



TEXAS
JUVENILE JUSTICE
DEPARTMENT

TRANSFORMING YOUNG LIVES AND CREATING SAFER COMMUNITIES

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**FY 2018 Internal Audit
Annual Report
October 2018**



TEXAS
JUVENILE JUSTICE
DEPARTMENT

TRANSFORMING YOUNG LIVES AND CREATING SAFER COMMUNITIES

October 26, 2018

The Honorable Greg Abbott, Governor
The Legislative Budget Board
The Sunset Advisory Commission
State Auditor's Office
Texas Juvenile Justice Board
Camille Cain, TJJD Executive Director

Attached is the Fiscal Year 2018 Annual Internal Audit Report from the Texas Juvenile Justice Department's Office of Internal Audit. This report is provided in accordance with the Texas Internal Auditing Act requirements for internal auditors to prepare and distribute an annual report of accomplishments and activities and complies with the guidelines set forth by the State Auditor's Office.

The Office of Internal Audit (OIA) completed audit work and provided management with information and analyses to assist in initiating improvements to operations and to strengthen internal controls. In addition to audit work, Internal Audit provided advice and assistance on governance, risk management, and controls and management actively engages the Department as they continue to work toward more efficient and effective processes in the agency.

Internal Audit staff continues to be active in the local internal audit community through participation in the State Agency Internal Audit Forum (SAIAF), the Austin Chapter of the Institute of Internal Auditors (IIA), and the Information Systems Audit and Control Association (ISACA). Staff also continue to attend training courses offered by the State Auditor's Office and other local trainers and work toward professional certification.

If you have any questions, please contact me at (512) 490-7190.

Sincerely,

A handwritten signature in black ink, appearing to read "Eleazar Garcia".

Eleazar Garcia, CIA, CRMA
Chief Auditor

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**I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015:
Posting of the Internal Audit Plan, Internal Audit Annual Report, and Other
Audit Information on the Internet Web Site**

Internal Audit will ensure the posting of the Fiscal Year (FY) 2018 Internal Audit Plan upon Board approval and the FY18 Internal Audit Annual Report on the Texas Juvenile Justice Department's internet web site. The reports will be submitted to the agency's Webmaster for inclusion in the Internal Audit page of the Agency's internet website.

A summary of the Recommendations for the issues identified during audits included in the FY18 Audit Plan can be found in Exhibit A attached at the end of the Annual Report.

II. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2017

Below is the status of audits included in the FY 2017 audit plan:

| Audit No. | Report Date | Report Title | Status |
|------------------|--------------------|---|----------------------------|
| 17-5 | 10/20/2017 | Centralized Placement Unit Audit | Completed |
| 17-6 | 1/26/2018 | Vocational Program Consulting Project | Completed |
| 17-7 | 1/26/2018 | Endowment Trust Funds Audit | Completed |
| 18-1A | 6/15/2018 | Cottrell House Facility Audit | Completed |
| 18-1B | 10/26/2018 | Evins Regional Juvenile Center Facility Audit | October 2018 Board Meeting |
| 18-5 | 8/10/2018 | Texas Administrative Code 202 Audit | Completed |
| 18-6 | 10/26/2018 | Federal Grants Audit | October 2018 Board Meeting |
| Pending | Pending | Facility Audit | Pending |
| Pending | Pending | State Grant Audit (County Grants Audit) | Pending |

III. CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES COMPLETED

Consulting Project

| | | | |
|------|-----------|---------------------------------------|--|
| 17-6 | 1/20/2018 | Vocational Program Consulting Project | To evaluate the Education's special vocational projects provided in the secure facilities. |
|------|-----------|---------------------------------------|--|

Other consulting services:

| Activity | Key Results |
|---|--|
| Policy Review | Review policies and offer input and guidance on thoroughness, controls, and feasibility. |
| Executive Management Team | The Chief Auditor is a member of the Executive Management Team and as such attends meetings and provides input. |
| Central Management Team | The Chief Auditor and Deputy Chief Auditor are members of the Central Management Team and as such attend meetings and provide input. |
| Ad Hoc Consultation with Management and Staff | Discuss ideas and concerns and provide advice as needed by agency staff. |
| Construction Committee Meetings | Chief Auditor and Deputy Chief Auditor are members and as such attend meetings and provide input. |

IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

The most recently completed External Quality Assurance Review was conducted using the State Agency Internal Audit Forum's Peer Review Process. It was completed November 2015, by Susan Jockisch, Audit Manager for the Texas Department of Family and Protective Services, and Anthony Chavez, Director of Internal Audit for the Employees Retirement System of Texas.

