

DIR Internal Audit Annual Report FY2013

October 2013

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I. Compliance with House Bill 16: the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the DIR Website

The Internal Audit Plan and Internal Audit Annual Report will be posted within 30 days of Board approval on the DIR’s website along with other audit related reports. DIR related audit reports that are currently posted on the DIR website are categorized as internal audit, State Auditor’s Office, and other reports.¹

II. Internal Audit Plan for Fiscal Year 2013

Audit Projects		Actual Hours
13-100	Internal Audits:	
13-101	Data Center Services & e-Government: Governance	0
13-102	Chief Financial Office Accounting: General Ledger	0
13-103	Technology Sourcing Office: Enterprise Contract Management	867
13-104	Data Center Services & e-Government: Service Delivery Project Management	0
13-105	Chief Information Security Office	891
13-106	Data Center Services & e-Government: IT Production Delivery	0
13-107	Chief Administrative Office: Technology Policy	0
12-102	Completion of FY2012 Audit: Statewide Project Delivery	762
12-201	Completion of FY2012 Audits: Texas.gov	232
13-200	Reserved for Management Requested Audits:	0
13-300	Monitoring Projects:	
13-301	Data Center & e-Government Activity	125
13-302	Technology Sourcing Office Activity	111
13-303	Communications Technology Services Division Activity	63
13-304	DIR Information Security Office Activity	78
13-305	Audits from Outside Auditors	146
13-306	Follow-up on Past IA Audit Recommendations	80
13-307	Follow-up on SAO Recommendations	100
13-400	Board & Executive Director Special Projects	
13-401	Reserved For Board Projects	0
13-402	IA Administration	1011
13-403	IA Management Communication	77
13-500	Other projects (required by law and auditing standards):	
13-501	Continuing Professional Education	308
13-502	Annual Internal Audit Report for FY12	84
13-503	Annual Risk Assessment Process for 2014	91
	Total Hours	5026

¹ Government Code §2102.015

III. Consulting Services and Nonaudit Services

The DIR Internal Audit division did not perform any consulting services.

Name	High-level Consulting Engagement/Non-audit Service Objective(s)	Observations/ Results and Recommendations	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented)	Fiscal Impact/ Other Impact
Sunset Recommendation Follow-up Tracking.	Monitored and followed-up on Sunset Commission Recommendations.	IA will continue to perform follow-up on outstanding issues.	Ongoing follow-up.	N/A
DIR Cooperative Contracts SAO Audit	Coordinated communication between the division and the SAO. Advised	Report Issued 10/23/2013	SAO Audit Complete. IA will conduct follow-up.	N/A
External Auditor Activity.	Coordinated with external auditors during contracted audit activities for Texas.gov.	Texas.gov AUP reports issued June 14, 2013.	Fully Implemented.	N/A
SSAE-16 of Service Providers	Work with DIR management and service providers.	Review of SSAE 16 Reports	Audits complete. Review corrective action plan.	NA

IV. External Quality Assurance Review

DIR's Internal Audit division participated in a comprehensive quality assurance review to satisfy requirements with the Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing, the U.S. Government Accountability Office (GAO) Government auditing Standards, and the Texas Internal Auditing Act, (Texas Gov't Code §2102). The review was performed by independent qualified reviewer and the report was issued October 2013.

V. Internal Audit Plan for Fiscal Year 2014

The DIR internal audit plan methodology included updating the audit universe; input from the Board and senior management; and an assessment of risk exposures and any related controls that may affect DIR's ability to achieve its objectives. The DIR Internal Audit division uses a standard template to rank the risk exposures into categories of high, medium, and low risk in order to develop the audit plan.

Project #		Projected Hours
14-100	Internal Audits:	
13-100	Completion of Audits: Information Security and Enterprise Contracts	200
14-101	Technology Sourcing Office: Cooperative Vendor Audit	750
14-102	Communications Technology Services: Tex-AN NG	375
14-103	Chief Financial Office: Telecom Accounts Receivable/Payables	320
14-200	Reserved for Management Requested Audits:	
14-201	Agency Wide Performance Measures	375
14-300	Monitoring Projects:	
14-301	Data Center Activity	250
14-302	e-Government Activity	150
14-303	Technology Sourcing Office Activity	150
14-304	Communications Technology Services Division Activity	150
14-305	DIR Information Security Office Activity	150
14-306	Audits from Outside Auditors	300
14-307	Follow-up on Past IA Audit Recommendations	300
14-308	Follow-up on SAO Recommendations	300
14-400	Board & ED Special Projects:	
14-401	Reserved For Board Projects	100
14-402	IA Administrative Duties	480
14-403	IA Management Communication	300
14-500	Other projects (required by law and auditing standards):	
14-501	Continuing Professional Education	210
14-502	Annual Internal Audit Report	120
14-503	Annual Risk Assessment Process for 2015	220
		5200

