



**TEXAS**  
Department of Family  
and Protective Services

# **Internal Audit Annual Report**

**Fiscal Year 2019**

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October 2019



# Table of Contents

Executive Summary .....	1
I. Compliance with Texas Government Code, Section 2102.015 .....	1
II. Internal Audit Plan for FY 2019 .....	2
III. Consulting Services and Nonaudit Services Completed .....	5
IV. External Quality Assurance Review .....	6
V. Internal Audit Plan for FY 2020 .....	7
Other Internal Audit Activities .....	10
Risk Assessment Methodology .....	11
High Risk Areas Not Included in the Plan .....	11
VI. External Audit Services Procured in FY 2019 .....	12
VII. Reporting Suspected Fraud and Abuse .....	12



# Executive Summary

This report provides information about the activities of the Internal Audit function within the Department of Family and Protective Services (DFPS). Internal auditing is an independent assurance and consulting activity designed to improve an organization's operations by assessing and making recommendations to enhance the effectiveness of risk management, control, and governance processes.

Key internal audit activities for fiscal year (FY) 2019 and planned work during FY 2020 are described in this report. Annual audit plans are based on an agency wide risk assessment developed with input obtained through surveys and interviews with executives and management, as well as auditor assessment.

This report fulfills annual reporting requirements in the Texas Internal Auditing Act (*Texas Government Code*, Sections 2102.009, 2102.0091, and 2102.015) and is aligned with State Auditor's Office guidelines that prescribe the form and content of the annual report. In accordance with requirements, DFPS will make the report, which includes the FY 2020 Annual Audit Plan, available on its publicly accessible website.

For further information about the contents of this report and Internal Audit activities, please contact Chance Watson, DFPS Internal Audit Director, by email at [Chance.Watson@dfps.state.tx.us](mailto:Chance.Watson@dfps.state.tx.us) or by telephone at (512) 438-3365.

## **I. Compliance with Texas Government Code, Section 2102.015**

In November 2019, DFPS will post on the agency's public website the FY 2019 Internal Audit Annual Report, which includes the approved FY 2020 Annual Audit Plan. The DFPS Internet site is located at: <http://www.dfps.state.tx.us/>.

The Annual Audit Report (see Section II) summarizes the FY 2019 Internal Audit recommendations for each audit and reports on the progress towards the implementation of those recommendations.

The FY 2020 Annual Audit Plan was approved by the DFPS Commissioner on September 16, 2019 and was posted to the agency's public web site on September 25, 2019.

## II. Internal Audit Plan for FY 2019

Audit Project	Project Status
Audit of Statewide Intake Report: 2018-04	Completed Report Date: November 6, 2018
IMPACT Modernization Project Management Audit Report: 2019-03	Completed Report Date: May 8, 2019 Added to FY 2019 Annual Audit Plan with the Commissioner’s Approval
Audit of Overtime Hours	Status – Reporting Phase Carried Forward to FY 2020 Annual Audit Plan
Audit of CPS/CPI Mentor Program	Status – Fieldwork Phase Carried Forward to FY 2020 Annual Audit Plan
Audit of Children’s Income Accounts	Status – Planning Phase Carried Forward to FY 2020 Annual Audit Plan
Information Technology (IT) Risk Assessment	Status – Reporting Phase Carried Forwarded to FY 2020 Annual Audit Plan

<p>Audit of Investigations</p>	<p>Status – Not Started</p> <p>Carried Forward to FY 2020 Annual Audit Plan</p>
<p>Follow-up on Prior Audit Findings</p>	<p>Status – Not Started</p> <p>Carried Forward to FY 2020 Annual Audit Plan</p>

2018-04      *Audit of Statewide Intake*

Internal identified opportunities for SWI to consider to increase the productivity and performance of its hotline floor to reduce call hold times and abandonment rates. Efforts should focus on reducing the time spent documenting a call (call work time), which accounts for 68 percent of the total call time (call talk time plus call work time). Reducing call hold times and abandonment rates will help ensure that reporters are able to more timely reach intake specialists to provide reports of abuse or neglect. This may also help decrease the number of e-reports submitted for allegations that require urgent agency response by reporters that utilize the website in lieu of the hotline.

Additional opportunities were identified in the report to improve the e-reporting process. Taking advantage of these opportunities will help SWI more quickly identify reports requiring urgent agency action and thus protect children and vulnerable adults from abuse, neglect, and exploitation.

