

Texas Workforce Commission

Office of Internal Audit

*Fiscal Year 2023
Annual Audit Report*



Revised January 2024

**Texas Workforce Commission (TWC)
Office of Internal Audit (OIA)
Mission Statement**

The mission of the OIA is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight to the Commission and agency management.

TWC Commissioners

Bryan Daniel, Chairman and Commissioner Representing the Public
Aaron Demerson, Commissioner Representing Employers
Alberto Treviño III, Commissioner Representing Labor

Office of Internal Audit

Ashley Sagebiel, CIA, CGAP, Director of Internal Audit

Susan Cunningham, CISA, Audit Manager
Luis Solis, CGAP, CRMA, Audit Manager

Sheryl Walton, Executive Assistant

Harold Rogers, CIA, CISA, Special Projects Auditor

Information Technology Auditors:

Bo Martinez
Seun Olatunde, CISA

Auditors:

Camilla Cannon, CGAP
Philip DeGroat, CISA
James Howard
Michelle Joseph, CPA
John Kim
Carmen Mickell
Melanie Molién
Misty Raney
Anita Salinas, CGAP

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site

The Texas Workforce Commission’s (TWC) three-member governance body will consider the Fiscal Year 2024 Audit Plan for approval in an upcoming Commission meeting. The Office of Internal Audit (OIA) will provide a copy of the approved plan in an amended annual report and will post the approved plan to the “Data & Reports” page of the TWC’s Internet website within 30 days of approval.

The TWC OIA will post the Fiscal Year 2023 Internal Audit Annual Report to the “Data & Reports” page of the TWC’s Internet website within 30 days after the report’s submission to all required recipients. The organizational format of the report and the information provided in the report complies with the “Fiscal Year 2023 Report Requirements” for the “Internal Audit Annual Report” instructions stated on the Texas State Auditor’s Office website.

II. Internal Audit Plan for Fiscal Year 2023

The Texas Workforce Commission Office of Internal Audit's list of planned audits for fiscal year 2023 is shown in the following table. The table provides project numbers, report dates, project titles, and report statuses. If an audit was not completed, the table states the status of the audit as of the submission of the Fiscal Year 2023 Internal Audit Annual Report. If applicable, the table also provides brief explanations for any deviations (i.e., cancellations) from the fiscal year 2023 audit plan.

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2023-002-20		Controls Review of VR Providers – to determine what controls are in place to ensure safety of Vocational Rehabilitation customers.	In Reporting	
2023-009-10		Contract Review Efficiency Audit – to determine efficiency of contracting reviews by General Counsel staff.	In Planning	
2023-007-30		Compliance Review of Blind Services – to determine if controls are in place in the Blind Services program to ensure compliance with federal and state requirements.	In Reporting	
2023-005-30		Audit of Wage and Hour – to ensure controls are in place in the Wage and Hour programs to ensure compliance with federal and state requirements.	In Fieldwork	
2023-003-30		Review of Monitoring Results – to determine if the results of monitoring activities are properly addressed by agency management.	In Fieldwork	
2023-004-60		Cybersecurity – to determine if security and privacy controls are effective to protect organizational operations, assets, and customers.	In Planning	

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2023-010-60		Privacy Access Review for Workforce Systems – to determine the effectiveness of privacy and access controls over the confidential and sensitive data in Workforce systems.	In Planning	
		Business Transformation Review – to determine the effectiveness of Business Transformation processes.	Cancelled	Cancelled in favor of higher risk projects based on audit resources.
		VR Target Populations – to determine the effectiveness in meeting target population goals.	Postponed	Postponed until FY24 audit plan.
		Hiring Processes – to determine the timeliness of hiring processes.	Cancelled	Subject will be moved to a future audit plan after completion of changes to HR processes.
2023-006-10		Audit of Payments for Procurements – to determine if payments for services and goods procured for TWC staff are processed accurately and timely.	In Planning	

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2023-001-80(a)	DEC 2022	Quarterly Follow-Up Reviews - To determine the adequacy and effectiveness of corrective actions implemented by management to address previously reported audit findings and recommendations.	Report Issued	
2023-001-80(b)	MAR 2023		Report Issued	
2023-001-80(c)	JUN 2023		Report Issued	
2023-001-80(d)	OCT 2023		Report Issued	
2021-010-10	OCT 2023	VR Quality Reviews – to determine if Vocational Rehabilitation is conducting effective case reviews.	Report Issued	
2021-006-20	APR 2023	Fraud Controls – to determine if controls are effective to maximize fraud prevention, detection, and response related to Unemployment Insurance claims.	Report Issued	
2021-007-30	JUN 2023	Career Schools – to determine if current processes ensure compliance with State Laws and Rules.	Report Issued	
2022-010-60	JUL 2023	IT Project Management – to determine whether the agency’s project management policies and practices are effective in ensuring projects are completed on time, within budget in scope, and within agreed-upon quality standards.	Report Issued	
2022-007-60		Access Control Review of ReHabWorks – to determine if controls in VR Systems ensure appropriate roles, access rights and privileges.	In Reporting	

