

Texas Workforce Commission

Office of Internal Audit

*Fiscal Year 2015
Annual Audit Report*



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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 (TWC) Office of Internal Audit (OIA) procedures to comply with the provisions of the Texas Government Code, Section 2102.015(b), consist of:

- The OIA will post the annual internal audit plan required by the Texas Government Code, Section 2102.008, on the TWC's Internet website within 30 days after the Commission approves the plan.
- The OIA will post the annual internal audit report required by the Texas Government Code, Section 2102.009, on the TWC's Internet website within 30 days after the report's submission to the Commission, the Governor's Office of Budget, Planning, and Policy, the Legislative Budget Board, the Sunset Advisory Commission, and the State Auditor's Office.

The TWC OIA procedures to comply with the provisions of the Texas Government Code, Sections 2102.015(d) and 2102.015(e), consist of:

- The TWC OIA will prepare a "Summary of Findings and Implementation Statuses" for audits completed during the fiscal year applicable to the annual internal audit report. The summary will serve as a "detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns" and a "summary of the action taken by the agency to address the concerns."
- The TWC OIA will include the "Summary of Findings and Implementation Statuses" in the annual internal audit report. The location of the summary will be in the section containing information about activity performed for the internal audit plan for the fiscal year applicable to the annual internal audit report.

The Commission approved the "Fiscal Year 2016 Audit Plan" on September 28, 2015. The OIA posted the approved plan to the "Reports, Plans, and Publications" page of the TWC's Internet website on September 30, 2015.

The TWC OIA will post this "Fiscal Year 2015 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 the Commission and other recipients. The organizational format of the report and the information provided in the report will comply with the "State Auditor's Office Fiscal Year 2015 Guidelines for Submitting and Posting the Internal Audit Annual Report and Periodic Internal Audit Reports" issued by the Texas State Auditor's Office.

The "Summary of Findings and Implementation Statuses" that will serve as a "detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns" and a "summary of the action taken by the agency to address the concerns" will be included in Section III of this report under the title of "Summary of Fiscal Year 2015 Findings and Implementation Statuses."

II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions

Not applicable.

III. Internal Audit Plan for Fiscal Year 2015

The Texas Workforce Commission Office of Internal Audit's list of planned audits for fiscal year 2015 follows in the table below. The table provides project and report numbers, report dates, project and report titles, and whether the audits were completed. If an audit was not completed, the table states the current 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 2015 audit plan.

Project Number	Report Date	Project Title and Objective	Budget Hours	Current Status	Deviations from Plan
2012-001-10	N/A	Child Care Automated Attendance System - The objective of the audit is to analyze the impact of the new system on the childcare program.	350	In Progress in Fieldwork Phase	
2013-006-30	January 2015	Child Labor Law - The objective of the audit was to determine the effectiveness of the Texas Workforce Commission's processes to ensure employer compliance with the Child Labor Law.	60	Completed	
2014-003-60	N/A	Information Security - The objective of the audit is to determine the adequacy of controls over information systems resources.	360	In Progress in Reporting Phase	
2014-007-30	January 2015	Records Retention - The objective of the audit was to determine whether the Texas Workforce Commission complies with records retention requirements in the Texas Government Code as interpreted by the Texas State Library and Archives Commission.	250	Completed	
2014-008-60	N/A	Contract Administration & Tracking System (CATS) Application Controls Review - The objective of the audit is to conduct an application controls review of CATS.	250	In Progress in Planning Phase	
2014-009-80	January 2015	Follow-up of the Labor Market and Career Information (LMCI) Information Technology Controls Over Configuration Management Audit (2010-011-60) - The objective of the follow-up audit was to determine whether management has taken appropriate corrective actions to address the findings and remedy the underlying conditions.	50	Completed	
2014-010-80	January 2015	Follow-up of the Confidential Unemployment Information Disclosures Audit (2009-015-20) - The objective of the follow-up audit was to determine whether management has taken appropriate corrective actions to address the findings and remedy the underlying conditions.	80	Completed	
2014-012-80	May 2015	Follow-up of the Skills Development Fund Audit (2010-012-10) - The objective of the follow-up audit was to determine whether management has taken appropriate corrective actions to address the findings and remedy the underlying conditions.	200	Completed	

