



TEXAS  
JUVENILE★JUSTICE  
DEPARTMENT

## Internal Audit Department Report

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## FY 2014 Internal Audit Annual Report

October 2014

### EXECUTIVE DIRECTOR

*David Reilly*

### Chief Auditor

*Eleazar Garcia, CIA*

[www.tjtd.texas.gov](http://www.tjtd.texas.gov)

## **Internal Audit Department Mission**

*To provide the agency audit and consulting services that enhance accountability and assists the agency in accomplishing its mission and objectives through managing risk, increasing control awareness, improving processes, facilitating change, and promoting best practices.*

### **Team Members**

John Isle, CIA, CFE, CRMA

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TEXAS  
JUVENILE JUSTICE  
DEPARTMENT

October 24, 2014

The Honorable Rick Perry, Governor  
The Legislative Budget Board  
The Sunset Advisory Commission  
Mr. John Keel, CPA, State Auditor

Attached is the Fiscal Year 2014 Annual Internal Audit Report from the Texas Juvenile Justice Department's Internal Audit Department. This report is provided in accordance with the Texas Internal Auditing Act and House Bill 16 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 Internal Audit Department 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, the Austin Chapter of the Institute of Internal Auditors, and the Association of Certified Fraud Examiners. 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 Eleazar Garcia, Chief Auditor at (512) 490-7190.

Sincerely,

Handwritten signature of Scott W. Fisher in black ink.

Scott W. Fisher  
Chairman of the Board

Handwritten signature of David Reilly in black ink.

David Reilly  
Executive Director

Handwritten signature of Eleazar Garcia in black ink.

Eleazar Garcia, CIA, CRMA  
Chief Auditor

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**COMPLIANCE WITH HOUSE BILL 16:  
Posting of the Internal Audit Plan and Internal Audit Annual Report  
On Internet Web Site**

Internal Audit will ensure the posting of the fiscal year 2015 Internal Audit Plan and the FY 2014 Internal Audit Annual Report to the Texas Juvenile Justice Department's internet web site by November 1, 2014 upon Board approval. The reports will be submitted to the agency's Webmaster for inclusion in the Internal Audit page of the Agency's internet website. Currently, the agency has the FY 2014 Internal Audit Plan and the FY 2013 Internal Annual Report posted to the website.

A summary of the Recommendations for the issues identified during audits included in the FY 2014 Audit Plan can be found in Exhibit A attached at the end of the Annual Report.

**INTERNAL AUDIT PLAN FOR FISCAL YEAR 2014**

The Fiscal Year 2014 Internal Audit Plan, as approved by the Texas Juvenile Justice Board (the Board) on October 18, 2013 was amended and approved by the in May, 2014. The reason for this amendment was to refocus the audit department’s efforts based on available resources. Two audits were removed from the audit plan with the May 2014 amendment as follows: Human Resources, Staff Development and Training. These changes were necessitated in part due to being short two internal auditors during FY 2014 as well as changes in processes and operations related to Human Resources and the Staff Development and Training divisions. Additionally, hours were added to the Risk Management, Gang Intervention Program, Community Relations Audits as well as the Annual Risk Assessment and Audit Plan for FY 2015, and Semi-Annual Follow Up due to perceived scope needs for the projects. The audit plan below represents the plan as amended on May 30, 2014.

<b>Budgeted Hours</b>	<b>Audit No.</b>	<b>Audit Title</b>	<b>Status</b>
40	-	FY 2013 Annual Internal Audit Report	Issued October 2013
250	14-3	Endowment Trust Funds Audit	Issued January 2014
450	14-2	FY 2014 Semi-Annual Follow Up	Audit Committee – Jan 2014
1200	14-1A	Mart Facility Audit	Issued March 2014
1000	14-5	Medical Services Audit	Issued March 2014
700	14-6	Student Transportation Audit	Issued March 2014
800	14-1B	Garza County Regional Juvenile Center Audit	Issued May 2014
800	14-1C	Schaeffer Halfway House Audit	Issued May 2014
550	14-2B	FY 2014 Semi-Annual Follow Up	Audit Committee - August 2014
500	14-7	Community Relations Audit	Issued August 2014
600	14-8	Gang Intervention Audit	Issued August 2014
1200	14-1D	Gainesville Facility Audit	Scheduled October 2014
600	14-10	Risk Management Audit	Scheduled October 2014
750	14-9	Fixed Assets Audit	Carryover to next Board meeting
250	14-4	FY 2014 Annual Risk Assessment and Audit Plan	Scheduled for October 2014 Board Meeting
100	14-11	Annual Internal Quality Assurance and Improvement Program	Scheduled for October 2014 Board Meeting
50	14-4	FY 2014 Annual Internal Audit Report	Scheduled for October 2014 Board Meeting

**CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES COMPLETED**

No reports were issued by internal audit based on the type of consulting services provided:

<b>ACTIVITY</b>	<b>IMPACT</b>
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 Audit Manager are members of the Central Management Team and as such attend meetings and provide input.
IT Governance	The Chief Auditor is a non-voting member of the IT Steering Committee and audit staff members are non-voting members of the individual User Groups. As such, they attend meetings and provide input on risk and control related information.
Dorm Supervisor Training	The Chief Auditor provided training to Facility Dorm Supervisors on the audit process and financial controls. This was at the request of management to emphasize the importance of strong controls to field staff.
Ad Hoc Consultation with Management and Staff	Discuss ideas and concerns and provide advice as needed by agency staff.

## EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

The External Quality Assurance Review was conducted using the State Agency Internal Audit Forum's Peer Review Process. It was completed August 2012, by Mr. Stephen Goodson, Chief Audit Executive for the Texas Department of Public Safety, Mr. Les Wade, Internal Audit Director for the Office of Injured Employee Counsel, and Ms. Meghan Patronella, Auditor for the Texas Department of Public Safety.

### 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) Internal Audit Department *fully complies* with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (*Texas Government Code, Chapter 2102*). This opinion is the highest of the three possible ratings and means that the Internal Audit Department has achieved their major objectives in the provision of the internal audit function.

We found that overall, the Internal Audit function is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. Staff members are qualified, proficient, and knowledgeable in the areas they audit. 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. These findings are based on the preponderance of data and the comments gathered during the peer review process.

The Internal Audit function is well managed. Members of the Board and management highly respect the audit function and value the services provided.

Surveys and interviews conducted during the quality assurance review indicate that management considers the Internal Audit function a useful part of the overall agency operations. Management finds that the audit process and report recommendations add value and help improve the agency's operations.

**INTERNAL AUDIT PLAN FOR FISCAL YEAR 2015**

<b>Audit Plan</b>	<b>Budgeted Audit Hours</b>
Mandatory <ul style="list-style-type: none"> <li>• TAC 202</li> <li>• 3 Facility Audits (1 Secure/1 HWH/1 Contract Care)</li> </ul>	350 5000
Discretionary <ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Staff Development &amp; Training</li> <li>• Interstate Compact</li> <li>• Fleet Management</li> </ul>	900 600 800 800
<b>Other Projects</b>	
<ul style="list-style-type: none"> <li>• Annual Risk Assessment and Audit Plan for FY 2016</li> <li>• FY 2015 Annual Internal Audit Report</li> <li>• FY 2015 Annual Internal Quality Assurance and Improvement Program</li> <li>• Follow Up/Verification of Prior Audit Recommendations</li> <li>• Management Assistance</li> <li>• External Quality Assurance Review – Reciprocating Services</li> <li>• Other Consulting Services</li> </ul>	150 50 250 350 50 100 100

There were 10 high-risk areas identified in this year’s risk assessment. Five of the areas are on the plan with three of the areas being incorporated into facility audits conducted in accordance with Texas Human Resources Code Section 203.013. High-risk auditable units are as follows:

1	Dorm Living/Control & Supervision (Facility Audit)	Last Audited 2014
2	Case Management (Facility Audit)	Last Audited 2012
<b>3</b>	<b>Centralized Placement Unit</b>	Last Audited 2007
<b>4</b>	<b>Finance</b>	Last Audited 2012
5	Human Resource Management	Last Audited 2011
<b>6</b>	<b>Release Review Panel</b>	Last Audited 2011
<b>7</b>	<b>Gang Intervention</b>	Last Audited 2014
8	Staff Development & Training	Last Audited 2008
<b>9</b>	<b>Grant Management</b>	Last Audited 2013
10	Security Units (Facility Audit)	Last Audited 2014

***Bold areas will potentially not be included in the FY 2014 Audit Plan.***

**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 FY 2015 of 10,000 hours, the proposed audit plan for FY 2015 was developed.