VI. External Audit Services Procured in Fiscal Year 2013

Auditor	DIR Area	Audit Description	Audit Status
KPMG	E-Government (Texas.gov)	Texas.gov agreed upon procedures engagement.	Completed

VII. Reporting Suspected Fraud and Abuse

Actions taken by DIR to implement the statutory requirements for fraud reporting:

- Fraud Reporting. Article IX, the General Appropriations Act (83st Legislature). Section 7.09.

The Department of Information Resources included a link to the State Auditor's website for fraud reporting at the footer of the agency's website. In addition, information on reporting suspected fraud to the State Auditor is included in the agency's employee handbook.

- Coordination of Investigations. Texas Government Code, Section 321.022.

The agency reports incidents as required under Texas Government Code, section 321.022.

VIII. List of Audits Completed

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined	<p>The quality of some of the vendor’s contract reports needs improvement. Some of the reports submitted have numerous errors on them. When errors are caught, DIR staff contact the vendor to correct them. It may take several versions back and forth from the vendor before the reports are correct. This review and re-review of the reports is a time consuming effort for DIR staff, especially when looking for anomalies in performance criteria where remedies are involved. There are liquidated damages that can be accessed for late reports, but the contract did not appear to address liquidated damages for inaccurate reporting. The Progress and Performance Report (ID 06) and the Application Service Levels Report (ID 03) report are particularly problematic; it appears that the detail is not reviewed for accuracy by the vendor. The Texas.gov team noted that some reports regularly have inconsistent formatting, content, and names. Some of the problems could be easily addressed such as sorting the data in chronological order. The problems with the reports cause considerable re-work for DIR staff.</p> <p>The DIR and the vendor should address the problems with the reports and look for ways to have the vendor implement better quality control of the reports before they are released to DIR.</p>	Incomplete/ Ongoing

