

Texas Workforce Commission

Office of Internal Audit

*Fiscal Year 2018
Annual Audit Report*



November 2018

TWC Office of Internal Audit Mission Statement

The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight to the Commission and agency management.

TWC Commission

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Julian Alvarez, Commissioner Representing Labor
Robert D. Thomas, Commissioner Representing the Public

Office of Internal Audit

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site

The Commission approved the Fiscal Year 2019 Audit Plan on November 1, 2018. The Office of Internal Audit (OIA) posted the approved plan to the “Reports, Plans, and Publications” page of the TWC’s Internet website within 30 days after the report’s submission to the Commission and other recipients.

The TWC OIA will post the Fiscal Year 2018 Annual Audit Report to the “Reports, Plans and Publications” page of the TWC’s Internet website. The organizational format of the report and the information provided in the report complies with the “State Auditor’s Office Fiscal Year 2018 Guidelines for Submitting and Posting the Internal Audit Annual Report and Periodic Internal Audit Reports”.

II. Internal Audit Plan for Fiscal Year 2018

The Texas Workforce Commission Office of Internal Audit's list of planned audits for fiscal year 2018 follows in the table below. The table provides project numbers, report dates, project titles, and whether the audits were completed. If an audit was not completed, the table states the current status of the audit as of the submission of the report. If applicable, the table also provides brief explanations for any deviations from the fiscal year 2018 audit plan.

Project Number	Report Date	Project Title and Objective	Current Status	Deviations from Plan
		Compliance Review of Evaluation & Support Services – to determine whether functions in Evaluation & Support Services are in compliance with relevant statutes and guidelines.	Cancelled	Covered Regional Offices in the Procurement and Payables Audits.
		A Review of Case Management in Field Services Delivery – to review case management processes to ensure effectiveness and timeliness of delivery of direct services programs.	Cancelled	Combined with Controls over Procurement for VR Customers audit
2018-012-50		VR Division Oversight Processes - to review Vocational Rehabilitation oversight processes and the elimination in duplication of efforts.	In Progress	
2018-004-20	July 2018	Controls Over Maintenance in Agency Owned Buildings – to determine whether there are controls in place to ensure that agency owned buildings are being properly maintained.	Report Issued	
2018-005-60		Review of Small Application Portfolio Management – to evaluate the effectiveness of the IT governance structure to determine whether IT decisions, directions and performance support the organization's strategies and objectives.	In Progress	
2018-008-60		Compliance with IT Standards and Guidelines - to determine whether IT activities that are occurring outside of the IT division comply with the standards and guidelines established by the IT division.	In Progress	

Project Number	Report Date	Project Title and Objective	Current Status	Deviations from Plan
2018-009-10		Inventory Audit – to evaluate the process in place to ensure the existence and completeness of agency assets.	In Progress	
2018-014-20		Data Integrity Audit – are controls in place to ensure the integrity of data used by Division of Operational Insights.	In Progress	
2018-002-30		Accessibility Compliance – to review processes in place to monitor and enforce agency compliance with accessibility policies and whether agency policies align with federal/state accessibility requirements.	In Progress	
2018-006-80		Post RPI Assessment: Tax Adjustment Backlog - to verify the accuracy and appropriateness of RPI outcomes.	In Progress	
2018-013-80		Post RPI Assessment: Civil Rights Division – to verify the accuracy and appropriateness of RPI outcomes.	In Progress	
2018-010-10		Skills Development Review – to review the efficiency and effectiveness of skills development processes and operations.	In Progress	
2018-001-30	Aug. 2018	Accuracy and Timeliness of Payments – to evaluate controls in place for ensuring the accuracy and timeliness in paying the agency’s obligations.	Report Issued	
2018-003-80(a) 2018-003-80(b) 2018-003-80(c) 2018-003-80(d)	Dec. 2018 Mar. 2018 Jun. 2018 Sept. 2018	Follow-Up Projects – to determine the adequacy and effectiveness of corrective actions taken by management to address reported audit findings.	Reports Issued	
2017-026-20		Controls over Procurement for VR Customers - to evaluate the state office oversight over the procurement process for vocational rehabilitation (VR) customers receiving direct service in VR regional field offices across the state.	In Progress	
2017-007-50	Jan. 2018	Sub-recipient Monitoring - to evaluate departmental operations of Subrecipient Monitoring.	Report Issued	
2017-024-60	April 2018	Vocational Rehabilitation Systems - to evaluate the controls over the change management process for vocational rehabilitation systems.	Report Issued	

