

Internal Audit Annual Report for FY 2022



TEXAS CIVIL COMMITMENT OFFICE

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I. Compliance with Texas Government Code 2102.015	2
II. Internal Audit Plan for Fiscal Year 2022	3
III. Consulting Services and Non-Audit Services Completed.....	4
IV. External Quality Assurance Review.....	4
V. Internal Audit Plan for Fiscal Year 2023	4
VI. External Audit Services Procured in Fiscal Year 2022	6
VII. Reporting Suspected Fraud and Abuse.....	6

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 2022

Fiscal Year 2022 Internal Audit – Financial Review.

FINANCIAL REVIEW

On July 17th, Internal Audit completed a review of the **Financial Review**, and presented the findings to the Audit Committee on August 26, 2022.

SCOPE

The processes areas reviewed in this audit are as follows:

- Inventory – PC’s and Cell Phones
- Fleet Vehicles
- Client Reimbursement
 - Cost Recovery Calculations
 - Client Reimbursement Payment/Balance Reconciliation
 - Client Receivable Balances
- Payments
 - Employee Travel
 - Vendor AP Payments
 - Management & Training Corporation
 - Per Diem
 - Mileage Reimbursement
 - PO Review
 - Other Cost

METHODOLOGY

Audit steps included:

- Reviewing and documenting the policies selected for testing.
- Reviewing documentation within the CSS system.
- Documentation of finding in the audit work papers.

AUDIT SUMMARY

Internal audit believes that the tested processes are working effectively.

The process of computing, communicating and collecting client A/R balances during the audit period, fiscal 2022, was working effectively. It was noted, however that there were some large client A/R balances that were carried forward from prior years. Management should consider reviewing and documenting the reason for the larger carryover balances and take action if required.

HOT LINE COMPLAINT

While not part of the 2022 audit plan, following a complaint from a civilly committed client to the SAO Hotline, a review was performed to determine if there was any validity to any of the client's allegations.

SCOPE

Each allegation was reviewed to determine if the claims had any merit.

METHODOLOGY

The policies related to each allegation was reviewed to determine if the TCCO policy was successfully applied and executed.

REVIEW SUMMARY

Each allegation was reviewed and they were determined to be without merit.

III. Consulting Services and Non-Audit Services Completed

No consulting services or non-audit services were performed in Fiscal Year 2022.

IV. External Quality Assurance Review

The TCCO Internal Audit function was established in Fiscal Year 2016, and an external quality assurance review was completed in Fiscal Year 2019. The next Peer Review will be due in FY 2023 for the period from September 2019 to August 2022.

V. Internal Audit Plan for Fiscal Year 2023

Budget – 200 Hours

The Texas Civil Commitment Office Internal Audit Plan for Fiscal Year 2023 proposes testing the medical invoices from the Management & Training Corporation who is TCCO's most significant vendor. The Management & Training Corporation invoices are significant in dollar value and the number of individual transactions that support the vendor invoices. Due to the value of the payments and the detail required to support each payment, the Management & Training Corporation medical invoices were identified as a process to audit. The scope of the audit will include:

- Review of documentation that supports each payment
- Review of documentation of control review that service was performed
- Review of management oversight

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 2022 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 which 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 2022.

VI. External Audit Services Procured in Fiscal Year 2022

No external audit services were procured in Fiscal Year 2022.

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.