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined	<p>On a continuous basis, the Texas.gov team must review 15 Management Plans and approximately 20 Contractual Reports from the vendor. The team often is looking for errors and omissions in the data. We found that most of the data is visually compared --- looking at one field of data and comparing it to another field -- to verify the accuracy of the data. This is time consuming work that is tedious and can lead to reviewer errors.</p> <p>The Texas.gov team should consider purchasing data analysis software to use in their reviews of the contractual plans and reports. The use of data analysis software should allow the reviewers to function more effectively, quickly exposing errors, and improve the monitoring function. Automated analytics allows for a much quicker and cleaner comparison of the program's performance data. Although in the beginning it will take time to implement the software, this data analysis tool should, in the long term, take much of the difficult visual comparison work out of the process, and improve the timeliness, accuracy, and usefulness of the reviews.</p>	Fully Implemented
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined	<p>After the contract reports are reviewed by staff, there is no additional review of the work performed on the reports. The Texas.gov management does not approve the reports. Only reports with problems may get escalated. For example, if a Program Analyst reviews a report and finds no issues with it, the Analyst logs the report into Salesforce. Then, the Analyst closes it out and indicates that the requirements are met. The Texas.gov Contract Manager gets involved if there is a problem. (The Texas.gov Contract Manager is the conduit with the vendor so she works with the vendor for resolution on the project problems.)</p> <p>As a quality control and verification check, Texas.gov management should consider implementing an approval level of contract reports examined and worked by staff.</p>	Fully Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined.	<p>With the many changes to the contracts over the years, it has been difficult to keep up with what is current in the contracts and the changes that have occurred. We found several instances where definitions were revised in the contract amendments. For example, the definition of Net Revenue was revised in the TEFA First Renewal Agreement and the definition of Total Revenue was revised in the Master Agreement, Amendment 1. We inquired as to whether there were reference tables or other tools available to better understand the contracts as they stand today, and it appeared that there were none. Having a table with a quick reference would be very helpful, especially when trying to identify the current meaning of critical definitions and terms.</p> <p>The Texas.gov team should consider creating a Renewals and Amendments Reference Table to help track changes to the contracts.</p>	Fully Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined.	<p>We found that the verification of the State’s share was being performed and the sample calculations we tested were accurate. However, we found a few control weaknesses related to the verification process, which are:</p> <p>A. The accuracy of the State’s share is being verified monthly by the DIR Financial Analyst in the DIR Finance Section; however, he is the only person involved in conducting the monthly verification of the State’s share of revenue.</p> <p>B. No one reviews or re-checks the DIR Financial Analyst’s work on the verification of the State’s share. There is no one assigned to confirm that the DIR Financial Analyst does the verification each month or that it was done correctly. As the verification process is complex and critical, no one person alone should have responsibility for it, and the need for a quality check is heightened.</p> <p>C. There has not been a second person trained as a back-up to conduct the verification process or to monitor the Texas.gov financial reports received by DIR.</p> <p>We recommend that at least two people receive training on the verification process to ensure a legacy and to have a back-up to the primary reviewer. We also recommend that a Preparer and Reviewer function be implemented as soon as possible, regarding the verification of the State’s share and the monitoring of the Texas.gov financial reports. The Preparer would be the person that does the verification and reviews the Texas.gov financial reports, and the Reviewer would be the second level reviewer that checks the work of the Preparer. To document and track that the Preparer and the Reviewer have completed their monthly tasks, the verification and report monitoring could be set up as tasks in Salesforce.</p>	Fully Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined.	<p>During our test work on the revenue verifications, we found that the actual review and verification process for the Texas.gov financial reports was much more intricate than what was written in the SOP. For example, the Withholding System, regarding the funds withheld by the Texas CPA, was not noted in the procedures. When we identified this, the DIR Finance Division began some updating on the procedures and added more detail, which was an improvement.</p> <p>We recommend that the verification procedures be further reviewed and refined to provide the needed detail to guide an untrained reviewer through the verification process.</p>	Fully Implemented
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined.	<p>There is a segment of Texas.gov funds, those received from local funds, which is not flowing through USAS. In addition, DIR relies on the vendor's accurate reporting and submission of these receipts as part of the calculation of the State's share. Although the amount from these local customers currently is a small amount, as Texas.gov expands, there may be more local customers and more funds being received through this decentralized route. Therefore, the reporting of these funds, and any other funds, outside the central receipt point (USAS) will continue to be a DIR concern.</p> <p>We recommend that the DIR Finance Division meet with the vendor and consider additional steps to monitor and provide oversight of Texas.gov revenues and expenses including receipts from local funds.</p>	Incomplete/ Ongoing

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined.	<p>The information on the local funds process is limited and difficult to find. We were not able to find detailed information about the process in the Comptroller’s Office rule, APS 029. Also, there was no specific reference in the Master Agreement about local funds not being reported in USAS. In the Financial Processing Procedures of the Master Agreement, we found a reference to APS 029 in Attachment H-1, Section 6.6.1.1. Also, in the Financial Processing Procedures, the contract wording indicates that the flow of funds roadmap is in compliance with APS 029. The Financial Processing Workflow flowchart (Master Agreement, Section 6.6.1.6) did not denote the local funds issue, although the presentation was a Summary Workflow.</p> <p>We recommend adding a footnote or other notation on the Workflow illustration which would provide more transparency into the funding process by showing that there is a segment of funds not flowing through USAS. Also, we recommend adding a step, which describes the vendor’s receipt of local funds, to the Financial Processing Procedures, Section 6.6.1.5., in order to provide more clarity on the local funds issue.</p>	Fully Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined.	<p>Accounting for subscription fees has been problematic, partially due to some customer agencies not following a state fiscal rule. APS (Accounting Policy Statement) 029 is a Texas CPA rule that explains the procedures for electronic transactions. This rule has a section called “Processing Subscription Fees—Current Texas.gov Agencies” and Step 3 denotes that “for occupational licenses, the payment of subscription fees to the Texas.gov contractor is not automated and it must be initiated by the paying agency.” “The agency must remit payment to the Texas.gov contractor monthly from the TexasOnline appropriation. The Texas CPA creates a monthly report showing the subscription fee receipts for each agency and sends the report to DIR. DIR follows up with any agency that has not submitted payment...” Essentially, the funds for subscription fees are put into a Texas CPA account and each customer agency has to move the amount over to the Texas.gov vendor’s account. The movement of these funds by the customer agencies to the vendor is based on the honor system. The DIR Budget Analyst tracks the payments and updates them as the money is received. However, when DIR receives the reports on these funds from the Texas CPA, some customer agencies have combined the subscription fees with other fees, so it is not possible for DIR to distinguish how much of the money is from subscription fees. Currently, the only way an agency has to denote that the payment is a subscription fee is by writing a note in the line item description field. Also, because some customer agencies don’t report the funds timely, DIR can not adequately distinguish the timeframe in which the fees were earned. In addition, because of the way APS 029 is written, DIR does not have any enforcement power to ensure that the funds are received timely by the vendor. The model for this subscription fee process was developed years ago, and with the problems associated with it, a better method should be considered.</p> <p>We recommend that the DIR, the Texas CPA, and the Texas.gov vendor review and revisit this process to determine if a better method could be used to ensure quick and accurate collection of and accounting for Texas.gov revenues and expenditures including subscription fees.</p>	Incomplete/ Ongoing

