

Internal Audit Services

Fiscal Year 2022



Annual Report

I. Compliance with Texas Government Code, Section 2102.015

The Texas Education Agency (TEA) Internal Audit Services division has posted the Internal Audit Annual Report for fiscal year 2022 on the agency's website at <https://tea.texas.gov/about-tea/internal-audit-services>. To comply with Texas Government Code, Section 2102 (Texas Internal Auditing Act), the annual audit report includes a summary of observations raised by the fiscal year 2022 audit plan, a summary of actions taken by the agency to address those observations and the audit plan for fiscal year 2023.

II. Internal Audit Plan for Fiscal Year 2022

Engagement Type	Description/Objectives	Status
Assurance	Property and Asset Management Audit	Report Issued July 2022
Assurance	School Improvement Monitoring	Carry Forward
Assurance	Teacher Incentive Allotment (TIA) Program	Carry Forward
Assurance	Agencywide Investigation Processes	Carry Forward
Assurance	Educator Preparation Programs Oversight Audit	Report Issued July 2022
Management Assistance	Reserve for Management Assistance in FY2022	Completed ¹

A summary of observations raised by the fiscal year 2022 audit plan along with actions taken by the agency to address those observations is provided in Appendix A.

III. Consulting Services and Non-audit Services Completed

Consulting services are advisory in nature and performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with the engagement client, without internal auditors assuming management responsibility. No consulting services (as defined in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing) nor non-audit services (as defined in Government Auditing Standards, 2018 Revision, Sections 3.64 – 3.106) were conducted in fiscal year 2022.

IV. External Quality Assurance Review

In accordance with Government Auditing Standards, Internal Audit Services completes an external peer review at least once every three years. The purpose of the review is to evaluate conformance with professional standards

¹ Management assistance projects typically do not result in formal deliverables.

Internal Audit Services

Fiscal Year 2022



Annual Report

and identify opportunities to improve the efficiency and effectiveness of audit activities. The most recent review was completed in October 2020. See the executive summary in **Appendix B**.

V. Internal Audit Plan for Fiscal Year 2023

Internal Audit Services developed a risk-based audit plan for fiscal year 2023. Auditors performed a comprehensive risk assessment to identify the agency's strategic priorities, operational objectives, and risks that could impact the agency's ability to achieve those objectives. Detailed risk information was obtained primarily through interviews with agency leadership, surveys completed by agency management, and analysis of relevant financial and non-financial data. Auditors evaluated the probability and impact of risks identified with consideration of existing control processes and prior internal and external audit coverage. Auditors classified individual risks to facilitate identification of agencywide trends and critical areas including information technology, contracting processes, and fraud. The audit plan outlined below for fiscal year 2023 was approved by the Commissioner of Education.

Engagement Type	Description	Budgeted Hours
Assurance	School Improvement Monitoring	550
Assurance	Teacher Incentive Allotment (TIA) Program	550
Assurance	Risk Assessment Processes	700
Assurance	Agencywide Investigation Processes	350
Management Assistance	Reserve for Management Assistance	750

While this plan addresses risk areas that were rated highest by the described assessment, it is not intended to provide coverage for all agency programs, processes, and systems. Other functional and program areas are not included in the current plan because of our understanding of mitigating factors within agency structures and procedures. These areas remain subject to internal audit engagement based on future risk assessment and planning.

Risk Area	Risk Mitigating Factors
Risk related to the effective implementation of legislative directives	The Office of Governmental Relations provides agency-wide support for the judicious implementation of legislative directives.
Risk related to data standards and collection of data for the Texas Student Data System	The Office of Information Technology (IT) provides leadership on IT initiatives; guidance on security/policy issues; new application development/enhancements; software acquisition; technical support; and oversight of data collections.
Risk related to the development, maintenance, and enhancement of information systems.	

