

INTERNAL AUDIT PLAN

FY 2016

Internal Audit Division



**Office of the Attorney General
State of Texas**

Approved: December 2015

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Overview

The annual audit plan is a guide that is developed for the utilization of the division's resources during the fiscal year in order to address the risks of the Office of the Attorney General (OAG). Audits and other projects selected for review and included in the annual audit plan are those areas that represent risk to the agency based on the agency-wide annual risk assessment.

The audit plan is a dynamic document that may change during the fiscal year as circumstances change. Requests from management, changes in audit resources, and changes in the agency's organization or operations could result in changes to the plan. Any significant changes to the plan would require approval from the First Assistant Attorney General.

Project objectives proposed in the plan are in general terms. The specific objective of each audit project is determined by the detailed assessment of relative risks for the project at the time the project is initiated.

The audit plan was developed using current audit resources. Additional auditors are anticipated to be hired to supplement existing audit resources during the audit year. As supplemental auditor hours become available, additional projects will be submitted to the First Assistant Attorney General for review and approval.

The Role of Internal Audit

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

IAD complies with the United States Government Accountability Office's (GAO) Government Auditing Standards (2011 Revision), the Institute of Internal Auditors' (IIA) International Professional Practices Framework (2013 Edition), and the Information Systems Audit and Controls Association's IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals (September 2014). The Internal Audit Charter, approved by the Attorney General and the First Assistant Attorney General sets forth the purpose, authority, and responsibility of IAD.

Professional and Statutory Requirements

This document provides the Fiscal Year 2016 audit plan as required by the Internal Audit Charter, GAO, and IIA professional auditing standards, and the Texas Internal Auditing Act, Texas Government Code 2102.008. The Act requires state agencies to conduct a program of internal auditing that includes an annual audit plan prepared using risk assessment techniques and identifies the individual audit projects to be conducted during the year.

This plan is prepared in accordance with the Institute of Internal Auditors' International Professional Practices Framework and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). The plan is developed based on an assessment of risk and potential exposures that may affect the organization. Ultimately, Internal Audit's objective is to provide management with information to reduce exposure to the negative effects that may be associated with operations intended to achieve management's objectives. The degree or materiality of exposure can be viewed as risks mitigated by establishing sound internal controls.

The planning process is consistent with the agency's approved Internal Audit Charter and the division's goals. The plan of engagements is based on a documented risk assessment. In addition to the risk assessment, the planning process includes the assessment of available audit resources.

Types of Reviews

The Internal Audit Division (IAD) conducts performance audits and non-audit services, as well as follow-up reviews.

Performance audits are engagements that provide assurance or conclusions based on an evaluation of sufficient appropriate evidence against stated criteria. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Therefore, the sufficiency and appropriateness of evidence needed and tests of evidence will vary based on the audit objectives and conclusions.

Follow-up reviews are conducted to determine the adequacy, effectiveness, and timeliness of actions taken by management on reported engagement findings and recommendations. This work determines if management actions have resulted in lowering risks or if management has assumed the risk of not taking corrective action on reported findings. Follow-up projects are conducted on previous IAD reported findings, as well as the State Auditor's Office and other external entities' reported audit findings. These audits are scheduled within a reasonable time frame to allow management sufficient opportunity to implement corrective actions.

Non-audit services are advisory client service activities which are intended to add value and improve the agency's governance, risk management, and control processes. Examples include counsel, advice, facilitation, and training. This type of project can only be conducted if providing the non-audit service does not create impairments to independence, either in fact or appearance, with respect to future audit projects.

Development of the Audit Plan

The Internal Audit Division allocates its resources in a manner that is consistent with the mission and goals of the Office of the Attorney General. To support the OAG's mission, audit coverage is considered across the agency. The audit plan is designed to provide coverage of key business processes, over a reasonable period of time, given the existing staff.

The following key factors were considered to assess risk and develop the audit plan:

- Potential for impact on agency-wide policies and procedures
- Changes in systems, processes, policies, or procedures
- Results and time since last audit engagement
- Extent of government regulation
- Information and communication
- Transaction volume
- Staff turnover

In addition to the projects selected based on risk assessment results, audit hours are also dedicated to follow-up reviews, carry-forward projects, and non-audit services.

Internal Audit is also required by law and auditing standards to conduct certain activities on an annual and/or periodic basis, such as an internal quality control assessment, an annual audit report, and an external peer review. Those required activities are also included in the audit plan.

