

**Internal Audit**

**Fiscal Year 2017  
Internal Audit Annual Plan**

**#16-302**

October 2016



Department of Information Resources

## **Internal Audit Mission Statement**

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**

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

## 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.

To comply with state law, DIR Internal Audit prepared this report that documents the agency's Fiscal Year 2017 Internal Audit Annual Plan. The DIR Board approved the annual plan in October 2016, and agreed Internal Audit has adequate and sufficient resources to effectively achieve the audit plan. The annual plan is published in the Internal Audit Internet Web Page link located at <http://dir.texas.gov/View-About-DIR/Pages/Content.aspx?id=44>.

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

## Fiscal Year 2017 Internal Audit Annual Plan

The DIR Fiscal Year 2017 Internal Audit Annual Plan describes the priorities of the Internal Audit function for Fiscal Year 2017 which are aligned to the agency's goals and Internal Audit 's goals. The plan resulted from the execution of the implemented risk assessment process and was developed with input from the DIR Board and Executive Leadership.

The following Fiscal Year 2017 Internal Audit Annual Plan was approved by the DIR Board in October 2016.

Audit Project #	Audit Project Name/ Report Title/ Preliminary Objective(s)	Budgeted Hours*
17-100	<b>Assurance Audits – Tier 1**</b>	
	<b><i>DCS Vendor Management and Performance</i></b> Preliminary Objective: <ul style="list-style-type: none"> <li>• To assess whether the DCS vendors are in compliance with established Service Level Agreements</li> </ul>	450
	<b><i>Capital Complex Telephone System (CCTS) Operations</i></b> Preliminary Objective: <ul style="list-style-type: none"> <li>• To assess whether the operations of the CCTS Program are in compliance with applicable state law and regulations</li> </ul>	650
	<b><i>Network Security Operations</i></b> Preliminary Objective: <ul style="list-style-type: none"> <li>• To assess whether the operations of the DIR network security function are in compliance with applicable state law and regulations</li> </ul>	750
	<b>Assurance Audits – Tier 2**</b>	
	<b><i>Statewide Accessibility Coordination Program</i></b> Preliminary Objective: <ul style="list-style-type: none"> <li>• To assess whether the DIR Statewide Accessibility Coordination Program is meeting its goals</li> </ul>	-
	<b><i>The Technology Architecture</i></b> Preliminary Objective: <ul style="list-style-type: none"> <li>• To assess whether the DIR Technology Architecture function ensures selected vendors perform services in accordance to the contracted Statement of Work (SOW)</li> </ul>	-
17-200	<b>Consulting and Non-Audit Services</b>	
	External Audit Coordination	200
	Management Advisory Project (MAP)	80
	Workgroups/ Governance Boards	100
	Reserved for DIR Board and Executive Leadership Projects	300

