

Texas Workforce Commission

Office of Internal Audit

*Fiscal Year 2020
Annual Audit Report*



October 2020

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 III, Commissioner Representing Labor
Aaron Demerson, Commissioner Representing 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 approved the Fiscal Year 2021 Audit Plan on October 27, 2020. 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.

The TWC OIA will post the Fiscal Year 2020 Annual Audit Report to the “Reports, Plans and 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 “State Auditor’s Office Fiscal Year 2020 Guidelines for Submitting and Posting the Internal Audit Annual Report and Periodic Internal Audit Reports”.

II. Internal Audit Plan for Fiscal Year 2020

The Texas Workforce Commission Office of Internal Audit's list of planned audits for fiscal year 2020 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 2020 audit plan.

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2020-005-35		Contracting Compliance Review – To determine if a sample of contracts comply with contracting and monitoring controls and processes.	In Reporting	
2020-007-10		Collection Activities – To determine if collection activities are efficient and effective and if collection processes maximize collection potential.	In Planning	
2019-014-20	OCT 2020	Controls Over Vocational Rehabilitation Contracts – To determine whether controls exist for the creation, management, and monitoring of VR Contracts.	Report Issued	
		Career Schools Compliance Review – To determine if current processes ensure compliance with State Laws and Rules.	Cancelled	Due to staffing shortages; rescheduled on FY21 plan
		Call Centers Responsiveness Review – To determine responsiveness to customers at U.I. Tele-Centers	Postponed	Due to COVID-19 call volume
		Business Continuity Audit – To determine if the agency business continuity plans comply with laws and guidance.	Postponed	Due to COVID-19 response

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2020-002-30		Compliance Review of VR Field Guidance – To determine whether guidance provided to Vocational Rehabilitation field offices comply with Federal and State laws.	In Reporting	
		Job Classifications Compliance Review – To determine if positions are reviewed annually for proper classification as defined by Texas Government Code 654.0155.	Cancelled	Due to staffing shortages; rescheduled on FY21 plan
2019-015-20		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.	In Fieldwork	
2020-004-30		Review of Agency Monitoring Responsibilities – To determine if agency management has identified, defined, and assigned required monitoring responsibilities.	In Reporting	
2020-001-80(a)	DEC 2019	Follow-Up Projects – To determine the adequacy and effectiveness of corrective actions taken by management to address previously reported audit findings.	Reports Issued	
2020-001-80(b)	MAR 2020			
2020-001-80(c)	JUN 2020			
2020-001-80(d)	SEPT 2020			
2019-005-30	DEC 2019	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.	Report Issued	

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2019-010-30	DEC 2019	Compliance Review of WF Guidance to the Boards – To determine whether guidance provided to Workforce Boards comply with Federal and State laws.	Report Issued	
2019-008-60		Controls Over Change Requests – To determine whether controls over change requests provide reasonable assurance that change management is effective.	In Fieldwork	
2019-007-30	MAR 2020	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.	Report Issued	
2019-013-20		Internal Control Review of Human Resources and HR Systems – To determine whether controls over Human Resources systems and processes ensure accuracy, reliability, and integrity in personnel records.	In Reporting	
2019-012-20	JUN 2020	Administrative Procurement Services – To evaluate the efficiency and effectiveness of Administrative Procurement Services.	Report Issued	
2018-008-60	JAN 2020	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.	Report Issued	
2018-014-20	JAN 2020	Data Integrity Audit – To determine whether controls are in place to ensure the integrity of data used by Division of Operational Insights.	Report Issued	

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2018-010-10	FEB 2020	Skills Development Review – To review the efficiency and effectiveness of skills development processes and operations.	Report Issued	

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 2020 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.
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	APR 2020	Self - Assessment and Peer Review	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 2020	Annual Report	To provide information on the assurance services, consulting services, and other activities of the internal audit function.	The FY 2020 annual audit report was submitted on October 30, 2020.
N/A	OCT 2020	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 on October 27, 2020.
N/A	N/A	Coordination of External Auditors	To provide responsive information to external auditors.	External audit activity is tracked agency-wide.

IV. External Quality Assurance Review (Peer Review)

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

Overall Opinion

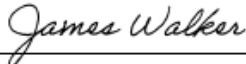


Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Workforce Commission OIA Office of Internal Audit (OIA) receives a rating of "Pass/Generally Conforms" and is in compliance with the Institute of Internal Auditors (IIA) *International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

 _____ James Walker, CPA, CFE, CISA Assistant Chief Auditor Texas Commission on Environmental Quality SAIAF Peer Review Team Leader	4/6/2020 _____ Date
 _____ Darrell Carter, CPA, CIA, CRMA Director Internal Audit Texas Secretary of State SAIAF Peer Review Team Member	4/6/2020 _____ Date
 _____ Gail Zambie, CPA, CFE Audit Services Work Lead Texas Commission on Environmental Quality SAIAF Peer Review Team Member	4/6/2020 _____ Date

V. Internal Audit Plan for Fiscal Year 2021

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

Auditable Units	Objectives	Budget Hours
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

Auditable Units	Objectives	Budget Hours
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

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 (i.e., “Contracting Compliance Review”) 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 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

VI. External Audit Services Procured in Fiscal Year 2020

During Fiscal Year 2020, 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 (86th 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.