Overall Opinion

(excerpt from final report – page 1)

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Juvenile Justice Department (TJJD) Office of Internal Audit receives a rating of "pass" 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 Office of Internal Audit is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The Annual Audit Plan and 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 Office of Internal Audit is well managed internally. In addition, the Office of Internal Audit has effective relationships with the Board 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.

V. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2019

**TEXAS JUVENILE JUSTICE DEPARTMENT
FY 2019 Audit Plan
Based on Available 7600 Hours**

| Audit and Consulting Projects | |
|--|---------------------|
| Mandatory | Contract Management |
| Facility Audit | Yes |
| Discretionary | |
| Ethics | |
| Contracts | Yes |
| Carryover Projects from FY 2017 | |
| Facility Audit | Yes |
| County Grant Audit (State Grant Funds) | Yes |
| Federal Grants Audit | Yes |
| Evins Facility Audit | Yes |
| Other Projects | |
| Annual Risk Assessment and Audit Plan for FY2020 | |
| FY2019 Annual Internal Audit Report | |
| FY2019 Annual Internal Quality Assurance and Improvement Program | |
| Follow Up/Verification of Prior Audit Recommendations | |
| Management Assistance | |
| External Quality Assurance Review – Reciprocating Services | |

There were five high-risk areas identified in this year’s risk assessment. We expect to include three of the five in the current audit plan with two of the areas being incorporated into facility audits conducted in accordance with Texas Human Resources Code Section 203.013. Risks number 3 and 5 have recent audit findings from the FY18 audit plan and are not included in the current FY19 audit plan. High-risk auditable units identified for FY19 are as follows:

| Rank | Auditable Unit | Last Audited (Fiscal Year) |
|-------------|---------------------------------------|-----------------------------------|
| 1 | IT General Controls | 2018 |
| 2 | Safety and Security\Physical Security | 2018 |

| | | |
|---|-------------------------------|------|
| 3 | Volunteer\Community Relations | 2018 |
| 4 | Staffing and Coverage | 2011 |
| 5 | Visitation to Youth | 2018 |

Risk Assessment Methodology

Internal Audit utilized input from Board members, agency staff, auditor judgment, and historical data and identified the auditable units to be included in the risk assessment. The units were ranked based on eight risk factors which included the safety and welfare of the youth, safety and welfare of the staff, staff turnover, impact on communities, data reliability, safeguarding of assets, compliance with laws and regulations, and recent and/or significant changes. Each unit's risk factor was scored on a five-point scale with low risks being one, medium risks being three, and high risks receiving five points. The units were ranked and a distribution level obtained to identify the high risks for the agency. After consideration of statutorily required audit work and audit history, consideration for leave, training requirements, and other responsibilities, and estimated available hours for FY19 of 7600 hours, the proposed audit plan for FY19 was developed.

VI. EXTERNAL AUDIT SERVICES

The following external audit services were procured or were ongoing in Fiscal Year 2018:

| | External Audit Service | Focus of Review | Status |
|---|------------------------------------|--|---------------|
| 1 | Texas State Auditor's Office Audit | Key Performance Measures | Completed |
| 2 | Office of Independent Ombudsman | Prison Rape Elimination Act (PREA) audits of state agency facilities | Ongoing |

VII. REPORTING SUSPECTED FRAUD AND ABUSE

Currently, suspicions of fraud, waste, and abuse that have been reported to TJJJ have been processed through the Office of Inspector General. The Chief Inspector General coordinated fraud investigations and information as needed with the Special Investigation's Unit of the State Auditor's Office.

The TJJJ internet homepage <http://www.tjjd.texas.gov/Default.aspx> contains a link to the TJJJ Abuse Hotline webpage for reporting fraud and includes a direct reference to the State Auditor's Office (SAO) hotline and webpage for reporting Fraud, Waste, and Abuse as follows:

"Report suspected fraud, waste, or abuse of state resources occurring at a Texas state agency, college, or university to the [Texas State Auditor's Office](#) at 1-800-TX-AUDIT and to the [TJJJ Office of Inspector General](#) at 1-866-477-8354."

In addition, the TJJJ Employee Handbook, Section III Reporting Illegal Activities includes references to reporting suspected fraud to SAO and a link to their website.