Fiscal Year 2017 Internal Audit Annual Plan

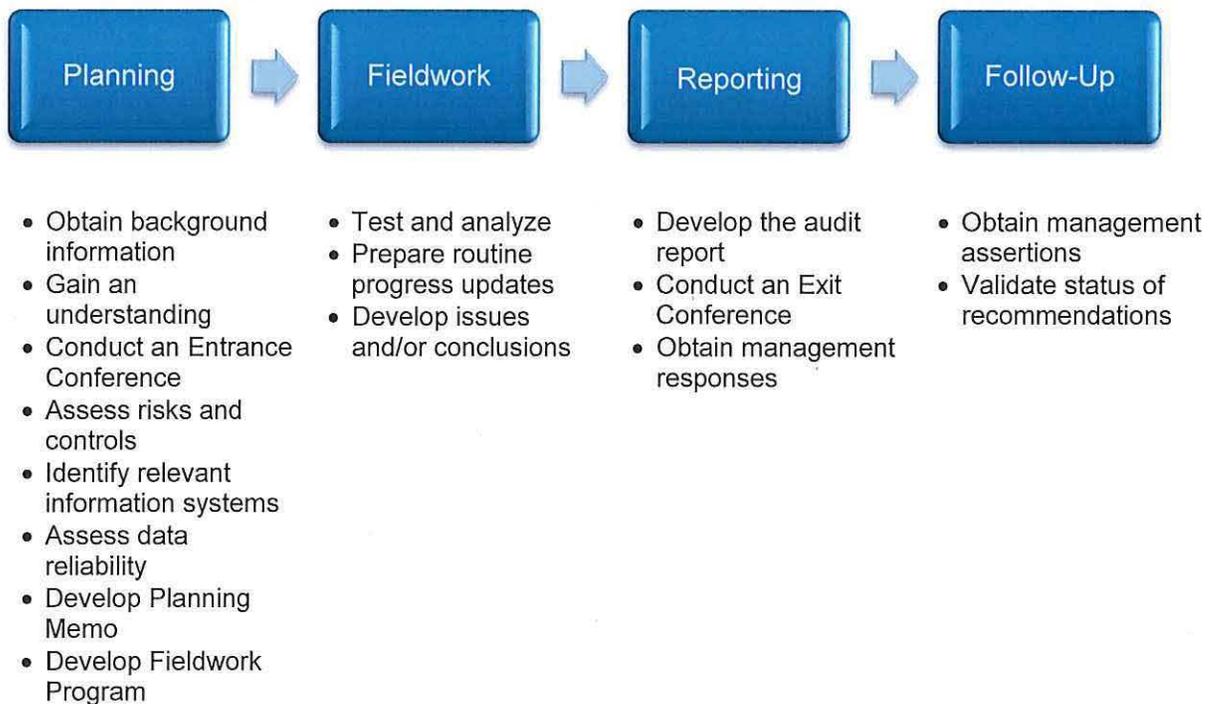
Audit Project #	Audit Project Name/ Report Title/ Preliminary Objective(s)	Budgeted Hours*
17-300	<b>Required Projects</b>	
	Continuing Professional Education	140
	Follow-up on Audit Recommendations	350
	Fiscal Year 2018 Internal Audit Risk Assessment/ Annual Plan	350
	Fiscal Year 2017 Internal Audit Annual Report	80
	Fiscal Year 2017 Internal Audit Annual Assessment	80

\* Budgeted hours distributed among the projects included in the plan are based on the total available hours calculated for three approved audit Full Time Equivalent Employees (FTEs).

\*\* All auditable activities identified as high risk activities during the risk assessment process were included as audit projects in the tier 1 or tier 2 assurance audits category of the Fiscal Year 2017 Internal Audit Annual Plan. However, based on limited resources no budgeted hours were allocated for completing tier 2 audit projects.

