

An Annual Report of the
**Office of the Attorney General
Internal Audit Division**

Fiscal Year 2020



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

November 2020

Table of Contents

<u>Section</u>	<u>Page</u>
I. Compliance with Texas Government Code, Section 2102.015.....	1
II. Status of the Internal Audit Plan for Fiscal Year 2020.....	3
III. Consulting Engagements and Non-Audit Services.....	7
IV. External Quality Assurance Review.....	11
V. Internal Audit Plan for Fiscal Year 2021.....	14
VI. External Audit Services Procured in Fiscal Year 2020.....	16
VII. Reporting Suspected Fraud and Abuse.....	18
VIII. Annual Report Distribution.....	20
Appendix A	22
Compliance with Texas Government Code, Section 2102.015 (Summary of Recommendations, Management Responses, and Implementation Status)	

Section I

Compliance with Texas Government Code Section 2102.015

Office of the Attorney General Internal Audit Division's Annual Report for Fiscal Year 2020

This report is submitted in accordance with the requirements of Government Code, Chapter 2102 (Texas Internal Auditing Act). The report includes information on Internal Audit activities of the Office of the Attorney General's Internal Audit Division that occurred or was performed during Fiscal Year 2020.

I. Compliance with Texas Government Code, Section 2102.015

The Office of Attorney General Internal Audit Division complies with Texas Government Code, Section 2102.015 by posting the Internal Audit Plan, Internal Audit Annual Report, and other audit applicable information on the agency's internet website within 30 days from the date approved by the First Assistant Attorney General. Documents that require posting by Texas Government Code, Section 2102.015 are submitted to the Office of the Attorney General's Public Information Officer for review in relation to matters that should be excepted from public disclosure under Chapter 552 of the Texas Government Code prior to posting on the Internet.

In addition to annual and periodic reporting compliance, a summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is in Appendix A.

Section II

Status of the Internal Audit Plan for Fiscal Year 2020

II. Status of the Internal Audit Plan for Fiscal Year 2020

The following tables provide information regarding the status of Fiscal Year 2020 Internal Audit Plan activities.

Performance Audits

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise Wide – Facilities Security Incident Response Review	Final Audit Phase (Reporting)	P20-08	N/A
The objective of the audit was the assessment of current Facilities Security Incident Response, which included identification of best practice for security. In addition, the following was covered for the Child Support Division (CSD): Evaluated processes over identifying and responding to human threats at physical locations.			
Child Support – Field Physical Layout & Oversight	Complete	P20-09	9/25/2020
The objective of this audit was to identify and document the inventory of physical locations as well as the organization of management oversight.			

Prior Audit Follow-up Activities

Auditable Unit - Prior Audit Follow-up Activities Status Update	Audit Phase	Internal Audit Project Number	Date Released
Civil Litigation – Bankruptcy and Collections Audit: Case Quality Control - Follow-up	Final Audit Phase (Reporting)	P20-12	N/A
Enterprise Wide – Information Security Audit: Incident Management - Follow-up	FY 2021 Follow-up Activity	N/A	N/A
Enterprise Wide – Receiving Audit: Direct Shipment Notification Process - Follow-up	Complete	P20-13	10/30/2020
Enterprise-Wide – Information Technology Audit: IT Asset Management Hardware Review - Follow-up	FY 2021 Follow-up Activity	N/A	N/A
Enterprise Wide – Human Resources and IT Access Management Audit: Employee Separation Process - Follow-up	Complete	P20-10	7/31/2020
Enterprise Wide – Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up	FY 2021 Follow-up Activity	N/A	N/A

Auditable Unit - Prior Audit Follow-up Activities Status Update	Audit Phase	Internal Audit Project Number	Date Released
Civil Litigation – Transportation Consulting: Process Review - Follow-up	Final Audit Phase (Reporting)	P20-106	N/A
Enterprise Wide – Information Technology Consulting: Software Contract Compliance Monitoring Activities - Follow-up	Final Audit Phase (Reporting)	P20-111	N/A

Approved Revision to the FY 2020 Audit Plan

The plan submitted on November 1, 2019 was approved for revision as follows.

Consulting Engagements: Two consulting engagements were added using dedicated fiscal year 2020 special project reserve hours.

- Medicaid Fraud Control Unit Investigative Auditor; and
- Communications Division Data Analysis.

Timing of Follow-up Activities: Internal Audit received approval to move formal follow-up activities for the three projects denoted below to fiscal year 2021. Key changes in management (normal workforce attrition) and general processing environments (reasonable adjustment of the implementation timing of planned enhancements) support the logical movement of the follow-up of activities to the subsequent fiscal year. Internal Audit held discussions with current operational management to review prior reports and associated recommendations and prior management action plans for assurance of action plan implementation awareness.

