



Zoi Kondis
Director of Internal Audit
Texas Education Agency
1701 N. Congress Ave.
Austin, TX 78701

November 1, 2024

The Honorable Gregg Abbott, Governor
State Auditor's Office
Legislative Budget Board

We are pleased to present the Texas Education Agency's (TEA or Agency) Internal Audit Services Annual Report for Fiscal Year (FY) 2024. This report provides information on the Internal Audit activities from the last reporting date of September 2023 thru the fiscal year end of August 2024. This report fulfills the requirements set forth in the Texas Internal Auditing Act (Texas Government Code, Chapter 2102.009, 2102.015 and 2102.0091). As mandated in the Texas Internal Auditing Act, the State Auditor's Office prescribes the minimum content. This report has been prepared in accordance with the State Auditor's requirements and is current through November 1, 2024.

Audit work completed during the last fiscal year focused on compliance with laws and regulations, and efficiency and effectiveness, while promoting process integrity. Recommendations, when made, focused on strengthening controls, and enhancing the accountability, efficiency, and effectiveness of the Agency's operations.

Internal Audit Services division (IAS) is committed to providing quality audit services using a systematic and disciplined approach. We will continue to pursue projects in Fiscal Year 2025 to assist the Agency and operations by improving the risk management, control structure, and governance processes.

For further information about the contents of this report or to request copies of individual audit reports, please feel free to contact me at (512) 463-9846.

Sincerely,

A handwritten signature in blue ink, appearing to read "Zoi Kondis", is written over a light blue horizontal line.

Zoi Kondis, CPA, CIA, CISA, CRMA
Director of Internal Audit

I. Compliance with Texas Government Code, Section 2102.015

The Texas Education Agency (TEA) Internal Audit Services division has posted the Internal Audit Annual Report (annual audit report) for fiscal year 2024 on the Agency’s website at <https://tea.texas.gov/about-tea/internal-audit-services>. To comply with Texas Government Code, Section 2102 (Texas Internal Auditing Act), the annual audit report includes a summary of observations raised by the fiscal year 2024 audit plan, a summary of actions taken by the Agency to address those observations and the audit plan for fiscal year 2025.

II. Internal Audit Plan for Fiscal Year 2024

Engagement Type	Description/Objectives	Status
TCLASS Application Development Audit /1	Assess compliance and development of IT project TCLASS system for ESSER Grant management, process, and controls to requirements. (Part 1 of 3)	Replaced with FSP Audit
ESSER Funds Application and Eligibility Process Audit (planning and fieldwork) /2	Assess compliance of application and eligibility process of ESSER applicants to the Grant requirements. (Part 2 of 3)	Replaced with FSP Audit
Foundation School Program (FSP) - State Contribution - IT Application Audit, (Test of Controls for ensuring integrity of calculations) /1	Assess compliance and development of IT project - FSP Application entitlement management, process, and controls to requirements.	Postponed to FY 2025 after Legislative Session
Foundation School Program (FSP) - State Contribution - Entitlement of State Administered funds	Foundation School Program (FSP) Entitlement Administration of Tier 1 (Part 1) & Tier 2 (Part 2) program requirements including Subchapters, district classifications, and other considerations (Part 3). (This is planned to be a 3-part audit)	Postponed to FY 2025 after Legislative Session
TAC 202 Compliance Audit /1	Assess TEA compliance with TAC 202 requirements	Reporting phase
Audit of Management Action Plans Implemented	Test Management actions reported for effectiveness. (Ongoing)	Reporting phase

/1 IT Audit, /2 Grant Process, /3 The Internal Audit function was not fully staffed until the end of FY2024.

III. Consulting Services and Non-audit Services Completed

Consulting services are advisory in nature and performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with the engagement client, without internal auditor assuming management responsibility. TEA Internal Audit Services division did not provide any consulting services (as defined in the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing) or non-audit services (as defined in Government Auditing Standards, 2024 Revision, Sections 3.64 – 3.106) in fiscal year 2024.

IV. External Audit Services Procured

The TEA did procure agreed upon external audit services on behalf of the Texas Council of Developmental Disabilities (TCDD) during fiscal year 2024 in association with the existing Executive Order RP-37 and the related Memo of Understanding executed August 12, 2024. No additional audit services were procured by TEA or the TEA Internal Audit Services division.

V. External Quality Assurance Review (Peer Review)

In accordance with Government Auditing Standards, IAS completes an external peer review at least once every three years. The purpose of the review is to evaluate conformance with professional standards and identify opportunities to improve the efficiency and effectiveness of audit activities. The Internal Audit Services division recently had a Quality Assurance Review which was completed in July 2024. We have provided the Quality Assurance Review opinion for your reference in the executive summary at Appendix B.

VI. Internal Audit Plan for Fiscal Year 2025

Internal Audit Services (IAS) developed a risk-based audit plan for fiscal year 2025. Auditors performed an assessment to identify the risks potentially impacting the Agency's strategic priorities and operational objectives. IAS obtained detailed information from Agency leadership through surveys, interviews, and analysis of relevant financial and non-financial data related to the following risk categories: financial, fraud, demographic, operations and complexity, organizational, human capital, information technology, regulatory/compliance, and reputational.