Project Number	Report Date	Project Title and Objective	Current Status	Deviations from Plan
2017-014-20		Budget Controls - to perform an internal control review of budget processes.	In Progress	
2017-01-20	Feb. 2018	Warehouse Fleet Operations - to evaluate the controls over fleet operations	Report Issued	
2017-012-20	June 2018	Separations and Transfers - to evaluate administrative and access controls over separation and transfer processes and to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audits 09-001 and 13-203.	Report Issued	
2017—017-80 (Q)	Oct. 2017	Collections Processes Follow-up- to determine the status of corrective actions taken by management to address prior issues reported in internal audit #2015-006-10.	Report Issued	
2017—017-80 (P)	Oct. 2017	Workforce Information Systems Change Controls Follow-up - to determine the status of corrective actions taken by management to address prior issues reported in internal audit #2015-011-60.	Report Issued	
2017-009-10	Dec. 2017	Statewide Initiatives - to evaluate the effectiveness of strategic initiatives.	Report Issued	Added to plan
2017-015-50	Sept. 2017	Rehabilitation Services Operations – to evaluate departmental operations.	Report Issued	Added to plan
2017-022-80	Sept. 2017	Follow-up of Contract Management of Community Rehabilitation Programs – to determine whether appropriate corrective actions have been taken to address the findings and remedy the underlying conditions.	Report Issued	Added to plan
2017-025-80	Sept. 2017	Follow- up of Business Enterprise of Texas (BET) – to determine whether appropriate corrective actions have been taken to address the findings and remedy the underlying conditions.	Report Issued	Added to plan

III. Consulting Services and Nonaudit Services Completed

A list of consulting and nonaudit services completed by the Texas Workforce Commission Office of Internal Audit during fiscal year 2018 follows in the table below. The table provides project or report numbers, report dates, project name titles, and the high-level objective of each project, if applicable. The table also provides summaries of observations, results, and recommendations, if applicable.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
N/A	N/A	Monitoring, Meetings, and Committees	To participate in an observatory and advisory role in various meetings throughout the agency.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.
18-1235	July 2018	Fraud, Waste, and Abuse Investigations – SAO Requested	To perform review of an allegation of suspected fraud, waste, abuse, or inefficient operations, as required by the Texas Government Code, Section 321.013(d), that had been referred to the TWC OIA by the State Auditor's Office	No further action, closed complaint
18-2252	Aug. 2018	Fraud, Waste, and Abuse Investigations – SAO Requested	To perform review of an allegation of suspected fraud, waste, abuse, or inefficient operations, as required by the Texas Government Code, Section 321.013(d), that had been referred to the TWC OIA by the State Auditor's Office	No further action, closed complaint
18-2357	Aug. 2018	Fraud, Waste, and Abuse Investigations – SAO Requested	To perform review of an allegation of suspected fraud, waste, abuse, or inefficient operations, as required by the Texas Government Code, Section 321.013(d), that had been referred to the TWC OIA by the State Auditor's Office	No further action, closed complaint

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
N/A	N/A	BEST Team Quarterly Meetings	To participate in an observatory and BEST meetings, held to discuss IT projects.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.
N/A		Peer Review of TXDMV	The primary objective of the quality assurance review was to evaluate the Texas Department of Motor Vehicles Internal Audit Division's compliance with auditing standards and the Texas Internal Auditing Act.	Provided opportunities for improvement for the Internal Audit function.

