An Annual Report of the

Office of the Attorney General

Internal Audit Division

Fiscal Year 2023

Office of the Attorney General
Ken Paxton

November 2023

Table of Contents

Section I

Compliance with Texas Government Code Section 2102.015

Office of the Attorney General
Internal Audit Division's Annual Report for Fiscal Year 2023

This report is submitted in accordance with the requirements of Government Code, Chapter 2102 (Texas Internal Auditing Act). The report includes information on Internal Audit activities of the Office of the Attorney General's Internal Audit Division that occurred or were performed during Fiscal Year 2023.

I. **Compliance with Texas Government Code, Section 2102.015**

   The Office of the Attorney General Internal Audit Division complies with Texas Government Code, Section 2102.015 by posting the Internal Audit Plan, Internal Audit Report, and other audit applicable information on the agency's internet website within 30 days from the date approved by the First Assistant Attorney General. Documents that require posting by Texas Government Code, Section 2102.015 are submitted to the Office of the Attorney General's Public Information Officer for review in relation to matters that should be excepted from public disclosure under Chapter 552 of the Texas Government Code prior to posting on the internet.

   In addition to annual and periodic reporting compliance, a summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is in **Appendix A**.

Section II

Status of the
Internal Audit Plan for
Fiscal Year 2023

II. Status of the Internal Audit Plan for Fiscal Year 2023

The following tables provide information regarding the status of Fiscal Year (FY) 2023 Internal Audit Plan and prior year close-out activities as of October 31, 2023.

Performance Audit (Assurance) Project Performed in FY 2023

Auditable Unit or Project Title Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise Wide – Contract Monitoring Assessment	Fieldwork Phase (Wrap-up of Fieldwork)	P22-12	N/A
The objective of the audit is to assess a select contract monitoring plans to determine compliance with internal monitoring procedures for contract oversight and identify best practices.			

Prior Audit Follow-up Activities in Progress During FY 2023

Auditable Unit - Prior Audit Follow-up Activities Status Update	Audit Phase	Internal Audit Project Number	Date Released
Enterprise Wide – Information Security Audit: Incident Management - Follow-up	Final Audit Phase (Reporting)	P21-10	N/A
Enterprise Wide – Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up	Final Audit Phase (Reporting)	P22-08	N/A
Enterprise Wide – Information Technology Audit: IT Asset Management Hardware Review- Follow-up	Final Audit Phase (Reporting)	P22-09	N/A
Child Support – Field Operations Physical Layout and Managerial Oversight- Follow-up	Fieldwork	P22-10	N/A
Enterprise Wide – Facilities Security Incident Response Review- Follow-up	Final Audit Phase (Reporting)	P22-11	N/A

Assessment Prior Year: Close-out Activities

Auditable Unit or Project Title Status Update	Project Phase	Internal Audit Project Number	Date Released
Enterprise Wide – Assessment of Agency Protocol for Reporting Vendor Performance	Final Project Phase (Reporting)	P21-08	N/A
The objective of the engagement is to identify and assess Agency's controls in place to ensure compliance with reporting requirements to the Texas Comptroller's Office for vendor performance data.			

Approved Revisions to the FY 2023 Audit Plan

The plan submitted during November 2022 was approved for revision as follows.

Consulting Engagement: Consulting engagement planned for FY 2023 was approved for modification as follows.

Consulting (Non-Audit Service) Operational Unit	FY 2023 Audit Plan Approved Adjustments
Select Civil Litigation Divisions – Interagency Contracts (IAC) Consulting Engagement	Engagement added as FY 2023 approved activity.
General Counsel Division – Consulting Engagement	Engagement added as FY 2023 approved activity.
Human Resources – Centralized Accounting and Payroll/Personnel System (CAPPS) Consulting Engagement	Engagement deferred for performance in FY 2024. This deferral afforded time for Agency acclimation to recently implemented system (CAPPS).

Compliance with Texas Government Code, Section 2102.005(b)

The Internal Audit Division (IAD) uses an established risk assessment process to identify agency operational risks and controls. The annual risk assessment survey includes controls designed to ensure compliance with agency policy over contract processes, including monitoring agency contracts, specified under Texas Government Code, Section 2102.005(b) effective September 1, 2019.