Project Number	Report Date	Project Title and Objective	Status	Deviations from Plan
2022-008-10	JUL 2023	Vendor Setup Audit – to determine the efficiency and effectiveness of the vendor set-up process.	Report Issued	
2022-004-20		JET Program Compliance Review – to determine if controls in the Jet program ensure compliance with Texas laws.	In Reporting	
2022-005-20		Migrant Seasonal Farm Worker Compliance Review – to ensure controls are in place in the MSFW program to ensure compliance with federal and state requirements.	In Reporting	
2022-003-20	DEC 2022	Child Care Compliance – to ensure controls are in place in the Child Care program to ensure compliance with federal and state requirements.	Report Issued	

III. Consulting Services and Non-Audit Services Completed

A list of consulting and non-audit services completed by the Texas Workforce Commission Office of Internal Audit during fiscal year 2023 follows in the table below. The table provides project or report numbers, report dates, project name titles, and the high-level objective of each project, if applicable. The table also provides summaries of observations, results, and recommendations, if applicable.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
N/A	N/A	Commission Quarterly Work Sessions	To participate in an observation role in Commission Work Sessions that are held to update the Commission on system performance and include Commission discussion, consideration, and action regarding the performance and budget of IT projects and ongoing IT operations.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
N/A	N/A	Business Enterprise Strategic Technology (BEST) Quarterly Meetings	To participate in an observation role in BEST meetings that are held to determine enterprise business strategy and appropriate application of technology and review business outcomes and lessons learned for completed projects.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.
N/A	N/A	Change Advisory Board (CAB) Weekly Meetings	To participate in an observation role in CAB meetings that are held to approve or reject submitted change requests for applications and systems in use at TWC that are maintained by TWC IT and/or contracted third-party vendors.	Information is monitored on an on-going basis to ensure risks are appropriately addressed when identified.

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
N/A	N/A	Quarterly Cybersecurity Meetings	To participate in an observation role in the Quarterly Cybersecurity Steering Committee meetings that are held to determine enterprise cybersecurity strategies, compliance, and issues.	Information is monitored on an on-going basis to ensure OIA is aware of changes in the control structure of the IT Division as it impacts the cybersecurity risks throughout the agency.
N/A	N/A	IT Steering Committee Meetings	To participate in an observation role in the IT Steering Committee meetings that are held to track high level IT initiatives and strategies, including procurement, development, replacement, and outreach projects.	Information is monitored on an on-going basis to ensure OIA is aware of changes in the control structure of the IT Division as it impacts the agency.
N/A	N/A	Self - Assessment	To ensure compliance with auditing standards, the quality improvement program, and the IIA Code of Ethics.	The external reviewers determined OIA complies with auditing standards, the Texas Internal Auditing Act, and the IIA Code of Ethics.
N/A	NOV 2022	FY 2022 Annual Audit Report	To provide information on the assurance services, consulting services, and other activities of the internal audit function.	

Project Number	Report Date	Project Name	High-Level Project Objective	Observations, Results, and Recommendations
N/A	N/A	Risk Assessment and Audit Plan	To prepare an annual audit plan using risk assessment techniques that identifies the individual audits to be conducted during the year.	A risk assessment was performed and projects were selected for audit coverage. The audit plan was presented to and approved by the Commission.
N/A	N/A	Coordination of External Auditors	To provide responsive information to external auditors.	External audit activity is tracked agency-wide.
N/A	N/A	Workforce Case Mgt. Steering Committee	To provide project oversight, oversee progress, resolve issues and manage change control.	Replace the Workforce Case Management functions in The Workforce Information System of Texas (TWIST) with a more modern infrastructure, use-friendly system, that allow for easier/quicker implementation of regulatory changes.
N/A	N/A	EIR Accessibility Liaisons Work Sessions	To participate in an observation role in the monthly EIR Accessibility Liaisons Work Sessions that are held to help determine accessibility policy and procedures for the agency.	Information is monitored on an on-going basis to ensure OIA is aware of changes to agency policy to ensure access to electronic and information resources (EIR) by individuals with disabilities in compliance with state and federal laws, rules, and standards.

IV. External Quality Assurance Review (Peer Review)

Texas Workforce Commission Office of Internal Audit
 External Quality Assurance Review – March 2020

Overall Opinion

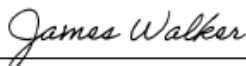
Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Workforce Commission OIA Office of Internal Audit (OIA) receives a rating of “Pass/Generally Conforms” and is in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and Code of Ethics, 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 necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.

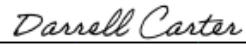
We found that the OIA is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

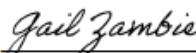
The OIA has established policies and procedures to carry out their functions. In addition, the OIA has effective relationships with the Commission and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers the OIA a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency’s operations.

Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Chief Audit Executive (CAE), OIA staff, the Chairman and Commissioners, the Executive Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the OIA and its relationship with management.

