

Internal Audit Annual Report for FY 2023

	TEXAS CIVIL COMMITMENT OFFICE	MARSHA MCLANE EXECUTIVE DIRECTOR

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I. Compliance with Texas Government Code, Section 2102.015

Texas Government Code, Section 2102.015 requires state agencies, as defined in the statute, to post certain information on Internet Web sites. The Texas Civil Commitment Office's Internal Audit will follow the following procedures to ensure compliance with posting requirements.

Texas Government Code, Section 2102.015(b) (1) requires posting of the agency's approved internal audit plan within 30-days of approval. In accordance with Texas Government Code, Section 2102.008, the annual audit plan developed by the internal auditor must be approved by the state agency's governing board.

The Fiscal Year 2023 Internal Audit Plan was presented to the Board of the Texas Civil Commitment Office at the August 26, 2022 meeting for Board approval and was approved by the Board on that date. The plan was submitted to web services for posting to the agency's website on September 6, 2022.

Texas Government Code, Section 2102.015(b) (2) requires posting of the agency's Internal Audit Annual Report. Texas Government Code, Section 2102.009 requires the internal auditor to prepare an annual report and submit the report before November 1 of each year to the governor, the Legislative Budget Board, the Sunset Advisory Commission, the state auditor, the state agency's governing board, and the administrator. The state auditor prescribes the form and content of the report, subject to the approval of the legislative audit committee.

This annual report was submitted to the agency's executive administration and will be submitted to the Board of the Texas Civil Commitment Office. The report will be posted to the agency's website.

Texas Government Code, Sections 2102.015(d) and (e) requires agencies to update the posting with:

- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report; and,
- A summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.

Any weaknesses, deficiencies, wrongdoings, or others concerns, if noted, will be posted as required.

II. Internal Audit for Fiscal Year 2023

Fiscal Year 2023 Internal Audit – Financial Review.

FINANCIAL REVIEW

TCCO Internal Audit, in the 2023 Audit Plan, had scheduled to audit outside medical costs provided through the Management & Training Corporation (MTC). Medical costs were selected for review, as the outside medical costs are significant. A team from the state auditor’s office (SAO), led by SAO Audit Manager Mr. Willie Hicks, independently selected the TCCO outside medical costs for audit testing.

Rather than doubling the audit effort for Outside Medical Costs, TCCO Internal Audit elected to rely on the testing and conclusions reached by the SAO auditors to eliminate incurring duplicate cost while still achieving the goal of auditing outside medical costs.

AUDIT SCOPE

The scope of the SAO review was as follows:

- Audit period – September 2019 through December 2022.
- 3 of 14 invoices were reviewed
- Invoice review - \$983,484 out of a population of \$5,248,239

AUDIT SUMMARY

The State Auditor’s Office concluded that the controls related to Outside Medical Costs are working effectively and no deficiencies related to outside medical costs were noted during the review. Per the SAO report to TCCO on the SAO’s audit conclusion, “All 3 reimbursements auditors tested, \$983,484 were properly supported, accurate and complied with contract requirements”.

AUDIT CONCLUSION

Based on the SAO audit conclusion that controls were in place and operating effectively, TCCO audit believed that the outside medical review effort was satisfied, and no additional audit review was required.

HOT LINE COMPLAINT

While not part of the 2023 audit plan, a complaint from a civilly committed client was filed. A review was performed to determine if there was any validity to the client's allegations.

SCOPE

A client questioned if cost recovery reimbursement for the client's expenses should not be applicable relative to additional government stimulus payments to individuals related to the pandemic.

AUDIT SUMMARY

TCCO's inside legal staff had issued a specific and clear interpretation that stimulus payments are fully eligible for client reimbursement calculations. Hence, there was no merit to any consideration that the client's cost reimbursement be adjusted.

III. Consulting Services and Non-Audit Services Completed

No consulting services or non-audit services were performed in Fiscal Year 2023.

IV. External Quality Assurance Review

The TCCO Internal Audit function was established in Fiscal Year 2016.