All subjects were assigned a risk score for each category along with an assessment of magnitude and likelihood. The overall risk rating (High, Medium, or Low) was assigned to each significant activity based on the activity's average overall score. IAS proposes an annual IAS audit plan based on the risk assessment described above and obtains final approval from the Commissioner of Education.

The following audit plan for fiscal year 2025 was approved by the Commissioner of Education on October 24, 2024.

Description	Objective	Budgeted Hours
Audit Projects		
TAC 202 Compliance Audit /1	Assess TEA compliance with TAC 202 requirements.	80
Audit of Management Action Plans Implemented	Test Management actions reported for effectiveness. (Ongoing)	40
Audit Consultation	Reserved for a Management Consultation and Service Project.	400
Foundation School Program (FSP) - State Contribution - IT Application Controls Audit, (security, processing integrity, and availability.) /1	Assess compliance and development of IT project - FSP Application entitlement management, process, and controls to requirements. (Carryover to next year)	640
Foundation School Program (FSP) - State Contribution - Entitlement of State Administered funds /2	Foundation School Program (FSP) Entitlement Administration of Tier 1 & Tier 2 program requirements including Subchapters, district classifications, and other considerations. (Carryover to next year)	800

Description	Objective	Budgeted Hours
IT Audit of Patch Management /1	Assess controls and application of the Patch Management process.	400
Audit Consultation	Reserved for a Management Consultation and Service Project.	400
Special Investigative Assistance - EEO, OIG, SAO Hotline		
Investigations	Internal Audit Services serves as a pivotal point of contact for hotline complaints forwarded to the Agency by the SAO, and special complaints received through the Agency hotline.	250
External Audits / Reviews		
External Audit Facilitation	Internal Audit Services serves as a liaison for all external audits/reviews of the Agency. The Agency is routinely audited by entities such as the State Auditor's Office (SAO) and the US Department of Education. The Agency underwent several external audits and reviews during FY2024.	350
Internal Audit Administration		
FY24 Annual Internal Audit Report	Comply with statutory requirements and best practices for the administration of internal audit services.	50
Quality Assurance Review / Peer Review / QAIP		250
Risk Assessment Processes (FY25)		750
Strategy Development		80
Transition to new GIAS and GAGAS Standards		500
On Boarding		120
Continuing Professional Education		400
Total		

/1 IT Audit, /2 Grant Process

The 2025 Internal Audit Risk Assessment resulted in nine segments rated as "High."

- Two of the high-risk segments were selected for audit in the prior year FY24 audit plan.
- The remaining six of the nine segments not included in the audit plan were continuous improvement of high-quality instructional materials, financial activities, data management, contracting, Travis Master Plan, Human Capital Related and program monitoring.
- Any segments not included in the current year audit plan are considered for future audit activities based on the risk assessment process.

While this plan addresses risk segments where the average overall score was rated "High," the risk assessment is a tool where management and the auditors evaluate the audit universe and select the audit plan activities to consider the highest risk areas at that defined point in time. The audit plan is not designed to provide audit coverage for all Agency programs, processes, and systems at that point in time.

VII. Reporting Suspected Fraud and Abuse

In accordance with the fraud reporting requirements in Section 7.09, page IX-40, the General Appropriation Act (88th Legislature), TEA provides instructions to the public for reporting fraud, waste, or abuse to the State Auditor's Office or submitting a formal complaint through the Agency's Complaints Management website. These instructions are found at <https://tea.texas.gov/about-tea/contact-us/reporting-fraud-waste-or-abuse-in-texas>.

Additionally, TEA requires all employees and contractors to comply with *Operating Procedure 02-03: Agency Fraud Prevention and Reporting* and provides detailed guidance for reporting unethical and illegal activity on the Internal Audit Services intranet site. All employees are required to complete Fraud Awareness Training and Ethics Training within thirty days of hire and every two years thereafter.

Internal Audit Services is primarily responsible for investigating all suspected fraudulent acts and coordinating investigative activities with the General Counsel's Office, Human Resources, and appropriate outside enforcement/prosecutorial agencies (including the State Auditor's Office as required by Texas Government Code, Section 321.022).

Appendix A

Summary of Observations and Management Actions for Fiscal Year 2024 Audit Plan Engagements

There are no Summary of Observations and Management Actions for Fiscal Year 2024 Audit Plan Engagements to be reported at this time, instead, an Audit of Management Action Plans was conducted.

Appendix B

External Quality Assurance Review Executive Summary



Internal Audit Department of the
Texas Education Agency
receives a rating of

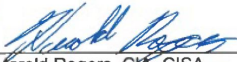
“Pass/Generally Conforms”

In compliance with the Institute of Internal Auditors' International Professional Practices Framework, Government Auditing Standards, and the Texas Internal Auditing Act.


This opinion is based on a quality assessment review conducted by members of the Texas State Agency Internal Audit Forum (SAIAF) during the period of July, 2024.

The review was based on the methodology developed by the Texas State Agency Internal Audit Forum.




Harold Rogers, CIA, CISA
Special Projects Auditor
Texas Workforce Commission




Michelle Joseph, CPA
Internal Auditor
Texas Workforce Commission