



TEXAS
JUVENILE★JUSTICE
DEPARTMENT

Internal Audit Department Report

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Eleazar Garcia, CIA, CRMA

www.tjtd.texas.gov

FY 2015 Internal Audit Annual Report

October 2015

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

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TEXAS
JUVENILE  JUSTICE
DEPARTMENT

October 30, 2015

The Honorable Greg Abbott, Governor
The Legislative Budget Board
The Sunset Advisory Commission
Mr. John Keel, CPA, State Auditor
Texas Juvenile Justice Board
David Reilly, TJJD Executive Director

Attached is the Fiscal Year 2015 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 (SAIAF), the Austin Chapter of the Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA), and the Association of Certified Fraud Examiners (CFE). 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,



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 2016 Internal Audit Plan upon Board approval and the FY 2015 Internal Audit Annual Report to 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 FY 2015 Audit Plan can be found in Exhibit A attached at the end of the Annual Report.

III. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2015

Below is the status of audits included in the FY 2015 audit plan:

Audit No.	Report Date	Report Title	Status
15-1A	3/27/2015	Ron Jackson State Juvenile Correctional Complex Audit	Completed
15-1B	5/29/2015	Residential Contract Care Audit	Completed
15-5	3/27/2015	Fleet Management Audit	Completed
15-6	8/27/2015	Interstate Compact for Juvenile Audit	Completed
15-7	5/29/2015	Staff Development and Training Audit	Completed
15-1C	-	McFadden Ranch Facility Audit	Underway
15-10	-	TAC 202 Audit	Underway
15-11	-	Human Resources Audit	Underway

IV. CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES COMPLETED

Non-audit 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 and Deputy Chief Auditor 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.
Construction Committee Meetings	Chief Auditor and Deputy Chief Auditor are members and as such attend meetings and provide input.
Regionalization Committee	Chief Auditor and Deputy Chief Auditor are members and as such attend meetings and provide input.
Safety and Security Committee	Chief Auditor and Deputy Chief Auditor are members and as such attend meetings and provide input.
Movement of Youth from McLennan Regional Treatment Center(MRTC)	Provided feedback on review of youth moved from MRTC to other facilities

V. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

The Office of Internal Audit is currently undergoing an External Quality Assurance 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 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.

VI. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2016

We are awaiting Board approval of the FY 2016 Audit Plan. The plan will be presented during the November 13, 2015 Board meeting and will be provided within 30 days of the approval.

VII. EXTERNAL AUDIT SERVICES

The following external audit services were procured or were ongoing in fiscal year 2015:

	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	Office of Independent Ombudsman	Prison Rape Elimination Act Audits (PREA) of state agency facilities	Ongoing
3.	Texas Department of Agriculture	TJJD National School Lunch and School Breakfast Programs (NSLP/SBP)	Completed September 2015
4.	Texas Education Agency	Implementation of Special Education Requirements	Pending Agency Response

REPORTING SUSPECTED FRAUD AND ABUSE

Currently, suspicions of fraud, waste, and abuse that have been reported to TJJD 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 TJJD internet homepage <http://www.tjjd.texas.gov/Default.aspx> contains a link to the TJJD 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 [TJJD Office of Inspector General](#) at 1-866-477-8354."

In addition, the TJJD 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 2015 Audit Plan Projects

	Project Code	Project Name	Recommendation	Recommendation Status per Client
1	15-1A	Ron Jackson State Juvenile Correctional Complex Audit	Periodic review of Hearing Managers' training attendance documentation could ensure compliance with the Due Process training requirements.	Substantially Implemented
2	15-1A	Ron Jackson State Juvenile Correctional Complex Audit	Periodic reconciliation could ensure that documentation of gasoline distribution from the storage tanks is accurate and complete.	Substantially Implemented
3	15-1B	Residential Contract Care Audit	Strengthening controls over Medicaid referrals could ensure eligible youth are assessed for the medical assistance program upon their release.	Substantially Implemented
4	15-1B	Residential Contract Care Audit	Continued training and communications on contract requirements and expectations should strengthen controls over contract processing.	Substantially Implemented
5	15-1B	Residential Contract Care Audit	A periodic comparison of information captured in the Incident Reporting Center (IRC) to the serious incident report could ensure the accuracy and reliability of data.	Substantially Implemented
6	15-1B	Residential Contract Care Audit	Establishing a periodic access review process for the Juvenile Medicaid Tracker (JMT) will help the agency maintain the confidentiality and integrity of information.	Substantially Implemented
7	15-5	Fleet Management Audit	Establishing a monitoring process for Alternative Fuel program could ensure compliance with the regulatory requirements.	Underway

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
8	15-5	Fleet Management Audit	Improving the process to capture all fleet expenditures could ensure proper internal and external reporting of the expenditures.	Substantially Implemented
9	15-5	Fleet Management Audit	Requiring periodic review of Voyager card transactions could ensure amounts are supported.	Substantially Implemented
10	15-5	Fleet Management Audit	Establishing a periodic vehicle inspection process could ensure required maintenance, registrations, and safety inspections are completed in a timely manner.	Substantially Implemented
11	15-5	Fleet Management Audit	Establishing a process to track vehicle warranties could achieve maximum savings on maintenance and repair for the agency.	Underway
12	15-5	Fleet Management Audit	A periodic review of personnel with user access rights to TxFS could ensure only appropriate, authorized TJJJ staff have access to the system.	Substantially Implemented
13	15-6	Interstate Compact for Juvenile Audit	Guidelines should be established to ensure proper handling when a youth referral from the sending state is not provided to the ICJ Office.	Underway
14	15-6	Interstate Compact for Juvenile Audit	Strengthening ICJ's oversight for completion of home evaluations and progress reports could assist in ensuring compliance with ICJ Rules related to transfer and supervision of youth.	Underway
15	15-6	Interstate Compact for Juvenile Audit	Establishing segregation of duties over use of the ICJ credit card could ensure controls are in place to help protect the agency from unauthorized transactions	Underway

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	Project Code	Project Name	Recommendation	Recommendation Status per Client
16	15-7	Staff Development and Training Audit	Developing a training curriculum to include human trafficking information for Juvenile Correctional Officers (JCOs) could ensure trainings are being provided in accordance with regulatory requirements.	Underway
17	15-7	Staff Development and Training Audit	A periodic review of the Training Tracking System data could ensure the employees' training records are accurate and/or complete.	Underway
18	15-7	Staff Development and Training Audit	Establishing periodic access review process in the Integrated Certification Information System (ICIS) could ensure the confidentiality and integrity of information.	Underway