Project Number	Report Date	Project Title and Objective	Budget Hours	Current Status	Deviations from Plan
2014-014-20	N/A	Field Tax Controls - The objective of the audit is to determine whether the adequacy of controls over the functions performed by field tax account examiners.	450	In Progress in Reporting Phase	
2014-015-20	N/A	Career Schools and Colleges - The objective of the audit is to evaluate internal control within the Career Schools and Colleges program.	470	In Progress in Planning Phase	
2014-016-20	July 2015	Commission Appeals - The objective of the audit was to determine whether Commission Appeal program improvements identified in the 2012 Rapid Process Improvement project final report resulted in program efficiencies.	250	Completed	
2015-001-90	N/A	Texas Department of Motor Vehicles Peer Review - The Texas Department of Motor Vehicles Internal Audit Division began operations in fiscal year 2012 and received its inaugural external quality assurance review (also known as a peer review) in the spring of 2015. A team of State Agency Internal Audit Forum representatives performed the peer review. A Texas Workforce Commission Office of Internal Audit employee was a member of the team.	80	Completed	Added to fiscal year 2015 internal audit plan
2015-002-30	N/A	Federal Reporting Accuracy - The objective of the audit is to determine whether Employment and Training Administration reports are accurate.	550	In Progress in Planning Phase	
2015-003-10	March 2015	Revenue and Trust Management (RTM) - The objective of the audit was to determine the adequacy of controls over the receipt and recording of transactions processed by RTM.	450	Completed	
2015-004-80	N/A	Quarterly Open Finding Assessments - Agency management reports whether any subsequent corrective actions to address the findings and remedy the underlying conditions have taken place since the previous quarter.	150	Completed	
2015-006-10	N/A	Collections Process - The objective of the audit is to evaluate controls over the childcare overpayment collection process.	700	In Progress in Fieldwork Phase	
2015-007-80	July 2015	Follow-up of the Wagner-Peyser 7(b) Contracts Audit (2011-19-50) - The objective of the follow-up audit was to determine whether management has taken appropriate corrective actions to address the findings and remedy the underlying conditions.	225	Completed	
2015-008-80	August 2015	Follow-up of the Personnel Performance Review and Process and Agency Reward Programs Audit (2012-12-50) - The objective of the follow-up audit was to determine whether management has taken appropriate corrective actions to address the findings and remedy the underlying conditions.	225	Completed	

Project Number	Report Date	Project Title and Objective	Budget Hours	Current Status	Deviations from Plan
2015-009-30	N/A	Contracting Processes - The objective of the audit is to evaluate compliance with the new contracting legislation.	700	In Progress in Reporting Phase	
2015-010-90	N/A	Fiscal Year 2016 Risk Assessment and Audit Plan - A risk assessment was performed and projects were selected for audit coverage. The Commission approved the audit plan on September 28, 2015.	300	Completed	
2015-011-60	N/A	Workforce Systems Change Control - The objective of the audit is to evaluate the controls over the change management process for Workforce Development systems.	600	In Progress in Fieldwork Phase	
N/A	N/A	Prosecutions & Legal Services	500	Canceled	Canceled due to reporting and responsibility reorganization and was reassessed during fiscal year 2016 risk assessment
N/A	N/A	Infrastructure Planning & Budget	500	Canceled	Canceled due to reporting and responsibility reorganization and was reassessed during fiscal year 2016 risk assessment
N/A	N/A	Organizational Strategy	600	Canceled	Canceled due to the inclusion of audit elements in control reviews of departments and programs
N/A	N/A	Fiscal Year 2014 Internal Audit Report - Section 2102.009 of the Texas Government Code requires the preparation and submission of an annual report before November 1 of each year to the governor, the Legislative Budget Board, the Sunset Advisory Commission, the state auditor, the state agency's governing board, and the administrator.	30	Completed	
N/A	N/A	Quality Self-Assessment - To evaluate the compliance, efficiency and effectiveness of the Office of Internal Audit as required by auditing standards	150	Completed	
N/A	N/A	SAO Hotline - To perform a 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	30	Completed	Added to fiscal year 2015 internal audit plan

Project Number	Report Date	Project Title and Objective	Budget Hours	Current Status	Deviations from Plan
N/A	N/A	HIPAA Readiness - To identify HIPAA compliance requirements necessary for selected information systems	15	Completed	Added to fiscal year 2015 internal audit plan
N/A	N/A	Civil Rights Division Rapid Process Improvement (RPI) Project - To provide advisory services related to controls and process efficiency	50	Completed	Added to fiscal year 2015 internal audit plan

Summary of Fiscal Year 2015 Findings and Implementation Statuses

This “Summary of Fiscal Year 2015 Findings and Implementation Statuses” that follows below serves as a “detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns” and a “summary of the action taken by the agency to address the concerns” in compliance with the provisions of the Texas Government Code, Sections 2102.015(d) and 2102.015(e).