**EXTERNAL AUDIT SERVICES**

The following external audit services were procured or were ongoing in fiscal year 2014:

	<b>External Audit Service</b>	<b>Focus of Review</b>	<b>Status</b>
1	Garza/Gonzalez & Associates	Desk reviews of independent audits procured by the County Juvenile Probation Departments	Ongoing
2	Office of Independent Ombudsman	Prison Rape Elimination Act Audits (PREA) for Ron Jackson, Brownwood and Tamayo House, and McFadden Ranch	Pending

## 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:

“To report fraud, waste, or abuse of state resources occurring at a Texas state agency, college, or university call the SAO Hotline at 1.800.TX.AUDIT (892.8348) or see information on their website by [clicking here.](#)”

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 FY 2014 Audit Plan Projects

	Project Code	Project Name	Recommendation	Recommendation Status per Client
1	14-1A	McLennan County Juvenile Correctional Facility	To ensure entry searches adhere to policy, the Senior Director of State of Programs and Facilities should implement formalized training program on search procedures.	Substantially Implemented
2	14-1A	McLennan County Juvenile Correctional Facility	To ensure routine strip searches are documented in accordance with policy, the McLennan Superintendent should implement a periodic review of search logs.	Substantially Implemented
3	14-1A	McLennan County Juvenile Correctional Facility	To ensure compliance with STAR Team monthly training and bi-annual drills, the Senior Director of State Programs and Facilities should implement a review of training documents.	Substantially Implemented
4	14-1A	McLennan County Juvenile Correctional Facility	To ensure the use and reporting of OC spray is reviewed by agency staff as intended in policy, the Senior Director of Programs & Facilities should develop a workgroup with applicable staff to improve the process.	Substantially Implemented
5	14-1A	McLennan County Juvenile Correctional Facility	To ensure consistent reporting of McLennan Facility data, the Executive Director should standardize reporting practices.	Underway
6	14-1A	McLennan County Juvenile Correctional Facility	The Senior Director of State Programs and Facilities should designate authorized staff intended to carry OC spray	Substantially Implemented
7	14-1B	Garza County Regional Juvenile Center	The Senior Director of State Programs and Facilities should follow up with the Information and Technology Department to ensure the Correctional Care System (CCS) has been updated to include corrections to the TCOOMMI program service codes.	Substantially Implemented

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
8	14-1B	Garza County Regional Juvenile Center	To ensure eligible youth are receiving TCOOMMI screenings and referrals, the Senior Director of State Programs and Facilities should enhance the existing monitoring process.	Substantially Implemented
9	14-1B	Garza County Regional Juvenile Center	To support supervision of segregated youth, the Youth Services Contract Manager should implement a periodic review of supporting documentation.	Substantially Implemented
10	14-1B	Garza County Regional Juvenile Center	To ensure incident reports accurately reflect youth behavior, the Youth Services Contract Manager should provide training to Garza staff and the Parole Services Assistant on documentation and key entry expectations.	Substantially Implemented
11	14-1B	Garza County Regional Juvenile Center	The Youth Services Contract Manager should ensure the Case Management Specialist implements a review of incident reports to establish compliance with guidelines and accuracy of coding.	Substantially Implemented
12	14-1B	Garza County Regional Juvenile Center	The Youth Services Contract Manager should ensure the Case Management Supervisor enhances the Master File Audit tool by reviewing the accuracy of incident report entry into the Correctional Care System.	Substantially Implemented
13	14-1B	Garza County Regional Juvenile Center	To ensure youth in security are receiving required educational services, the Youth Services Contract Manager should assist Garza with improving the existing education tracking process.	Substantially Implemented
14	14-1C	Schaeffer House	The Superintendent should ensure student trust funds eligible for escheatment are included on the Student Trust Fund Escheatment Affidavit form (ACC-707) prior to approval and submittal to Austin Office.	Substantially Implemented