SWI management has taken steps to improve operations through various initiatives, such as:

- Implementing LEAN to streamline intake processes and make process, policy, and organization improvements.
- Modernizing the intake system to automate processes such as law enforcement notifications and routing of reports of abuse, neglect, or exploitation to the field for investigation.
- Redesigning and upgrading its Texas Abuse Hotline website to allow the public and professionals to more easily make online reports.

2019-03      *IMPACT Modernization Project Management Audit*

Internal Audit identified during the audit that IT and Finance have already taken the following steps to improve processes related to vendor management, development of requests for proposal, and cost allocation and reporting:

- Creating a Project Management Office (PMO) and IT Business Operations (ITBO).
- Enhancing the change control process.
- Formalizing the change request review and approval process.
- Streamlining weekly management project progress reporting.
- Reestablishing monthly reporting to the Quality Assurance Team (QAT).

Additional opportunities identified for improving processes and controls include the following:

- Clarifying scope of work requirements and service level expectations.
- Dividing large projects into smaller, more manageable projects.
- Implementing a more comprehensive assessment of respondents' cost proposals.
- Updating the PMO Handbook to reflect current practices and state guidance.
- Requiring estimates for schedule impact in project change requests.
- Establishing and documenting clear processes and methodologies for cost allocation, tracking, and reporting.
- Strengthening collaboration and communication between IT and Finance.
- Ensuring proper classification and processing of capital asset payments.

**The following methods are used to ensure compliance with contract processes and controls for monitoring agency contracts, according to Texas Government Code, Section 2102.005(b):**

DFPS has established a Contract Oversight and Support (COS) division/department that oversees the following:

- Specialized Monitoring Plan (SMP) - a specialized, risk-based plan is used to identify and track risk-based monitoring requirements and the progress of monitoring efforts for DFPS contracts.
- The System of Contracting Operation and Reporting (SCOR), the official contracting system is utilized to manage administrative and client service contracts, and is the agency's system of record for reporting requirements.

DFPS Prevention & Early Intervention (PEI) and Purchased Client Services (PCS)

Contract divisions/departments oversees the following:

- Contract Managers are in place for each contract.
- Processes include documenting and communicating monitoring results to the appropriate areas which may include the contractor, program, and executive management.
- Monitoring (i.e., performance, financial, desk reviews, on-site visits) is performed through review of monitoring schedules or reports.

DFPS Internal Audit division/department oversees the following:

- Internal and external audits related to contract monitoring are performed.



### III. Consulting Services and Nonaudit Services Completed

Consulting engagements and nonaudit projects may be conducted at the request of executive management. These services are a means of assessing risk quickly for management and providing feedback on potential weaknesses and related recommendations for improvement. This approach often allows management to address issues proactively before launching systems or newly developed processes. The following table identifies the consulting services and nonaudit services completed during FY 2019.

Consulting Service or Nonaudit Service	Project Status
Consulting Engagement for Community Engagement Report: 2019-02	Completed Issued: August 22, 2019
Consulting Engagement for Adult Protective Services – Purchased Client Services Report: 2019-05	Completed Issued: August 13, 2019
Adult Protective Services (APS) District Review	Replaced on the FY 2019 Annual Audit Plan in the Consulting Section with the Consulting Engagement of APS Purchased Client Services (Report 2019-02) with Commissioner’s Approval
Consulting Engagement for Preparation for Adult Living (PAL)	Removed from the FY 2019 Annual Audit Plan and added to the “Risk Areas Not Included in the Plan” Section of the FY 2019 Annual Audit Plan with Commissioner’s Approval

*Consulting Engagement for Community Engagement (2019-02)*

The objectives of the engagement included the following:

- Identify program and Office of Volunteer and Community Engagement (OVCE) staff roles and responsibilities as they relate to community engagement.
- Identify any potential overlaps/duplication of efforts or gaps in the agency’s community engagement functions.  
Identify potential opportunities for improvement to strengthen the cohesiveness and effectiveness of the agency’s community engagement functions

Internal Audit identified improvement opportunities related to strategic planning, measuring effectiveness of community engagement efforts, funding and consistency of materials, and communication and coordination. Additional opportunities for improvement outside of those areas were identified and included for management’s consideration.

In addition, Internal Audit provided a listing of roles and responsibilities related to community engagement for each of the program and OVCE positions.

