelihood scores. Some common risk factors aligned to agency strategic and operational objectives included:

- Lack of adequate resources – staffing and/or funding
- Significant dependence on strategic partners
- Poor outcomes to customers
- Complexity of operations

- Non-compliance with state law, established policy, or contract provisions

Risks associated with information technology were included in the risk assessment. In prioritizing risks, Internal Audit also considered prior recent audit coverage for auditable activities. The DIR audit plan is aligned to the agency's goals and risk appetite, and Internal Audit communicates periodically with the DIR Board and Executive Leadership Team (ELT) to discuss risks and to obtain input regarding planned audits. The DIR Board and ELT understand their responsibilities regarding risk and the importance of risk exposures to the agency's governance, operations, and information technology.

**Department of Information Resources  
Internal Audit**

**Fiscal Year 2019 Internal Audit Plan**

**APPROVAL:**



Cathy Sherwood  
DIR Interim Internal Audit Director



Date



Ben Gatzke  
DIR Board Chair and  
Finance and Audit Subcommittee Chair



Date