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
15	14-1C	Schaeffer House	To ensure trust funds follow the youth, the Superintendent should create a process to notify the business service coordinator of every youth scheduled for release from the facility.	Substantially Implemented
16	14-1C	Schaeffer House	The Chief Financial Officer should update policy to ensure procedures include youth who are sentenced and referred to adult prison who have trust funds on account.	Underway
17	14-1C	Schaeffer House	To ensure grievances are processed in accordance to policy, the Superintendent should periodically monitor youth grievances.	Substantially Implemented
18	14-1C	Schaeffer House	To ensure data reliability of filed grievances, the Youth Rights Manager should periodically review data submitted into the Youth Grievance Manager System.	Substantially Implemented
19	14-1C	Schaeffer House	The Superintendent or designee should perform a periodic review of the conference request log to ensure compliance with agency guidelines.	Substantially Implemented
20	14-1C	Schaeffer House	The Superintendent should ensure case management reports are completed and submitted timely to Austin Office.	Substantially Implemented
21	14-1C	Schaeffer House	The Director of Integrated Programs and Services should ensure Case Management Reports are updated and required oversight is implemented.	Underway
22	14-1D	Gainesville State School	To improve the process of handling of unclaimed student trust funds balances, the Chief Financial Officer should include a review to ensure Facility Business Coordinators are documenting their review of the Student Banking (R120) report to reflect attempts to locate and forward funds to youth who have been released from Gainesville.	Planned

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
23	14-1D	Gainesville State School	To improve the reporting of escheatable funds, the Chief Financial Officer should review and evaluate the information on the R140 Report as well as current reporting of transferred funds from closed facilities to ensure these funds are escheated timely.	Planned
24	14-1D	Gainesville State School	The Office of General Counsel should provide guidance to facilities on retaining copies for recordings of Level II Hearings sent to General Counsel for Appeals as part of training on Level II Hearing procedures	Planned
25	14-3	Endowment Trust Funds Audit	To ensure consistency to agency contractual processes, the CFO should ensure controls over contractual agreements with external entities are in accordance with the Act and agency policy.	Substantially Implemented
26	14-3	Endowment Trust Funds Audit	The CFO should ensure quarterly reports to the governing board for the Parrie Haynes and John C Wende trust funds are submitted timely in accordance with the Act and agency expectations.	Underway
27	14-3	Endowment Trust Funds Audit	The CFO should establish controls over the bank reconciliations for the Parrie Haynes and John C Wende endowment funds to ensure proper completion and review of the reconciliation process.	Substantially Implemented
28	14-3	Endowment Trust Funds Audit	To prevent unauthorized activities within a user's access to agency systems, the CTO should establish policy to prevent users from modifying their own user access level	Underway

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
29	14-5	Medical Services	To ensure the agency follows protocols for creating and amending contracts, the Director of Business Operations and Contracts should provide training to management as part of a Central Management Team meeting and/or other such avenue to ensure management staff understand the process.	Substantially Implemented
30	14-5	Medical Services	To ensure only active TJD employees have access to EMR, the Medical Director should collaborate with the Director of Human Resources to identify all currently terminated employees and remove their access.	Substantially Implemented
31	14-5	Medical Services	To ensure Medical Services is notified of terminated employees with EMR access, the Director of Human Resources should provide guidance to HR staff on the critical nature of properly conducting the exit documentation and communicating results to Medical Services.	Substantially Implemented
32	14-5	Medical Services	To ensure halfway house staff are assessing each youth for self-administration of medication, the Medical Director should collaborate with the Manager of Halfway Houses and Reentry to expand monitoring over the program to ensure assessment and rationale is documented.	Underway
33	14-5	Medical Services	To ensure all halfway house youth are provided the opportunity to participate in the supervised Self-Administration of Medication program, the Manager of Halfway Houses and Reentry should collaborate with the Medical Director to enhance policies that clarify roles and responsibilities, identify barriers to implementation, improve documentation of program utilization, as well as promote safe implementation of the program.	Substantially Implemented

