

# Internal Audit Annual Report for FY 2021



## TEXAS CIVIL COMMITMENT OFFICE

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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 2022 Internal Audit Plan was presented to the Board of the Texas Civil Commitment Office at the October 22, 2021 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 October 29, 2021.

**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 2021**

Fiscal Year 2021 Audit of Compliance with Health & Safety Code Section 841.007 Supervision Requirements.

The FY 2021 audit was completed and presented to Audit Committee on May 21, 2021. The audit work completed in 2021, was originally scheduled for 2020, however due to restriction due to COVID-19 the work was deferred to 2021.

On May 21<sup>st</sup>, Internal Audit completed a review of the **TCCO Case Managers**.

### **SCOPE**

The processes areas that were reviewed in this audit are as follows:

- Pre-Release Process
- Release Procedures and Client Intake
- Supervision Progress Reports
- Contact Requirements
- New Arrivals
- Client Supervision
- Petition for Release
- Court Notification, Documentation & Communication
- Sanction Screens
- Treatment Team Meetings
- Tracking, Alerts & On-Call Responsibilities
- Tiered Programing & Movement

In total 52 individual processes were audited.

### **METHODOLOGY**

Audit steps included:

- Reviewing and documenting the policies selected for testing.
- Reviewing documentation within the CSS system.
- Reviewing documentation from the GPS system and other information not in CSS provided by the Deputy Director.
- Documentation of finding in the audit work papers.

## AUDIT SUMMARY

Internal audit believes that the tested processes are working effectively.

Certain completed tasks were not documented per the time deadlines established; however, this is not considered significant as task were completed in a time frame to provide good client service and did not reduce the effectiveness of the controls.

TCCO management continues to encourage all Case Managers to post documentation to be compliant with the timing indicated in each policy without losing sight of the main purpose of the control.

In addition, while not part of the initial 2021 audit plan, there was an audit of contractor treatment care.

On August 18<sup>th</sup>, Internal Audit completed a review of Treatment Care.

## SCOPE

2021 Treatment Audit work was completed in July and August. Work included sufficient audit procedures deemed appropriate to support the conclusions in this report. The scope included testing the accuracy and supporting documentation.

## METHODOLOGY

Audit work included a review of documentation supporting the TCCO in scope policies and a contractual agreement. The documentation referenced activity in the CSS system. The documentation of documents within CSS were done by reference as opposed to including the documentation due to the sensitivity of the material in the documents. Testing was done exclusively remotely from the auditor's residence in Houston, TX.

Audit steps included:

- Reviewing and documenting the policies/contract selected for testing.
- Reviewing documentation within the CSS system.
- Reviewing documentation provided by the TCCO Deputy Director when information was not available in the CSS system.
- Documentation of finding in the audit work papers
- Make conclusions and recommendations based on audit review.

## **AUDIT SUMMARY**

COVID-19 related restrictions hampered contractors to complete and document certain task as per contractual terms. However, no significant deficiencies were noted that would hinder TCCO's commitment to the residence care and ability to progress through the program.

TCCO management does a robust review to determine that contractor are executing their responsibilities that have been agreed contractually. TCCO Management communicates the contractor's deficiencies on a monthly basis to obtain credits from the contractor invoices. The contractor review to determine any credits available to TCCO for contractual services not properly performed is significant. The April 2021 report requested a credit of \$185,710 and the May report requested a credit of \$44,553.

Ensuring that clients receive the support they need is critically important, but the significance of the opportunity to receive credits on invoices to save expense for the state of Texas is an important point of focus.

### **III. Consulting Services and Non-Audit Services Completed**

No consulting services or non-audit services were performed in Fiscal Year 2021.

### **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 2022**

The Texas Civil Commitment Office Internal Audit Plan for Fiscal Year 2022 will be focused on testing the TCCO financial procedures. The primary focus will be made in the following areas:

- Payment processing – expenditures
- Payment processing - receipts
- Invoice processing - including documentation and authorization
- Capital Assets - including validation of existence and tracking

### **Assurance Projects**

#### **Audit of Compliance with financial controls**

- Budget – 240 Hours
- Preliminary Objective – Determine that the financial controls are in place and operating effectively and that there are no control gaps.

**Follow Up and Required Projects**

- No significant FY 2021 deficiencies were noted that required follow up in 2022
  
- Fiscal Year 2022 Annual Report to State Leadership
- Fiscal Year 2022 Annual Risk Assessment
- Audit Plan for fiscal year 2022
- General Administration

**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 invoice value reductions, 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 2021**

No external audit services were procured in Fiscal Year 2021.

## **VII. Reporting Suspected Fraud and Abuse**

Fraud Reporting: Article IX, Section 7.09 (a), the General Appropriations Act (84th 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:

- (a) By 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.

- (b) By 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 (b) 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.