



Commissioner Mike Morath

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October 31, 2020

Mike Morath
Commissioner
Texas Education Agency
1701 N. Congress Ave
Austin, Texas 78701

Commissioner:

The Texas Internal Auditing Act (Texas Government Code, Chapter 2102) requires that TEA internal audit submit an annual report to its chief executive, the Governor, the Legislative Budget Board, and the State Auditor. The State Auditor prescribes the form and content of the report. Its purpose is to provide information on the activities of the internal audit function and to assist in their planning and coordination efforts. The attachment is responsive to this requirement and conforms to the State Auditor's guidelines for Fiscal year 2020 reporting.

Respectfully,

Rene Valadez
Director of Internal Audit
(512) 463-9846

Attachment

Cc: Governor's Office of Budget and Planning
Legislative Budget Board
State Auditor's Office

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

The Texas Education Agency (TEA) posts a consolidated report which includes the agency’s fiscal year 2020 internal audit report and fiscal year 2021 audit plan as required by Section 2102 on its public website. The report conforms to the form and content prescribed by the State Auditor.

II. Internal Audit Plan for Fiscal Year 2020

The following provides the status of planned projects presented in the fiscal year 2020 audit plan.

Planned Projects	Report #	Report Date	Report Title	Status
An Internal Audit on Compliance with Policies Governing Information Technology Access	18-02	5 March 2020	Internal Audit on IT Access and Onboarding/Offboarding Processes	Completed
Management Assistance Project on Policies Governing Permanent School Fund Information Reporting	NA	NA	NA	Anticipated Completion in 1st Quarter FY2021
Management Assistance Project on Processes Governing Special Education Complaints ¹	NA	NA	NA	Anticipated Completion in 1st Quarter FY2021
External Quality Assurance Review	NA	October 2020	Report on the External Quality Assurance Review of the Texas Education Agency Internal Audit Department	Completed ²

Other Projects	Statue
Ongoing, Agency-Wide Risk Assessment to Support the Development of Audit Activity	Conducted
Follow Up on Prior Audit Findings and Recommendations	Conducted
Miscellaneous Management Assistance (As Requested)	Conducted

III. Consulting Services and Nonaudit Services Completed

No consulting services³ were completed during fiscal year 2020. Reporting on the Management Assistance Project on Policies Governing Permanent School Fund Information Reporting referenced in the internal audit plan for fiscal year 2020 will be included in the fiscal year 2021 annual report.

¹ During FY2020, TEA modified internal audit’s engagement with the Special Populations Division to provide assurance that certain corrective actions have been implemented. Complaint management processes agency-wide remain under consideration for future project planning.

² Peer Review report issued in October 2020 (FY2021).

³ Consulting Service as defined in the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing, and a nonaudit services, as defined in Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, or Government Auditing Standards, 2018 Revision, Sections 3.64 – 3.106.

IV. External Quality Assurance Review (Peer Review)

Texas Education Agency Internal Audit Department
External Quality Assurance Review – October 2020

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Education Agency Internal Audit Department receives a rating of "Pass with Deficiencies/Partially Conforms." It is our opinion that, except for the deficiencies noted in the report below, the Texas Education Agency Internal quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards for assurance and consulting engagements during January 1, 2017 through July 31, 2020.

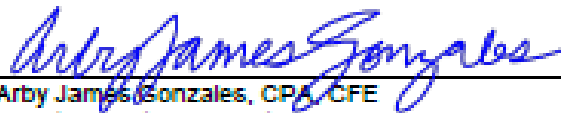
We found that the Internal Audit Department is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. Generally, the staff members are qualified, proficient, and knowledgeable in the areas they audit; individual audit projects are planned using risk assessment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

The Internal Audit Department is well managed internally. In addition, Internal Audit has effective relationships with the Commissioner of Education (Commissioner) and senior management and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit 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.

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 Internal Audit's operations.

Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Commissioner, 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 Internal Audit Department and its relationship with management.



Arby James Gonzales, CPA, CFE
Director of Internal Audit
Texas Department of Insurance
SAIAF Peer Reviewer

V. Internal Audit Plan for Fiscal Year 2021

Planned Projects	Budgeted Hours
Management Assistance Project on Policies Governing Permanent School Fund Information Reporting (Carry Over FY2020)	300
Management Assistance Project on Processes Governing Special Education Complaints (Carry Over FY2020)	350
Information Technology Governance and Security ⁴	700
Contract Administration and Procurement Processes ⁵	750
Property and Asset Management Processes	750
Management Assistance	500
Risk Assessment	300

The specific nature, objective, and scope of the projects described will be established through project-level risk assessment and planning. The project topics described represent the program areas and related activities scored highest by the risk assessment supporting this plan.

The audit plan was developed using a risk assessment methodology that included discussions with agency leadership and evaluations of potential risk indicators. These indicators included overall unit funding, unit contract activity, administrative budgets, audit activity, turnover, unit size, stakeholder interest, and other input. Planned projects does not include the estimate of audit resources that will be allocated to audit follow-up, audit quality activities, training, external audit liaison activity, audit initiatives, and unit and agency administration.

VI. External Audit Services Procured in Fiscal Year 2020

No external audit services were procured or were ongoing in fiscal year 2020.

VII. Reporting Suspected Fraud and Abuse

To comply with applicable statutes addressing fraud prevention and the reporting of suspected fraud and abuse, the Texas Education Agency provides information and reference to the State Auditor's Fraud Hotline on the agency's internet homepage. The agency has also updated Operating Policy 02-03, Agency Fraud Prevention, to minimize the likelihood and impact of fraud, waste, and abuse of agency resources by increasing employee awareness, and facilitating effective and timely detection and reporting of unethical and illegal activities.

⁴ Information technology risks related to Title 1, TAC, Chapter 202 (Information Security Standards) were considered during the risk assessment process.

⁵ Contract management risks were considered during the risk assessment process. The audit plan includes a project which will address contract management and other requirements.