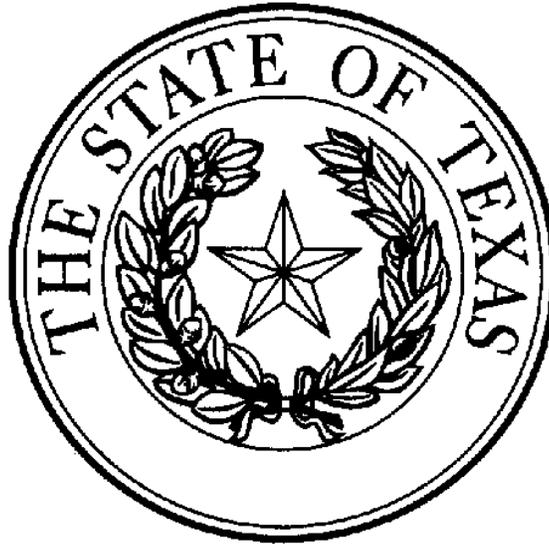


# Texas Juvenile Justice Department Internal Audit Department



## Fiscal Year 2012 Annual Internal Audit Report

### Board Members

*Scott W. Fisher, Chair*  
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*Rob Kyker, Vice-Chair*  
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*Calvin Stephens*  
Dallas

*Melissa Weiss*  
Bellville

### Executive Director

Mike Griffiths

### Chief Auditor

Karin L. Hill, CIA, CGAP, CRMA

## **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**

Mari Ashley  
Camilla Cannon, CGAP  
Eleazar Garcia, CIA  
John Isle, CIA, CFE  
Jeannette Lepe, CGAP  
Edward Maldonado  
Karen McCarther

For additional copies contact:

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Austin, TX 78711  
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T E X A S

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# JUVENILE JUSTICE

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D E P A R T M E N T

**BOARD MEMBERS**

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Bellville, Texas

**EXECUTIVE DIRECTOR**

*Mike Griffiths*

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

September 28, 2012

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

Dear Sirs,

Attached is the Fiscal Year 2012 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 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, the Information Systems Audit and Control Association, and the Association of Certified Fraud Examiners. Staff also continues 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 Karin Hill, Chief Auditor at (512) 424-6070.

Sincerely,

Scott W. Fisher  
Chairman of the Board

Mike Griffiths  
Executive Director

Karin L. Hill, CIA, CGAP, CRMA  
Chief Auditor

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## **FY 2012 Annual Internal Audit Report**

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## FY 2012 Annual Internal Audit Report

### FISCAL YEAR 2012 INTERNAL AUDIT PLAN

The Fiscal Year 2012 Internal Audit Plan, as approved by the Texas Youth Commission Board on August 26, 2011 was amended and approved by the Texas Juvenile Justice Department Board on January 20, 2012. The reason for this amendment was to refocus the audit department's efforts on infrastructure and controls due to the consolidation of the Texas Youth Commission and the Texas Juvenile Probation Commission into the larger. The items removed from the audit plan with the January 20, 2012 amendment included: facility audits, medical, reintegration and parole, and education. The audit plan below represents the plan as amended on January 20, 2012.

Budgeted Hours	Audit No.	Audit Title	Status
40		FY 2011 Annual Internal Audit Report	Submitted October 2011
250	12-2	Public Funds Investment Act	Issued January 2012
500	11-11	Texas Administrative Code, Chapter 202 Compliance	Carried over from FY 2011 Issued – February 2012
125	12-3	Purchasing	Issued February 2012
2600	11-9	Case Management and Treatment	Carried over from FY 2011 Issued – April 2012
750	12-4	Construction Controls	Issued – May 2012
400	12-7	Annual Quality Assurance and Improvement Program Review	Completed – July 2012
250	12-6	Corporate Governance	Issued August 2012
125	12-5	Software Licenses	Issued August 2012
100	12-10	FY 2012 Annual Risk Assessment and Audit Plan	Approved August 2012
		External Quality Assurance Review	Completed – August 2012
750	12-8	IT General Controls	Scheduled for September 2012 Board Meeting
750	12-9	Financial Controls	Scheduled for September 2012 Board Meeting
100		Follow Up on “Open” Audit Recommendations	Completed quarterly; submitted to the Finance and Audit Committee semi-annually

