



## TEXAS CIVIL COMMITMENT OFFICE

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MARSHA MCLANE  
EXECUTIVE DIRECTOR

October 31, 2018

TO: The Honorable Gregg Abbott, Governor  
Ms. Ursula Parks, Director, Legislative Budget Board  
Ms. Jennifer Jones, Acting Director, Sunset Advisory Commission  
Ms. Lisa Collier, CPA, CFE, CIDA, First Assistant State Auditor

Dear Ladies and Gentlemen,

In accordance with Texas Government Code Section 2102.009, I am submitting to you the annual report on the activities of the Internal Audit Department of the Texas Civil Commitment Office for fiscal year 2018. The report provides the content as prescribed by the State Auditor's Office.

The information in this report is intended to assist state decision makers in their efforts to improve accountability and increase the effectiveness and efficiency of state government. I appreciate the opportunity to participate in this program. If you need any additional information, please do not hesitate to contact me at (512) 341-4421.

Sincerely,

Hector Gonzales, CPA  
Internal Auditor

xc: Members, Board of Texas Civil Commitment Office  
Marsha McLane, TCCO Executive Director

**Texas Civil Commitment Office**  
**Internal Audit Annual Report for Fiscal Year 2018**  
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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 2019 Internal Audit Plan was presented to the Board of the Texas Civil Commitment Office at the October 19, 2018 meeting for Board approval. The plan was posted to the agency's web site thereafter as required.

**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 presented to the Board of the Texas Civil Commitment Office at the October 19, 2018 Board Meeting. Prior to that, this annual report was presented to the agency's executive administration. Upon approval from the board chairman the report was distributed as required and posted to the agency's web site.

**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 Plan for Fiscal Year 2018****Audit number:** 1801**Report title:** Correct Care Recovery Solutions Monthly Billing**Report date:** August 26, 2018**Status:** Completed. The final report was being drafted at the end of fiscal year 2018. It is included in this report as it was finalized and distributed the Texas Civil Commitment Office Board prior to submission of this report.**Audit number:** 1802**Report title:** Healthcare Costs**Report date:** August 22, 2018**Status:** Completed. The final report was being drafted at the end of fiscal year 2018. It is included in this report as it was finalized and distributed the Texas Civil Commitment Office Board prior to submission of this report.**Deviations from the fiscal year 2018 audit plan:**

There was no deviation from the fiscal year 2018 audit plan.

### **III. Consulting Services and Nonaudit Services Completed**

No consulting services or nonaudit services were performed in fiscal year 2018.

#### **IV. External Quality Assurance Review**

No external quality assurance review has been conducted of the Texas Civil Commitment Office's Internal Audit. As the Internal Audit Department was established in fiscal year 2016, and external quality assurance review will be scheduled in fiscal year 2019.

## V. Internal Audit Plan for Fiscal Year 2019

### **Audit: 1901**

Title: Follow-up audit on the Data Reliability of the Corrections Software Solutions Database Audit (Audit 1701)

Title: Follow-up audit on the Correct Care Recovery Solutions Monthly Billing (Audit 1801)

Budget: 100 hours

### **Audit 1902**

Title: A Review of Correct Care Recovery Solutions Internal Quality Assurance Processes

Budget: 200 hours

The Texas Civil Commitment Office (TCCO) contracts for the supervision, treatment, and healthcare of sexually violent predators who have been civilly committed and assigned to the Texas Civil Commitment Center (TCCC) facility in Littlefield. TCCO has established and maintains an integrated system of monitoring of contractor activities for such areas as security and staffing, contract compliance, and treatment. TCCO's monitoring activities have identified numerous issues within TCCC's operations, and help improve the effective and efficient operations of the TCCC as well as ensure compliance with all contractual provisions.

In order to ensure that it meets its contractual obligations, TCCC should have in place an effective system of quality assurance. This quality assurance (QA) function, among other features, should have in place of system of risk assessment and identification to identify existing and potential problem areas.

### **Peer Review**

Budget: 100 hours

A peer review is planned in accordance with the Texas Internal Auditing Act, Texas Government Code, Chapter 2102, the Institute of Internal Auditors (IIA) Code of Ethics and *International Standards for the Professional Practice of Internal Auditing*. Since the TCCO's Internal Audit function was created in fiscal 2016, a peer review is due in fiscal year 2019.

**Additional Risks ranked as "high" identified, but not included on the fiscal year 2019 audit plan.**

No areas identified as high risk were excluded from the fiscal year 2019 audit plan.

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## **Description of the Risk Assessment Process**

The Risk Assessment was conducted in two steps. First, a global internal control evaluation was performed for the entire entity. This was appropriate because: (1) The agency is small (There are currently 30 full-time employees and a fiscal year 2019 budget of approximately \$16.3 million. Approximately 76% of the budget is encumbered for one contract.); and, (2) The agency is tasked in statute with two overlapping objectives, to provide supervision and treatment to their clients.

The second step was to complete a risk response planning worksheet for the individual activities. This worksheet evaluated management's risk responses and assessed the residual risk. The results from this second step were compiled to identify those areas with highest residual risk to be included on the audit plan.

### **Internal Control Evaluation**

The internal control evaluation was based on the Committee of Sponsoring Organizations (COSO) Internal Control Integrated Framework. A questionnaire was developed utilizing the five control components and 17 associated principles. Managers and various staff were interviewed and the results were compiled on a questionnaire.

### **Risk Response Planning Worksheet**

A worksheet was completed for each activity identified during the internal control evaluation. Threats to each process were identified and judgments were made regarding the inherent risk and the impact of the threat occurring. The control processes management implemented for each of the activities were listed. Judgments were made regarding both the effectiveness of the control processes to reduce risk and the residual risk.

The residual risks were presented as threats to the COSO control objectives of operational objectives, reporting objectives, and compliance objectives. These residual risks would provide the basis for audit objectives for audits included on the proposed audit plan.

**VI. External Audit Services Procured in Fiscal Year 2018**

No external audit services were procured in fiscal year 2018.

## VII. Reporting Suspected Fraud and Abuse

**Fraud Reporting:** Article IX, Section 7.09 (a), the General Appropriations Act (84<sup>th</sup> 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.