A standard audit peer review was initiated in August 2023 to review TCCO audit activity from September 2020 through July 2023. The review is to comply with the requirement that each state audit organization have a peer review performed by reviewers independent of the audit organization at least once every three years. The purpose of the review is to determine if TCCO's internal quality control system is adequate and whether quality control policies and procedures were being complied with to provide TCCO with reasonable assurance of conforming with applicable professional standards. It is anticipated that the peer review audit report will be completed and issued in November 2023.

V. Internal Audit Plan for Fiscal Year 2024

Budget – 200 Hours

The Texas Civil Commitment Office Internal Audit Plan for Fiscal Year 2024 proposes testing of SVP client funds and following up the State Auditor's Office (SAO) 2023 TCCO audit. The scope of the audit work will include:

SVP Client Funds Review

- Review that disbursements from SVP client fund accounts were properly authorized.
- Review that clients are informed of the balance in their accounts on a timely basis.

Review to determine that clients have an opportunity to question their account balance and acknowledge this opportunity by signature.

Review of Process Improvement

The State Auditor's Office (SAO) performed audit services on certain TCCO processes. Based on the review, SAO offered some considerations for process enhancement. TCCO management is committed to process enhancement and improvement. TCCO Internal Audit will work with and support management in that effort.

- **Follow Up and Required Projects**
- Fiscal Year 2023 Self-Assessment
- Fiscal Year 2023 Annual Report to State Leadership
- Fiscal Year 2023 Annual Risk Assessment
- General Administration
- Review of client A/R balances carried forward from prior years

Identified High Risks Not Included in FY 2023 Internal Audit Plan

Risk Assessment

Because a significant percentage of the agency's budget is associated to a contract with strict performance requirements, that if not met will result in payment adjustments, the payments related to this contract will be considered significant for audit testing purposes.

The Risk Assessment involved prioritizing high-risk auditable activities, with input from agency leadership to ensure that financial transaction is processed in agreement with policies and are properly authorized. In addition, reviewing asset existence and asset tracking is considered a key audit initiative.

In addition to auditing the existing controls, a review will be performed to determine if there are any control gaps that could reduce the adequacy of the control environment.

The risk assessment methodology included the following

- Senior TCCO management annually makes an assessment on how audits would best benefit the TCCO.
- Management believes that a revolving annual selection of areas to audit is important to ensure that all areas are audited from a multi-year audit perspective.
- As management believes the financial controls to be tested described above are key to the control framework, the financial controls were selected to be tested in FY 2023.

VI. External Audit Services Procured in Fiscal Year 2023

No external audit services were procured in Fiscal Year 2023.

VII. Reporting Suspected Fraud and Abuse

Fraud Reporting: Article IX, Section 7.09 (a), the General Appropriations Act (87th Legislature)

This section of the Appropriations Act states:

Sec. 7.09. Fraud Reporting. A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds as follows:

- (1) Providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and

*To implement (a) of Section 7.09, the Texas Civil Commitment Office has included a link on the Texas Civil Commitment Office website to the State Auditor's Fraud Reporting hotline.

- (2) Including in the agency or institution's policies information on how to report suspected fraud involving state funds to the State Auditor's Office.

* To implement (2) of Section 7.09, the Texas Civil Commitment Office has included in Policy 1.10, Texas Civil Commitment Office Ethics Policy, section II.B, which provides instructions for employees to report any conduct he or she believes to be in violation of the ethics policy to the Executive Director or Executive Director's designee, and to report suspected fraud, waste, or abuse involving state funds to the State Auditor's Office via phone to the State Auditor's Office Fraud Hotline 1-800-TX-AUDIT or online at <https://sao.fraud.texas.gov/ReportFraud/>.

Texas Government Code, Section 321.022

This section of the Texas Government Code states:

COORDINATION OF INVESTIGATIONS.

- (a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.

- (b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.

(c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.

* To implement this statute, Policy 1.10, Texas Civil Commitment Office Ethics Policy, section II.C requires the Executive Director to report the reason and basis for any suspected misuse of state monies to the state auditor. As of the date of this report, the TCCO has not received any reports of loss, fraud, misuse, or other fraudulent or unlawful activities.