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-201 Nov. 2012	Texas.gov Process Audit	To determine if the program is effectively monitoring the contract with the vendor, to determine if the States share was being verified and to examine how program fees are determined.	<p>During our audit, we found that the Texas.gov team has written a SOP on fee determination and approval (entitled SOP CS1000 Texas.gov Fee Determination and Approval). It is in draft form, but it is in place and being used. It has not been internally approved yet.</p> <p>Fee determination and approval is an important process and we recommend that the Texas.gov team complete, review, and approve the SOP on fee determination and approval.</p>	Fully Implemented
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>Policies and procedures provide employees with guidance in performing their tasks accurately and consistently. The Statewide Project Delivery Maintenance and Operations Plan v 2.0 (Plan v 2.0) was created by the SPD as their internal procedures; however it is too high level to be able to guide employees on how to perform the daily operations of the program. The Plan v 2.0 is incomplete and does not substitute for the program's internal policies and procedures. It does not include Project Management Practices responsibilities which are an important part of the SPD program defined in the Texas Administrative Code §216 4. After our analysis of the Plan v 2.0, we interviewed the SPD coordinator again, and she said that the program has not developed its own internal policies and procedures to guide the program in performing its duties on a daily basis. The lack of detailed and current procedures can lead to inaccurate and inconsistent program performance.</p> <p>We recommend that SPD enhance its policies and procedures to include detailed steps for current and new employees to accomplish the program's duties. These steps should include the purpose for the step, detailed procedures to perform the step, the documentation that is involved, and where that documentation can be located. These steps should be able to be followed by new employees. Also, SPD should update the procedures whenever a change in the program occurs.</p>	Incomplete/ Ongoing

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The Maintenance and Operations Plan v 2.0 requires a SPD Correspondence Log be kept by SPD to record informational inquiries from State agencies concerning Statewide Project Delivery. The logs purpose is to track inquiries and to develop management and program reports that provide information regarding the nature and frequency of the inquiries. This log is an Excel Spreadsheet that captures requests for additional information and provides comments regarding the Framework and Framework extensions. The log was not maintained after the fall of 2011 when the SPD Program Lead left the agency.</p> <p>We recommend that the Correspondence Log be kept current with entries so DIR management and the program can obtain statistical and historical information. This will allow the program to use the current and complete information to create reports, document the frequency of the inquiries, and determine whether follow-up is needed.</p>	Substantially Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>Texas Government Code §2054.1181 states that “(a) The quality assurance team, in coordination with the governor, may recommend major information resources projects to the department for oversight. As part of this oversight, the department shall provide risk management, quality assurance services, independent project monitoring, and project management. A state agency with a project selected for oversight shall pay for oversight by the department and quality assurance team based on a funding model developed by the department. (b) In performing its duties under this section, the department shall:</p> <ol style="list-style-type: none"> (1) develop policies for the oversight of projects; (2) implement project management standards; (3) use effective risk management strategies; (4) establish standards that promote the ability of information resources systems to operate with each other; and (5) use industry best practices and process reengineering when feasible.” <p>According to discussions with staff in the SPD and DIR eGovernment , neither the DIR Statewide Project Delivery program (SPD) nor the DIR eGovernment division are in a position to oversee the State’s Information Resources (IR) projects if they were referred to them from the QAT. There was no evidence that policies for the oversight of projects in accordance with the statute have been developed. Neither the SPD program nor DIR eGovernment have established standards which promote the ability for State information resource systems to operate with each other and there appears to be no clear line of authority or established responsibilities within DIR to oversee information resource projects. To date the QAT has not referred any projects to DIR for oversight; however in the event that the QAT did refer to DIR a project for oversight, DIR may not be prepared to immediately oversee information resources (IR) projects since the statute addresses setting the funding model, standards, policies, strategies, and using process re-engineering before oversight can take place.</p> <p>We recommend that DIR establish standards, policies, and strategies for DIR to be prepared to oversee projects. Also, clear lines of authority should be established between the SPD program and the DIR eGovernment division to ensure that if and when information resources projects are referred to DIR from the QAT that DIR oversees them effectively and in accordance with Texas Government Code §2054.1181.</p>	Incomplete/ Ongoing