Activities performed in Fiscal Year 2023 addressing contract processes and/or contract monitoring were as follows:

- Coordinated with operational management to provide additional update (as applicable) for consideration in line with the State Auditor Office's (SAO) Internal Audit Reporting guidelines and SAO's Senate Bill (SB) 65 assessment requirements;

- Continued Assessment of Agency Protocol for Reporting Vendor Performance;

- Performed Invoice Validation Assessment Follow-up Audit; and

- Performed activities related to Enterprise Wide Contract Monitoring Assessment.

Section III

Consulting Engagements
and Non-Audit Services

III.   Consulting Engagements and Non-Audit Services

The following tables provide a description of approved consulting engagements and non-audit services performed and/or completed during fiscal year 2023.

Consulting Engagements (Non-Audit Services) Activities Performed during FY 2023

Auditable Unit or Project Title Status Update	Project Number	FY 2023 Activity
Select Civil Litigation Divisions – Interagency Contracts (IAC) Consulting Engagement	P23-106	Fieldwork Phase (Wrap-up in Progress)
Internal Audit for this engagement is confirming existing and potential IACs.		
General Counsel Division (GCD) – GCD Consulting Engagement	P23-107	Fieldwork Phase
Internal Audit for this engagement is reviewing a select process flow and will offer any recommendations for enhancement.		

Consulting Project – Prior Year: Close-out Activities and Additional Assessment

Auditable Unit or Project Title Status Update	Project Number	FY 2023 Activity
Child Support – Training Assessment	P22-107	Final Project Phase (Reporting)
Internal Audit performed an analysis of select components of the division's workflow and will offer recommendations for management's consideration. Internal Audit is also compiling information regarding new hire and refresher training offered to Child Support attorneys.		

Routine Non-Audit Service Projects Identified in the FY 2023 Audit Plan

Routine Non-Audit Services are generally on-going activities that will also occur during the subsequent fiscal year.

Routine Non-Audit Service Project Title/ Summary Description	Project Number
Enterprise Wide – Fraud, Waste, and Abuse Prevention Program	Non-Audit Activity
Performed biennium review activities related to the Agency's Fraud, Waste, and Abuse Prevention Program (Follow-up on the implementation status of prior Internal Audit recommendations).	
Child Support – Project Management and Risk Mitigation Feedback	P23-100
This routine non-audit service provides advisory services to Child Support Division management as applicable on select projects or processes.	
Administrative and Legal Divisions – Project Management and Risk Mitigation Feedback (Technical Assistance Non-Information Technology)	P23-104
This routine non-audit service provides advisory services to Administrative/Legal Division management as applicable on select projects or processes. During the fiscal year, Internal Audit continued assistance to the Public Finance Division through finalization of process flow diagrams for division management use or consideration during process flow enhancement assessments in a growing telework environment.	
Enterprise Wide – Information Technology Governance Activities: Governance Committee and Information Protection/Accessibility Work Groups - Advisory Role.	P23-110
Internal Audit serves in an advisory role to the applicable committee or work group. Upon request or as applicable for this project, Internal Audit provides independent and objective feedback or recommendations to management for consideration related to information technology projects or information safeguarding.	
Enterprise Wide – Texas Administrative Code 202 Compliance and Follow-up Activities (IT Governance Component)	Continuous Monitoring Activity
During 2023, Internal Audit coordinated with the applicable division as needed to discuss the historical compliance assessment of Texas Administrative Code (TAC) requirements and confirmed the current applicability and implementation status of internal recommendations. Outreach to the Agency's Information Security Officer occurs as needed during the fiscal year.	
Peer Review Participation for Reciprocity Requirements – External Peer Review of Select Texas Agencies	Administrative Activity
In line with reciprocity requirements, the OAG's Internal Audit Division has personnel trained to lead and/or assist with external quality assurance reviews for another state agency to determine the audit function's compliance with required auditing standards. An OAG Internal Audit team member participated in one reciprocity peer review engagement during fiscal year 2023.	
Strategic – Business Continuity	Non-Audit Activity

Routine Non-Audit Service Project Title/ Summary Description	Project Number
Internal Audit provided information upon request for a periodic business continuity survey.	
External Audit Liaison Activities	Audit Support Activity
Served as audit liaison in various external reviews or research requests (e.g., State and Federal Reviews). Primary duties included coordination of applicable meetings, information and research requests, and ensuring the safeguarding of disseminated information.	