**EXTERNAL QUALITY ASSURANCE 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.

**FY 2012 Annual Internal Audit Report**

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

<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.
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.
Unannounced Safety and Security Inspections	Audit staff participated in a state-wide inspection of secure facilities that was coordinated and led by the Office of the Inspector General. This provided management with a snapshot of the facility's compliance with agency safety and security policies and procedures.
Audit and Financial Controls Training	The Supervising Auditor provided training to agency business managers on the audit process and financial controls. This was at the request of management to emphasize the importance of strong controls to field staff.
Assistance to the Office of Inspector General	Provided assistance in investigations conducted by the Inspector General. Work involved analytical processes and controls reviews.
Ad Hoc Consultation with Management and Staff	Discuss ideas and concerns and provide advice as needed by agency staff.

## **FY 2012 Annual Internal Audit Report**

### **FISCAL YEAR 2013 INTERNAL AUDIT PLAN**

(approved by the Board August 24, 2012)

#### **Full-Scope Projects**

##### **Mandatory**

- Alleged Mistreatment

##### **Discretionary**

- Safety and Security
- Re-entry and Reintegration

#### **Limited-Scope Projects**

##### **Mandatory**

- Facilities
- Texas Administrative Code, Chapter 202 Compliance

##### **Discretionary**

- Agency Monitoring Activities – consulting project
  - Prepare an Assurance Map of the agency’s monitoring activities.
- Due Process Hearings
  - Determine the effectiveness of select controls to assure provision of due process hearings.
- Ethics
  - Evaluate the agency’s ethics program and compare it to established best practices.
- Grant Funds
  - Review the process of allocating and disbursing grant funds to county probation departments.
- Phoenix Program
  - Determine whether the Phoenix Program is operating in accordance with agency policy.
- Probation Compliance
  - Determine whether the process used to monitor probation departments is effective and efficient.
- Procurement Cards
  - Determine the effectiveness of select controls in the use of P-Cards.
- Follow Up/Verification of Prior Audit Recommendations

## FY 2012 Annual Internal Audit Report

### Other Projects

**Mandatory**

- Annual Risk Assessment and Audit Plan
- Annual Internal Audit Report
- Annual Quality Assurance and Improvement Program Review

**Discretionary**

- Management Assistance
- External Quality Assurance Review – Reciprocating Services

There were 12 high-risk areas identified in this year’s risk assessment. Seven of the areas are on the plan and two others will likely be incorporated into facility audits conducted in accordance with SB 653. A target audit cycle of at least every five years and available audit resources are other reasons that all high-risk areas are not on this year’s plan. High-risk auditable units are as follows:

1	Administrative Investigations	Included on FY 2013 Audit Plan as Alleged Mistreatment
2	Alleged Mistreatment	Included on FY 2013 Audit Plan
3	Physical Security	Included on FY 2013 Audit Plan as Safety & Security
4	Dorm Living/Control & Supervision	Included on FY 2013 Audit Plan as Safety & Security
5	Treatment	Included on FY 2013 Audit Plan as Phoenix Program
6	Office of Inspector General	Included on FY 2013 Audit Plan as Alleged Mistreatment
7	Security Units	Included in facility audits
8	Staffing and Coverage	Audited in 2009 and 2010 as part of facility audits. Completed Overtime audit in 2011
9	Re-entry & Reintegration	Included on FY 2013 Audit Plan
10	Case Management	Audited in FY 2012
11	Release Review Panel	Audited in FY 2011
12	Risk Management	Audited in FY 2010. Included on FY 2013 Audit Plan as Safety & Security

**EXTERNAL AUDIT SERVICES**

The Texas Juvenile Justice Department received authorization and contracted for external audit services through contract from the American Correctional Association for accreditation and reaccreditation of two secure facilities effective December 1, 2011 through December 1, 2012. Services for one facility have been postponed and the other is scheduled to be audited within this cycle. In addition, the agency contracted with Garza/Gonzalez & Associates to provide desk reviews of independent audits procured by county juvenile probation departments.

**REPORTING SUSPECTED FRAUD AND ABUSE**

Suspicious of fraud, waste, and abuse that have been reported to the Texas Juvenile Justice Department have been processed through the Office of Inspector General. The Chief Inspector General communicated this information to the Special Investigation's Unit of the State Auditor's Office and as necessary coordinated fraud investigations.