Texas Workforce Commission

Office of Internal Audit

Fiscal Year 2021 Audit Plan

Approved by Commission October 27, 2020

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Overview

The annual audit plan is a guide for the utilization of the department's resources during the fiscal year in order to address the risks of the Texas Workforce Commission (TWC). Audits and other projects selected for review and included on the annual audit plan are those areas that represent risk to the agency based on the various criteria described in this document.

The audit plan is a dynamic document that may change during the fiscal year as circumstances dictate. Continuous reassessment of risk, requests from the Commission, changes in audit resources, and changes in the agency's organization or operations may result in changes to the plan. Any significant changes required of the plan will be presented to the Commission for approval.

Project objectives are described in the plan only in general terms. The specific objective of each audit project will be determined at the time the project is initiated based on a more detailed assessment of relative risks.

The Role of Internal Audit

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

In implementing its mission, Internal Audit is guided by the United States Government Accountability Office's (GAO) Government Auditing Standards; the Institute of Internal Auditors' (IIA) International Professional Practices Framework; Definition of Internal Auditing, and Code of Ethics; and the Information Systems Audit and Controls Association's (ISACA) IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals. The Internal Audit Charter, approved by the Commission, also sets forth the purpose, authority, and responsibility of the Office of Internal Audit.

Professional and Statutory Requirements

This document provides the Fiscal Year 2021 audit plan as required by the OIA Charter, GAO and IIA professional auditing standards, and the Texas Internal Auditing Act, Texas Government Code 2102.005. 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.

Types of Reviews

The Office of Internal Audit conducts performance audits and non-audit services, as well as follow-up reviews.

Performance Audits – 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. Performance audits provide reasonable assurance that the auditors have obtained sufficient, appropriate evidence to support the conclusions reached. Thus, the sufficiency and appropriateness of evidence needed and tests of evidence will vary based on the audit objectives and conclusions.

Alternate Performance Audits – performance audits that may be performed during this fiscal year depending on the availability of audit resources. If not performed, they are not automatically assigned as carry-forward audits in the next fiscal year but are re-evaluated in the annual risk-assessment process.

Follow-up reviews – a process by which the auditors determine the adequacy, effectiveness, and timeliness of actions taken by management on reported audit findings and recommendations. This work determines if those actions are achieving the desired results or if management has assumed the risk of not taking corrective action on reported findings. Follow-up reviews are conducted on all previous OIA reported findings, as well as some findings identified by the State Auditor's Office and other external entities' reported audit findings. The status of corrective actions are reviewed on a quarterly basis. The reviews are scheduled within a reasonable time frame to allow management sufficient opportunity to implement corrective actions.

Non-audit services - advisory and related 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 services does not create impairments to independence, either in fact or appearance, with respect to future audit projects.

Development of the Audit Plan

The Office of Internal Audit allocates its resources in a manner that is consistent with the mission and goals of TWC. To support TWC'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:

- 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
- Changes in management and succession planning
- Staff Turnover and Retirement
- Prior Audit Coverage
- Potential for Fraud, Waste or Abuse to Occur

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

Internal Audit is also required by laws 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 a 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 several carry-forward projects identified on the Fiscal Year 2021 audit plan.

Fiscal Year 2021 Audit Plan

Performance Audits

Auditable Units	Objectives	Budget Hours
Agency-wide	**Contracting Compliance Review -** To determine if a sample of contracts comply with contracting and monitoring controls and processes.	500
Agency-wide	**Review of Agency Monitoring Processes -** To determine if monitoring functions are appropriately performing required monitoring processes and accurately reporting findings.	1,200
Agency-wide	**Succession Planning -** To determine if controls are in place to minimize loss of knowledge and skills if turnover occurs in key roles across the agency.	800
Vocational Rehabilitation	**VR Quality Reviews -** To determine if Quality Assurance and Quality Improvement are conducting effective case reviews.	1,000
Unemployment Insurance Regulatory Integrity	**Fraud Controls -** To determine if controls are effective to maximize fraud prevention, detection, and response related to Unemployment Insurance claims.	1,000
Information Technology	**Cybersecurity -** To determine if security and privacy controls are effective to protect organizational operations, assets, and customers.	800
Information Technology	**IT Customer Support -** To determine if IT Customer Support provided effective support for agency hardware and software to agency employees to ensure services are confidential and available	750
Agency-Wide	**Emergency Procurement Compliance -** To determine if emergency purchases are compliant with state laws.	750
Business Operations	**Job Classifications -** To determine if positions are reviewed annually for proper classification as defined by Texas Government Code 654.0155.	600
Agency-wide	**Quarterly Follow-Up Reviews -** To determine the adequacy and effectiveness of corrective actions implemented by management to address previously reported audit findings and recommendations.	2,500

Alternate Performance Audits

Auditable Units	Objectives	Budget Hours
Workforce Development	**Career Schools –** To determine if current processes ensure compliance with State Laws and Rules.	750
Child Care	**Child Care Initiatives –** To determine if child care special initiatives successfully achieved objectives and align with child care program objectives.	1,000

Carry Forward Projects

Auditable Units	Objectives	Budget Hours
Workforce Development UI & Regulation Information Technology	**Controls Over Change Requests -** To determine whether controls over change requests provide reasonable assurance that change management is effective.	500
Business Operations	**Internal Control Review of HR and HR Systems -** To determine whether controls over Human Resources (HR) systems and processes ensure accuracy, reliability, and integrity in personnel records.	800
Agency-wide	**Contracting Compliance Review -** To determine if a sample of contracts comply with contracting and monitoring controls and processes.	75
Regulatory Integrity Division	**Collection Activities -** To determine if collection activities are efficient and effective and if collection processes maximize collection potential.	950
Vocational Rehabilitation	**Compliance Review of VR Field Guidance -** To determine whether guidance provided to Vocational Rehabilitation field offices comply with Federal and State laws.	300
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.	250
Agency-wide	**Review of Agency Monitoring Responsibilities** – To determine if agency management has identified and assigned required monitoring responsibilities.	150

In addition to planned audit services, OIA has ongoing responsibilities, which include:

- Annual Internal Audit Report issuance
- Annual Risk Assessment and Audit Plan development
- Commission and Management briefings
- TeamMate, SharePoint, and Intranet maintenance
- Annual Quality Self-Assessment
- Quarterly Open Findings Assessments
- Professional development
- Assistance to External Auditors
- Special Projects and Data analysis