Section IV
External Quality Assurance Review
(Peer Review)

IV.   External Quality Assurance Review

In compliance with International Professional Practices Framework (IPPF - red book) and Governmental Auditing Standards, the OAG's Internal Audit Division received an External Quality Assurance Review. The latest quality assurance report was issued in October 2021. Internal Audit received the highest of three possible ratings during the last peer review. The review's overall conclusion is provided on the following page.

The Internal Audit Division will continue to demonstrate its commitment to the IIA Code of Ethics and fulfillment of responsibilities as defined within the Internal Audit Charter.

External Quality Assurance Review

OVERALL OPINION

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Office of Attorney General Internal Audit Division (the "Internal Audit Division") 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.
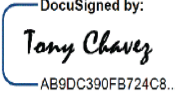
We found that the Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Division is well managed internally. In addition, the Internal Audit Division has effective relationships with the Administration and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers the Internal Audit Division to be a useful part of the overall organization's operations and finds that the audit process and report recommendations add value and help improve the organization's operations.

The Internal Audit Department has reviewed the results of the peer review team's work and has accepted them to be an accurate representation of the Department's operations.

Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, Administration and management who participated in the interview processes. 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 Internal Audit Division, its relationship with management, and compliance with auditing standards.

DocuSigned by: *Tony Chavez* AB9DC390FB724C8...	10/29/21	DocuSigned by: *Camilla Cannon* 95E8EC38C7184FE...	10/29/2021
	Date		Date
Tony Chavez, CIA, CGAP, CRMA Director of Internal Audit *Employees Retirement System of Texas* SAIAF Peer Review Team Leader		Camilla Cannon, CGAP Internal Auditor *Texas Workforce Commission* SAIAF Peer Review Team Member	

Section V

Internal Audit Plan
for Fiscal Year 2024

Internal Audit Plan for Fiscal Year 2024

The annual audit plan is a guide that is developed for the effective utilization of the division's resources during the fiscal year to address the risks of the Office of the Attorney General (OAG). Audit activities included in the annual audit plan are those areas that represent risk to the agency based on the annual risk assessment which includes management insight.

Proposed internal audit activities for FY 2024 were presented to Executive Management for approval and are included in this report (Annual Report Pages 15 through 25).

INTERNAL AUDIT PLAN

FY 2024

Internal Audit Division

Office of the Attorney General
Ken Paxton

Approved – November 2023

Table of Contents

Overview

The annual audit plan is a guide that is developed for the utilization of the division's resources during the fiscal year to address the risks of the Office of the Attorney General (OAG). Audits and other projects selected for review and included in the annual audit plan are those areas that represent risk to the agency.

The audit plan may be modified during the fiscal year as circumstances change. Requests from management, changes in audit resources, and changes in the agency's organization or operations could result in updates to the plan. Any significant updates to the plan would require approval from the First Assistant Attorney General.

Project objectives proposed in the plan are in general terms. The specific objective of each audit project is determined by the detailed assessment of relative risks for the project at the time the project is initiated.

The audit plan was developed using current audit resources available in Q1 of FY24. Additional projects will be submitted to the First Assistant Attorney General for review and approval as needed based on any significant operational changes or special project requests.

The Role of Internal Audit

The Internal Audit Division (IAD) provides independent, objective assurance and consulting services designed to add value and improve the organization's operations. IAD helps the agency accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IAD complies with the United States Government Accountability Office's (GAO) Government Auditing Standards, the Institute of Internal Auditors' (IIA) International Professional Practices Framework and the Information Systems Audit and Controls Association's (ISACA) IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals. The Internal Audit Charter, approved by the Attorney General and the First Assistant Attorney General sets forth the purpose, authority, and responsibility of IAD.