IV. External Quality Assurance Review (Peer Review)

Texas Workforce Commission
Office of Internal Audit
External Quality Assurance Review – January 2017

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Workforce Commission Office of Internal Audit receives a rating of **"Pass/Generally Conforms"** and is in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* 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 internal audit function.

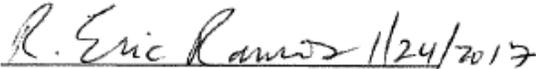
We found that the Internal Audit Department is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques;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

The Internal Audit Department is well managed internally. In addition, OIA has effective relationships with the Board and is well respected and supported by management.

Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency's operations. Opportunities to further communicate and engage management in the value proposition of Internal Audit were identified.

Acknowledgements

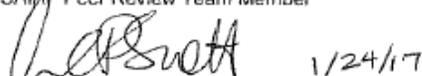
We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Office of Internal Audit staff, the TWC Commission, the Executive Director and senior managers who participated in the survey and interview processes. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Office of Internal Audit and its relationship with management.

 1/24/2017
Date

R. Eric Ramos
Deputy Assistant Director,
Chief Auditor's Office
Texas Department of Public Safety
SAIAF Peer Review Team Leader

 1/24/2017
Date

Angelia Harris
Internal Audit Director
Office of the Attorney General
SAIAF Peer Review Team Member

 1/24/17
Date

Cheryl P. Scott
Internal Audit Director,
Texas Comptroller of Public Accounts
SAIAF Peer Review Team Member

January 2017

V. Internal Audit Plan for Fiscal Year 2019

Performance Audits

Auditable Units	Objectives	Budget Hours
Business Operations	Minimum Qualifications Review Process - To determine whether controls over minimum qualification reviews provide reasonable assurance that qualified candidates are selected.	750
Vocational Rehabilitation	Compliance Review of VR Field Guidance - To determine whether guidance provided to Vocational Rehabilitation field offices comply with Federal and State laws.	1000
Workforce Development; Workforce Grants & Contracts	Apprenticeship Compliance Review - To determine whether controls over the Apprenticeship program provide reasonable assurance that the program is in compliance with Federal and State laws.	750
Vocational Rehabilitation; Information Technology	Data Integrity of ReHabWorks - To determine whether controls over the ReHabWorks application provide reasonable assurance that the reliability and integrity of the application data are maintained.	1000
General Counsel	Open Records Compliance Review - To determine whether controls over agency open records policies and procedures provide reasonable assurance that the Agency is in compliance with State laws.	650
Business Operations	Job Classification Compliance Review - To determine whether controls over job classification reviews provide reasonable assurance that agency positions are classified in accordance with the State's Position Classification Plan.	750
Workforce Development	Compliance Review of WF Guidance to the Boards - To determine whether guidance provided to Workforce Boards comply with Federal and State laws.	1000
Finance	Internal Control Review of Revenue and Trust Management - To determine whether controls over the Revenue and Trust Management unit provide reasonable assurance that the unit achieves its goals and objectives.	750

Performance Audits – Continued

Auditable Units	Objectives	Budget Hours
Business Operations; Regulatory Integrity	Controls Over VR Contracts - To determine whether controls exist for the creation, management, and monitoring of VR Contracts.	1000
Workforce Development; UI and Regulation; Information Technology	Controls Over Change Requests - To determine whether controls over change requests provide reasonable assurance that change management is effective.	1000
Agency-wide	Travel Compliance Review - To determine whether controls over agency travel expenditures provide reasonable assurance that travel expenditures are in compliance with the State Travel Management Program.	650
UI and Regulation	Internal Controls Review of Tele-Centers - To determine whether controls over UI Tele-centers provide reasonable assurance that customers receive quality customer service.	1000
General Counsel; Business Operations	Personnel Policies and Procedures Compliance Review - To determine whether the agency's personnel policies and procedures comply with Texas Labor Code Chapter 21 (Employment Discrimination).	250
Agency-wide	Follow-Up Projects – To determine the adequacy and effectiveness of corrective actions taken by management to address reported audit findings.	2212
Agency-wide	Commission Requests - additional projects requested by the Commission.	500