- Enterprise Wide – Information Security Audit: Incident Management - Follow-up;
- Enterprise Wide – Information Technology Audit: IT Asset Management Hardware Review - Follow-up; and
- Enterprise Wide – Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up.

Compliance with Texas Government Code, Section 2102.005(b)

The Internal Audit Division (IAD) uses an established risk assessment process to identify agency operational risks and controls. The annual risk assessment survey includes controls designed to ensure compliance with agency policy over contract processes, including monitoring agency contracts, specified under Texas Government Code, Section 2102.005(b) effective September 1, 2020.

Activities performed in Fiscal Year 2020 addressing contract processes and/or contract monitoring were as follows:

- Provided internal feedback to operational management for consideration and a listing of contract related internal audits in line the State Auditor Office's (SAO) Internal Audit Reporting guidelines and SAO's Senate Bill (SB) 65 assessment requirements;
- Completed Enterprise-Wide Procurement Requests - Process Analysis and Assurance Follow-up;
- Completed Enterprise-Wide Assessment of Invoice Validation Practices (Contract Monitoring – Vendor Billing Compliance and Contract Requirements); and
- Conducted Follow-up Review of Agency Software Contract Compliance.

Section III

Consulting Engagements and Non-Audit Services

III. Consulting Engagements and Non-Audit Services

The following tables provide a description of approved consulting engagements and non-audit services performed during fiscal year 2020.

Consulting Engagements (Non-Audit Services) Performed during FY 2020

Consulting Engagements (Non-Audit Service Project) Title/ Summary Description	Project Number	FY 2021 Activity
Law Enforcement – Internet Crimes Against Children (ICAC) Workflow Assessment	P20-107	Final Project Phase (Close-Out Activities)
Internal Audit analyzed ICAC workflow and offered recommendations for management’s consideration.		
Law Enforcement – Fugitive Apprehension Workflow Assessment	P20-108	Final Project Phase (Close-Out Activities)
Internal Audit analyzed workflow and staff utilization and offered recommendations for management’s consideration.		
Law Enforcement – Medicaid Fraud Control Unit (MFCU) Investigative Auditor Consulting Engagement	P20-109	N/A – Project Complete
Internal Audit provided targeted technical assistance to MFCU related to analysis of MFCU’s Investigative Auditor positions.		
Communications Division Data Analysis	P20-110	N/A – Project Complete
Internal Audit provided targeted technical assistance to the Communication Division with data gathering and analysis of select division deliverables.		

Routine Non-Audit Service Projects Identified in the FY 2020 Audit Plan

Routine Non-Audit Services are generally on-going activities that will also occur during the subsequent fiscal year.

Routine Non-Audit Service Project Title/ Summary Description	Project Number
Child Support – Project Management, Financial and Implementation Protocol	P20-100
This routine non-audit service (consulting engagement) provides advisory services to Child Support Division management during system design, development, and implementation.	
Enterprise Wide – Project Management and Risk Mitigation (Centralized Accounting and Payroll/ Personnel System)	Audit Support Activity
Ongoing consulting engagement that will occur until the Centralized Accounting and Payroll/Personnel System (CAPPS) is fully implemented within applicable divisions. As applicable, this consulting engagement affords an avenue for Internal Audit to provide advisory services and feedback for management’s consideration as operational personnel plan and implement CAPPS.	
Enterprise Wide – Texas Administrative Code 202 Compliance and Follow-up Activities (IT Governance Component)	Continuous Monitoring Activity
During 2020, Internal Audit reviewed historical Texas Administrative Code (TAC) requirements and internal recommendations to determine current applicable recommendations to revised and expanded TAC requirements. Outreach to the Agency’s Information Security Officer occurs as needed during fiscal year.	
Peer Review Participation for Reciprocity Requirements	Administrative Activity
In line with reciprocity requirements, the OAG Internal Audit Division has personnel trained to lead and/or assist with external quality assurance reviews for another state agency to determine the audit function’s compliance with required auditing standards.	
Crime Victim Services Consulting – Project Management and Risk Mitigation Feedback	P20-101
Internal Audit attended periodic project meetings and, as applicable, provided feedback to Crime Victims Compensation (CVC) management for their consideration in the assessment of any further enhancement of system designed processing or access controls for various project phases of the CVC system development process.	
Strategic – Business Continuity	Non-Audit Activity

Routine Non-Audit Service Project Title/ Summary Description	Project Number
Internal Audit provided information for management’s consideration regarding business continuity as applicable.	
Legacy System Replacement Consulting (IT Governance)	P20-102
Internal audit provided independent and objective recommendations to management for consideration related to legacy system redesign or replacement projects.	
Enterprise-Wide Governance – Information Protection Work Group	Audit Support Activity
Internal Audit serves in an advisory role for Information Protection work group (Texas Government Code Chapter 2054, subchapter M). During FY 2020 Internal Audit provided general overview of work group historical meeting coverage.	
External Audit Liaison Activities	Audit Support Activity
Served as audit liaison in various external reviews or research requests (e.g., State, Federal, and Software License Reviews). Primary duties included coordination of applicable meetings, information and research requests, and ensuring the safeguarding of disseminated information.	

