



Internal Audit Division

**Annual Internal Audit Report
Fiscal Year 2018**

Annual Internal Audit Report FY 2018

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I. 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 2019 audit plan, and the 2018 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 2019 audit plan by the Commissioner of Education.

II. Internal Audit Plan for Fiscal Year 2018

The following audit plan was approved for FY 2018:

Report Number	Report Date	Audit Title	Budget Hours
18-01	August 2018	Agency's Complaints Management System	600
18-02*		IT Access Review	500
18-03 **		Texas Gear Up	500
18-04	Dec. 2018	Texas Gateway and Online Learning	600
18-05**		Migrant Early Learning Program and Project Smart	500

* Audit in progress.

** Pending Commissioner's approval to defer audit to the 2019 audit plan.

III. List of Consulting Engagements and Non-Audit Services

Internal Audit did not perform any formal consulting engagements in FY 2018. Non-audit services conducted included special assignments requested by the Commissioner and investigation of referrals sent to TEA from the State Auditor's Office.

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 2019

Audit Title	Budget Hours
19-01 Texas Gear-Up Program	500
19-02 Migrant Early Literacy and Project Smart Migrant Programs	400
19-03 Follow-up on Agency Contracting Processes, Controls and Monitoring Efforts	600
19-04 Technology Lending Program	400
19-05 FSP System Controls for Payments	400
19-06 State Waivers System	400

Risk Assessment Methodology

The FY 2019 Audit Plan was developed through management interviews, review of external audit reports, and auditor judgment in ranking of risk indicators as follows:

- Interviews with key management and staff 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 2019 audit plan:

- Agency contracting processes: training and retaining employees in the contracting division and other areas of the agency and ensuring that controls are in place and monitored for conflict of interest and nondisclosure acknowledgements for employees working with contracts.
- 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 disaster recovery, special education, early childhood, migrant and homeless education, instructional materials, digital learning, and college, career and military preparation.
- Sufficient IT funding to secure and protect confidential enterprise and student data, including funding needs for system upgrades or legacy system replacements.
- 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. External audit services procured in FY 2018

No external audit services were procured by the agency during FY 2018.

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.