*Consulting Engagement for Adult Protective Services – Purchased Client Services (2019-05)*

The objectives of the engagement included the following:

- Identify controls within the APS purchased client services’ processes.
- Identify potential opportunities for improvement in APS purchased client services’ processes.

Internal Audit identified improvement opportunities related to program improvements, IMPACT/service authorization improvements, and procurement card improvements for APS and PCS management consideration. In addition, Internal Audit developed flowcharts outlining the APS PCS processes and identified controls.

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

An external peer review of DFPS Internal Audit was conducted in FY 2017, in accordance with professional standards, using the State Agency Internal Audit Forum (SAIAF) Peer Review guidelines. The primary objective of the quality assurance review was to evaluate Internal Audit's compliance with auditing standards and the Texas Internal Auditing Act. Additional objectives included identifying best practices as well as areas where improvements may be needed. The review covered all completed audit and management assistance projects performed by Internal Audit from September 2013 through August 2016.

Anthony Chavez, CIA, CGAP, CRMA, Director of Internal Audit, Employees Retirement System of Texas was the SAIAF Peer Review Team Leader. Other members of the team

included Beth Gilbert, CFE, CGAP, Internal Auditor, Employees Retirement System of Texas and Kent Heath, CGAP, Internal Auditor, Texas Commission of Environmental Quality.

*Excerpt from “Report on the External Quality Assurance Review of the Department of Family and Protective Services Internal Audit Department” December, 2016.*

## OVERALL OPINION

"Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Family and Protective Services Internal Audit Department receives a rating of **“Pass/Generally Conforms”** and is in compliance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit 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 Internal Audit Department is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. Staff members collectively are qualified, proficient, and knowledgeable in the areas they audit. 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 Internal Audit Department is well-managed internally. In addition, the Department has effective relationships with the Commissioner 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 FY 2020

The approved FY 2020 Annual Audit Plan includes projects in the table below. The Annual Audit Plan may be revised as needed to adjust for emerging issues and risks, and changes in resource availability. Any modifications to the Annual Audit Plan must be approved by the Commissioner and will be presented to the DFPS Executive Team for informational purposes.

Internal Audit has allocated 9,100 budgeted hours to projects in the FY 2020 Annual Audit Plan. The FY 2020 budgeted hours is based on 4.00 auditors, 1 audit coordinator, 1.75 audit managers, and 1 assistant director which totaled 9,127 hours.

Internal Audit Annual Report – Fiscal Year 2019

Audit Area	Audit Objectives
<p>Overtime Hours</p> <p>Carried Forward from FY 2019 Annual Audit Plan</p>	<p>Assess control processes related to accuracy and reasonableness of overtime reported.</p>
<p>CPS/CPI Mentor Program</p> <p>Carried Forward from FY 2019 Annual Audit Plan</p>	<p>Assess whether CPS/CPI mentor program roles and responsibilities are being fulfilled as intended to meet mentor program requirements.</p> <p>Evaluate the efficiency and effectiveness of CPS/CPI mentor program processes to determine whether processes are consistently performed and working as intended to meet program requirements.</p> <p>Determine whether CPS/CPI mentor stipend is paid in accordance with requirements.</p>
<p>Child Protective Investigations</p> <p>Carried Forward from FY 2019 Annual Audit Plan</p>	<p><i>Preliminary Objective:</i> Assess the efficiency and effectiveness within the Child Protective Investigations division operations to ensure processes are working as intended.</p>
<p>Children’s Income Accounts</p> <p>Carried Forward from FY 2019 Annual Audit Plan</p>	<p><i>Preliminary Objective:</i> Evaluate controls over the management of children’s income accounts to ensure payments are accurate, timely, and in compliance with agency policies and procedures and state and federal regulations.</p>
<p>Information Technology (IT) Risk Assessment</p> <p>Carried Forward from FY 2019 Annual Audit Plan</p>	<p>Perform a risk assessment focusing on the newly structured IT division and identify the IT areas of highest risk for consideration in future IA projects.</p>
<p>Follow-up on Prior Audit Findings</p> <p>Carried Forward from FY 2019 Annual Audit Plan</p>	<p>Determine the status of management actions in response to audit recommendations.</p>

Audit Area	Audit Objectives
Procurement to Payment Cycle	<i>Preliminary Objective:</i> Evaluate processes within the procurement to payment cycle to ensure timely acquisition of goods/services and timely vendor payments.
Identity and Access Management	<i>Preliminary Objective:</i> Assess the efficiency and effectiveness of IT processes governing management of identities and access to DFPS IT resources.
Third-Party Access to DFPS Data	<i>Preliminary Objective:</i> Identify and evaluate the controls over third parties who are granted access to DFPS data, both through data exchanges or access to DFPS systems.
Ethics Assessment	<i>Preliminary Objective:</i> Assess, as required under audit standards, the agency’s design, implementation, and effectiveness of its ethics-related objectives and programs.
Review of Contracting Processes and Controls for SB 65	<i>Preliminary Objective:</i> Perform a review and assessment of Contract Oversight and Support (COS) processes and controls for monitoring agency contracts.

