

**Internal Audit**

**Fiscal Year 2016  
Internal Audit Annual Plan**

**#15-302**

October 2015



Department of Information Resources

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## **Internal Audit Mission Statement**

To collaborate with DIR leadership to fulfill the agency's core mission by providing independent and objective audit services designed to add value and improve the effectiveness of risk management, control, and governance processes.

### **DIR Internal Audit Staff**

Lissette Nadal-Hogan, CIA, CISA, CRISC, Director

Angel Flores, CGAP, Senior Auditor

Edward Maldonado, CGAP, Senior Auditor

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## Background

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The Texas Internal Auditing Act (Texas Government Code 2102)<sup>1</sup> requires the DIR Director of Internal Audit to prepare an annual plan using risk assessment techniques, and that identifies the individual audits to be conducted during the year. The annual plan is approved by the DIR Board and published in the DIR website.

To comply with state law, DIR Internal Audit prepared this report that documents the agency's Fiscal Year 2016 Internal Audit Annual Plan. The DIR Board approved the annual plan in October 2015, and agreed Internal Audit has adequate and sufficient resources to effectively achieve the audit plan.

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<sup>1</sup> Texas Government Code §2102: Internal Auditing

## Fiscal Year 2016 Internal Audit Annual Plan

The DIR Fiscal Year 2016 Internal Audit Annual Plan describes the priorities of the Internal Audit function for Fiscal Year 2016 which are consistent with the agency's goals and objectives. The plan is based on a risk assessment and developed with input from the DIR Board and Executive Leadership.

The DIR Board approved the Fiscal Year 2016 Internal Audit Annual Plan in October 2015.

PROJECT #	AUDIT PROJECT	BUDGETED HOURS *
16-100	<b>Assurance Audits – 1<sup>st</sup> Tier</b>	
15-103	<p><b><i>Enterprise Contract Management</i></b></p> <p>Preliminary Objectives:</p> <ul style="list-style-type: none"> <li>To provide assurance that adequate key DCS enterprise management controls are in place and operational</li> <li>To determine whether the DCS enterprise contract management activities are in compliance with state law, agency policies, and contract requirements</li> <li>To validate the implementation of the audit recommendations included in the Enterprise Contract Management Internal Audit Report 13-103</li> </ul>	800
	<p><b><i>DCS Vendor Management and Performance</i></b></p> <p>Preliminary Objectives:</p> <ul style="list-style-type: none"> <li>To evaluate the effectiveness of DIR's management and oversight over the DCS vendors' performance</li> <li>To determine whether the DCS vendors are in compliance with established Service Level Agreements</li> </ul>	800
	<p><b><i>DIR Governance Assessment</i></b></p> <p>Preliminary Objectives:</p> <ul style="list-style-type: none"> <li>To assess the design and operating effectiveness of the DIR's governance processes</li> <li>To assess whether the DIR Information Technology governance supports the agency's strategic goals and objectives</li> </ul>	600

Fiscal Year 2016 Internal Audit Annual Plan

	<p><b>DIR Ethics Evaluation</b></p> <p>Preliminary Objective:</p> <ul style="list-style-type: none"> <li>To evaluate the design, implementation, and effectiveness of DIR's ethics-related objectives, programs, and activities</li> </ul>	500
<b>Assurance Audits – 2<sup>nd</sup> Tier **</b>		
	<p><b>DCS Security Compliance</b></p> <p>Preliminary Objective:</p> <ul style="list-style-type: none"> <li>To determine whether the DCS vendors have the information security controls in place to comply with state law, regulations, and contract requirements</li> </ul>	
	<p><b>CFO Revenue Assurance and Forecasting</b></p> <p>Preliminary Objective:</p> <ul style="list-style-type: none"> <li>To evaluate the operating effectiveness of the DIR's methodologies used to forecast revenue and provide assurance that agency's operating costs will be recovered within state requirements</li> </ul>	
<b>16-200</b>	<b>Consulting and Non-Audit Services<sup>2</sup></b>	
	Workgroups/ Governance Boards	100
	External Audit Coordination	100
	Reserved for DIR Board/ Executive Leadership Projects	250
<b>16-300</b>	<b>Required Projects</b>	
	Continuing Professional Education	180
	Follow-up on Audit Recommendations	500
	Fiscal Year 2017 Internal Audit Risk Assessment/ Audit Plan	260
	Fiscal Year 2016 Internal Audit Annual Report	100
	Fiscal Year 2016 Internal Audit Annual Assessment	100
	Internal Audit External Assessment (Peer Review)	100

