

# Texas Workforce Commission

---

## *Office of Internal Audit*

*Fiscal Year 2017 Audit Plan*



*Approved by Commission September 13, 2016*

---

## Table of Contents

Overview .....	3
The Role of Internal Audit.....	3
Professional and Statutory Requirements.....	3
Types of Reviews.....	4
Development of the Audit Plan .....	5
Fiscal Year 2017 Audit Plan.....	6
Performance Audits .....	6
Follow-Up Projects.....	7
Carry Forward Projects .....	9

*This page intentionally left blank*

---

## 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 2017 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.

**Follow-up reviews** – a process by which the auditors determine the adequacy, effectiveness, and timeliness of actions taken by management on reported engagement 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.

**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

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

A follow-up review assesses the progress made by management on issues identified in a previous audit. The status of corrective actions are reviewed on a quarterly basis. The audits are scheduled within a reasonable time frame to allow management sufficient opportunity to implement corrective actions.

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 2017 audit plan.

## Fiscal Year 2017 Audit Plan

### Performance Audits

Auditable Units	Objectives	Budget Hours
Business Operations/Workforce Solutions	<b>Contract Administration</b> - to perform an internal control review of Contract Administration.	900
Agency-wide	<b>Consumer Procurement Services</b> - to assess the quality of operations and to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit 13-003.	800
Agency-wide	<b>Administrative Procurement Services</b> - to evaluate the efficiency and effectiveness of Administrative Procurement Services.	650
Workforce Solutions - Rehabilitation Services	<b>Consumer Services</b> - to evaluate departmental operations of Consumer Services and to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit 14-002.	970
Workforce Solutions - Rehabilitation Services	<b>Rehabilitation Services Operations</b> - to evaluate departmental operations of Rehabilitation Services Operations.	850
Information Technology/Workforce Solutions - Rehabilitation Services	<b>Vocational Rehabilitation Systems</b> - to evaluate the controls over the change management process for vocational rehabilitation systems.	800
Regulatory Integrity Division	<b>Vocational Rehabilitation Contract Oversight</b> - to determine compliance with enabling statutes.	600
Business Operations	<b>Warehouse Fleet Operations</b> - to evaluate the controls over fleet operations.	500
Information Technology/Unemployment Insurance & Regulation	<b>Unemployment Insurance (UI) Systems</b> - to analyze access management controls for the UI Tax and Benefits systems.	700
Workforce Solutions - Blind Services/Business Operations	<b>Criss Cole Rehabilitation Center</b> - to perform a physical security review of the Criss Cole Rehabilitation Center.	750
Finance	<b>Budget Controls</b> - to perform an internal control review of budget processes.	500
Workforce Solutions - Workforce Development	<b>Strategic Workforce Initiatives</b> - to evaluate the effectiveness of strategic initiatives.	600
Agency-wide	<b>Board &amp; Special Initiatives Contracts</b> - to evaluate the efficiency and effectiveness of new Board & Special Initiatives Contracts processes.	750
Regulatory Integrity Division	<b>Subrecipient Monitoring</b> - to evaluate departmental operations of Subrecipient Monitoring.	800

---

**Performance Audits (Continued)**

Auditable Units	Objectives	Budget Hours
Business Operations	<b>Lease Management</b> - to evaluate the effectiveness of lease management.	400
External Relations	<b>Consumer Complaints</b> - to evaluate the efficiency and effectiveness of the consumer complaints process and to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit 09-005.	350
Agency-wide	<b>Separations and Transfers</b> - 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.	450
Agency-wide	<b>Commission Requests</b> - additional projects requested by the Commission.	500

**Follow-Up Projects**

Auditable Units	Objectives	Budget Hours
Workforce Solutions - Workforce Development	<b>TAA Reauthorization</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2011-008-10.	80
Regulatory Integrity Division/Unemployment Insurance & Regulation	<b>Fraud Determination</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2012-011-10.	100
Information Technology	<b>IT Governance</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2012-017-60 and DARS internal audit project 15-005.	100
Business Operations	<b>Hiring Process</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2013-011-10	80
Business Operations	<b>PII Physical Security</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2013-014-20.	160
Business Operations	<b>Records Retention</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2014-007-30	100
Unemployment Insurance & Regulation	<b>Field Tax Controls</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2014-014-20.	80

---

---

**Follow-Up Projects (Continued)**

Auditable Units	Objectives	Budget Hours
Unemployment Insurance & Regulation	<b>Commission Appeals</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2014-016-20.	140
Workforce Solutions - Workforce Development/Regulatory Integrity Division	<b>Collections Processes</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2015-006-20.	80
Agency-wide	<b>Contracting Processes</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2015-009-30.	140
Information Technology/Workforce Solutions - Workforce Development	<b>Workforce Information Systems Change Controls</b> - to determine the status of corrective actions taken by management to address prior issues reported in internal audit project 2015-011-60.	80
Workforce Solutions - Blind Services	<b>Administration of Business Enterprises of Texas</b> - to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit project 09-007.	60
Workforce Solutions - Rehabilitation Services	<b>Contract Management of the Community Rehabilitation Programs in the Division of Rehabilitation Services</b> - to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit project 11-004.	220
Workforce Solutions - Blind Services	<b>Division for Blind Services Independent Living Program</b> - to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit project 14-003.	380
General Counsel	<b>Controls Over Due Process Hearings</b> - to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit project 15-001.	100
Workforce Solutions - Blind Services	<b>Business Enterprises of Texas</b> - to determine the status of corrective actions taken by management to address prior issues reported in DARS internal audit project 15-003.	460

---

## Carry Forward Projects

Auditable Units	Objectives	Budget Hours
Workforce Solutions - Workforce Development	Child Care Automated Attendance	200
Workforce Solutions - Workforce Development	Career Schools & Colleges	140
Business Operations/Information Technology	CATS IT Controls	200
Information Technology	IT Procurement	425
Workforce Solutions - Workforce Development	Adult Education & Literacy	200
Regulatory Integrity Division	Purchasing from People with Disabilities	440
Regulatory Integrity Division/Unemployment Insurance & Regulation	Tax Collections	649

In addition to planned audit and non-audit 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
- External Quality Self-Assessment
- Quarterly Open Findings Assessment
- Professional development