Section IV

**External Quality Assurance Review
(Peer Review)**

IV. External Quality Assurance Review

In compliance with International Professional Practices Framework (IPPF - red book) and Governmental Auditing Standards, the OAG's Internal Audit Division received an External Quality Assurance Review. The latest quality assurance report was issued in March 2018. Internal Audit received the highest of three possible ratings during the last peer review. The review's overall conclusion is provided on the following page.

The Internal Audit Division will continue to demonstrate its commitment to the IIA Code of Ethics and fulfillment of responsibilities as defined within the Internal Audit Charter.

External Quality Assurance Review

OVERALL OPINION

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the State of Texas Office of the Attorney General (OAG) Internal Audit Division receives a rating of "**Pass/Generally Conforms**" and is in compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and Code of Ethics, the United States Government Accountability Office (GAO) Government Auditing Standards, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). 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 audit function.


We found that the Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Division is well managed internally. In addition, the Division has effective relationships with the Attorney General and First Assistant Attorney General and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Audit a useful part of the overall agency operations and finds that the audit process and recommendations provided in the reporting process add value and help improve OAG's operations.

The Internal Audit Division has reviewed the results of the peer review team's work and has accepted them to be an accurate representation of the Division's operations.

Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Attorney General, First Assistant Attorney General, and the members of OAG Executive Management who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.


Chance Watson
Director of Internal Audit Texas
Department of Family & Protective
Services
SAIAF Peer Review Team Leader

3-19-18
Date


Priscilla Salomon
Assistant Internal Audit Director Texas
Comptroller of Public Accounts SAIAF Peer
Review Team Member

3-20-18
Date

Section V

Internal Audit Plan for Fiscal Year 2021

Internal Audit Plan for Fiscal Year 2021

The fiscal year 2021 proposed Internal Audit Plan (Plan) is scheduled to be presented to current Executive Management for review on November 4, 2020. Upon completion of Executive Management review, the approved plan will be submitted as defined in the Internal Audit Annual Report Requirements.

Overview of Internal Audit Plan Development

The 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 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.

Section VI

External Audit Services Procured in Fiscal Year 2020

VI. External Audit Services Procured in Fiscal Year 2020

During Fiscal Year 2020, there were no audit services procured that required approval from the State Auditor's Office in accordance with Texas Government Code, Section 321.020.

Section VII

Reporting Suspected Fraud and Abuse

VII. Reporting Suspected Fraud and Abuse

In accordance with requirements of Section 7.09, page IX-37, the General Appropriations Act (86th Legislature), the Office of the Attorney General (OAG) of Texas provides instructions on its public website for reporting Fraud Waste and Abuse to the State Auditor's Office fraud hotline and to the OAG. In addition, the OAG's public website provides a link to the State Auditor's Office website for reporting fraud.

In addition to information located on the public website, Fraud, Waste, and Abuse Policies and Procedures are posted on the OAG's Intranet for all employees to reference. The agency's Fraud, Waste, and Abuse Prevention Program requires all employees to take Fraud, Waste, and Abuse Prevention Program training within 30 days of initial employment and every two years thereafter. Furthermore, an appointed ethics advisor is available for employees to consult.

In relation to Texas Government Code, Section 321.022, Coordination of Investigations, when the State Auditor's Office receives a complaint and refers that complaint to the Internal Audit Division, the Chief Audit Executive coordinates the investigation with the appropriate divisions within the OAG.

Section VIII

Annual Report Distribution

VIII. Annual Report Distribution

This report is forwarded via email to the following oversight agencies:

Governor's Office - Budget and Policy Division – budgetandpolicyreports@gov.texas.gov

State Auditor's Office – iacordinator@sao.texas.gov

Legislative Budget Board – audit@lbb.state.tx.us

Appendix A

Compliance with Texas Government Code 2102.015

*Summary of Recommendations, Management Responses, and
Implementation Statuses*

Appendix A

A summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is in the following table.