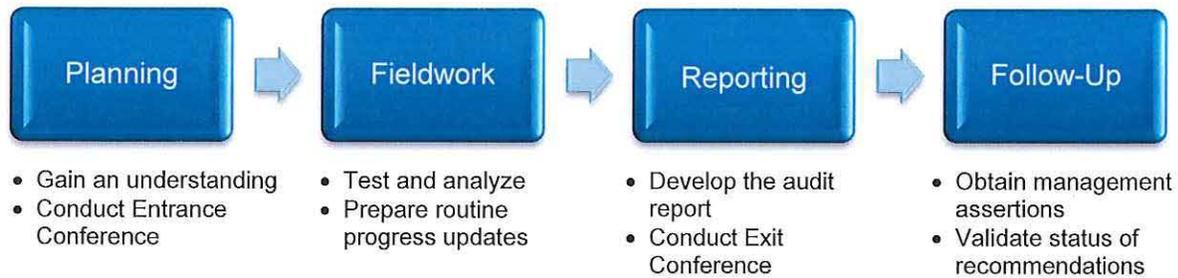
\* Budgeted hours distributed among the projects included in the plan are based on 70% of the total available hours of three full time auditors.

\*\* All auditable activities identified with high risk during the risk assessment process were included as 1<sup>st</sup> tier or 2<sup>nd</sup> tier internal audit projects in the Fiscal Year 2016 Internal Audit

<sup>2</sup> Non-Audit Services – described by *The General Accountability Office (GAO)* as services that support the entity's operations such as: 1) certain accounting and financial services, 2) assistance services, 3) separate evaluations, 4) certain Information Technology and valuation services, and 4) participation in committees as non-voting members.

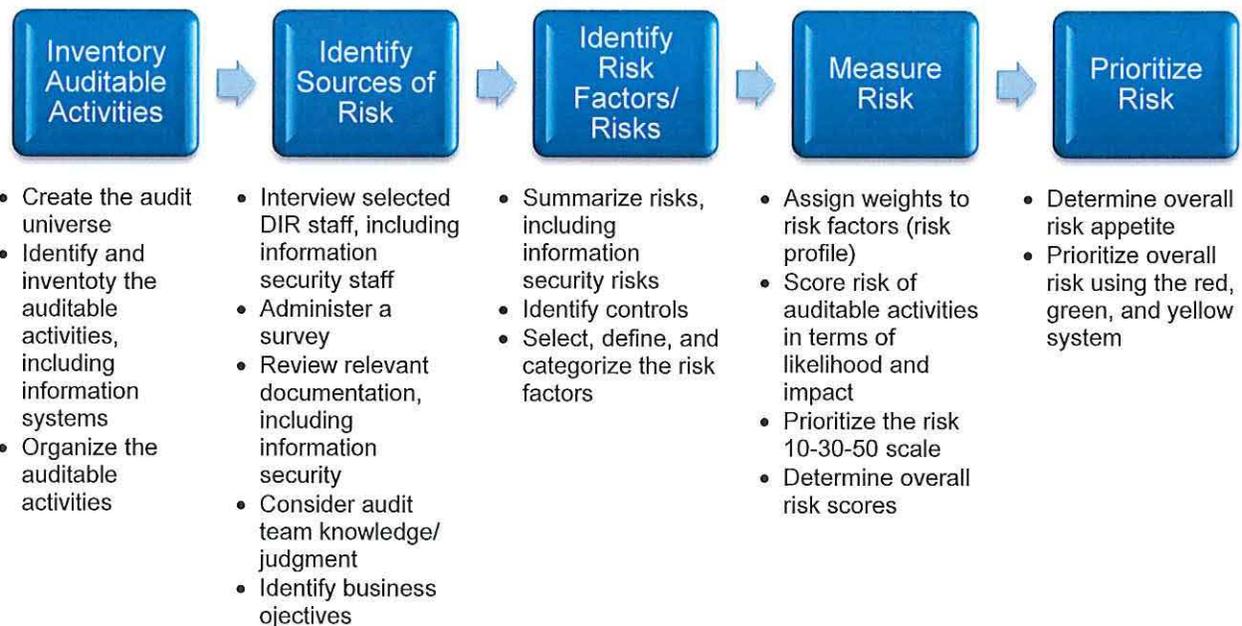
DIR Internal Audit uses the following audit process to execute the audit projects included in the annual plan and to comply with auditing standards.

### Internal Audit Process



DIR Internal Audit uses the following risk assessment process to help identify the audit projects included in the annual plan and to comply with auditing standards.

### Risk Assessment Process



The DIR risk-based annual plan was aligned with DIR’s goals and risk appetite, and included input from the DIR Board and Executive Leadership. The DIR Board and Executive Leadership understand their responsibilities regarding risk and the importance of these risks exposures to the agency’s governance, operations, and information technology.

DEPARTMENT OF INFORMATION RESOURCES

Fiscal Year 2016 Internal Audit Annual Plan

APPROVAL:



A large, stylized handwritten signature in black ink, appearing to read 'Lissette Nadal-Hogan', written over a horizontal line.

Lissette Nadal-Hogan

DIR Internal Audit Director

10/8/15

Date

10/29/15

Richard S. Moore Date

DIR Finance and Audit Subcommittee Chair



A handwritten signature in black ink, appearing to read 'Richard S. Moore', written over a horizontal line.

Date Richard S. Moore