Project Number	Report Date	Project Title	Findings	Implementation Status
2013-006-30	January 2015	Child Labor Law	<p>Development of new processes and improvement to current processes would increase the Program’s ability in achieving its mission. In order to increase the Program’s ability in achieving its mission, the Program needs to:</p> <ul style="list-style-type: none"> • Develop processes to ensure the accuracy of information entered, maintained and reported from the automated files; and • Improve procedures, which identify approaching and overdue recheck investigations. 	Ongoing
2014-007-30	January 2015	Records Retention	<p>The records retention program needs improvements in the following areas:</p> <ul style="list-style-type: none"> • Continuing and active program: Opportunities for improvement in the overarching structure that could increase the effectiveness of the program include implementation of Records Management Officer authority, uniform process for appointing Records Management Liaisons, and fully defined roles and responsibilities. • Procedural documentation: The retention documentation is incomplete, unclear, and inconsistent. • Policy implementation and staff awareness: A lack of communication, a lack of training, and the absence of monitoring and accountability limit the effectiveness of consistent agency-wide policy implementation and staff awareness. 	Ongoing

Project Number	Report Date	Project Title	Findings	Implementation Status
2014-009-80	January 2015	Follow-up of the Labor Market and Career Information (LMCI) Information Technology Controls Over Configuration Management Audit (2010-011-60)	<p>Based on the results of the follow-up work that was performed, the implementation status information for the previously reported findings are:</p> <ul style="list-style-type: none"> • Adopt a Formal Systems Development Lifecycle (SDLC) Methodology: Ongoing. LMCI has been working with the Project Management Office in the Information Technology Division to adapt the agency’s SDLC methodology to LMCI’s needs. LMCI does not currently have any ongoing projects that would fall under the new SDLC process; however, two projects that are in the initial stages will go through this new process. • Formalize and Enhance the Change Management Process: Ongoing. LMCI staff is currently developing forms, tracking spreadsheets, and policy documentation for a formal change management process. The new process will follow the Information Technology Division’s change management model. 	Ongoing
2014-010-80	January 2015	Follow-up of the Confidential Unemployment Information Disclosures Audit (2009-015-20)	<p>Based on the results of the follow-up work that was performed, the implementation status information for the previously reported finding is:</p> <ul style="list-style-type: none"> • Identify All of the Disclosure Activities and Recover All Costs: Fully Implemented. Management developed a billing methodology for offline data exchanges that are those contracts set-up to run automatically and require minimal staff intervention to support. 	Fully Implemented

Project Number	Report Date	Project Title	Findings	Implementation Status
2014-012-80	May 2015	Follow-up of the Skills Development Fund Audit (2010-012-10)	<p>Based on the results of the follow-up work that was performed, the implementation status information for the previously reported findings are:</p> <ul style="list-style-type: none"> • Contracting Process Imposes Time and Documentation Constraints: Fully Implemented. Management has implemented a new contract model that reduced the need for multiple amendments for SDF contracts approved in fiscal year 2013 and appeared to reduce project development and assessment timeframes in comparison to documented goals during fiscal year 2014. • Different Hourly Rates are Negotiated for Training Courses: Fully Implemented. Management performs and documents reviews for reasonable costs using course cost per hour as the primary comparison to other similar training, and corresponding proposal evaluation and approval timeframes improved in comparison to documented goals during fiscal year 2014. • Program Outcomes are based on Projected Data: Fully Implemented. Management has created a final outcomes report for presentation to Executive Management and the Commissioners that provides a review of actual results from completed contracts. The report includes four performance outcome measurements. 	Fully Implemented
2014-016-20	July 2015	Commission Appeals	<p>Areas needing improvement include:</p> <ul style="list-style-type: none"> • Secondary performance measures do not provide meaningful information to help Commission Appeals determine why they are not meeting their primary performance measure; • A case assignment backlog exists because the department has not been able to timely fill attorney vacancies to ensure production; • Cases held pending investigation were not tracked and performance expectations were not clarified; and • Policies, procedures and controls defined during the RPI project were not formally documented and were not consistently followed after the project. 	Ongoing
2015-003-10	March 2015	Revenue and Trust Management	No findings.	Not Applicable