Internal Audit Services

Fiscal Year 2022



Annual Report

VI. External Audit Services Procured in Fiscal Year 2022

Internal Audit Services did not procure external audit services during fiscal year 2022. However, TEA is subject to periodic and recurring audits performed by the U.S. Department of Education, Office of the Comptroller, and the State Auditor's Office.

VII. Reporting Suspected Fraud and Abuse

In accordance with the fraud reporting requirements in Section 7.09, page IX-38, the General Appropriation Act (87th Legislature), TEA provides instructions to the public for reporting fraud, waste, or abuse to the State Auditor's Office or submitting a formal complaint through the agency's Complaints Management website. These instructions are found at <https://tea.texas.gov/about-tea/contact-us/reporting-fraud-waste-or-abuse-in-texas>.

Additionally, TEA requires all employees and contractors to comply with *Operating Procedure 02-03: Agency Fraud Prevention and Reporting* and provides detailed guidance for reporting unethical and illegal activity on the Internal Audit Services intranet site. All employees are required to complete Fraud Awareness Training and Ethics Training within thirty days of hire and every two years thereafter.

Internal Audit Services is primarily responsible for investigating all suspected fraudulent acts and coordinating investigative activities with the General Counsel's Office, Human Resources, and appropriate outside enforcement/prosecutorial agencies (including the State Auditor's Office as required by Texas Government Code, Section 321.022).

VIII. Contract Audit Reporting

To assist the State Auditor's Office in assigning contract monitoring ratings to the 25 largest state agencies, Internal Audit Services prepared a listing of audit reports related to agency contracts and contract processes and controls completed in the last five years (fiscal years 2018 to current).

Report Date	Audit Report Title	Status of Follow Up
August 2018	SAO 18-044: An Audit Report on Selected Contracts at the Texas Education Agency	All recommendations implemented
October 2019	TEA 19-03: Follow-Up on Agency Contracting Processes	All recommendations implemented
August 2021	SAO 21-029: An Audit Report on Selected Contracting Functions at the Texas Education Agency	Anticipate initial follow-up in quarter 1 of fiscal year 2023

Appendix A

Summary of Observations and Management Actions for Fiscal Year 2022 Audit Plan Engagements

Report Date	Observation	Management Action
Charter School Property and Asset Management Audit		
July 2022	Operating procedures did not provide for formal, periodic reporting to agency management on the status of real property.	Management agreed to amend current procedures responsive to internal audit recommendation.
TEA Oversight of Educator Preparation Programs		
July 2022	Operating procedures did not provide for the assignment of a complaint severity to complaints received.	Management agreed to amend current procedures responsive to internal audit recommendations.
	Operating procedures did not include standards for documenting investigative outcomes.	
	Operating procedures did not provide for the use of a standardized complaint form.	

Appendix B

External Peer Review Executive Summary

Texas Education Agency Internal Audit Department
External Quality Assurance Review - October 2020

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Education Agency Internal Audit Department receives a rating of "**Pass with Deficiencies/Partially Conforms.**" It is our opinion that, except for the deficiencies noted in the report below, the Texas Education Agency internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards for assurance and consulting engagements during January 1, 2017 through July 31, 2020.

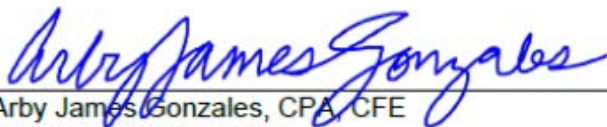
We found that the Internal Audit Department is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. Generally, the staff members are qualified, proficient, and knowledgeable in the areas they audit; individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Department is well managed internally. In addition, Internal Audit has effective relationships with the Commissioner of Education (Commissioner) and senior management and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit 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.

The Internal Audit Department has reviewed the results of the peer review team's work and has accepted them to be an accurate representation of Internal Audit's operations.

Acknowledgments

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Commissioner, 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 Internal Audit Department and its relationship with management.



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SAIAF Peer Reviewer