**Exhibit A
Recommendations for FY18 Audit Plan Projects**

| Project Code | Project Name | Recommendation | Recommendation Status |
|--------------|----------------------------------|--|-----------------------------------|
| 17-5 | Centralized Placement Unit Audit | Senior Director of Youth Placement, Re-entry and Program Development should collaborate with Senior Director of State Programs and Facilities and Chief Information Officer (or designee's) to resolve inefficiencies with processing multiple commitments with new SPU charges. Resolution should include necessary updates to Correctional Care System, as well as implementing updated fingerprinting processes. | Management Reports as Implemented |
| 17-5 | Centralized Placement Unit Audit | The Senior Director of Youth Placement, Re-entry, and Program Development should evaluate the need for the CCF-110 Request for Placement form and make the necessary policy changes (if needed). | Verified as Implemented |
| 17-7 | Endowment Trust Fund Audit | <p>PFIA Compliance</p> <p>A. In collaboration with the governing board, the Office of General Counsel and Finance Division should stipulate in endowment trust fund documentation and/or in Chapter 41-Endowment Funds of the Accounting Procedure Manual, the sections/requirements of the Public Funds Investment Act (PFIA) that identify the criteria and compliance benchmarks for which agency financial operations involving the endowment trust funds are evaluated.</p> <p>B. In order to stay in alignment with the current provisions of the PFIA, The Director of Budget and Fiscal Affairs shall ensure the Investment Officer provides a copy of the report required under section 2256.007(d) of the PFIA to the governing board within six months after the end of each regular legislative session so that the trustees can recommend needed actions accordingly.</p> | Underway |

| Project Code | Project Name | Recommendation | Recommendation Status |
|--------------|----------------------------|--|-----------------------------------|
| 17-7 | Endowment Trust Fund Audit | The Senior Director of Probation and Community Services, in collaboration with the Office of General Counsel and the Chief Financial Officer, should ensure the Education Assistance Manual is updated to reflect the defined program objective(s) for utilization of the funds as well as agreed upon procedures for providing assistance/disbursing funds. | Management Reports as Implemented |
| 17-7 | Endowment Trust Fund Audit | The Fiscal Affairs and Budget Director should implement procedures and monitoring activities to ensure: A. Accountant records transactions on an accrual accounting basis and approval is obtained prior to incurring fund expenses. B. Depository accounts do not exceed the SMDIA \$250,000 insured amount. An expense account is established for charging unavoidable overnight expenses through endowment trust funds instead of the general revenue. | Management Reports as Implemented |
| 17-7 | Endowment Trust Fund Audit | The Director of Probation and Community Services should coordinate with the Chief Information Officer regarding the process to perform the periodic user access review and to remove any users with inappropriate access to the Trust Fund Student Folder. | Verified as Implemented |
| 18-1A | Cottrell House Audit | Director of the Juvenile Justice Training Academy should ensure strip search training is formally developed. | Management Reports as Implemented |
| 18-1A | Cottrell House Audit | The Halfway House Administrator should ensure staff responsible for strip searches at halfway houses receive formalized training. | Management Reports as Implemented |
| 18-1A | Cottrell House Audit | The Director of Juvenile Justice Training Academy should ensure quarterly reports of training compliance are completed as required per policy. | Management Reports as Implemented |

| Project Code | Project Name | Recommendation | Recommendation Status |
|--------------|----------------------|--|-----------------------------------|
| 18-1A | Cottrell House Audit | Director of Treatment should ensure Central Office case management oversight is being completed for halfway houses. Qualitative and quantitative reviews should be occurring and documented monthly and quarterly site visits should be conducted and documented in a written report to promote quality of case management functions. | Underway |
| 18-1A | Cottrell House Audit | The HWH Administrator and the Family and Community Program Supervisor should collaborate to: A. Provide training to halfway house staff related to youth visitation protocols and requirements. B. Improve the visitor sign-in logs to reflect if visitors were allowed, denied, or refused visitation. C. Implement oversight at the Halfway Houses to ensure visitation is entered in the Visitor Tracking System and on the Daily Shift Logs. D. Update policy to reflect changes and expected practices. | Underway |
| 18-1A | Cottrell House Audit | Director of Contracts, Procurement, and Facility Business Management should update policy to ensure periodic reports of open purchase orders are forwarded to the facilities on a quarterly or semi-annual basis and POs are finalized or identified for closure as part of the process. | Underway |
| 18-1A | Cottrell House Audit | The Manager of Business Services should employ a periodic review to ensure petty cash documents do not include alterations and maintain accountability of the funds. | Management Reports as Implemented |
| 18-1A | Cottrell House Audit | To ensure employees understand updated expectations associated with travel reimbursements, the Cottrell House Superintendent should: A. Ensure training is provided to employees and utilization of the updated travel voucher should be monitored for a selected timeframe. B. Consult with finance staff regarding reimbursements for identified overpayments. | Underway |

| Project Code | Project Name | Recommendation | Recommendation Status |
|--------------|--------------|---|-----------------------|
| 18-5 | TAC 202 | The ISO should develop, implement, and report on a TAC 202 project implementation plan with intended milestones to bring the agency into TAC 202 Information Security Standards compliance. | Underway |