

# Texas Workforce Commission

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## *Office of Internal Audit*

*Fiscal Year 2019  
Annual Audit Report*



*November 2019*

## **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**

Bryan Daniel, Chairman and Commissioner Representing the Public  
Julian Alvarez III, Commissioner Representing Labor  
Aaron Demerson, Commissioner Representing the Employers

### **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 is scheduled to approve the Fiscal Year 2020 Audit Plan on November 5, 2019. The Office of Internal Audit (OIA) will post 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 2019 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 2019 Guidelines for Submitting and Posting the Internal Audit Annual Report and Periodic Internal Audit Reports”.

## II. Internal Audit Plan for Fiscal Year 2019 (Revised)

The Texas Workforce Commission Office of Internal Audit's list of planned audits for fiscal year 2019 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 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 2019 audit plan.

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2019-003-20	OCT 2019	<b>Minimum Qualifications Review Process</b> – To determine whether controls over minimum qualification reviews provide reasonable assurance that qualified candidates are selected.	Report Issued	
2019-011-30		<b>Compliance Review of VR Field Guidance</b> – To determine whether guidance provided to Vocational Rehabilitation filed offices comply with Federal and State laws.		Rescheduled for FY 2020
2019-005-30		<b>Apprenticeship Compliance Review</b> – To determine whether controls over the Apprenticeship program provide reasonable assurance that the program is in compliance with Federal and State laws.	In Reporting	
2019-015-20		<b>Open Records Compliance Review</b> – To determine whether controls over agency open records policies and procedures provide reasonable assurance that the Agency is in compliance with State laws.		Rescheduled for FY 2020
2019-010-30		<b>Compliance Review of WF Guidance to the Boards</b> – To determine whether guidance provided to Workforce Boards comply with Federal and State laws.	In Reporting	
2019-014-20		<b>Controls Over Vocational Rehabilitation Contracts</b> – To determine whether controls exist for the creation, management, and monitoring of VR Contracts.		Rescheduled for FY 2020

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2019-008-60		<b>Controls Over Change Requests</b> – To determine whether controls over change requests provide reasonable assurance that change management is effective.	In Planning	
2019-007-30		<b>Travel Compliance Review</b> – To determine whether controls over agency travel expenditures provide reasonable assurance that travel expenditures are in compliance with the State Travel Management Program.	In Reporting	
2019-004-30	APR 2019	<b>Personnel Policies and Procedures Compliance Review</b> – To determine whether the agency’s personnel policies and procedures comply with Texas Labor Code Chapter 21 (Employment Discrimination).	Report Issued	
2019-013-20		<b>Internal Control Review of Human Resources and HR Systems</b> – To determine whether controls over Human Resources systems and processes ensure accuracy, reliability, and integrity in personnel records.	In Planning	
2019-012-20		<b>Administrative Procurement Services</b> – To evaluate the efficiency and effectiveness of Administrative Procurement Services.	In Planning	
2019-001-80(a) 2019-001-80(b) 2019-001-80(c) 2019-001-80(d)	DEC 2018 MAR 2019 JUN 2019 SEPT 2019	<b>Follow-Up Projects</b> – To determine the adequacy and effectiveness of corrective actions taken by management to address previously reported audit findings.	Reports Issued	
2018-012-50	FEB 2019	<b>VR Division Oversight Processes</b> – To review Vocational Rehabilitation oversight processes and the elimination in duplication of efforts.	Report Issued	
2018-005-60	APR 2019	<b>Review of Small Application Portfolio Management</b> – To evaluate the effectiveness of the IT governance structure to determine whether IT decisions, directions, and performance support the organization’s strategies and objectives.	Report Issued	

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2018-008-60		<b>Compliance with IT Standards and Guidelines</b> – 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 Fieldwork	
2018-009-10	JUL 2019	<b>Inventory Audit</b> – To evaluate the process in place to ensure the existence and completeness of agency assets.	Report Issued	
2018-014-20		<b>Data Integrity Audit</b> – To determine whether controls are in place to ensure the integrity of data used by Division of Operational Insights.	In Reporting	
2018-002-30	DEC 2018	<b>Accessibility Compliance</b> – To determine web, policy, and organizational compliance with state and federal accessibility requirements for electronic information resources.	Report Issued	
2018-006-80	DEC 2018	<b>Tax Adjustment Backlog</b> – To verify the accuracy and appropriateness of RPI outcomes.	Report Issued	
2018-013-80	DEC 2018	<b>Civil Rights Division</b> – To verify the accuracy and appropriateness of RPI outcomes.	Report Issued	
2018-010-10		<b>Skills Development Review</b> – To review the efficiency and effectiveness of skills development processes and operations.	In Reporting	
2017-026-20	APR 2019	<b>Controls over Procurement for VR Customers</b> – 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.	Report Issued	
2017-014-20	JUL 2019	<b>Budget Controls</b> –To perform an internal control review of budget processes.	Report Issued	