Professional and Statutory Requirements

This document provides the Fiscal Year 2024 Audit Plan as required by the Internal Audit Charter, GAO, and IIA professional auditing standards, and the Texas Internal Auditing Act, Texas Government Code §2102.008. The Act requires state agencies to conduct a program of internal auditing that includes an annual audit plan prepared using risk assessment techniques and identifies the individual audit projects to be conducted during the year.

This plan is prepared in accordance with the Institute of Internal Auditors' (IIA) International Professional Practices Framework and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). The plan is developed based on an assessment of risk and potential exposures that may affect the organization. Ultimately, Internal Audit's objective is to provide management with information to reduce exposure to the negative effects that may be associated with operations intended to achieve management's objectives. The degree or materiality of exposure can be viewed as risks mitigated by establishing sound internal controls.

The planning process is consistent with the agency's approved Internal Audit Charter and the division's goals. The plan of engagements is based on a documented risk assessment. In addition to the risk assessment, the planning process includes the assessment of available audit resources.

Types of Reviews

The Internal Audit Division (IAD) conducts performance audits and non-audit services, as well as follow-up reviews.

Performance audits are engagements that provide assurance or conclusions based on an evaluation of sufficient appropriate evidence against stated criteria. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, lower risks, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Therefore, the sufficiency and appropriateness of evidence and tests of evidence will vary based on the audit objectives and conclusions.

Follow-up reviews are conducted to determine the adequacy, effectiveness, and timeliness of actions taken by management on reported engagement recommendations. This work determines if management actions have resulted in lowering risks or if management has assumed the risk of not taking corrective action on reported findings. Follow-up projects are conducted on previous IAD reported findings, as well as the State Auditor's Office and other external entities' reported audit findings. These audits are scheduled within a reasonable time frame to allow management sufficient opportunity to implement corrective actions.

Non-audit services are advisory client service activities which are intended to add value and improve the agency's governance, risk management, and control processes. Examples include counsel, advice, facilitation, and training. This type of project can only be conducted if providing the non-audit service does not create impairments to independence, either in fact or appearance, with respect to future audit projects.

Development of the Audit Plan

The Internal Audit Division allocates its resources in a manner that is consistent with the mission and goals of the Office of the Attorney General (OAG). To support the OAG's mission, audit coverage is considered across the agency. The audit plan is designed to provide coverage of key business processes, over a reasonable period of time, given the existing staff.

The following key factors were considered to assess risk and develop the audit plan for non-technology and technology areas including information security:

- Potential for impact on agency-wide policies and procedures
- Changes in systems, processes, policies, or procedures
- Results and time since last audit engagement
- Extent of government regulation
- Information and communication
- Transaction volume
- Staff turnover

In addition to the projects selected based on risk assessment results, audit hours are also dedicated to follow-up reviews, carry-forward projects, and non-audit services.

Internal Audit is also required by law and auditing standards to conduct certain activities on an annual and/or periodic basis, such as an internal quality control assessment, an annual audit report, and an external peer review. Those required activities are also included in the audit plan.

To ensure the auditors maintain a steady workload throughout the year, some audit projects are scheduled to start near the end of one fiscal year and require time in the following year to complete. Specific carry-forward projects are identified in the Fiscal Year 2024 Internal Audit Plan.

In line with the State Auditor's Office (SAO) Guidelines for the Internal Audit Plan for Fiscal Year 2024, the following identified projects relate to capital budget control, contract management and other contract requirements.

- Performance Audit and Non-Audit Service Activities – Contract Management:

  - Assessment of Invoice Validation Practices (Vendor Billing Compliance with Contract Requirements) - Follow-up

  - Contract Monitoring Assessment

  - Agency Protocol for Reporting Vendor Performance – Close-out Activity in FY 2024

The following tables provide information regarding planned Internal Audit activities for FY 2024.

