



TEXAS
JUVENILE JUSTICE
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TRANSFORMING YOUNG LIVES AND CREATING SAFER COMMUNITIES

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Eleazar Garcia, CIA, CRMA

www.tjtd.texas.gov

FY 2016 Internal Audit Annual Report

October 2016

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

TRANSFORMING YOUNG LIVES AND CREATING SAFER COMMUNITIES

October 28, 2016

The Honorable Greg Abbott, Governor
The Legislative Budget Board
The Sunset Advisory Commission
State Auditor's Office
Texas Juvenile Justice Board
David Reilly, TJJJ Executive Director

Attached is the Fiscal Year 2016 Internal Audit Annual Report from the Texas Juvenile Justice Department's (TJJJ) Internal Audit Division. 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 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 or Vivian Cohn at 512-490-7053.

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 has prepared the annual report and will submit the report before November 1, 2016 to the Governor's Office, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office, TJJD's Board, and Executive Director. Internal Audit will ensure the posting of the Fiscal Year 2017 Internal Audit Plan upon Board approval and the FY 2016 Internal Audit Annual Report to the TJJD'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 2016 Audit Plan can be found in Exhibit A attached at the end of the Annual Report.

II. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2016

Below is the status of audits included in the FY 2016 audit plan:

Audit No.	Report Date	Report Title	Status
16-1A	5/20/16	Brownwood Halfway House	Completed
16-1B	8/5/2016	AMIKids Contract Care Audit	Completed
16-1C	-	Giddings State School	Underway
16-5	5/20/2016	Alleged Abuse Neglect Exploitation Audit	Completed
16-7	1/29/2016	Endowment Trust Funds Audit	Completed
16-8	10/28/2016	Title IV-E Grant	Completed
16-9	-	HWH Education	Underway

III. 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 – Change Advisory Board	The Chief Auditor and Deputy Chief Auditor are non-voting members of the IT Change Advisory Board (CAB). As such, they attend meetings and provide input on risk and control related information.
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 is a member and as such attends meetings and provides input.
Safety and Security Committee	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 2017

TEXAS JUVENILE JUSTICE DEPARTMENT
Based on Available 9400 Hours

		Contract Management
Audit/Project		
Mandatory		
Orientation and Assessment Audit (Facility Audit)		Yes
Contract Care Audit (Facility Audit)		Yes
*Endowment Trust Funds (Initiate audit and carry over to FY18 Audit Plan)		Yes
Discretionary		
Centralized Placement Unit		
Consulting Project		
Carryover Projects from FY 2016		
Facility Audit - Giddings State School		Yes
Title IV-E Grant		Yes
Halfway House Education (Consulting)		Yes
Other Audit Activities		
Annual Risk Assessment and Audit Plan for FY2018		
FY2017 Annual Internal Audit Report		
FY2017 Annual Internal Quality Assurance and Improvement Program		
Follow Up/Verification of Prior Audit Recommendations		
SAO Audits Follow-up Reporting		
CPA Post-payment Audit Status Reporting		
Advisory Service Project		
Management Assistance		
External Quality Assurance Review – Reciprocating Services		

There were 14 high-risk areas identified in this year’s risk assessment. Eight 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:

Rank	Auditable Unit	Last Audited (Fiscal Year)
1	Contracts and Procurement	2013
2	Grant Management - Community Services	2013
3	IT Internal Services	2012
4	Payroll	2013
5	Regionalization	New
6	Case Management (Facility Audit)	2012
7	Treatment (Facility Audit)	2012
8	PREA Compliance	2014
9	Dorm Living/Control & Supervision	2015
10	Capital Improvement Program	2012
11	Centralized Placement Unit	2007
12	Security Units	2015
13	Orientation and Assessment (Facility Audit)	2010
14	Parole Services	2013

Bold areas will be included in the FY 2017 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 2017 of 9,400 hours, the proposed audit plan for FY 2017 was developed.

VI. EXTERNAL AUDIT SERVICES

The following external audit services were procured or were ongoing in Fiscal Year 2016:

	External Audit Service	Focus of Review	Status
1	Garza/Gonzalez & Associates	Desk reviews of independent audits procured by the County Juvenile Probation Departments	Completed
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	Completed February 2016
5.	State Auditor's Office	Financial Processes	Completed July 2016
6.	State Comptroller's Office	Post Payment Expenditure Audit	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 FY 2016 Audit Plan Projects

	Project Code	Project Name	Recommendation	Recommendation Status per Client
1	16-1A	Brownwood Halfway House Audit	The Program Specialist should coordinate with Information Technology (IT) division and establish a periodic access review of authorized users for the Noble system and report any updates for access level changes or deletions to the IT division.	Pending
2	16-1A	Brownwood Halfway House Audit	The Director of Treatment should ensure Suicide Screening is provided by a Mental Health professional annually and training is documented in the agency database.	Substantially Implemented
3	16-1A	Brownwood Halfway House Audit	The Director of Nursing Services should coordinate with training to develop a training course code to enable the agency to track Medication Administration training in the agency training database.	Substantially Implemented
4	16-1A	Brownwood Halfway House Audit	The Superintendent should implement a process to monitor employee compliance with agency required training.	Pending
5	16-1A	Brownwood Halfway House Audit	The Director of Training Academy should work with the IT division to ensure courses are accurately tracked upon adding a new hire and/or annual course in the Employee Training database.	Pending
6	16-1A	Brownwood Halfway House Audit	To ensure grievances are processed accordingly and data reliability of the Youth Grievance Manager, the Youth Rights Program Administrator should periodically review filed grievances.	Pending
7	16-1B	AMI Kids	The Youth Contracts Service Manager should develop a process for ensuring copies of all audits, monitoring, and investigation reports are provided to TJJD.	Pending

