

# Texas Workforce Commission

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## *Office of Internal Audit*

*Fiscal Year 2022  
Annual Audit Report*



*November 2022*

**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 Employers

**Office of Internal Audit**

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Sheryl Walton, Executive Assistant

Harold Rogers, CIA, CISA, CCNA, Special Projects Auditor

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**Auditors:**

Camilla Cannon, CGAP  
James Howard  
Michelle Joseph, CPA  
John Kim  
Carmen Mickell  
Melanie Molien  
Misty Raney  
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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 Texas Workforce Commission’s (TWC) three-member governance body approved the Fiscal Year 2023 Audit Plan on November 7, 2022. 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 of approval.

The TWC OIA will post the Fiscal Year 2022 Internal Audit Annual Report to the “Reports, Plans & Publications” page of the TWC’s Internet website within 30 days after the report’s submission to all required recipients. The organizational format of the report and the information provided in the report complies with the “Fiscal Year 2022 Report Requirements” for the “Internal Audit Annual Report” and the “Contract Audit Reporting for Select State Entities” instructions stated on the Texas State Auditor’s Office website.

## II. Internal Audit Plan for Fiscal Year 2022

The Texas Workforce Commission Office of Internal Audit's list of planned audits for fiscal year 2022 is shown in the following table. The table provides project numbers, report dates, project titles, and report statuses. If an audit was not completed, the table states the status of the audit as of the submission of the Fiscal Year 2022 Internal Audit Annual Report. If applicable, the table also provides brief explanations for any deviations (i.e., cancellations) from the fiscal year 2022 audit plan.

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
N/A	N/A	<b>Controls Review of VR Providers</b> - To determine what controls are in place to ensure safety of Vocational Rehabilitation customers.	Included on 2023 Audit Plan	N/A
2022-007-60	N/A	<b>Access Control Review of ReHabWorks</b> - To determine if controls in VR Systems ensure appropriate roles, access rights, and privileges.	In Reporting	N/A
2022-008-10	N/A	<b>Vendor Setup Audit</b> - To determine the efficiency and effectiveness of the vendor set-up process.	In Planning	N/A
2022-004-20	N/A	<b>JET Program Compliance Review</b> - To determine if controls in the JET program ensure compliance with State laws.	In Fieldwork	N/A
N/A	N/A	<b>Contract Review Efficiency Audit</b> - To determine efficiency of contracting reviews by General Counsel staff.	Included on 2023 Audit Plan	N/A
N/A	N/A	<b>Compliance Review of Blind Services</b> - To determine if controls are in place in the Blind Services program to ensure compliance with Federal and State requirements.	Included on 2023 Audit Plan	N/A
2022-003-20	N/A	<b>Child Care Compliance</b> - To ensure controls are in place in the Child Care program to ensure compliance with Federal and State requirements.	In Reporting	N/A

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2022-005-20	N/A	<b>Migrant Seasonal Farm Worker (MSFW) Compliance Review</b> - To ensure controls are in place in the MSFW program to ensure compliance with Federal and State requirements.	In Fieldwork	N/A
N/A	N/A	<b>Audit of Labor Law</b> - To ensure controls are in place in the Labor Law program to ensure compliance with Federal and State requirements.	Included on 2023 Audit Plan as Audit of Wage and Hour	N/A
N/A	N/A	<b>Review of Monitoring Results</b> - To determine if the results of monitoring activities are properly addressed by Agency management.	Included on 2023 Audit Plan	N/A
2022-001-80(a)	DEC 2021	<b>Quarterly Follow-Up Reviews</b> - To determine the adequacy and effectiveness of corrective actions implemented by management to address previously reported audit findings and recommendations.	Reports Issued	N/A
2022-001-80(b)	MAR 2022			
2022-001-80(c)	JUN 2022			
2022-001-80(d)	SEP 2022			
2022-007-10	DEC 2021	<b>Collection Activities</b> - To determine UI Tax collection activities by the Collections and Civil Actions department are efficient and effective.	Report Issued	N/A
2021-005-10	FEB 2022	<b>Review of Agency Monitoring Processes</b> - To determine if required monitoring is occurring and if controls are in place to ensure accurate reporting.	Report Issued	N/A