	4/6/2020
James Walker, CPA, CFE, CISA Assistant Chief Auditor Texas Commission on Environmental Quality SAIAF Peer Review Team Leader	Date

	4/6/2020
Darrell Carter, CPA, CIA, CRMA Director Internal Audit Texas Secretary of State SAIAF Peer Review Team Member	Date

	4/6/2020
Gail Zambie, CPA, CFE Audit Services Work Lead Texas Commission on Environmental Quality SAIAF Peer Review Team Member	Date

V. Internal Audit Plan for Fiscal Year 2024

Performance Audits

Division	Audit Title/Objectives	Budget Hours
Business Operations/ Finance	Audit of Payments for Procurements – to determine if payments for services and goods procured for TWC staff are processed accurately and timely.	1,830
Vocational Rehabilitation	Protection of VR Customer Data - to determine if controls over VR customer data ensure confidentiality.	1,500
Unemployment Insurance	Call Center Audit – to determine the effectiveness of quality management over UI Tele-Center processes.	1,500
Workforce Development/ Information Technology	Privacy Access Review for Workforce Systems – to determine the effectiveness of privacy and access controls over the confidential and sensitive data in Workforce systems.	1,055
Vocational Rehabilitation	Specialized Services and Stakeholder Relations – to determine the effectiveness in meeting target population goals.	1,000
Workforce Development	Texas Veterans Leadership Program External Reporting – to determine the accuracy and timeliness of required external reports.	1,000
Agency-Wide	Contract Review Efficiency Audit – to determine efficiency of contracting reviews by General Counsel staff.	800
Agency-wide	Quarterly Follow-Up Reviews – to determine the adequacy and effectiveness of corrective actions implemented by management to address previously reported audit findings and recommendations.	4,000
Agency-wide	Commission Requests – additional projects requested by the Commission.	1,000

Optional Performance Audits

Division	Auditable Unit
Vocational Rehabilitation	Criss Cole Rehabilitation Center
Information Technology	Application Solutions
Finance	Accounting and Financial Reporting Services
Business Operations	Training and Development

Carry Forward Projects

Division	Audit Title/Objective	Budget Hours
Workforce Development	Migrant Seasonal Farm Worker Compliance Review – to ensure controls are in place in the MSFW program to ensure compliance with federal and state requirements.	1,065
Agency-wide	Review of Monitoring Results – to determine if the results of monitoring activities are properly addressed by agency management.	745
Fraud Deterrence and Compliance Monitoring	Audit of Wage and Hour – to ensure controls are in place in the Texas Payday Law program to ensure compliance with federal and state requirements.	610
Vocational Rehabilitation	Compliance Review of Blind Services – to determine if controls are in place in the Older Individuals that are Blind (OIB) program to ensure compliance with regulatory requirements and program policies.	405
Business Operations	Cybersecurity – to determine if security and privacy controls are effective to protect organizational operations, assets, and customers.	405
Outreach and Employer Initiatives	JET Program Compliance Review – to determine if controls in the Jobs and Education for Texans (JET) program ensure compliance with State laws.	290
Vocational Rehabilitation	Controls Review of VR Providers – to determine what controls are in place to ensure safety of Vocational Rehabilitation customers.	190
Information Technology/ Vocational Rehabilitation	Access Control Review of ReHabWorks – to determine if controls in VR Systems ensure appropriate roles, access rights and privileges.	80
Vocational Rehabilitation	VR Quality Reviews – to determine if Vocational Rehabilitation is conducting effective case reviews.	70

In addition to planned audit services, OIA has ongoing responsibilities, which include:

- Annual Internal Audit Report issuance
- Annual Risk Assessment and Audit Plan development
- Commission and Management briefings on reports
- TeamMate+, SharePoint, and Intranet maintenance
- Annual Quality Self-Assessment

- Quarterly Open Findings Assessments
- Professional development
- Data analysis

Risk Assessment Methodology

The TWC Office of Internal Audit allocates its resources in a manner that is consistent with the mission and goals of the TWC. To support the TWC's mission, audit coverage is considered across the agency. The audit plan is designed to provide coverage of key business processes. Risk is assigned based on research related to each risk area as well as input from Commissioners and agency management.

The following COSO-related characteristics were considered to assess risk and develop the audit plan:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities
- Management's Knowledge of Issues
- Auditor Knowledge of Issues
- Mission Critical

VI. External Audit Services Procured in Fiscal Year 2023

During Fiscal Year 2023, the Texas Workforce Commission (TWC) Office of Internal Audit did not procure or have any ongoing external audit services.

VII. Reporting Suspected Fraud and Abuse

The TWC Office of Investigations conducts inquiry and investigative services pertaining to allegations of fraud, theft, program abuse, or misconduct. The TWC Office of Investigations reports cases of suspected fraud and coordinates with the State Auditors' Office as required by Article IX, Section 7.09 of the General Appropriations Act (87th Legislature) and the Texas Government Code, Section 321.022.

The agency lists its fraud hotline number on the TWC Internet site. The Internet site also contains a link to report fraud directly to the State Auditor's Office.