To ensure the auditors maintain a steady workload throughout the year, some audit projects are scheduled to start near the end of one fiscal year and require time in the following year to complete. There are a few carry-forward projects identified on the Fiscal Year 2016 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2016, the following identified projects relate to capital budget control, contract management and other requirements of Senate Bill 20:

- Performance Audit - Contract Reform - pre-implementation review of current contracting environment;
- Non-Audit Service - Contract Reform Legislation Implementation Activities - Participate in enterprise wide work groups or committees in an advisory capacity; and
- Non-Audit Service – Capital Budget Controls - Assist management enterprise wide in a consulting role during strategic budget assessments (e.g., zero based budgeting).

Planned Internal Audit Activities

Planned internal audit activities include the following: performance audits, follow-up audits, carry forward projects, non-audit services, and mandated projects.

Performance (Assurance) Audits Planned for FY 2016				
Auditable Unit	Audit Area	Title of Project	Preliminary Objectives	Estimated Budget Hours
Enterprise Wide	IT Governance	IT - Portfolio Management – Phase I: Assess agency processes for determining and executing legacy system replacements	Assess agency processes for identifying legacy systems, assessing maintenance requirements, and decision for continuance or replacement.	500
Administrative and Legal (Select Legal Divisions)	Work Flow Efficiency	Review of Legal Case Workflow	Document the current case workflow process and as applicable offer recommendations to maintain efficient workflow utilizing new system technology (e.g., Legal Case Management System - LCMS)	600
Enterprise Wide	Contract Reform Legislation	Contract Reform	Pre-implementation review of current contracting environment and modifications necessary to comply with recent Contract Reform Legislation.	500
Total Performance Audit Project Hours				1,600

Prior Audit Follow-up		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	Audit Area (s)	Estimated Budget Hours*
Administrative and Legal	<ul style="list-style-type: none"> ▪ Fraud Waste and Abuse Prevention Program 	150
Child Support	<ul style="list-style-type: none"> ▪ Transactional Attorney Section ▪ Contract Compliance Review ▪ Texas Debit Card ▪ TXCSES and State Disbursement Unit (Profile and System Audit Controls) ▪ Field Operations (Order Entry Case Processing Controls) 	

*Additional budget hours will be added as audit resources are hired. Follow-up will occur based on risk level and implementation date of the recommendation.

Carry Forward Projects (FY 2015)					
Auditable Unit	Audit Area	Title of Project	Estimated Budget Hours	First Quarter Hours *	Remaining Fiscal Year Estimated Budget Hours
Child Support	Technology	CS Network Services Audit	350	86.25	263.75
Child Support	Compliance Monitoring	Contract Compliance	50	CAE	50
Child Support	Process Analysis and Assurance	Business Management Information	25	CAE	25
Enterprise Wide	IT Governance	TAC 202	25	CAE	25
Enterprise Wide	Post Implementation Review	E-Leave System	350	42	308
Total Hours			800	128.25	671.75

*Chief Audit Executive (CAE) activity during first quarter of fiscal year 2016, project in final reporting phase.

Non-Audit Services (Consulting or Advisory) for FY 2016					
Auditable Unit	Non-Audit Area	Objectives	Estimated Budget Hours	First Quarter Hours	Remaining Fiscal Year Budget Hours
Child Support Division	Project Management, Financial, and Implementation Protocol	TXCSES 2.0 Consulting	350	73	287
Enterprise Wide	Compliance	Contract Reform Legislation Implementation Activities– Participate in enterprise wide work groups or committees in an advisory capacity.	100	-	100
Enterprise Wide	Strategic	Business Continuity - Business impact analysis and disaster recovery consulting.	100	-	100
Enterprise Wide	Governance	As requested, assist management enterprise wide in a consulting role during strategic budget assessments (e.g., zero based budgeting).	100	-	100
Administrative and Legal	Project Management - Implementation	Crime Victim Services Consulting – Phase II and Phase III (Portal)	100	10	90
Administrative and Legal	IT Governance	Legacy System Replacement Consulting	100	5	95
Enterprise Wide	Governance	Information Protection and Accessibility (Texas Govt. Code Chapter 2054, subchapter M and Texas Administrative Code, Title 1, Chapters 206 and 213) Work groups.	25	8	17
Total Non-Audit Services Hours			875	96	779

Other First Quarter Activities			
Description	Estimated Budget Hours	First Quarter Hours*	Remaining Estimated Budget
<ul style="list-style-type: none"> ▪ Enterprise Wide Risk Assessment – FY 2016 Audit Plan ▪ Audit Liaison Activities (IBM) ▪ Information Technology External Assessment Review 	1,000	787	213

* Hours represent a combination of auditor and Chief Audit Executive activities for the noted projects.

