

Internal Audit Division

Annual Internal Audit Report Fiscal Year 2017

Annual Internal Audit Report FY 2017

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I. Compliance with Texas Government Code, Section 2102.015

Internal Audit will post on the Texas Education Agency's Internet Website (www.tea.texas.gov) an approved fiscal year 2018 audit plan, and the 2017 internal audit annual audit report as required by Texas Government Code, Section 2102.015. The two reports will be posted within 30 days of approval of the 2018 audit plan by the Commissioner of Education.

II. Internal Audit Plan for Fiscal Year 2017

The following audit plan was approved for FY 2017:

Report Number	Report Date	Audit Title	Budget Hours
16-05	March 2017	Follow-Up on Implementation of Sunset Recommendations	350
17-05*		Educator Preparation Program	450
17-04*		Early Learning Grant Program and Initiative	500
17-01	April 2017	Agency Mailroom Procedures – Cash Receipts	300
17-02	October 2017	Financial (FIRST) Ratings of Schools	400
17-03*		Federal Administrative Funding Review	400
17-06	August 2017	Federal Fiscal Monitoring Compliance of Federal Grants	400

* Audit suspended – Commissioner substituted with higher priority audit for FY 2018.

III. List of Consulting Engagements and Non-Audit Services

Internal Audit did not perform any formal consulting engagements in FY 2017. Non-audit services conducted in FY 2017 consisted of preparing the self-assessment and report for a Quality Assurance Review performed every three years.

IV. External Quality Assurance Review

**Texas Education Agency
Internal Audit Division
Self-Assessment Report for Independent Validation**

OVERALL OPINION

Based on the information received and evaluated during this external validation quality assurance review, it is my opinion that the Texas Education Agency (TEA) Internal Audit Division (IAD) internal quality control system receives a rating of "PASS" and was suitably designed and operating effectively to provide reasonable assurance of conformance with:

- the Institute of Internal Auditors (IIA) *International Professional Practices Framework*,
- 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 for ensuring the independence, objectivity, and proficiency of the internal audit function. IAD generally conforms to professional internal auditing standards.

The IAD is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The two professional 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 IAD is well managed internally. In addition, the IAD has effective relationships with TEA management, is well respected, and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management appreciates the IAD's counsel and advice that is important in improving agency operations.

ACKNOWLEDGEMENTS

I appreciate the courtesy and cooperation extended to me by Commissioner Mike Morath, TEA executive and operating management, the Internal Audit director, and the assistant director. The feedback from the interviews provided valuable information regarding IAD operations and IAD's role and responsibilities in serving the agency and the citizens of Texas.



David J. MacCabe, CIA, CGAP, CRMA, MPA
Independent Validator

1/30/2017

V. Internal Audit Plan for Fiscal Year 2018

The 2018 Audit Plan was approved by the Commissioner in December 2017.

Audit Title	Budget Hours
18-01 Agency Complaints Management	600
18-02 Information Technology Access Review	500
18-03 Texas GEAR UP Program	500
18-04 Texas Gateway and Online Learning Rider 53	600
18-05 Migrant Early Learning Program and Project Smart Migrant Education	500

Risk Assessment Methodology

The FY 2018 Audit Plan was developed through management interviews, review of external audit reports, and auditor judgment in ranking of risk indicators as follows:

- Interviews with Deputy and Associate Commissioners, and division directors to obtain an overview of any administrative or program changes this past year, and to discuss agency controls/vulnerabilities and audit suggestions.
- Review of state and federal external audit reports to identify audit findings and areas that need improvement in programs and agency processes.
- Development of risk indicators and ranking by internal audit staff.
- Review of applicable technology risks related to Title I, TAC, Chapter 202.

Summary of risk raised by the FY 2018 audit plan:

- New leadership at the department and division levels, strategic reorganization of agency functions, and loss of institutional knowledge through retirement and resignations.
- The number of grants and contracts and the dollar amounts administered through the agency.
- Implementing legislation for and enhancing alignment of programs including but not limited to, Early Childhood, Instructional Materials, College, Career and Military Preparation, Digital Learning, and Educator Preparation programs.
- Sufficient IT funding to secure and protect student and educator information maintained in agency information systems and to retire legacy applications or integrate with the agency's new systems.
- Preparing for the implementation of accountability, school improvement, and governance legislation.

Management has taken steps to ensure that all major functions, activities, and requirements are covered during the reorganization. Also, the agency has taken steps to hire additional personnel and fill vacant positions to ensure key operations are sufficiently staffed.

VI. No external audit services were procured by the agency during FY 2017.

VII. Reporting Suspected Fraud and Abuse

In meeting the applicable statutes in fraud prevention and reporting suspected fraud and abuse, the TEA has implemented the following operating policies:

OP 02-03 Agency Fraud Prevention

This policy provides guidance in the prevention and detection of fraud, waste and misuse of agency assets and to provide avenues for employees in reporting suspected violations to the Internal Auditor and to the State Auditor's Office in accordance with Texas Government Code, Section 321.022.

OP 02-04 Reporting Fraud

This policy provides guidance and procedures to agency employees for reporting any actions that they suspect are fraudulent. TEA's Intranet and Internet contain web pages with information and links for reporting suspected fraud, waste, and abuse to the Agency's Special Investigations Office and/or the State Auditor's Office. The Special Investigations Office is staffed to follow up on complaints from the public and State Auditor's Office. OP 02-04 also provides guidance for the reporting to the SAO, in accordance with Texas Government Code, Chapter 321, if the Agency has reasonable cause to believe that money received from the state may have been lost or misused or if fraudulent or unlawful activity has occurred.