Project Number	Report Date	Project Title	Findings	Implementation Status
2015-007-80	July 2015	Follow-up of the Wagner-Peyser 7(b) Contracts Audit (2011-19-50)	<p>Based on the results of the follow-up work that was performed, the implementation status information for the previously reported findings are:</p> <ul style="list-style-type: none"> • Screening Wagner-Peyser 7(b) Contractors: Fully Implemented. Management has created a framework for providing factual information on allowability of costs and grantee performance on previous Wagner-Peyser 7(b) grants, and has provided this information to the Governor’s Office for its use during the screening and selection process. • Monitoring Wagner-Peyser 7(b) Contractors: Fully Implemented. Management has implemented procedures for monitoring Wagner-Peyser 7(b) contracts. • Providing Financial Technical Assistance to Contractors: Fully Implemented. Management has implemented procedures for providing fiscal technical assistance to Wagner-Peyser 7(b) contractors. • Including Required Documents for Contracts in CATS: Fully Implemented. Management has identified and specified required documents for contracts that are to be entered into the Contract Administration & Tracking System (CATS), and contract managers are complying with these documentation requirements. • Entering Documents into CATS in a Timely Manner: Fully Implemented. Management has established a timeliness standard that contract managers must upload all documents into the CATS within five business days of receipt, and contract managers are generally adhering to this standard. • Organizing Documentation in CATS: Fully Implemented. Management has created a file system for organizing Wagner-Peyser 7(b) contract documentation in the CATS, and contract managers are following this standard. 	Fully Implemented

Project Number	Report Date	Project Title	Findings	Implementation Status
2015-008-80	August 2015	Follow-up of the Personnel Performance Review and Process and Agency Reward Programs Audit (2012-12-50)	<p>Based on the results of the follow-up work that was performed, the implementation status information for the previously reported findings are:</p> <ul style="list-style-type: none"> • Timeliness of Performance Evaluations: Fully Implemented. <ul style="list-style-type: none"> ➤ 93% of personnel performance reviews (PPRs) were performed timely as of May 31, 2015. Our original report had found that 77% of PPRs were performed timely as of May 31, 2012. ➤ Automated notices are being sent to supervisors about upcoming and late PPRs. ➤ Reporting to the Executive Director on the timeliness of completed PPRs is being performed using a dashboard that provides timeliness information by division. • Improvement of Agency Reward Programs: Fully Implemented. <ul style="list-style-type: none"> ➤ The total amount of performance leave that may be awarded to an agency employee has been increased from 16 hours to 24 hours, and the maximum amount of performance leave that may be awarded to individual and group Star Award recipients has been increased from 8 hours to 16 hours. ➤ Nomination procedures and criteria have been revised and appear clear. ➤ The selection committee’s evaluation procedures have been revised and appear clear. 	Fully Implemented

IV. Consulting Services and Nonaudit Services Completed

The Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" defines consulting services as "Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training."

The United States Government Accountability Office's "Government Auditing Standards" defines nonaudit services as "professional services other than audits or attestation engagements."

A list of consulting and nonaudit services completed by the Texas Workforce Commission Office of Internal Audit during fiscal year 2015 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	Civil Rights Division Rapid Process Improvement	To provide advisory services related to controls and process efficiency	The Texas Workforce Commission Office of Internal Audit participated in selected Rapid Process Improvement (RPI) meetings to provide advisory information.
N/A	N/A	Monitoring, Meetings, and Committees	To participate in an observatory and advisory role in various meetings throughout the agency.	Information is gathered on an on-going basis to ensure risks are appropriately addressed when identified.
N/A	N/A	HIPAA Readiness	To determine HIPAA compliance requirements necessary for selected information systems	Compliance requirements may not be necessary if certain unnecessary information is not collected or received.
N/A	N/A	SAO Hotline	To perform a 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 allegation was not substantiated.

V. External Quality Assurance Review

TWC OFFICE OF INTERNAL AUDIT
EXTERNAL QUALITY ASSURANCE REVIEW – February 2013

OVERALL OPINION

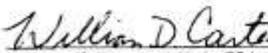
Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Workforce Commission’s Office of Internal Audit receives a rating of “pass” and is in compliance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit 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 Office of Internal Audit (OIA) is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. Audit personnel are qualified, proficient, and knowledgeable in the areas they audit. 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. These statements are based upon our review and validation of information provided by the OIA and comments gathered during the peer review process.

