



TEXAS CIVIL COMMITMENT OFFICE

MARSHA MCLANE
EXECUTIVE DIRECTOR

October 24, 2016

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

Dear Ladies and Gentlemen,

The 84th Legislature increased the Texas Civil Commitment Office's annual operating budget for the 2016/2017 biennium to exceed \$10 million. As a result, the Texas Internal Audit Act became applicable and a program of internal auditing was initiated in fiscal year 2016.

In accordance with Texas Government Code Section 2102.009, I am submitting to you the first annual report on the activities of the Internal Audit Department of the Texas Civil Commitment Office. The report provides the content as prescribed by the *State Auditor's Office Fiscal Year 2016 Guidelines for Submitting and Posting the Internal Audit Annual Report and Periodic Internal Audit Reports*.

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) 834-4595.

Sincerely,


Scott Hornung, 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 2016
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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 2017 Internal Audit Plan was presented to and approved by the Board of the Texas Civil Commitment Office at the September 9, 2016 meeting. The plan was subsequently posted to the agency's web site the following week.

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 has been presented to the Board of the Texas Civil Commitment Office and the agency's executive administration. Upon approval from the board chairman the report will be 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.

No weaknesses, deficiencies, wrongdoings, or others concerns were identified while preparing the 2016 and 2017 risk assessment to develop the fiscal years 2016 and 2017 audit plans. While preparing this 2016 Internal Audit Annual Report it was noted that although the agency's web site includes a link to the State Auditor's website to report fraud and abuse, the Texas Civil Commitment Office's policies did not provide employees with instructions on how to report suspected fraud involving state funds to the state auditor as required in Article IX, Section 7.09(b) of the General Appropriations Act. Additionally, there was no written policy directing the Executive Director to report suspected loss, misuse, misappropriation, or possible fraudulent or unlawful conduct to the State Auditor's Office. The Texas Civil Commitment Office is currently conducting a comprehensive review and update of all policies and addressed these weaknesses by revising Policy 1.10, *Texas Civil Commitment Office Ethics Policy*, effective October 15, 2016.

II. Internal Audit Plan for Fiscal Year 2016**Audit number:** 1601**Report title:** A Follow-up Audit Report on the State Auditor's Report on the Office of Violent Sex Offender Management**Report date:** September 1, 2016**Status:** Completed. Although the final report was issued the first day of fiscal year 2017, it is included in this Fiscal Year 2016 Internal Audit Annual Report. This follow-up audit concluded management implemented all recommendations made by the State Auditor's Office.

III. Consulting Services and Nonaudit Services Completed

No consulting services or nonaudit services were performed in fiscal year 2016.

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 2017

Audit Title: Littlefield Case Management

Audit Number: 1701

Budgeted Hours: 250

Description:

The Texas Civil Commitment Office is responsible to provide supervision and treatment services to civilly committed sex offenders. Case managers are the individuals tasked with monitoring and documenting the client's progress. In addition, they interact with contract providers related to treatment and supervision issues such as disciplinary actions.

Client records are maintained on a web-based program known as Corrections Software Solutions (CSS). This electronic record is built through electronic transfer of data from external agencies such as the Texas Department of Criminal Justice and by direct data entry by Texas Civil Commitment Office and contract employees. Data in the CSS record is used for all decisions related to the client's commitment.

This audit has been included as the fiscal year 2017 audit plan with the objectives to determine: (1) the completeness and validity of client records within the Corrections Software Solution database; and, (2) whether case managers are compliant with recording contact and treatment information in the CSS.

Limitation or restriction in the General Appropriation Act or Contract Management

This audit does not address benefits proportionality, expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act. It does address contract monitoring of certain contract requirements to ensure the state is receiving services as specified in contract documents. In addition, as this is the agency's first Internal Audit Annual Report, it should be noted the 2016 follow up audit to the State Auditor's report included several recommendations associated with Senate Bill 20 requirements related to procurement and contract management.

Additional Risks ranked as "high" identified, but not included on the fiscal year 2017 audit plan.

No other areas identified as high risk were excluded from the fiscal year 2017 audit plan.

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 26 full-time employees and a fiscal year 2016 budget of just under \$14,000,000. Approximately 75% 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 and a conclusion was drawn regarding the effectiveness of the system of internal controls.

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 2016

No external audit services were procured in fiscal year 2016.

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.
 - Included a link on the Texas Civil Commitment Office website to the Health and Human Services Commission Office of the Inspector General to report fraud, waste, and abuse
- (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 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.

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.