Internal Audit Annual Report

Fiscal Year 2020

October 2020

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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) 2020 and planned work during FY 2021 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 2021 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 or by telephone at (512) 438-3365.

I. Compliance with Texas Government Code, Section 2102.015

In November 2020, DFPS will post on the agency's public website the FY 2020 Internal Audit Annual Report, which includes the approved FY 2021 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 2020 Internal Audit recommendations for each audit and reports on the progress towards the implementation of those recommendations.

The FY 2021 Annual Audit Plan was approved by the DFPS Commissioner on August 25, 2020 and was posted to the agency's public website on September 15, 2020.

II. Internal Audit Plan for FY 2020

Audit Project	Project Status
Audit of Overtime Hours Report: 2018-06	Completed Report Date: October 14, 2019
Audit of CPS/CPI Mentor Program Report: 2019-01	Completed Report Date: February 6, 2020
Follow-up on Prior Audit Findings Report: 2020-04	Completed Report Date: August 18, 2020
Identity and Access Management Audit	Status – Fieldwork Phase Carried Forward to FY 2021 Annual Audit Plan
Audit of Children's Income Accounts	Status – Fieldwork Phase Carried Forward to FY 2021 Annual Audit Plan
Third Party Access to DFPS Data	Status – Not started Carried Forward to FY 2021 Annual Audit Plan
Child Protective Investigations	Removed from the FY 2020 Annual Audit Plan and replaced with the management requested Child Fatality with Prior Agency involvement Consulting Engagement.

Audit Project	Project Status
Procurement to Payment Cycle	Removed from FY 2020 Annual Audit Plan and replaced with the joint HHS/DFPS Internal Audit Cost Allocation Consulting Engagement. This was identified as priority by management from both agencies and will require significant audit resources from both IA Divisions to complete.

Audit of Overtime Hours (2018-06)

Internal Audit has identified the following opportunities to improve oversight of overtime and reinforce understanding at all levels of overtime policies:

- Establishing processes for distributing overtime reports based on monitoring needs at each level
- Creating and executing a new communications campaign to clarify policies
- Introducing training on overtime reporting
- Implementing reminders for time entry and approval

Additional opportunities were identified in the report to minimize unnecessary overtime and increase efficiency and effectiveness of preapproval processes.

Audit of CPI/CPS Mentor Program (2019-01)

Internal Audit identified opportunities to improve the efficiency and effectiveness of CPS/CPI mentor program administration processes by:

- Pursuing an IT solution for CPS/CPI mentor program administration.
- Performing regular verifications or reconciliations between CAPPS and regional tracking mentor stipend data.
- Defining a process for communicating and requesting changes to mentor assignment dates.

Internal Audit also identified opportunities to increase the consistency of fulfilling roles and responsibilities as intended to meet mentor program requirements. Efforts should focus on the following:

- Evaluating FTS responsibilities and determining an appropriate balance between FTS essential job functions and related administrative activities.
- Finalizing revisions to the CPS/CPI Mentor Handbook and creating additional guidance, as necessary, to clearly define CPS/CPI and FTS responsibilities and requirements from an operational perspective.
- Identifying opportunities to further streamline and modify the Individualized Training Plan (ITP) components.
- Defining minimum requirements for completing the ITP and Competency Evaluation and responsibilities in the review process.
- Creating an ongoing training course designed specifically for mentors.
- Implementing a more comprehensive process for evaluating mentors.
- Implementing enhancements to formalize the process for resolving conflicts between mentors and protégés.

Follow-up on Prior Audit Findings (2020-04)

Internal Audit completed a follow-up review of prior internal audit recommendations with implementation dates due as of March 31, 2020 and responsible parties from Contract Oversight and Support (COS), Finance, Human Resources (HR), Information Technology (IT), and Statewide Intake (SWI). This included a total of 25 recommendations from seven internal audit reports.

Based on validation work performed, 21 (84%) of the 25 recommendations have been implemented. The remaining 4 (16%) recommendations are not implemented as management has taken other actions to mitigate the risks or the recommendation is no longer applicable

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 2020.