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2021-004-30	FEB 2022	<b>Succession Planning</b> - To determine if controls are in place to minimize loss of knowledge and skills if turnover occurs in key roles across the agency.	Report Issued	N/A
2021-010-10	N/A	<b>VR Quality Reviews</b> - To determine if Quality Assurance and Quality Improvement are conducting effective case reviews.	In Fieldwork	N/A
2021-006-20	N/A	<b>Fraud Controls</b> - To determine if controls are effective to maximize fraud prevention, detection, and response related to Unemployment Insurance claims.	In Reporting	N/A
2022-002-10	N/A	<b>Cybersecurity</b> - To determine if security and privacy controls are effective to protect organizational operations, assets, and customers.	N/A	Postponed until Fiscal Year 2023 Audit Plan
2021-009-60	DEC 2021	<b>IT Customer Support</b> - To determine whether controls exist to ensure the IT Service Desk provides customer support to agency employees.	Report Issued	N/A
2021-007-30	N/A	<b>Career Schools</b> - To determine if current processes ensure compliance with State Laws and Rules.	In Reporting	N/A
2022-010-60	N/A	<b>IT Project Management</b> - To determine whether the agency's project management policies and practices are effective in ensuring projects are completed on time, within budget in scope, and within agreed-upon quality standards.	In Planning	Added to Audit Plan

**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 2022 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	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.



Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
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.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
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.
N/A	N/A	Quarterly Cybersecurity Meetings	To participate in an observation role in the Quarterly Cybersecurity Steering Committee meetings that are held to determine enterprise cybersecurity strategies, compliance, and issues.	Information is monitored on an on-going basis to ensure OIA is aware of changes in the control structure of the IT Division as it impacts the cybersecurity risks throughout the agency.
N/A	N/A	IT Steering Committee Meetings	To participate in an observation role in the IT Steering Committee meetings that are held to track high level IT initiatives and strategies, including procurement, development, replacement, and outreach projects.	Information is monitored on an on-going basis to ensure OIA is aware of changes in the control structure of the IT Division as it impacts the agency.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
N/A	N/A	Self -Assessment	To ensure compliance with auditing standards, the quality improvement program, and the IIA Code of Ethics.	The external reviewers determined the TWC Office of Internal Audit complies with auditing standards, the Texas Internal Auditing Act, and the IIA Code of Ethics.
N/A	OCT 2021	FY 2021 Annual Audit Report	To provide information on the assurance services, consulting services, and other activities of the internal audit function.	
N/A	N/A	Risk Assessment and Audit Plan	To prepare an annual audit plan using risk assessment techniques that identifies the individual audits to be conducted during the year	A risk assessment was performed and projects were selected for audit coverage. The audit plan was presented to and approved by the Commission
N/A	N/A	Coordination of External Auditors	To provide responsive information to external auditors.	External audit activity is tracked agency-wide.
N/A	N/A	Workforce Case Mgt. Steering Committee	To provide project oversight, oversee progress, resolve issues and manage change control.	Replace the Workforce Case Management functions in The Workforce Information System of Texas (TWIST) with a more modern infrastructure, use-friendly system, that allow for easier/quicker implementation of regulatory changes.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
2022-009-90	APR 2022	Unemployment Insurance System Replacement (UISR) IRS Publication 1075 Compliance Risk Identification	To identify: <ul style="list-style-type: none"> <li>• IRS Publication 1075 compliance risks;</li> <li>• Whether identified risks can be mitigated or avoided; and</li> <li>• Effects of unmitigated risks.</li> </ul>	Due to the sensitivity of some issues related to information systems security, the details of this report have been communicated to agency management, but not disclosed to outside parties. This is allowed under Government Code, Section 552.139 that provides for information to be excepted from disclosure under the Public Information Act. An assessment of the extent to which the governmental body's or contractor's electronically stored information containing sensitive or critical information is vulnerable to alteration, damage, erasure, or inappropriate use is confidential.
	NOV 2021	Rapid Process Improvement Process Maps – Solicitation Process	To map the current solicitation processes	Map of current processes was provided to agency management to identify areas of improvement during the Rapid Process Improvement Project.

#### IV. External Quality Assurance Review (Peer Review)

Texas Workforce Commission Office of Internal Audit  
External Quality Assurance Review – March 2020

##### Overall Opinion

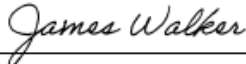
Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Workforce Commission OIA Office of Internal Audit (OIA) receives a rating of "Pass/Generally Conforms" and is in compliance with the Institute of Internal Auditors (IIA) *International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

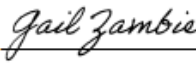
The OIA has established policies and procedures to carry out their functions. In addition, the OIA has effective relationships with the Commission and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers the OIA 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.

##### Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Chief Audit Executive (CAE), OIA staff, the Chairman and Commissioners, the Executive Director, and the senior managers 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 OIA and its relationship with management.

	4/6/2020
_____ James Walker, CPA, CFE, CISA Assistant Chief Auditor Texas Commission on Environmental Quality SAIAF Peer Review Team Leader	Date

	4/6/2020
_____ Darrell Carter, CPA, CIA, CRMA Director Internal Audit Texas Secretary of State SAIAF Peer Review Team Member	Date

	4/6/2020
_____ Gail Zambie, CPA, CFE Audit Services Work Lead Texas Commission on Environmental Quality SAIAF Peer Review Team Member	Date

## V. Internal Audit Plan for Fiscal Year 2023

### Performance Audits

Auditable Units	Objectives	Budget Hours
<b>Vocational Rehabilitation</b>	<b>Controls Review of VR Providers</b> – to determine what controls are in place to ensure safety of Vocational Rehabilitation customers.	800
<b>General Counsel</b>	<b>Contract Review Efficiency Audit</b> – to determine efficiency of contracting reviews by General Counsel staff.	800
<b>Vocational Rehabilitation</b>	<b>Compliance Review of Blind Services</b> – to determine if controls are in place in the Blind Services program to ensure compliance with federal and state requirements.	1,000
<b>Fraud Deterrence and Compliance Monitoring</b>	<b>Audit of Wage and Hour</b> – to ensure controls are in place in the Wage and Hour programs to ensure compliance with federal and state requirements.	800
<b>Agency-wide</b>	<b>Review of Monitoring Results</b> – to determine if the results of monitoring activities are properly addressed by agency management.	1,000
<b>Business Operations</b>	<b>Cybersecurity</b> – to determine if security and privacy controls are effective to protect organizational operations, assets, and customers.	1,000
<b>Workforce Development/ Information Technology</b>	<b>Privacy Access Review for Workforce Systems</b> – to determine the effectiveness of privacy and access controls over the confidential and sensitive data in Workforce systems.	1,055
<b>Information Innovation and Insight</b>	<b>Business Transformation Review</b> – to determine the effectiveness of Business Transformation processes.	550
<b>Vocational Rehabilitation</b>	<b>VR Target Populations</b> – to determine the effectiveness in meeting target population goals.	1,000
<b>Agency-Wide</b>	<b>Hiring Processes</b> – to determine the timeliness of the hiring processes.	850
<b>Business Operations/ Finance</b>	<b>Audit of Payments for Procurements</b> – to determine if payments for services and goods procured for TWC staff are processed accurately and timely.	1,500
<b>Agency-wide</b>	<b>Quarterly Follow-Up Reviews</b> – to determine the adequacy and effectiveness of corrective actions implemented by management to address previously reported audit findings and recommendations.	3,000
<b>Agency-wide</b>	<b>Commission Requests</b> – additional projects requested by the Commission.	1,000

## Carry Forward Projects

Auditable Units	Objectives	Budget Hours
<b>Vocational Rehabilitation</b>	<b>VR Quality Reviews</b> – to determine if Vocational Rehabilitation is conducting effective case reviews.	200
<b>Unemployment Insurance/ Fraud Deterrence and Compliance Monitoring</b>	<b>Fraud Controls</b> – to determine if controls are effective to maximize fraud prevention, detection, and response related to Unemployment Insurance claims.	161
<b>Workforce Development</b>	<b>Career Schools</b> – to determine if current processes ensure compliance with State Laws and Rules.	208
<b>Information Technology</b>	<b>IT Project Management</b> – to determine whether the agency’s project management policies and practices are effective in ensuring projects are completed on time, within budget in scope, and within agreed-upon quality standards.	260
<b>Information Technology/ Vocational Rehabilitation</b>	<b>Access Control Review of ReHabWorks</b> – to determine if controls in VR Systems ensure appropriate roles, access rights and privileges.	60
<b>Finance</b>	<b>Vendor Setup Audit</b> – to determine the efficiency and effectiveness of the vendor set-up process.	260
<b>Outreach and Employer Initiatives</b>	<b>JET Program Compliance Review</b> – to determine if controls in the Jet program ensure compliance with Texas laws.	505
<b>Workforce Development</b>	<b>Migrant Seasonal Farm Worker Compliance Review</b> – to ensure controls are in place in the MSFW program to ensure compliance with federal and state requirements.	715
<b>Child Care</b>	<b>Child Care Compliance</b> – to ensure controls are in place in the Child Care program to ensure compliance with federal and state requirements.	110

## 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 eight internal control characteristics 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



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## **VI. External Audit Services Procured in Fiscal Year 2022**

During Fiscal Year 2022, 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 (87<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.