Performance Audit (Assurance) Project for FY 2024				
Auditable Unit	**Audit Area**	**Title of Project**	**Preliminary Objectives**	**Estimated Budget Hours**
Enterprise Wide	Contract Management	Contract Monitoring Assessment	Assessment of select contract monitoring plans to determine compliance with internal monitoring procedures for contract oversight and identify best practices.	500
Total Audit (Assurance) Project Hours Estimated for FY 2024				**500**

Prior Audit Follow-up Projects for FY 2024		
Follow-up on Implementation Status of Prior Audit Recommendations		
Auditable Unit	**Audit Follow-up Area(s)**	**Estimated Budget Hours**
Enterprise Wide	Facilities Security Incident Response Review - Follow-up (Carry Forward)	50
Child Support	Field Operations Physical Layout and Managerial Oversight - Follow-up (Carry Forward)	50
Total Follow-up Project Hours Estimated for FY 2024		**100**

Prior Year – Close-out Activities	
Audit Activity Description	**Estimated Budget Hours**
In accordance with Annual Reporting Guidelines, Internal Audit prepares a report that reflects the status of prior audit activity. In addition to the annual report preparation, close-out activities include finalization of prior audit plan audits or consulting engagements in the final audit phase (reporting).	150
Total Close-out Hours	**150**

Non-Audit Services Projects (Consulting) for FY 2024				
Consulting Unit	**Project Area**	**Title of Project**	**Preliminary Objectives**	**Estimated Budget Hours**
Executive	Select Civil Litigation Divisions	Interagency Contracts (IAC) Consulting Engagement (Carry Forward)	Confirmation of existing and potential IACs.	100
General Counsel Division	Select General Counsel Division (GCD) Process	GCD Consulting Engagement (Carry Forward)	Review of process flow and offer any recommendations for enhancement.	300
Open Records	Open Records	Open Records Consulting Engagement	Identification of new workflow efficiencies post system implementation.	500
Human Resources	Human Resources (and Information Technology)	CAPPS (Centralized Accounting and Payroll/Personnel System) Human Resources Consulting Engagement	Identification of select internal CAPPS change controls.	500
Administrative & Legal	Select Legal Divisions (and Human Resources)	Legal Recruitment & Retention Assessment Consulting Engagement	Obtain feedback from applicable divisions and identify industry best practices regarding recruitment and retention to enhance internal activities designed to attract and retain legal workforce.	300
Total Non-Audit Services Projects (Consulting) Hours				**1,700**

Routine Non-Audit Services (Consulting or Advisory) for FY 2024			
Non-Audit Service Unit	**Non-Audit Area**	**Scope/Objective**	**Estimated Budget Hours**
Enterprise Wide	Governance	Information Technology: Governance Committee and Information Protection/Accessibility Work Groups - Advisory Role.	50
Information Security and Technology	Compliance and Risk Mitigation Feedback	Texas Administrative Code (TAC) Compliance and Information Security.	80
Peer Review (External Entity)	Peer Review Participation for Reciprocity Requirements	Participate in external quality assurance review for another state agency to determine the audit function's compliance with required auditing standards.	40
Enterprise Wide	Business Continuity and Disaster Recovery	Business impact analysis and disaster recovery consulting.	40
Various Divisions	Project Management and Risk Mitigation Feedback	Child Support System, Crime Victims, Legal Services or Litigation Consulting.	40
Facilities and Asset Management	Asset Management	Periodic reviews of select assets in coordination with Facilities and Asset Management.	50
Total Routine Non-Audit Services (Consulting or Advisory) Hours			**300**

Staff hours allocated to mandatory and other internal audit activities are 650 hours (listed below).

- Performance of Audit Liaison Activities with External Auditors or Reviewers
- Issuance of an Annual Internal Audit Report
- Development of an Annual Risk Assessment and Audit Plan
- FWAPP Biennium Review
- Internal Audit Division Annual Self-Assessment
- Internal Audit Division Quality Assurance
- Audit Management Software Upgrade Implementation and Training
- Update of the Internal Audit Charter
- Staff Development Initiatives
- Training of New Audit Personnel
- General Quality Assurance

Appendix I

Available Staff Time Estimate for FY 2024

An analysis was conducted to determine the amount of direct audit time that would be available by audit staff to ensure internal audit resources are sufficient and effectively utilized to achieve the approved plan. The Fiscal Year 2024 state holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available during Fiscal Year 2024.