	Project Code	Project Name	Recommendation	Recommendation Status per Client
8	16-1B	AMI Kids	<p>The Youth Contracts Service Manager should:</p> <ul style="list-style-type: none"> • Establish a periodic access review of Contract Care Program authorized users for the Noble system and report any updates for access level changes or deletions to the Information Technology division. • Ensure non-agency Contract Care personnel with access to the agency's VPN complete required information security training. • Establish a process for maintaining required training records for Contract Care personnel with access to CCS. <p>Additionally:</p> <ul style="list-style-type: none"> • Agency's security audits performed by Monitoring and Inspections should test user access controls for contract care facilities. 	Pending
9	16-1B	AMI Kids	The agency's comprehensive review of Contract Care programs should include a review of the Food Production Log.	Pending
10	16-1B	AMI Kids	The agency should develop a process for the tracking of review of all contract amendments for accuracy and completeness.	Pending
11	16-1B	AMI Kids	The Director of Business Operations and Contracts should develop a process for tracking when purchasing personnel complete training provided by external sources.	Pending

	Project Code	Project Name	Recommendation	Recommendation Status per Client
12	16-5	Alleged Abuse, Neglect and Exploitation Audit	The IT Access Management Team and IRC System Owner should periodically review access to the Incident Reporting Center system to ensure access is provided to appropriate users.	Pending
13	16-5	Alleged Abuse, Neglect and Exploitation Audit	General Counsel should coordinate with Office of Inspector General, Administrative Investigations Division and State Programs and Operations to determine the need for the LS-051 Notification of Abuse, Neglect and Exploitation form, and remove the form from policy if appropriate.	Pending
14	16-5	Alleged Abuse, Neglect and Exploitation Audit	The Administrative Investigations Director should update reporting requirements in policy to reflect current reporting expectations and needs	Pending
15	16-5	Alleged Abuse, Neglect and Exploitation Audit	Information Technology should utilize change management practices to prioritize and address critical functions of the AIM and IRC databases that need to be improved.	Pending
16	16-5	Alleged Abuse, Neglect and Exploitation Audit	Administrative Investigations Division should: Ensure all cases that may have been lost in the transition of submission practices are identified and reviewed. Streamline investigator case tracking practices to allow for efficient management. Improve quarterly case management review to include case statuses.	Pending
17	16-5	Alleged Abuse, Neglect and Exploitation Audit	The Director of PREA Compliance should provide specialized PREA training to AID investigators, Youth Rights Specialists and Incident Reporting Center management regarding the information that is required to be reported through his database.	Substantially Implemented

	Project Code	Project Name	Recommendation	Recommendation Status per Client
18	16-5	Alleged Abuse, Neglect and Exploitation Audit	Administrative Investigations Division should identify and report to the Director of PREA Compliance any additional PREA cases that have a "checked" PREA box in the AIM system and that did not get reported to the PREA database. These cases should be identified for the current PREA reporting period.	Pending
19	16-5	Alleged Abuse, Neglect and Exploitation Audit	Information Technology should enhance the AIM functionality to ensure PREA data is properly included on the PREA Report. IT should collaborate with AID and the Director of PREA Compliance to ensure the reporting is working as intended are reported.	Started
20	16-5	Alleged Abuse, Neglect and Exploitation Audit	The Youth Rights Program Administrator should: Determine if the seven grievances identified as containing elements of ANE should be called into the Incident Reporting Center for proper referral and investigation. Implement periodic formal reviews of youth grievances categorized as alleged mistreatment to ensure grievances with elements of abuse, neglect, exploitation or PREA are properly reported to the Incident Reporting Center.	Pending
21	16-5	Alleged Abuse, Neglect and Exploitation Audit	The Office of Inspector General should continue to ensure that complaints of investigations are referred to the Board and ensure that the referral is documented to support compliance with the Texas Family Code.	Pending

	Project Code	Project Name	Recommendation	Recommendation Status per Client
22	16-7	Endowment Trust Fund Audit	To ensure agency is meeting training requirements of the PFIA, the Fiscal Affairs & Budget Division Director should ensure required investment training report is completed. General Counsel should include requirements for the Public Funds Investment Act training in the Board policy manual.	Substantially Implemented
23	16-7	Endowment Trust Fund Audit	The CFO should ensure policies related to the Endowment Funds be reviewed and updated periodically.	Started
24	16-7	Endowment Trust Fund Audit	The Fiscal Affairs & Budget Division Director should establish and implement a process of periodic review of lease payments with the existing contract. Additionally, communicating contract requirements with General Counsel could strengthen controls over contract processing.	Substantially Implemented