Additionally, three consulting and/or special projects were included in the FY 2020 Annual Audit Plan.

Consulting Service	Preliminary Engagement Objective	Comments
PCS Substance Abuse Expenditures	Review expenditures of substance abuse services for clients and identify potential means to align expenditures with appropriations.	Status - Planning Phase

Consulting Service	Preliminary Engagement Objective	Comments
CPS – Preparation for Adult Living (PAL)	Research best practices information in the areas of PAL workload and structure.	Status - Not Yet Started
Adult Protective Services (APS)	Review APS District Review process and identify efficient and effective controls to ensure appropriate and consistent follow-up of results is performed.	Status - Not Yet Started

## Other Internal Audit Activities

Other Internal Audit Activities include the following:

- Training and Staff Development (CPE)
- Internal Audit Annual Report
- Internal Audit Staff Meetings
- Risk Assessment and Annual Audit Plan for FY 2021
- External Audit Coordination - Internal Audit provides an external audit liaison service that includes coordinating and providing a single point of contact for all audits of DFPS by external audit entities (e.g., CLA, SAO, federal audits, etc.)
- Legislative Coordination
- Internal Audit quality assurance and improvement program
- Internal Audit process and TeamMate Enhancements

Internal Audit also participates in committees and workgroups in an advisory role, such as:

- Executive Team Meetings
- Texas Family and Protective Services Council
- Data Council
- IT Governance Meetings
- Critical Case Meetings
- DFPS Wellness Council
- Accessibility Workgroup
- DFPS Grants Council
- State Agency Internal Audit Forum (SAIAF)

## **Risk Assessment Methodology**

In June 2019, the Internal Audit Division sent a risk assessment survey to various levels of DFPS management for purposes of assessing risk on agency activities and functions identified for the risk assessment process. A second survey was made available in July 2019 to all DFPS employees to submit input.

The Internal Audit Division interviewed Executive Management and other key staff from June to August 2019, to discuss potential risk issues for their respective divisions and gain their perspective on the agency's areas of highest risk. The results from these communications and the risk factors below were used by Internal Audit when identifying activities and functions to include in the annual audit plan:

- Service Delivery
- Potential Fraud, Waste or Abuse
- Extent of State/Federal Requirements
- Negative Publicity/Loss of Credibility
- Fiscal Operations
- Security, Confidentiality and Privacy
- Performance Indicators
- Complexity of Operations
- Extent of Oversight/Monitoring
- Executive Management Input and Other Considerations

The results of the scoring were used to identify the activities and functions that were included in the FY 2020 Annual Audit Plan.

Auditing standards require the Internal Audit Director to communicate periodically to senior management on significant risk exposures, control issues, corporate governance issues, and other matters as appropriate. By communicating these high-risk areas, management has the opportunity to review and assess operations to mitigate risk. The audit plan is one of the mechanisms used to communicate risk exposures.

## **High Risk Areas Not Included in the Plan**

Additional high risk areas listed below were identified in the risk assessment process and could be added to the annual audit plan as projects are completed and resources become available. Projects on the plan may also be replaced with projects related to higher risk areas, if there are significant changes to the risk environment during the year.

- Community – Based Care
- Center for Learning and Organizational Excellence (CLOE)
- Hiring Processes

- Information Security Policy and Awareness

DFPS management understands the limitations of audit coverage and the risks assumed by management in the areas not audited and may take steps to review controls in these areas.

## **VI. External Audit Services Procured in FY 2019**

DFPS did not procure external audit services in FY 2019.

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

Regarding requirements of the General Appropriations Act, Section 7.9, Fraud Reporting, 84th Legislature, the home page of DFPS internet and the Internal Audit Division's intranet page provide instructions for reporting suspected fraud, waste and abuse involving DFPS programs directly to the State Auditor's Office (SAO). The home page includes a link to SAO fraud hotline information and a link to the SAO website for fraud reporting.