Summary of Audit Activities – Reported in 2020 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
<i>The current status of the following prior audit recommendations is reflected within this annual report for submittal to applicable oversight entities and in compliance with Texas Government Code 2102.015.</i>			
Follow-up on the Child Support Division’s Case Processing Controls for Order Entry (Report 17-13)	Eleven recommendations were offered in the original audit (Report 13-14) for management’s consideration regarding Case Processing Controls for Order Entry.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to implement recommendations.	Management has fully implemented nine of the eleven recommendations offered. The risk associated with one control environment enhancement was mitigated by an alternative interim control. IAD submitted enhancement information to applicable IT and CSD management personnel to assess the feasibility of future automated control measures.
Follow-up on Agency Wide Evaluation of the Effectiveness of the Agency’s Fraud Waste and Abuse Prevention Program (FWAPP) and Biennium Review (Report 16-12)	Twelve recommendations were offered for management’s consideration (11 in report 14-09 and one in report 16-12). Recommendations were offered to ensure the continued effectiveness of the FWAPP and enhance internal processes which are designed to ensure the readily apparent resolution of a complaint.	Management responses reflect agreement with observations noted in the prior audit reports and the feasibility of audit recommendations.	Management has addressed ten of the eleven recommendations offered in report 14-09. One recommendation was offered in report 16-12. The final status of the remaining two recommendations from prior audits is scheduled to be assessed during calendar year 2021.

Summary of Audit Activities – Reported in 2020 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
Follow-up on Agency Wide Contract Reform Audit (Report 17-11)	Eleven recommendations were offered in the original audit (Report 16-08) for management consideration regarding new contract legislative requirements.	Management responses in the prior audit report reflect agreement with observations and denote planned actions to implement recommendations.	<p>Management has taken action to fully implement nine of the eleven prior audit recommendations. The implementation of the two remaining recommendations is contingent upon Agency's implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS).</p> <p>Remaining recommendations: Enhanced contract solicitation and contract information reporting to the Texas Comptroller's Office through CAPPS.</p> <p>The estimated goal for implementation of CAPPS is during fiscal year 2023.</p>
Bankruptcy and Collections – Case Quality Control (Report 18-11)	Seven recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	<p>The division identified target action dates for the audit recommendations.</p> <p>A follow-up audit was performed in 2020 to document the status of management actions. Final report estimated external distribution is during December 2020.</p>
Assessment of Invoice Validation Practices (Contract Monitoring – Vendor Billing Compliance with Contract) (Report 18-12)	Four recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	The divisions identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.

Summary of Audit Activities – Reported in 2020 (Recommendations, Management Responses, and Implementation Statuses)

Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
Direct Shipment Notification (Report 18-13)	Six recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	The division has taken action to address all prior audit recommendations.
Invoice Approval and Payment Authorization Controls Follow-up (Report 18-14)	Nine recommendations were offered in the original audit (Report 17-08) for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	<p>Management has taken action to fully address seven of the nine prior audit recommendations. One recommendation is classified as an on-going process (assessment and coordination of feasible receiving and inventory tracking system enhancement).</p> <p>The second open recommendation (possible application interface) is contingent upon Agency's implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS).</p> <p>The estimated goal for implementation of CAPPS is during fiscal year 2023.</p>
Enterprise-Wide IT Project Portfolio Management Follow-up (Report 19-09)	Fifteen recommendations were offered in the original audit (Report 16-07) for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	The division has taken action to address all prior audit recommendations. As needed, periodic assessment will be performed on applicable portfolio management processes.

Summary of Audit Activities – Reported in 2020 (Recommendations, Management Responses, and Implementation Statuses)

Title (Report Number)	Recommendations	Management Response	Progress Toward Implementation
Information Security Incident Management (Report 19-10)	Six recommendations were offered for management’s consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	Information security management identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.
IT Asset Hardware Management (Report 19-11)	Six recommendations were offered for management’s consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	The division and technology management identified target action dates for the audit recommendations. A follow-up audit will be scheduled and conducted in accordance with auditing standards.
Enterprise-Wide Procurement Requests – Process Analysis and Assurance Follow-up (Report 19-12)	Nine recommendations were offered in the original audit (Report 17-09) for management’s consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	The division has taken action to address all prior audit recommendations.
Crime Victims’ Compensation Program Processing Assurance Review Follow-up (Report 19-13)	Seven recommendations were in the original audit (Report 18-08) for management’s consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	The division has taken action to address prior audit recommendations. Continuous monitoring efforts for select processes that will aid in continued compliance and identification of any operational enhancements have been established by management.
Child Support – Field Physical Layout & Oversight (Report 20-09)	Observations were presented to management for development of applicable action plans.	CSD Management has accepted observations and devised action plans to address recommendations as management assesses and carries out optimal customer service options.	A follow-up audit will be scheduled and conducted in accordance with auditing standards.