Total Annual Available Hours Per Full Time Equivalent (FTE)	
Annual Totals	**Hours**
Based on 52 weeks @ 40 Hours Per Week	**2,080**
Annual Leave (12.6 hours * 12 months)	-151
Sick Leave (14 days * 8 hours/day)	-112
Holiday/Adm. Leave	-144
Total Available Work Hours	**1,673**
Training/CPE 40 hours per auditor plus 10 for additional certifications	-50
Audit Support/Miscellaneous (14 days * 8 hours/day)	-112
Administration/Non-CPE Training (45 weeks * 2.5 hours/week)	-113
Total Available Project Hours	**1,398**

Note: Totals reflect automatic rounding in spreadsheet.

Total Estimated Internal Audit Division Staff Project Hours
Available in FY 2024 as of September 1, 2023

Total Estimated Available Auditor Project Hours as of September 1, 2023[1]			
Current Audit Resources	**Total Available Direct for Fiscal Year 2024**	**Reserved Direct Audit Hours**	**Total Available Hours as of September 1, 2023**
Budgeted Direct Hours for Audit Staff (3 x 1,398+206*)	3,400	1,000	4,400

Note: Totals reflect automatic rounding in spreadsheet (rounded up).
*Hours from Internal Audit Management Allocation for Reserved Direct Audit Hours

Appendix II

Summary of Available Audit Hours

Estimated Available Hours as of September 1, 2023	
Description	**Budget**
Internal Audit Division Staff Available Work Hours (1,673 x 3)	5,019
Training/Administrative/Audit Support Hours (275 x 3)	(825)
Hours Reserved for Special Projects (5,019-825-3,400+206*)	(1,000)
Internal Audit Management Hours for Reserved Direct Audit Hours	206
Total Internal Audit Staff Project Hours	**3,400**
Total FY 2024 Audit Project Hours Available Allocated	**3,400**

*Hours from Internal Audit Management Allocation for Reserved Direct Audit Hours

Allocation of Available Hours	
Description	**Budget**
Total Performance Audit Hours	500
Total Follow-up Audit Hours	100
Total Prior Year Close-Out Activities Hours	150
Total Non-Audit Services Projects (Consulting) Hours	1,700
Total Non-Audit Routine Project Hours	300
Mandatory and Other Internal Audit Activities	650
Total Hours Allocated	**3,400**

---

[1] Available hours are based on filled full time equivalent (FTE) employees as of September 1, 2023. Available hours are projected to increase for each new auditor that is onboarded during the fiscal year. New audit staff will supplement existing projects and increase available hours for audit activities. Estimated increase of available direct audit hours for one new auditor as they are on boarded is ~700 (1,398 x .5).

Section VI

External Audit Services
Procured in Fiscal Year 2023

VI.   **External Audit Services Procured in Fiscal Year 2023**

During Fiscal Year 2023, there were no audit services procured by Internal Audit that required approval from the State Auditor's Office in accordance with Texas Government Code, Section 321.020.

Section VII

Reporting Suspected Fraud and Abuse

VII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09 of the General Appropriation Act, the Office of the Attorney General (OAG) of Texas provides instructions on its public website for reporting Fraud Waste and Abuse to the State Auditor's Office fraud hotline and to the OAG. In addition, the OAG's public website provides a link to the State Auditor's Office website for reporting fraud.

In addition to information located on the public website, Fraud, Waste, and Abuse Policies and Procedures are posted on the OAG's Intranet for all employees to reference. The agency's Fraud, Waste, and Abuse Prevention Program requires all employees to take Fraud, Waste, and Abuse Prevention Program training within five (5) business days of initial employment and every two years thereafter. Furthermore, an appointed ethics advisor can advise employees on issues regarding ethics and integrity.