Consulting Service or Nonaudit Service	Project Status
Consulting Engagement - Information Technology Risk Assessment Report: 2019-04	Completed Issued: November 5, 2019
Consulting Engagement for Substance Abuse Purchased Client Services Report: 2020-01	Completed Issued: May 26, 2020
DFPS Ethics Assessment Report: 2020-03	Completed Issued: July 16, 2020
Consulting Engagement for Cost Allocation Process - Phase I DFPS/HHS - Joint Internal Audit Project Report: 20-04-024	Completed Issued: July 2020 by HHSC IA Added to the FY 2020 Annual Audit Plan. This project was jointly requested by management from both agencies and replaced the prior approved Procurement to Payment Cycle audit.
Child Fatalities with Prior Agency Involvement Consulting Engagement	Status: Fieldwork Phase Added to the FY 2020 Annual Audit Plan. This project is aligned with efforts to improve CPI/CPS outcomes and replaced the previously approved CPI audit.

Consulting Service or Nonaudit Service	Project Status
Review of Contracting Processes and Controls for SB 65	Removed from FY 2020 Annual Audit Plan. Internal Audit has met with Contract Oversight and Support (COS) Division multiple times during FY 2020 in a consultative role to discuss the development of the new COS risk assessment. The COS risk assessment has been significantly re-designed and is now operational. Internal Audit attended a detailed presentation of finalized COS risk assessment tool. Given the multiple meetings between IA and COS and the completion of their new RA tool, the value of performing this assessment appears limited.

Consulting Engagement Information Technology Risk Assessment (2019-04)

The objective of the engagement was to identify areas of technology risk in order to prioritize internal audit work for fiscal year 2020. Internal Audit identified DFPS's IT assets and objectives. Internal Audit also estimated the likelihood and magnitude of impacts to the assets and objectives on DFPS finances and operations. The scope of this assessment was only able to identify the assets, objectives, and impacts at a high level.

Based on the assessment, Internal Audit included audit projects on Identity and Access Management and Third-Party Access to DFPS Data on the FY 2020 Audit Plan.

Consulting Engagement for Substance Abuse Purchased Client Services (2020-01)

Internal Audit's objectives for the consulting engagement included the following:
- Identify areas with potential cost savings within current use of drug testing
- Analyze impacts on internal and external stakeholder groups related to substance abuse purchased client services
- Identify potential factors regarding procurement or vendor management for consideration in future contracts related to purchased drug testing within client services

Internal Audit also identified considerations to reduce drug testing costs:
- Consider strategies to reduce the number of individuals being tested, primarily within the Investigation (INV) stage.

- Consider practices used by other entities to balance the treatment and cost-

effectiveness of urine analysis, primarily within Family Preservation (FPR) or Substitute Care (SUB) stages.

- Increase monitoring over hair testing by enforcing approval policies and regularly monitoring data for accelerated patterns of utilization.
- Establish statewide data collection and reporting guidelines related to drug testing, costs, and client outcomes, including information from services provided by other entities for DFPS clients.

DFPS Ethics Assessment (2020-03)

Internal Audit's objective for the ethics assessment was to assess DFPS's ethics-related objectives, programs, and activities identifying strengths and potential suggestions to improve overall program effectiveness.

Internal Audit identified areas that could be enhanced to further improve the overall effectiveness of DFPS ethics-related programs and activities. Suggestions for management's consideration are provided below.

- Add or update references throughout policies, trainings and agency web pages to reflect DFPS specific policies, including the DFPS Ethics Policy, to ensure employees are directed to the most current ethics-related information relevant to DFPS.
- Publish the DFPS Ethics Policy on the agency's public website to further promote DFPS ethics-related objectives to external stakeholders.
- Develop additional strategies or resources to enhance the effectiveness of ethics-related communications for agency employees, such as an updated ethics intranet site or interactive items including brochures, presentations, or videos.
- Perform periodic reviews of Monthly Training Report outlier data to strengthen data accuracy and completeness and identify areas for follow-up or additional action to reinforce compliance with ethics-related training requirements.
- Continue to explore opportunities to enhance process efficiency in monitoring contracting and procurement staff compliance with the agency policy requirement for annual ethics training using system-generated reports.
- Assess future resource needs to consider whether a dedicated full-time equivalent (FTE) ethics officer position or other resource options, such as regional subject matter experts, would be cost-effective to further meet agency needs based on overall program goals and objectives.