## VIII. Contract Audit Reporting

### Audit Reports

The Texas Workforce Commission Office of Internal Audit's list of audit reports related to contracts and contract processes and controls completed in the last five years (i.e., fiscal years 2018 to 2022) is shown in the following table. The table provides report titles, report numbers, and report dates.

Report Title	Report Number	Report Date
Statewide Initiatives	2017-009-10	DEC 2017
Subrecipient Monitoring	2017-007-50	JAN 2018
Controls Over Maintenance in Agency-Owned Buildings	2018-004-20	JUL 2018
Accuracy and Timeliness of Payments	2018-001-30	AUG 2018
VR Division Oversight Processes	2018-012-50	FEB 2019
Controls Over Procurement for Vocational Rehabilitation Customers	2017-026-20	APR 2019
Apprenticeship Compliance Review	2019-005-30	NOV 2019
Compliance Review of Workforce Guidance to Boards	2019-010-30	DEC 2019
Skill Development Fund	2018-010-10	FEB 2020
Travel Compliance	2019-007-30	MAR 2020
Controls Over Vocational Rehabilitation Contracts	2019-014-20	SEP 2020
Contracting Compliance Review	2020-005-35	DEC 2020
Pandemic Procurement Review	2021-003-30	AUG 2021
Review of Agency Monitoring Procedures	2021-005-10	FEB 2022

### Follow-Up Reports

The Texas Workforce Commission Office of Internal Audit reports the results of follow-up work on a quarterly basis. The following table provides report titles, report numbers, report dates, and the related report number of an audit report listed in the previous table for which follow-up work was reported in the related follow-up report.

Report Title	Report Number	Report Date	Related
Follow-Up Results of Previously Reported Recommendations (FY 2019 – Second Quarter)	2019-001-80(b)	March 25, 2019	2017-009-10
Follow-Up Results of Previously Reported Recommendations (FY 2019 – Third Quarter)	2019-001-80(c)	June 24, 2019	2018-001-30
Follow-Up Results of Previously Reported Recommendations (FY 2019 – Fourth Quarter)	2019-001-80(d)	September 23, 2019	2018-004-20
Follow-Up Results of Previously Reported Recommendations (FY 2020 – Second Quarter)	2021-001-80(b)	March 23, 2020	2017-009-10
Follow-Up Results of Previously Reported Recommendations (FY 2020 – Third Quarter)	2021-001-80(c)	June 23, 2020	2017-009-10
Follow-Up Results of Previously Reported Recommendations (FY 2020 – Fourth Quarter)	2021-001-80(d)	September 22, 2020	2017-026-20 2019-005-30
Follow-Up Results of Previously Reported Recommendations (FY 2021 – First Quarter)	2021-001-80(a)	December 10, 2020	2017-026-20 2018-001-30 2018-004-20 2018-010-10 2019-007-30

Report Title	Report Number	Report Date	Related
Follow-Up Results of Previously Reported Recommendations (FY 2021 – Second Quarter)	2021-001-80(b)	March 24, 2021	2018-004-20 2019-005-30 2019-007-30
Follow-Up Results of Previously Reported Recommendations (FY 2021 – Third Quarter)	2021-001-80(c)	June 22, 2021	2018-001-30 2018-004-20
Follow-Up Results of Previously Reported Recommendations (FY 2021 – Fourth Quarter)	2021-001-80(d)	September 23, 2021	2018-001-30 2018-004-20 2018-010-10 2019-014-20
Follow-Up Results of Previously Reported Recommendations (FY 2022 – First Quarter)	2022-001-80(a)	December 15, 2021	2017-026-20 2018-010-10 2019-007-30 2020-005-35
Follow-Up Results of Previously Reported Recommendations (FY 2022 – Second Quarter)	2022-001-80(b)	March 24, 2022	2019-007-30
Follow-Up Results of Previously Reported Recommendations (FY 2022 – Third Quarter)	2022-001-80(c)	June 23, 2022	2019-007-30

NOTE: No follow-up audit work was performed in fiscal year 2018 on reports of original audit work that were issued in fiscal year 2018.