Health and Human Services (HHS) enterprise policy concerning fraud, waste, and abuse was established in HHS Circular C-027, *Health and Human Services Enterprise Fraud Waste, and Abuse Reporting, Responsibilities, and Coordination*. The circular includes instructions for reporting suspected fraud, including involving state funds, to both the SAO and the Health and Human Services Commission (HHSC) Office of Inspector General. DFPS Internal Audit coordinates with DFPS General Counsel, the SAO, and the HHSC Office of Inspector General to address the responsibilities of the respective agencies in meeting this requirement.

DFPS Internal Audit also works with the SAO, as well as the HHSC Office of Inspector General, to ensure compliance with fraud reporting requirements in Chapter 321, Texas Government Code, Section 321.022.



## Additional Information Related to Contract Audits

To assist the SAO with their assessment under Senate Bill 65, Internal Audit has identified each audit report related to agency contracts and contract processes and controls completed in the last five years (September 1, 2014 through August 31, 2019).

<p>Audit of Quality of Services In CPS Regional Contracts</p> <p>Report: 2015-04 Issued: August 25, 2015</p>	<ol style="list-style-type: none"><li>1) Follow-up Audit Report: Reviewed management action plans for 2 recommendations– 2 In-Progress for Report 2015-04. Report: 2016-05 Issued: June 28, 2016</li><li>2) Follow-up Audit Report: Reviewed management action plans for 7 recommendations– 4 Implemented and 3 In-Progress for Report 2015-04. Report: 2016-09 Issued: December 20, 2016</li><li>3) Follow-up Audit Report: Reviewed management action plans for 2 recommendations– 1 Implemented and 1 In-Progress for Report 2015-04. Report: 2017-07 Issued: April 21, 2017</li><li>4) Follow-up Audit Report: Reviewed management action plans for 2 recommendations– 1 Implemented and 1 In-Progress for Report 2015-04. Report: 2017-08 Issued: February 26, 2018</li></ol>
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<p>Audit of Transitional Living Services</p> <p>Report: 2015-05 Issued: December 22, 2015</p>	<ol style="list-style-type: none"> <li>1) Follow-up Audit Report: Reviewed management action plans for 2 recommendations – 2 Implemented for Report 2015-05. Report: 2016-05 Issued: June 28, 2016</li> <li>2) Follow-up Audit Report: Reviewed management action plans for 9 recommendations – 6 Implemented and 3 In-Progress for Report 2015-05. Report: 2016-09 Issued: December 20, 2016</li> <li>3) Follow-up Audit Report: Reviewed management action plans for 4 recommendations – 2 Implemented and 2 In-Progress for Report 2015-05. Report: 2017-07 Issued: April 21, 2017</li> <li>4) Follow-up Audit Report: Reviewed management action plans for 3 recommendations – 3 Implemented for Report 2015-05. Report: 2017-08 Issued: February 26, 2018</li> </ol>
<p>Audit of Child-Specific Contract Processes</p> <p>Report: 2016-06 Issued: December 13, 2016</p>	<ol style="list-style-type: none"> <li>1) Follow-up Audit Report: Reviewed management action plan for 1 recommendation – 1 In-Progress for Report 2016-06. Report: 2017-07 Issued: April 21, 2017</li> <li>2) Follow-up Audit Report: Reviewed management action plans for 4 recommendations – 1 Implemented and 3 In-Progress for Report 2016-06. Report: 2017-08 Issued: February 26, 2018</li> </ol>

Internal Audit Annual Report – Fiscal Year 2019

<p>Consulting Engagement on the Structure and Processes of PCS</p> <p>Report: 2018-01 Issued: May 7, 2018</p>	<p>Follow-up Audit Report: N/A</p>
<p>Consulting Engagement for the Review of Prevention and Early Intervention Contract Management</p> <p>Report: 2018-02 Issued: July 2, 2018</p>	<p>Follow-up Audit Report: N/A</p>
<p>IMPACT Modernization Project Management Audit</p> <p>Report: 2019-03 Issued: May 8, 2019</p>	<p>Follow-up Audit Report: Not Started</p>
<p>Consulting Engagement for Adult Protective Services – Purchased Client Services</p> <p>Report: 2019-05 Issued: August 5, 2019</p>	<p>Follow-up Audit Report: N/A</p>