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
34	14-5	Medical Services	To ensure the agency and facility administration is informed of authorized UTMB staff, the Medical Director should provide each facility with current UTMB staffing lists, as well as periodic updates as warranted.	Substantially Implemented
35	14-6	Student Transportation	To ensure the Transportation Vehicle Check form supports the safe transport of youth, the Transportation Supervisor should review the form to incorporate needed improvements.	Substantially Implemented
36	14-6	Student Transportation	To ensure trip mileage and changes to trip schedules are accurately reflected in the transportation system while also evaluating efficiencies in the trips, the Transportation Supervisor should develop a process for periodic monitoring of the data entered.	Substantially Implemented
37	14-6	Student Transportation	The Director of State Programs and Facilities should work with the Chief Information Technology Officer to ensure the transportation system is operating effectively and properly documented to support the end-user.	Underway
38	14-7	Community Relations	To ensure accountability of donated funds, the Manager of Community Program should evaluate and implement a standardized method for receipting donations.	Underway
39	14-7	Community Relations	To ensure the councils are audited in accordance with council bylaws, the Manager of Community Program should obtain and review the periodic audit report of each council.	Underway

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
40	14-7	Community Relations	To ensure integrity of the Volunteer Tracker for cash donations and disbursements, the Manager of Community Program should implement a periodic review and reconciliation of the reported amounts on the tracker to the bank statements and source documents including the use of the Request for Donations Form (VLS-129).	Underway
41	14-7	Community Relations	To ensure the Request for Donations Forms include required information and approvals for disbursing funds, and to simplify the review process, the Manager of Community Program should review and update the form.	Underway
42	14-7	Community Relations	To protect the Community Resource Councils and the agency, the Senior Director of State Programs and Facilities should evaluate and assess the need for a fiduciary bond including confirmation of implementation by all the Resource Councils if warranted.	Underway
43	14-8	Gang Intervention Program Audit	The Senior Director of Probation and Community Services should collaborate with the Regional Parole Supervisors and the Director of the Juvenile Justice Training Academy to identify training solutions to meet the needs of the Parole Officers in regards to gang awareness.	Underway
44	14-8	Gang Intervention Program Audit	Manager of Specialized Treatment should meet with the Project Management Office to discuss and determine if PMO can be utilized during the remainder of the New Freedom rollout.	Underway

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
45	14-8	Gang Intervention Program Audit	The Senior Director of State Programs and Facilities should designate a Security Intelligence Officer at each facility and ensure they receive required training in accordance with the Code of Criminal Procedure prior to any additional data being entered into the Security Intelligence System.	Underway
46	14-8	Gang Intervention Program Audit	The Senior Director of State Programs and Facilities and the Chief Inspector General should collaborate to designate an owner of the Security Intelligence System, complete the required documentation, and to review the reliability of data entered in the system.	Implemented
47	14-8	Gang Intervention Program Audit	The Senior Director of State Program and Facilities and Chief Inspector General should collaborate to develop policies and procedures outlining the responsibilities of the Security Intelligence Officers.	Underway
48	14-8	Gang Intervention Program Audit	To ensure the relevancy and practical application of the JCO Gang Awareness training, the Director of the Juvenile Justice Training Academy should review the curriculum and make necessary updates.	Underway
49	14-8	Gang Intervention Program Audit	To ensure the agency limits reporting of gang affiliation and related data to appropriately trained staff in accordance with the Code of Criminal Procedure, the Senior Director of State Programs and Facilities, Chief Inspector General, and Director of Research (or designee) should collaborate to designate the appropriate party to collect and disseminate information from the Security Intelligence System.	Substantially Implemented

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
50	14-10	Risk Management Audit	To improve compliance with the ARB process and required staff attend meetings, the Risk Manager should ensure Risk Management Specialists document and provide feedback of their ARB meeting reviews as well as having their documentation available for subsequent review by the Risk Manager.	Underway
51	14-10	Risk Management Audit	To ensure inspections are fully completed and in a timely manner, the Risk Manager should create a formal process for verifying the completion of risk management specialists' inspection reports.	Underway
52	14-10	Risk Management Audit	The Senior Director of State Program and Facilities should evaluate and assess the need and appropriate utilization of the red zone reports.	Planned