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The Government Code §2054.303 states “(a) for each proposed major information resources project or major contract, a state agency must prepare: (2) a statewide impact analysis of the project’s or contract’s effect on the state’s common information resources infrastructure, including the possibility of reusing code or other resources.” Government Code §2054.303 (c) states, “The department shall use the analysis to ensure that the proposed project or major contract does not unnecessarily duplicate existing statewide information resources technology.</p> <p>The statewide impact of IR projects are not analyzed by DIR in accordance with Texas Government 2054.303 (c). Currently SPD is unable to “qualitatively measure rates of collaboration and reuse on major projects; identify business/technical assets that may result from the project and be reusable elsewhere; and develop a collaboration and reuse program that will reduce costs and improve efficiency and interoperability by making information about what other agencies are working on centrally available; and facilitating identification of opportunities for reuse and collaboration.” An analysis of the Statewide Impact of these projects will help satisfy the objective of the statute and could allow agencies to leverage existing resources.</p> <p>We recommend that DIR establish procedures for capturing the data and develop methods to determine the statewide impact of major IR projects sent to the QAT that would be assessable to other agencies.</p>	Incomplete/ Ongoing

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The SPD program maintains its email correspondence within individual email folders rather than a shared drive, which makes sharing work product with other team members more difficult. This causes concern that institutional knowledge maybe lost when the SPD program has employee turnover. According to the SPD, emails are used to track activities and communication between the program, the QAT and state agencies. DIR has system in place to retain email correspondence upon employee turnover, ensuring that historical information is readily available according to business need. This historical information is important since it details requests and outcomes of program communications, but it is accessible only by the SPD employee and is not readily accessible by others who might need that information or monitor the program. While much of the SPD information is proprietary and sensitive, some is appropriate for general use. Within DIR, there has not been an emphasis on keeping historical information on shared drives or archiving information included in the agencies business emails.</p> <p>We recommend that the SPD program should store and categorize its email related to the SPD communications with agencies, the QAT and SPD on a shared drive so that information is available for review.</p>	Substantially Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The DIR has not completed an agency wide project management policy that must also be signed by the DIR Executive Director as required under TAC §216.10. The Texas Administrative Code §216.10 states “that each State agency shall institute, approve, and publish an operating procedure that communicates an agency-wide approach for project management practices. At a minimum, the operating procedure will (1) identify components and general use of project management practices, citing sources of reusable components adopted from another agency or institution of higher education that satisfy requirements specified under TAC§216.11 of this subchapter; and (2)be approved by the agency head or designee”. This TAC must be implemented by all State agencies including the Texas Department of Information Resources. During our review, several discussions were held with the DIR's Statewide Project Delivery program employee (DIR-E) and personnel in the eGovernment division (DIR-A). During those discussions information was provided to us that DIR-A is not in compliance with TAC §216.10 because DIR does not have a finalized operating procedure for project management. As explained to us other priorities by staff prevented the procedure from being finalized. We also examined the DIR Policy division’s results of a bi-annual statewide Information Resources Deployment Review (IRDR) for 2009 and 2011. The DIR 2009 IRDR submittal indicated that the agency was not in compliance with the requirement of publishing an operating procedure that communicates an agency-wide approach for project management practices. As a result of this non-compliance, the DIR Policy division wrote the DIR a corrective action plan. The DIR 2011 IRDR submittal indicated that the agency was in compliance with the requirement of a project management practices policy. However, we could not locate a finalized and published policy. The DIR should lead State agencies by example by complying with the TAC. Without this leadership, the State information resources could develop in a manner that might lead to State IR projects taking longer than expected and using more resources than planned.</p> <p>We recommend that the DIR-A finalize the procedure for an agency-wide approach for project management practices and ensure that it is published on the DIR website after the Executive Director approves it.