

**Office of Injured Employee Counsel
Internal Audit**

Fiscal Year 2019

Internal Audit Annual Report



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS



Table of Contents

Section	Page Number
I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015: POSTING THE AUDIT PLAN AND ANNUAL REPORT ON THE INTERNET	4
II. FISCAL YEAR 2019 INTERNAL AUDIT PLAN STATUS.....	4
III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED.....	5
IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW).....	5
V. INTERNAL AUDIT PLAN FISCAL YEAR 2020.....	6
VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2019	6
VII. REPORTING SUSPECTED FRAUD AND ABUSE.....	7
VIII. SIGNIFICANT INTERIM CHANGES	7



October 21, 2019

The Honorable Greg Abbott, Governor
Members of the Legislative Budget Board
Internal Audit Coordinator, State Auditor's Office

Dear Ladies and Gentlemen:

Attached is the FY 2019 Internal Audit Annual Report for the Office of Injured Employee Counsel (OIEC). This annual audit report is submitted in accordance with the Texas Internal Auditing Act requirement for state agency internal auditors to prepare and distribute an annual report (Government Code, Chapter 2102). McConnell & Jones LLP submits this Annual Internal Audit Report for fiscal year 2019 on behalf of OIEC's Public Counsel.

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for governing boards. The purpose of the annual internal audit report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual internal audit report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, Sections 2102.009 and 2102.0091, the Annual Internal Audit Report for fiscal year 2019 is due November 1, 2019.

Please contact Odysseus Lanier at 713.968.1603 or Jessica Barta at 512.804.4170 if you should have any questions about this audit report.

Sincerely,

Odysseus Lanier, CPA
Partner



I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015: POSTING THE AUDIT PLAN AND ANNUAL REPORT ON THE INTERNET

Texas Government Code, Section 2102.015, requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports to the agency’s internet website within 30 days of approval. Texas Government Code, Section 2102.015, also requires agencies to update the posting on the website to include a detailed summary of any weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report and include a summary of the actions taken by the agency to address the issues raised.

In accordance with requirements of Texas Government Code, Section 2102.015, McConnell & Jones LLP (MJ) provides the required internal audit plan, internal audit annual report and any other required internal audit information to the Office of Injured Employee Counsel (OIEC) for posting to their website.

II. FISCAL YEAR 2019 INTERNAL AUDIT PLAN STATUS

The fiscal year 2019 Annual Internal Audit Plan was prepared by McConnell & Jones LLP based on a comprehensive risk assessment and approved by OIEC’s Public Counsel. The chart below reflects the approved audit plan status as of August 31, 2019.

Fiscal Year 2019 Internal Audit Plan Status

#	Description	Report Number	Report Date	Report Title	Audit Status
1	Employee Retention Efforts	19-001	October 10, 2019	Employee Retention	Completed
2	Employee Travel and Reimbursements	19-002	October 10, 2019	Employee Travel and Reimbursements	Completed
3	Follow-Up on Open Audit Findings	On-Going – OIEC is in the process of implementing prior audit recommendations.			
4	Update Annual Risk Assessment & Audit Plan	This activity will be completed by the internal auditor or audit firm selected by OIEC and included in an amended FY 2019 Annual Internal Audit Report.			
5	Annual Audit Report	N/A	N/A	N/A	Completed
6	Audit Communications, Project Management	N/A	N/A	N/A	On-going



Deviation from FY 2019 Annual Internal Audit Plan:

There were no deviations from the approved FY 2019 Annual Internal Audit Plan.

III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit) for the Office of Injured Employee Counsel provided consulting and advisory services to evaluate the agency's employee retention and training programs. This engagement focused on providing an independent assessment of the program developed to address employee retention to determine if the programs developed address the root cause issues related to employees leaving the agency for other opportunities. Report #19-001 Employee Retention includes the details and recommendations.

IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

MJ has been a member of the AICPA since 1987 and is subject to the AICPA's peer review process every three years. Our commitment to quality is underscored by the fact that, in our four most recent peer reviews, we have consistently received an unqualified opinion in external peer review reports on the quality of our accounting and auditing practice by the AICPA. After a thorough review of our procedures and work practices, which include reviews of our nonprofit, governmental, and commercial engagements, the reviewers concluded that MJ complies with the stringent quality control standards established by the American Institute of Certified Public Accountants. We provide a copy of our most recent peer review letter below.



Opinion

In our opinion, the system of quality control for the accounting and auditing practice of McConnell & Jones, LLP, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiencies, or fail. McConnell & Jones, LLP has received a pass review rating of pass.

Turner, Stone & Company, LLP
Turner, Stone & Company, LLP

Your Vision Our Focus



Report on the Firm's System of Quality Control

January 31, 2018

To the Partners of
McConnell & Jones, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of McConnell & Jones, LLP (the Firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prism/summary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including a compliance audit under the Single Audit Act; audit of employee benefit plans and an audit of a non-carrying broker-dealer.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

Turner, Stone & Company, LLP
Accountants and Consultants
11400 Park Central Drive, Suite 1400
Dallas, TX 75241
Telephone: 972-399-1862 / 1-817-220-0273 / 1-817-1643
Toll Free: 1-877-415-4795
Web site: turnerstone.com



V. INTERNAL AUDIT PLAN FISCAL YEAR 2020

The Office of Injured Employee Counsel issued an RFP for internal auditing services in FY 2019. A report of the FY 2020 Annual Internal Audit Plan will be prepared once an internal auditor or audit firm is selected. This report will be submitted in an amended Annual Internal Audit Report approved by the Public Counsel.

VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2019

External audit services procured in FY 2019 consisted of the internal audit function.





VII. REPORTING SUSPECTED FRAUD AND ABUSE

The Office of Injured Employee Counsel has implemented measures to comply with Article IX, Section 7.10, the General Appropriations Act (81st Legislature) and Texas Government Code, Section 321.022. These measures include, but are not limited to, the following:

The OIEC includes a link to the State Auditor's Office (SAO) website for fraud reporting at the footer of the Office of Injured Employee Counsel's website. In addition, information on reporting suspected fraud to the State Auditor is included in the agency's policies and procedures.

VIII. SIGNIFICANT INTERIM CHANGES

Interim changes to the annual audit plan may occur from time to time due to changes in management direction, objectives, business risks, timing of initiatives, and staff availability. In accordance with IIA Performance Standard 2020, any significant changes will be authorized by OIEC's Public Counsel. Notification of significant changes to the Internal Audit Plan approved by the Public Counsel will be submitted to the State Auditor's Office (SAO).

This Internal Audit Annual Report was presented to the OIEC's Public Counsel and approved on October 21, 2019.


Jessica Barta, OIEC Public Counsel