The Office of Internal Audit is well managed internally. In addition, the 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 an integral 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 Internal Audit Director, Internal Audit staff, the 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 Office of Internal Audit and its relationship with management.

 Christopher Williams, CIA, CGAP Audit Project Manager Office of the Attorney General SAIAF Peer Review Team Leader	2/8/13 Date	 Darrell Carter, MBA, CIA Internal Audit Director Public Utilities Commission of Texas SAIAF Peer Review Team Member	2/8/13 Date
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VI. Internal Audit Plan for Fiscal Year 2016

Performance Audits

Performance audits provide conclusions based on an evaluation of sufficient and appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices.

Performance audits provide objective analysis so that the Texas Workforce Commission and agency management 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.

Auditable Units	Planned Audits and Audit Objectives	Budget Hours
Business Operations / Information Technology	Audit of Information Technology (IT) Procurement Controls - To analyze controls over the new IT procurement process.	1050
Agency Wide	Audit of Ethics and Compliance - To determine whether the agency's culture encourages ethical conduct and commitment to compliance with the law.	650
Agency Wide	Audit of the Risk Management Process - To determine whether the agency risks are identified, assessed, mitigated, and monitored.	900
Business Operations	Audit of Purchasing from People with Disabilities - To determine whether the agency complies with enabling statutes.	700
Regulatory Integrity Division	Audit of Subrecipient Monitoring's Equal Opportunity Compliance Function - To determine whether the agency complies with enabling statutes.	400
Regulatory Integrity Division	Audit of the Tax Collections Process - To evaluate the efficiency and effectiveness of the tax collections process.	750
Workforce Development Division	Audit of Adult Education & Literacy - To analyze compliance with the legislative intent of senate bill 307.	600
Workforce Development Division	Audit of the Adult Education & Literacy Systems (TEAMS, AEGIS, CREDITS) - To assess controls over data integrity for Adult Education & Literacy information systems.	900
Business Operations	Audit of Controls over Construction and Facilities Management - To perform an internal control review of Construction and Facilities Management.	650
Agency Wide	Follow-up of Prior Findings - To determine the status of corrective actions taken by management to address prior issues reported in audits.	250
Financial Operations	Budget Management (2013-004-50)	150
Human Resources Management	Hiring Process (2013-011-10)	150
Workforce Development Division	Work Opportunity Tax Credit (2014-004-20)	100
Regulatory Integrity Division	Child Labor Law (2013-006-30)	150
Agency Wide	Follow-up of Prior IT Findings - To determine the status of corrective actions taken by management to address prior IT issues reported in audits.	250
External Relations Division	LMCI Configuration Management (2010-011-60)	100
	Commission Requests - Special requests from the Commission	400

Carry Forward Projects

Carry-forward projects consist of projects that are still in progress at the end of fiscal year 2015.

Auditable Units	Planned Audits and Audit Objectives	Budget Hours
Workforce Development Division	Child Care Automated Attendance System (2012-001-10) - The objective of the audit is to analyze the impact of the new system on the childcare program.	200
Information Technology	Information Security (2014-003-60) - The objective of the audit is to determine the adequacy of controls over information systems resources.	150
Business Operations	Contract Administration & Tracking System (CATS) Application Controls Review (2014-008-60) - The objective of the audit is to conduct an application controls review of CATS.	250
Unemployment Insurance & Regulation	Field Tax Controls (2014-014-20) - The objective of the audit is to determine whether the adequacy of controls over the functions performed by field tax account examiners.	117
Workforce Development Division	Career Schools and Colleges (2014-015-20) - The objective of the audit is to evaluate internal control within the Career Schools and Colleges program.	500
Agency Wide	Federal Reporting Accuracy (2015-002-30) - The objective of the audit is to determine whether Employment and Training Administration reports are accurate.	425
Regulatory Integrity Division	Collections Processes (2015-006-10) - The objective of the audit is to evaluate controls over the childcare overpayment collection process.	150
Workforce Development Division / Business Operations	Contracting Processes (2015-009-30) - The objective of the audit is to evaluate compliance with the new contracting legislation.	240
Workforce Development Division / Information Technology	Workforce Systems Change Control (2015-011-60) - The objective of the audit is to evaluate the controls over the change management process for Workforce Development systems.	465

In addition to planned audits, consulting services, and nonaudit services, the Texas Workforce Commission Office of Internal Audit has ongoing administrative and ad hoc responsibilities that include:

- Preparing and submitting the Annual Internal Audit Report;
- Developing the Annual Risk Assessment and Audit Plan and submitting it for approval;
- Performing an Annual Quality Self-Assessment;
- Receiving an External Quality Assessment Review;
- Briefing the Commission and agency management on audit reports;
- Maintaining and performing migration to subsequent versions for the TeamMate audit management software system;
- Performing and reporting upon open finding assessments each quarter;
- Participating in an advisory role in various meetings, committees, and information gathering processes;
- Maintaining and updating the Internal Audit intranet website;
- Performing reviews of allegations of suspected fraud, waste, abuse, or inefficient operations that have been referred to us by the State Auditor's Office, as required by the Texas Government Code, Section 321.013(d); and
- Participating in professional development activities.

General Appropriations Act Limitations and Restrictions and Senate Bill 20

Section 1.01 of Article IX of the General Appropriations Act states “The provisions of this Article and all other Articles of this Act are limitations on the appropriations made by this Act. It is the purpose of the Legislature in enacting this bill only to appropriate funds and to restrict and limit by its provisions the amount and conditions under which the appropriations can be expended.”

None of the projects in the fiscal year 2016 audit plan addresses the specific provisions of Article IX of the General Appropriations Act.

In regards to contract management and other requirements of Senate Bill 20 (84th Legislature), the following project covers the provisions of Senate Bill 20, but not the associated provisions of Section 7.04 or Section 7.12 of Article IX of the General Appropriations Act of which Section 7.12 became effective due to the failure of contingent actions specified in 7.12(h)(2):

- Contracting Processes (2015-009-30) - The objective of the audit is to evaluate compliance with the new contracting legislation.

Additional “High” Risks Not Included in the Fiscal Year 2016 Audit Plan

The Texas Workforce Commission Office of Internal Audit utilizes a weighted ranking in its risk assessment methodology. The “Fiscal Year 2016 Audit Plan” includes all risks that were identified with a “high” weighted ranking.

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:

- 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
- Staff Turnover and Retirement
- Prior Audit Coverage
- Potential for Fraud

VII. External Audit Services

Neither the Texas Workforce Commission (TWC) nor the TWC Office of Internal Audit (OIA) employed or contracted a private auditor to audit the TWC, as permitted by the Texas Government Code, Section 321.020, in fiscal year 2015. Neither the TWC nor the TWC OIA had any external audit services permitted by the Texas Government Code, Section 321.020, ongoing in fiscal year 2015.

VIII. Reporting Suspected Fraud and Abuse

The Texas Workforce Commission's (TWC) actions taken to comply with the fraud reporting requirements of Section 7.09 on page IX-37 of the General Appropriations Act (84th Legislature, Conference Committee Report) and the investigation coordination requirements of the Texas Government Code, Section 321.022, consist of:

- Providing information on the home page of the TWC's website on how to report suspected fraud, waste, and abuse involving state resources in the form of the text phrase "Report fraud: 800-252-3642." The telephone number is a fraud and program abuse hotline established by the TWC for individuals who wish to report suspected fraud, waste, or program abuse in programs for which the Texas Labor Code authorizes the TWC to investigate allegations of fraud, waste, and program abuse.
 - Providing additional information on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office (SAO) by linking the words "Report fraud" on the TWC home page to a subsequent webpage that provides:
 - Information on how to report suspected fraud, waste, and abuse involving state resources directly to the SAO. The information includes the SAO website link for reporting fraud and the SAO Hotline phone number;
 - The list of programs for which the Texas Labor Code authorizes the TWC to investigate allegations of fraud, waste, and program abuse;
 - Examples of reportable violations; and
 - Information from the Texas Government Code, Chapter 552, regarding fraud reports.
 - Including information on how to report suspected fraud involving state funds to the SAO in section 1.14 (Reporting Fraud, Theft, Waste, and Program Abuse) of the TWC Personnel Manual. The information includes the SAO website link for reporting fraud, the SAO Hotline phone number, and the SAO Special Investigations Unit postal address.
 - Including requirements in section 1.14 (Reporting Fraud, Theft, Waste, and Program Abuse) of the TWC Personnel Manual to report to the SAO a reasonable cause belief that money received from the state by the TWC or by a client or contractor of the TWC may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the TWC.
 - Providing a monthly report to the SAO identifying details of all investigations conducted by the TWC Office of Investigations and the status of each of those cases.
 - Complying with any other guidance provided by the SAO regarding the form, content, and timing of reports required by the Texas Government Code, Section 321.022.
-