Texas Government Code, Section 2102.005(b), did not become effective until September 1, 2019, so no projects were scheduled on the Fiscal Year 2019 Internal Audit Plan for compliance to this requirement.

### III. Consulting Services and Non-Audit Services Completed

A list of consulting and non-audit services completed by the Texas Workforce Commission Office of Internal Audit during fiscal year 2019 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	Data Analysis on Leave Accruals	Performed data analysis on vacation leave accruals for return to work retirees.	Provided list of questionable leave balances to Human Resources to continue investigations and corrective actions.
N/A	N/A	Commission Quarterly Work Sessions	To participate in an observation role in Commission Work Sessions that are held to update the Commission on system performance and include Commission discussion, consideration, and action regarding the performance and budget of IT projects and ongoing IT operations.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.
N/A	N/A	Rapid Process Improvement (RPI) Steering Committee Monthly Meetings	To participate in an observation role in RPI Steering Committee meetings that are held to provide oversight by hearing RPI project presentations, providing advice and guidance to managers new to RPI, and tracking each undertaking to sustain the changes.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.
N/A	N/A	Business Enterprise Strategic Technology (BEST) Quarterly Meetings	To participate in an observation role in BEST meetings that are held to determine enterprise business strategy and appropriate application of technology and review business outcomes and lessons learned for completed projects.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.
N/A	N/A	Change Advisory Board (CAB) Weekly Meetings	To participate in an observation role in CAB meetings that are held to approve or reject submitted change requests for applications and systems in use at TWC that are maintained by TWC IT and/or contracted third-party vendors.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
19-0422	DEC 2018	Fraud, Waste, and Abuse Investigations – SAO Referred	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.
19-0491	N/A	Fraud, Waste, and Abuse Investigations – SAO Referred	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.	After initial research, referred to the Office of Investigations. The investigation concluded that the allegations were not substantiated.
19-0533	N/A	Fraud, Waste, and Abuse Investigations – SAO Referred	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.	After initial research, referred to the Office of Investigations. The investigation concluded that the allegations were not substantiated.
19-1386	N/A	Fraud, Waste, and Abuse Investigations – SAO Referred	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.	After initial research, referred to the Office of Investigations. The investigation concluded that the allegations were not substantiated.
19-1598	APR 2019	Fraud, Waste, and Abuse Investigations – SAO Referred	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.
19-1794	N/A	Fraud, Waste, and Abuse Investigations – SAO Referred	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.	The complaint was originally referred to the State Auditor's Office by the Office of Investigations. The SAO's Investigations and Audit Support unit stated that it would review the complaint information on May 7, 2019.

## 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.

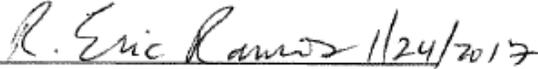
We found that the Internal Audit Department is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques;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

  
R. Eric Ramos Date

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

  
Angelia Harris Date

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

  
Cheryl P. Scott Date

Internal Audit Director,  
Texas Comptroller of Public Accounts  
SAIAF Peer Review Team Member

January 2017

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## **V. Internal Audit Plan for Fiscal Year 2020**

The fiscal year 2020 annual audit plan is scheduled to be presented for approval by the three-member Texas Workforce Commission on November 5, 2019. The approved plan will be submitted as defined in the Internal Audit Annual Report Requirements.

To comply with Texas Government Code, Section 2102.005(b), that became effective on September 1, 2019, the Texas Workforce Commission Office of Internal Audit will perform a reoccurring annual audit to determine whether a sample of contracts comply with contracting and monitoring controls and processes.

### **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:

- Internal Controls
- Management Concerns (Issues)
- Succession Planning
- Staffing
- Characteristics of the Function
- Audit Characteristics
- Potential for Fraud, Waste or Abuse to Occur
- Audit Coverage

## **VI. External Audit Services Procured in Fiscal Year 2019**

During Fiscal Year 2019, 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 (84<sup>th</sup> 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.