Carry Forward Projects

Auditable Units	Objectives	Budget Hours
Vocational Rehabilitation	VR Division Oversight Processes - To review Vocational Rehabilitation oversight processes and the elimination in duplication of efforts.	300
Information Technology	Review of Small Application Portfolio Management – To evaluate the effectiveness of the IT governance structure to determine whether IT decisions, directions and performance support the organization’s strategies and objectives.	200
Agency-wide	Compliance with IT Standards and Guidelines - To determine whether IT activities that are occurring outside of the IT division comply with the standards and guidelines established by the IT division.	400
Agency-wide	Inventory Audit – To evaluate the process in place to ensure the existence and completeness of agency assets.	875
Operational Insights	Data Integrity Audit – Are controls in place to ensure the integrity of data used by Division of Operational Insights.	500
Agency-wide	Accessibility Compliance – To determine web, policy, and organizational compliance with state and federal accessibility requirements for electronic information resources.	200
Unemployment Insurance and Regulation	Tax Adjustment Backlog - To verify the accuracy and appropriateness of RPI outcomes.	100
Civil Rights	Civil Rights Division – To verify the accuracy and appropriateness of RPI outcomes.	350
Employer Initiatives	Skills Development Review – To review the efficiency and effectiveness of skills development processes and operations.	350
Vocational Rehabilitation Business Operations Regulatory Integrity	Controls over Procurement for VR Customers - To evaluate the state office oversight over the procurement process for vocational rehabilitation (VR) customers receiving direct service in VR regional field offices across the state.	450
Finance	Budget Controls - To perform an internal control review of budget processes.	275

In addition to planned audit and nonaudit services, Internal Audit has ongoing responsibilities, which include:

- Annual Internal Audit Report issuance
- Annual Risk Assessment and Audit Plan development
- Commission and Management briefings on reports
- TeamMate, website, and database maintenance
- Annual Quality Self-Assessment
- Quarterly Open Findings Assessment
- Professional development
- Data analysis

Projects in the Plan that Address:

1. Projects that address benefits proportionality, expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act:
 - No projects scheduled
2. Projects that address contract management and other requirements:
 - Controls over Vocational Rehabilitation Contracts

Additional “High” Risks Not Included in the Fiscal Year 2018 Audit Plan

The Texas Workforce Commission Office of Internal Audit utilizes a weighted ranking in its risk assessment methodology. The Fiscal Year 2019 Audit Plan includes all risks that were identified with a “high” weighted ranking.

Risk Assessment Methodology

The Texas Workforce Commission (TWC) Office of Internal Audit allocates its resources in a manner that is consistent with the mission and goals of the TWC. To support the TWC’s mission, audit coverage is considered across the agency. The audit plan is designed to provide coverage of key business processes. Risk is assigned based on research related to each risk area as well as input from Commissioners and agency management.

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

- Commission and Management Interest
- Program and Information Technology Changes or Concerns
- Critical Nature of the Business Function to the Mission of the Agency
- Strength of Internal Controls
- Staff Turnover and Retirement
- Prior Audit Coverage
- Potential for Fraud

VI. External Audit Services Procured in Fiscal Year 2018

During Fiscal Year 2018, the Office of Internal Audit did not procure or have any ongoing external audit services.

VII. Reporting Suspected Fraud and Abuse

The Texas Workforce Commission Office of Investigations conducts inquiry and investigative services pertaining to allegations of fraud, theft, program abuse, or misconduct. The Office of Investigations reports cases of suspected fraud and coordinates with the State Auditors' Office as required by Article IX, Section 7.09 of the General Appropriations Act (84th Legislature) and the Texas Government Code, Section 321.022.

The agency lists its fraud hotline number on the TWC Internet site. The Internet site also contains a link to report fraud directly to the State Auditor's Office.