In addition to planned audit and non-audit services, the Internal Audit Division has on-going administrative responsibilities, which include:

- Performance of Audit Liaison Activities with External Auditors or Reviewers
- Issuance of an Annual Internal Audit Report
- Development of an Annual Risk Assessment and Audit Plan
- Internal Audit Division Annual Self-Assessment
- TeamMate Upgrade Implementation and Training
- Update of the Internal Audit Charter
- Hiring and Training New Audit Staff

Appendix I

Available Staff Time Estimate for FY 2016

To ensure that internal audit resources are sufficient and effectively utilized to achieve the approved plan, an analysis was conducted to determine the amount of direct audit time that would be available by the audit staff. The Fiscal Year 2016 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2016.

Total Annual Available Hours Per Full Time Equivalent (FTE)	
Annual Totals	Hours
Based on 52 weeks @ 40 Hours Per Week	2,080
Annual Leave (12.6 hours * 12 months)	-151
Sick Leave (14 days * 8 hours/day)	-112
Holiday/Adm. Leave	-144
Total Available Work Hours	1,673
Training/CPE 40 hours per auditor plus 10 for additional certifications	-50
Audit Support/Miscellaneous (14 days * 8 hours/day)	-112
Administration/Non-CPE Training (45 weeks * 2.5 hrs/week)	-113
Total Available Project Hours	1,398

Note: Totals reflect automatic rounding in spreadsheet.

Total Estimated Internal Audit Division Staff Project Hours Available in FY 2016 as of December 1, 2015¹

Total Estimated Available Auditor Project Hours as of December 1, 2015				
Current Audit Resources	Total Available Direct for Fiscal Year 2016	Reserved Direct Audit Hours (~10%)	Projected First Quarter Available Hours	Remaining Available Hours for FY 2016
Budgeted Hours for Experienced Auditors	4,195	419	1,000	2,776

Note: Totals reflect automatic rounding in spreadsheet.

¹ The Internal Audit Director in addition to oversight is also an audit resource that can be used to achieve planned projects. Auditors are anticipated to be hired to supplement existing audit resources during the audit year, thus increasing available audit hours accordingly. Estimated increase of available audit hours for each new auditor as they are on boarded is 1,080 per auditor, with 320 hours allocated for training of each auditor. As hours become available, new audit staff will supplement existing projects and increase available hours for additional audit coverage and mandated audit activities.

Other Proposed Internal Audit Projects for Addition as Audit Resources are Hired

The audit plan was developed using current audit resources.

Additional auditors are anticipated to be hired to supplement existing audit resources during the audit year. As supplemental auditor hours become available, additional projects will be submitted to the First Assistant Attorney General for review and approval.

Other proposed projects are components of or related to planned audit activities for the fiscal year, such as Governance, Information Technology, Leave Accounting, and Information Protection.

Appendix II

Summary of Available Audit Hours

Available Hours	
Description	Budget
Internal Audit Division Staff Project Hours	4,195
Hours Reserved for Special Projects (4,195 x 10%)	(419)
Total Internal Audit Staff Project Hours	3,776
Supplemental - Administrative/Audit Support Hours	649
Total FY 2016 Audit Project Hours Available	4,425

Allocation of Available Hours			
Description	Budget	Actual*	Remainder
Total Hours – Performance Audits	1,600	-	1,600
Total Follow-up Audit Hours	150	-	150
Total Carry Forward Audit Hours	800	128.25	671.75
Total Non-Audit Consulting & Review Hours	875	96	779
Other First Quarter Activities (excluding carry forward and non-audit consulting)**	1,000	787	213
Total Hours Allocated and Remaining	4,425	1,011.25	3,413.75

*All First Quarter Activities Performed as of December 1, 2015.

** Other First Quarter Activities - Enterprise Wide Risk Assessment – FY 2016 Audit Plan, Audit Liaison Activities (IBM), and Information Technology External Assessment Review.