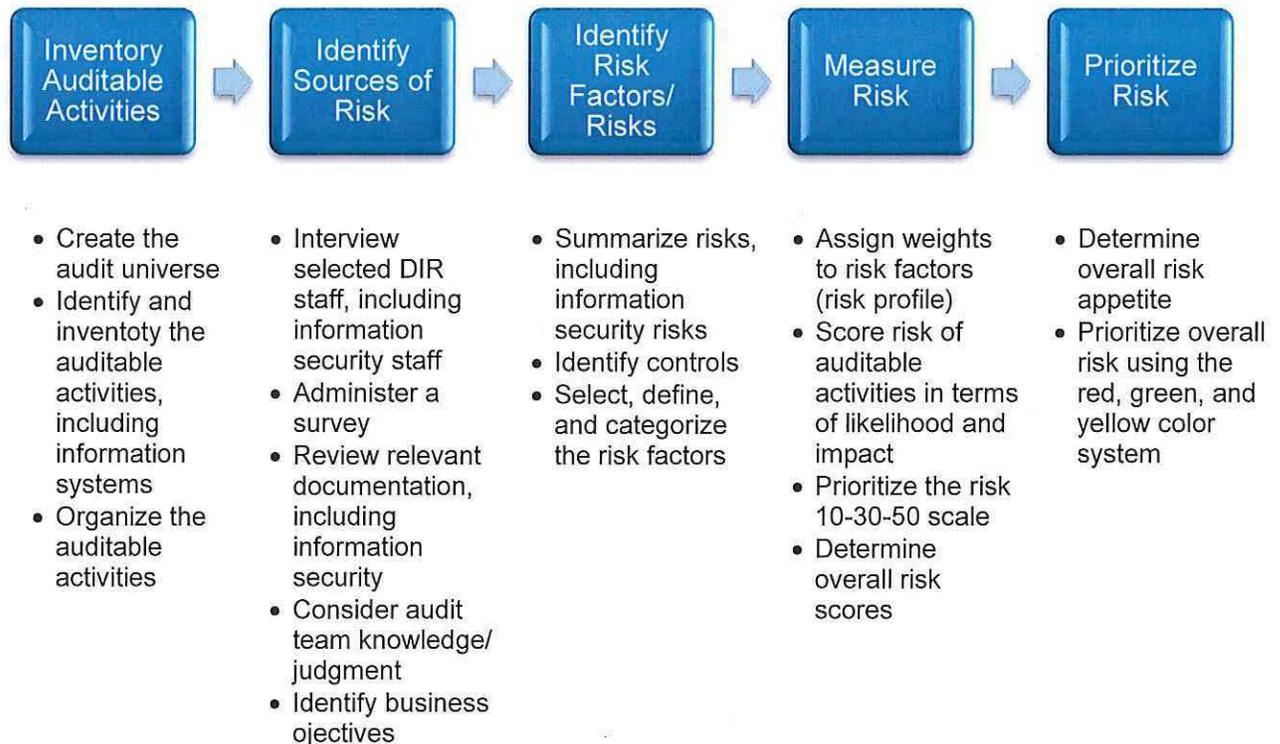
### Internal Audit Process

DIR Internal Audit implements the following audit process to execute the assurance audits included in the annual plan and to comply with auditing standards.



## Risk Assessment Process

DIR Internal Audit implemented a risk assessment process consisting of a hybrid methodology that uses specific risks, common risk factors, and risk categories aligned to the agency's auditable activities and risk appetite.



The following table depicts the risk factors, including the risk categories, selected for the Fiscal Year 2017 Risk Assessment.

Risk Category	Risk Factor(s)
Strategic	<ul style="list-style-type: none"> <li>• Poor outcome to customers</li> <li>• Failure to achieve goals and/or objectives</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Non-compliance with state law and/or regulations</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Potential for fraud, waste, or abuse</li> </ul>
Operational	<ul style="list-style-type: none"> <li>• Dependence on strategic partners</li> <li>• Unreliable information and/or reports</li> </ul>

In addition, review of the audit history for the specific auditable activities was conducted over the previous two fiscal years and current fiscal year to assist in determining the overall risk. Consideration of information technology risks was integrated into the operational risk assessment process and addressed in terms of the functionality, confidentiality, integrity,

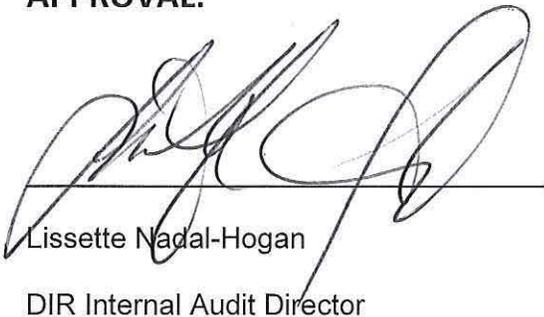
and availability of the data created, processed, and stored in the agency's information systems.

The DIR risk-based audit plan was aligned to the agency'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.

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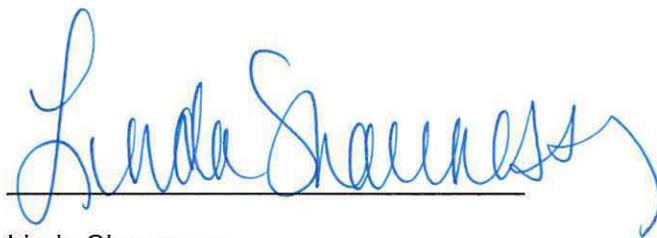
**Fiscal Year 2017 Internal Audit Annual Plan**

**APPROVAL:**



Lissette Nadal-Hogan  
DIR Internal Audit Director

10/27/16  
Date



Linda Shaunessy  
DIR Board Chair

10/27/2016  
Date