



TEXAS
JUVENILE  JUSTICE
DEPARTMENT

Internal Audit Department Report

BOARD MEMBERS

Scott W. Fisher, Chair
Bedford, Texas

Becky Gregory
Dallas, Texas

The Honorable John Brieden III
Brenham, Texas

Joseph Brown
Sherman, Texas

The Honorable Carol Bush
Waxahachie, Texas

Jane Anderson King
Canyon, Texas

David "Scott" Matthew
Georgetown, Texas

Mary Lou Mendoza
San Antonio, Texas

Dr. Rene Olvera
San Antonio, Texas

The Honorable Laura Parker
San Antonio, Texas

The Honorable Jimmy Smith
Midland, Texas

Calvin Stephens
Dallas, Texas

Melissa Weiss
Bellville, Texas

EXECUTIVE DIRECTOR

Mike Griffiths

Chief Auditor

Eleazar Garcia, CIA

www.tjtd.texas.gov

**FY 2013 Internal Audit
Annual Report**

October 2013

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

Camilla Cannon, CGAP

Stephanie Melot

Jeannette Lepe, CGAP

Edward Maldonado

Karen McCarther

For additional copies contact:

Texas Juvenile Justice Department

Internal Audit Department

P.O. Box 12757

Austin, TX 78711

512-490-7190



TEXAS
JUVENILE JUSTICE
DEPARTMENT

October 18, 2013

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 2013 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 Mike Griffiths in blue ink.

Mike Griffiths
Executive Director

Handwritten signature of Eleazar Garcia in black ink.

Eleazar Garcia, CIA, CRMA
Chief Auditor

Scott W. Fisher, Chairman | Mike Griffiths, Executive Director

11209 Metric Boulevard, Building H, Austin, Texas 78758 | Post Office Box 12757, Austin, Texas 78711
(Tel) 512.490.7130 | (Fax) 512.490.7717

WWW.TJJD.TEXAS.GOV

This page intentionally left blank.

TABLE OF CONTENTS

I. Compliance With House Bill 161

II. Internal Audit Plan for Fiscal Year 20132

III. Consulting Services and Non-Audit Services Completed3

IV. External Quality Assurance Review (Peer Review)4

V. Internal Audit Plan for Fiscal Year 20145

VI. External Audit Services Procured in Fiscal Year 20137

VII. Reporting Suspected Fraud and Abuse8

This page intentionally left blank.

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

Internal Audit, in collaboration with the Projects and Accounts Coordinator, will ensure the posting of the fiscal year 2014 Internal Audit Plan and the FY2013 Internal Audit Annual Report to the Texas Juvenile Justice Department's internet web site within 30 days of approval from the October 18, 2013 Board meeting. 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 2013 Internal Audit Plan and the FY2012 Internal Annual Report posted to the website.

INTERNAL AUDIT PLAN FOR FISCAL YEAR 2013

The Fiscal Year 2013 Internal Audit Plan, as approved by the Texas Youth Commission Board on August 24, 2012 was amended and approved by the Texas Juvenile Justice Department Board on March, 2013. 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 March 2013 amendment as follows: Safety and Security, Probation Compliance. Additionally, the audit of Student Use PCs and Flash Drives was added to the plan and the Due Process Audit was changed from a continuous to a full scope audit. The title for Re-entry and Reintegration was changed to the Parole Audit (project 13-12). The audit plan below represents the plan as amended on March 22, 2013.

Budgeted Hours	Audit No.	Audit Title	Status
40		FY 2012 Annual Internal Audit Report	Issued September 2012
500	13-2	Phoenix Program	Issued November 2012
500	13-3	Grant Funds	Issued November 2012
800	13-1A	Cottrell House	Issued January 2013
1400	13-1B	Evins Regional Correctional	Issued March 2013
850	13-1C	York House	Issued May 2013
500	13-14	Student Use PCs and Flash Drives	Issued May 2013
1500	13-7	Alleged Mistreatment Investigations	Issued May 2013
500	13-4	Due Process Hearings	Issued July 2013
350	13-13	Follow Up on "Open" Audit Recommendations	Issued July 2013
350	13-5	Procurement Cards	Issued August 2013
450	13-8	Ethics	Issued August 2013
1200	13-12	Parole	Issued August 2013
1200	13-1D	Giddings State School	Scheduled October 2013
500	13-6	Agency Monitoring and Reporting	Scheduled October 2013
200	13-10	TAC 202 Compliance	Scheduled October 2013
300	13-16	FY 2013 Annual Risk Assessment and Audit Plan	Scheduled for October 2013 Board Meeting
125	13-17	Annual Internal Quality Assurance and Improvement Program	Scheduled for October 2013 Board Meeting
50		FY 2013 Annual Internal Audit Report	Scheduled for October 2013 Board Meeting

CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES COMPLETED

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

ACTIVITY	IMPACT
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 is a member of the Central 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.
Audit and Financial Controls Training	The Chief 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.
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 2014

Audit Plan

Audit Projects	Budgeted Audit Hours
Mandatory	
<ul style="list-style-type: none"> • Audit of Endowment Funds (Parrie Haynes and John C. Wende Trust Funds) • Facility Audits (2 Secure/1 HWH/1 Contract Care) • Medical Services to Youth 	250 4000 1000
Discretionary	
<ul style="list-style-type: none"> • Staff Development and Training • Human Resources • Risk Management • Gang Intervention Program • Fixed Assets • Student Transportation • Community Relations 	500 500 500 800 750 700 300
Other Projects	
<ul style="list-style-type: none"> • Annual Risk Assessment and Audit Plan for FY2015 • FY 2014 Annual Internal Audit Report • FY2014 Annual Internal Quality Assurance and Improvement Program • Follow Up/Verification of Prior Audit Recommendations • Management Assistance • External Quality Assurance Review – Reciprocating Services • Other Consulting Services 	150 50 100 350 50 80 100

There were 12 high-risk areas identified in this year’s risk assessment. Eight of the areas are on the plan with four of the areas being incorporated into facility audits conducted in accordance with Senate Bill 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	Specialized Treatment	Audited in FY 2012
2	Staff Development & Training	Included on FY 2014 Audit Plan as part of the facility audits
3	Dorm Living/Control & Supervision (Facility Audit)	Included on FY 2014 Audit Plan as part of the facility audits

4	Star Team (Facility Audit)	Included on FY 2014 Audit Plan as part of the facility audits
5	Case Management	Audited in FY 2012 and will be part of the Gang Intervention Program audit included for FY 2014
6	Administrative Investigations (Abuse, Neglect, Exploitation)	Audited FY 2013 as part of the Alleged Mistreatment Investigation Audit
7	Physical Security (Facility Audit)	Included on FY 2014 Audit Plan as part of the facility audits
8	Office of Inspector General (IRC and Criminal Complaints)	Audited in 2010 and 2011 as part of Alleged Mistreatment Investigations audit
9	Security Units (Facility Audit)	Included on FY 2014 Audit Plan as part of the facility audits
10	Human Resources	Included in FY 2014 Audit Plan
11	Risk Management	Included in FY 2014 Audit Plan
12	Corporate Governance	Audited in FY 2012.

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

Risk Assessment Methodology

Internal Audit utilized input from Board members, agency management, auditor judgment, and historical data and identified the auditable units to be included in the risk assessment. The units were ranked based on five risk factors which included the safety and welfare of the youth, safety and welfare of the staff, staff turnover, impact on communities, 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 FY2014 of 11,000 hours, the proposed audit plan for FY2014 was developed.

EXTERNAL AUDIT SERVICES

The following external audit services were procured or were ongoing in fiscal year 2013:

	External Audit Service	Focus of Review	Status
1	Garza/Gonzalez & Associates	Desk reviews of independent audits procured by the County Juvenile Probation Departments	Ongoing
2	UT Medical Branch Audit Services	TJJD Financial Contract Review – Medical Services	Issued May 2013
3	Texas Comptrollers of Public Accounts	Overpayment Recovery Audit	Status Report June 2013
4	Office of the Governor Compliance and Oversight Division	Office of Independent Ombudsman - Expanded Services Project	Draft Report Issued August 2013
5	Texas State Auditor's Office	Education – Student Attendance and Reading Program	Issued August 2013

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 coordinated fraud investigations and information as needed with the Special Investigation's Unit of the State Auditor's Office. The agency provides information on reporting suspected fraud, waste, and abuse to the State Auditor's Office on the Agency internet and includes a direct link to SAO's fraud reporting information webpage.