



October 21, 2021

The Honorable Greg Abbott
Luis Saenz, Chief of Staff, Office of the Governor
Members of the Legislative Budget Board
State Auditor's Office

Attached is the annual report of the Internal Audit Division of the Office of the Governor for the fiscal year ended August 31, 2021.

This report fulfills the requirements set forth in the Texas Internal Auditing Act (Texas Government Code, Chapter 2102).

The purpose of the internal audit annual report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual report assists oversight agencies in their planning and coordination efforts.

Please contact me at (512) 936-2601 if you have any questions about this report.

Respectfully,

A handwritten signature in black ink, appearing to read "Marios Parpounas".

Marios Parpounas, CIA, CISA, CFE
Internal Auditor
Office of the Governor

Fiscal Year 2021 Internal Audit Report

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

Within 30 days of the Chief of Staff's approval, the Office of the Governor will prominently post the Fiscal Year 2022 audit plan, as provided by Texas Government Code, Section 2102.008, and the Fiscal Year 2021 internal audit annual report, as required by Texas Government Code, Section 2102.009, on its Internet website.

II. Internal Audit Plan for Fiscal Year 2021

Planned Audit	Report Number	Report Date	Report Title	Completed
Select Information Technology General Controls	2021-01	August 2021	An Internal Audit Report on Information Technology General Controls	Yes

III. Consulting Services and Nonaudit Services Completed

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing defines "consulting services" as advisory and related client service activities, the nature and scope of which are agreed with the client, that are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. In Fiscal Year 2021, Internal Audit did not provide such services.

IV. External Quality Assurance Review (Peer Review)

2/3/2021

Marios Parpounas
Director of Internal Audit
Office of the Texas Governor

Dear Mr. Parpounas:

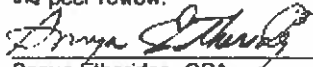
We have completed the peer review of the Office of the Texas Governor Internal Audit Department for the period 1/2020-1/2021. In conducting our review, we followed the standards and guidelines contained in the Peer Review Manual published by the State Agency Internal Audit Forum (SAIAF).

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practices of Internal Auditing and Code of Ethics*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102) require that internal audit functions obtain external quality assurance reviews (peer reviews) to assess compliance with standards and with the Act and to appraise the quality of their operations.

We reviewed the internal quality control system and conducted tests to determine if the internal quality control system operated to provide reasonable assurance of conformance with the IIA *Standards*, the GAO *Standards*, and the Texas Internal Auditing Act. Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case but does imply adherence in most situations. Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Office of the Texas Governor Internal Audit Department receives a rating of **Pass/Generally Conforms**.

"Pass/Generally Conforms" means that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards (*International Standards for the Professional Practices of Internal Auditing and Code of Ethics*, U.S. Government Accountability Office *Government Auditing Standards*, and the Texas Internal Auditing Act). There may be opportunities for improvement, but these should not present situations where the audit organization has not implemented the professional standards and has not applied them effectively or achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation or most successful practice, etc. "Pass/Generally Conforms" is the highest of three possible ratings that can be achieved.

We have provided suggested improvements in a separate communication to further strengthen the internal quality control system. The Office of the Texas Governor Internal Audit Department has reviewed the results of the work performed by the peer review team and accepted them to be an accurate representation of operations. To the extent it is lawful, the Office of the Texas Governor Internal Audit Department agrees to hold SAIAF and its officers and representatives harmless of any liability arising from the actions of the peer review team or issues resulting from the peer review.



Sonya Etheridge, CPA
Director of Internal Audit
Texas Facilities Commission

V. Internal Audit Plan for Fiscal Year 2022

Planned Audits

Description	Budget Hours
An Engagement to Assess Management Controls and Adherence to Established Investment Policies.	500

The Fiscal Year 2022 audit plan was developed using a risk assessment methodology that considers various factors, including: financial history and reporting; reporting requirements; perceived legislative, public, or management interest; complexity of accounting and administration; grants and contracts; and longevity and turnover of staff.

Internal Audit did not categorize any perceived risk identified through the risk assessment process as "high."

Special Projects and Management Assistance

Description	Budget Hours
FY 2022 Agency Risk Assessment Office of the Governor and Trusteed Programs	500
Special Projects, Management Assistance, Peer Quality Assurance Reviews, External Audit Liaison, and Continuous Monitoring	800

VI. External Audit Services Procured in Fiscal Year 2021

No external audit services were procured in Fiscal Year 2021.

VII. Reporting Suspected Fraud and Abuse

In accordance with Section 7.09, page IX-37, the General Appropriations Act (85th Legislature) the official website of the Office of the Governor includes a link on its homepage to the State Auditor's Office website for fraud reporting. In addition, the agency's internal intranet landing page links directly to an intranet page dedicated to the reporting of perceived fraud, waste or abuse, including both a link to the State Auditor's Office website and the State Auditor's Office Fraud Hotline. The Chief of Staff reports suspected loss, misappropriation, misuse, fraud, or unlawful conduct in relation to the operations of the Office of the Governor to the State Auditor's Office.