In relation to Texas Government Code, Section 321.022, Coordination of Investigations, when the State Auditor's Office receives a complaint and refers that complaint to the Internal Audit Division, the OAG's Chief Audit Executive coordinates the investigation with the appropriate divisions within the OAG.

Section VIII

Annual Report Distribution

VIII. **Annual Report Distribution**

This report is forwarded via email to the following oversight agencies:

Governor's Office - Budget and Policy Division – budgetandpolicyreports@gov.texas.gov

State Auditor's Office – iacoordinator@sao.texas.gov

Legislative Budget Board – audit@lbb.texas.gov

Appendix A

Compliance with Texas Government Code 2102.015

Summary of Recommendations, Management Responses, and Implementation Statuses

Appendix A

A summary of audit activities conducted to help ensure efficiency of operations and risk mitigation is in the following table.

Summary of Audit Activities – Reported in FY 2023 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Report Number)	**Recommendations**	**Management Response**	**Progress Toward Implementation**
The current status of the following prior audit recommendations is reflected within this annual report for submittal to applicable oversight entities and in compliance with Texas Government Code 2102.015.			
Fraud, Waste, and Abuse Prevention Program (FWAPP) Biennium Review (Follow-up Report 16-12)	Recommendations were offered to ensure the continued effectiveness of the FWAPP and enhance internal processes which are designed to ensure the readily apparent resolution of a complaint.	Management responses reflect agreement with observations noted in the prior audit reports and the feasibility of audit recommendations.	Management has taken actions to address prior audit recommendations.
Follow-up on Agency Wide Contract Reform Audit (Report 17-11)	Eleven recommendations were offered in the original audit (Report 16-08) for management consideration regarding new contract legislative requirements.	Management responses in the prior audit report reflect agreement with observations and denote planned actions to implement recommendations.	Management has taken action to fully implement nine of the eleven prior audit recommendations. The implementation of the two remaining recommendations are contingent upon Agency's implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS). Remaining recommendations: Enhanced contract solicitation and contract information reporting to the Texas Comptroller's Office through CAPPS. Implementation of CAPPS financial module occurred during the first quarter of fiscal year 2023. Timing of follow-up activities will be planned accordingly by Internal Audit.

Summary of Audit Activities – Reported in FY 2023 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Report Number)	**Recommendations**	**Management Response**	**Progress Toward Implementation**
Assessment of Invoice Validation Practices (Contract Monitoring – Vendor Billing Compliance with Contract - Report 18-12)	Four recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	A follow-up audit is in progress.
Invoice Approval and Payment Authorization Controls Follow-up (Report 18-14)	Nine recommendations were offered in the original audit (Report 17-08) for management's consideration.	Management responses reflect agreement with observations noted in the prior audit report and denote planned actions to address noted observations and recommendations.	Management has taken action to fully address seven of the nine prior audit recommendations. One recommendation is classified as an on-going process (assessment and coordination of feasible receiving and inventory tracking system enhancement). The second open recommendation (possible application interface) is contingent upon Agency's implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS). Implementation of CAPPS financial module occurred during the first quarter of fiscal year 2023. Timing of follow-up activities will be planned accordingly by Internal Audit.
Information Security Incident Management (Report 19-10)	Six recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	A follow-up audit is in progress.
IT Asset Hardware Management (Report 19-11)	Six recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	A follow-up audit is in progress.

Summary of Audit Activities – Reported in FY 2023 (Recommendations, Management Responses, and Implementation Statuses)			
Title (Report Number)	**Recommendations**	**Management Response**	**Progress Toward Implementation**
Child Support – Field Physical Layout & Oversight (Report 20-09)	Observations were presented to management for development of applicable action plans.	CSD Management has accepted observations and devised action plans to address recommendations as management assesses and carries out optimal customer service options.	A follow-up audit is in progress.
Enterprise-Wide Facilities Security Incident Response Review (Report 20-08)	Recommendations were offered for management's consideration.	Management responses reflect agreement with observations noted in the audit report and denote planned actions to address noted observations and recommendations.	A follow-up audit is in progress.