</p>	Fully Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The TAC §216.11 states that “each state agency shall manage information resources projects based on project management practices that meet criteria established in the TAC”. TAC §216.11 is to be used for all IR projects, not just the major development projects. Each criteria for TAC §216.11 and §216.12 are to be implemented and adhered to by agencies that are involved with IR projects. The review of the PMP documentation provided to us would not satisfy all requirements within the TAC sections. PMP documents are stored in a personal email account that would not allow for easy retrieval of documents if the employee left the agency. Without structured project management practices, DIR projects might take longer to accomplish and be over budget.</p> <p>We recommend that DIR-A use and formally document Project Management Practices for all their IR projects and store any project management documents including emails in an organized way on a shared drive.</p>	Fully Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The Texas Government Code §2054.156 requires that the DIR information resources manager demonstrate in its strategic plan the extent to which the DIR uses project management practices. In the DIR 2012-2017 strategic plan, published on the DIR website, project management is mentioned in the context of critical functions, expected workforce changes, and future workforce skills needed. However, the extent to which the DIR uses project management practices was not mentioned in the strategic plan. The DIR-A has not established PMP that can be demonstrated effectively in the Strategic Plan. Without the use of formal PMP, DIR internal projects may not achieve the business objectives and cause delays.</p> <p>We recommend that DIR-A staff use PMP for all DIR-A IR projects. After PMP use is established, the IR Manager should demonstrate in the DIR strategic plan to what extent project management practices are used within DIR.</p>	Substantially Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>On the DIR website is the Texas Project Delivery Framework (Framework) which is a guide used by state agencies to complete documents that are submitted to the QAT so that they can evaluate, control, and select major Information Resources Projects that state agencies might want to develop. The Framework has review gates that must be accomplished, approved by agency officials and submitted to the State's Quality Assurance (QAT). The Framework Quick Reference in the Framework Manual published on the DIR website states that the statutory authority for the Contract Amendment and Change Order Approval tool under the Solicitation and Contracting review gate is Government Code §2054.307 which actually only references agency approval,. Therefore the references on the website are incomplete. The General Appropriations Act 82nd Legislature Section 9.01 (c) requires changes to be submitted to the QAT. By DIR publishing an incomplete statutory authority, agencies might be confused about their requirements to submit Contract Amendments and Change Orders greater than 10% of the original costs of the project to the QAT.</p> <p>We recommend that DIR include both §2054.307 and the General Appropriations Act 82nd Legislature Section 9.01 (c) as the statutory references for the Contract Amendment and Change Order Approval tool on its website.</p>	Fully Implemented

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The Framework documents published on the DIR website did not provide the agencies with in-depth examples of completed and accepted Framework review gate deliverables. This point was also mentioned by agencies in a survey conducted by the State Auditor and reported in the recently released State Auditor Report on ‘Statewide Processes Intended to Assist State Entities in Developing Major Information Resources Projects.’ If agencies do not have good examples of acceptable deliverables, the agency might not understand how to complete the Framework requirements and have to re-submit deliverables since the QAT might not have accepted the first submission which would be a waste of effort by the agency and the QAT.</p> <p>We recommend that the DIR consider publishing on its website examples of acceptable Framework review gate deliverables to be used as a reference guide by state agencies when they develop their documents for the QAT.</p>	Incomplete/ Ongoing

Report No./Date	Name of Report	High-level Audit Objective(s)	Observations/Findings and Recommendations	Current Status
12-102 March 2013	Statewide Project Delivery Audit	To determine if the Statewide Project Delivery (SPD) has internal policies and procedures, and if the SPD program and DIR are adhering to applicable statutes, and whether the Framework complies with the applicable Texas Government Code.	<p>The SPD program trains agencies on the use of the Framework. Examples of the purposes of the training are to assist state agencies to associate Framework deliverables with review gates and identify submission requirements of the deliverables, and improve the quality of documents sent to the QAT. Before 2011, framework training was conducted based on a classroom setting with an average of 33 attendees per class for six classes. In 2011 no training took place, and in 2012 SPD developed a new pilot framework training presentation. This pilot program was based on training an agency in a small group setting. In 2012, two agencies and between 15 to 20 employees were trained. Training is important to help ensure that state agencies have the tools and skills needed in order to complete the requirements of the Framework.</p> <p>We recommend that the DIR offer training on the Framework to all state agencies on a regular basis.</p>	Incomplete/ Ongoing

Definitions of implementation status are as follows:

- Fully Implemented: Successful development and use of a process, system, or policy to implement a prior recommendation.
- Substantially Implemented: Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.
- Incomplete/Ongoing: Ongoing development of a process, system, or policy to address a prior recommendation.
- Not Implemented: Lack of a formal process, system, or policy to address a prior recommendation

IX. Report on Other Internal Audit Activities

Internal Audit Activity	Impact
Reviewed Texas.gov and Data Center Services SSAE 16 service provider’s reports.	Compliance with the contract.
Participated in continuing education activities as required by the professional auditing standards.	Internal Audit employs three certified auditors who each require 40 hours of continuing education annually.
Served as the audit liaison for DIR.	Ensures audit communication consistency.
Coordinated an external quality assurance review of its adherence to The Texas Internal Auditing Act, Institute of Internal Auditor Standards, and Generally Accepted Government Auditing Standardsprofessional auditing	Assures that Internal Audit was in compliance with professional auditing standards.

X. Request for Information from Outside Auditors

Auditor	DIR Area	Audit Description	Audit Notification Date
HHSC	Data Center	HHSC Internal Audit	10/20/2012
HHSC	Data Center	Notification of Remediation Required by HHSC related to CPT Audit	10/15/2012
PWC	Data Center	Contract Notification Timing for Capgemini SSAE-16 Audit	11/13/2012
CliftonLarsonAllen LLP	Data Center	Notification of 2012 SSAE16 Audit Findings for the Electronic Benefits Transfer System, Health and Human Services Commission	11/14/2012
SAO	Data Center	SAO Audit of TEA	1/7/2013
SAO	Data Center	SAO Audit of TEA-ISAS	1/8/2013
SAO.	Data Center	SAO Audit of RRC	1/7/2013
SAO	Data Center	SAO Audit of TDLR	1/18/2013
SAO	Data Center	SAO Audit of TFC	1/28/2013
SAO	Data Center	SAO Audit of OIEC	1/28/2013
IRS	Data Center	OAG-CSD	1/30/2013
SAO	Data Center	SAO Audit of TJJD	3/5/2013
IRS	Data Center	HHSC IRS Audit	3/7/2013
SAO	Data Center	SAO Audit of HHSC - TCEQ	3/18/2013
SAO	Data Center	SAO Audit of DIR	3/19/2013
KPMG	Data Center	KPMG Audit of THECB	3/19/2013
CliftonLarsonAllen LLP	Data Center	SSAE-16 Audit - HHSC_EBT	3/26/2013
SAO	Data Center	SAO Audit of THECB	4/15/2013
IRS	Data Center	IRS Safeguard Audit of HHSC	4/16/2013
KPMG	Data Center	DFPS KPMG Audit	5/1/2013
SAO	Data Center	TWC SAO Audit	5/6/2013
SAO	Data Center	OAG-CSD IRS Audit	5/13/2013
HHSC	Data Center	HHSC Internal Audit of PPS	5/13/2013
HP	Data Center	HP Software Audit of OAG-AL and OAG-CSD	5/16/2013
TxDot	Data Center	TxDOT DR Program Internal Audit	5/23/2013
Novell	Data Center	DSHS Novell License Review	5/29/2013
KPMG	Data Center	2013 A-133 Audit Notification	6/6/2013

Auditor	DIR Area	Audit Description	Audit Notification Date
Novell	Data Center	OAG-CSD Audit Notification-Novell Compliance Review	6/21/2013
Novell	Data Center	TFC Audit Notification-Novell Compliance Review	6/21/2013
SAO	Data Center	2013 A-133 Audit Notification-TWDB	6/24/2013
SAO	Data Center	SAO Audit of Permanent School Fund-TEA	7/10/2013
SAO	Data Center	SAO CAFR Audit of DADS	7/15/2013
SAO	Data Center	SAO CAFR Audit of DMV	8/30/2013