DFPS information and practices consistent with effective ethics-related programs and activities include the following:

- Formal employee conduct policy, agency ethics policy, and policies for agency staff involved in contracting.
- Designated agency resource in the Office of General Counsel for ethics guidance and policy interpretation.
- Relevant policies and information communicated using a variety of methods.

- Easily, accessible ways for confidential reporting of alleged violations of the code of conduct, policies, and other acts of misconduct.
- Relevant trainings at appropriate intervals with examples of ethical decision-making scenarios.
- Background checks conducted as part of hiring procedures; for contractors who provide purchased client services; and for non-agency staff with a business need for direct access to clients, client information, IT resources or facilities.
- Regular declarations from contracting and procurement staff and Contract Signature Authorities certifying adherence to non-disclosure and conflict of interest provisions.

Consulting Engagement for Cost Allocation Process – Phase I (20-04-024)

This engagement is a joint project with HHS Internal Audit and DFPS Internal Audit. The objective was to review support for selected HHS administrative costs and determine the reasonableness of the cost allocation methodologies based on services performed. The scope of Phase I included 34 departments within the Office of Chief Operating Officer, Financial Services, Information Technology Services, Performance, System Support Services, and Transformation and Innovation.

Consulting work included interviewing management and staff across HHS and DFPS, reviewing relevant documentation, and performing the procedures below:

- Surveyed 34 departments selected for review in Phase I
- Researched public and private industry best practices
- Developed potential cost allocation methodologies and obtained feedback

Of the 34 HHSC departments reviewed, alternatives to further enhance alignment of cost allocation with services and work performed were developed for 27 departments. In addition, general items related to the cost allocation and monthly invoicing processes are listed for management consideration.

IV. External Quality Assurance Review

An external peer review of DFPS Internal Audit was conducted in FY 2020, 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 2016 through August 2019.

Tammara West, CIA, CGAP, CRMA, Assistant Audit Manager, Department of Public Safety was the SAIAF Peer Review Team Leader. Other members of the team included Katambra
Rose, Senior Internal Auditor, Department of Public Safety and Jennifer Wu, Information Technology Auditor, Department of Public Safety.

Excerpt from "Report on the External Quality Assurance Review of the Department of Family and Protective Services Internal Audit Department" January 2020.

OVERALL OPINION

"It is our opinion that the Department of Family and Protective Services (DFPS) Internal Audit Department (IAD) 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 Auditing 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 IAD.

The IAD is independent, objective, and able to render impartial and unbiased judgments. Staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported by working papers; and findings and recommendations are communicated clearly and concisely. The IAD is well managed, has effective relationships with the Acting Commissioner, and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate the IAD is integrated into the agency and is a useful part of its operations. In addition, audit processes and report recommendations add value and improve the agency.

The IAD has reviewed the peer review team's results and has accepted them to be an accurate representation of the IAD's operations."

V.   Internal Audit Plan for FY 2021

The approved FY 2021 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 8,900 budgeted hours to projects in the FY 2021
Annual Audit Plan. The FY 2021 budgeted hours is based on 4 auditors, 1 audit coordinator, 1
IT auditor,
1.75 audit managers, and 1 assistant director which totaled 8,900 hours.

Audit Area	Audit Objectives
Children's Income Accounts Audit Carried Forward from FY 2020 Annual Audit Plan	Assess Children's Income Accounts control processes for efficiency and prevention and detection of losses and inaccuracies. • Evaluate the design and effectiveness of manual control processes. • Evaluate the design and effectiveness of general and application IT controls over processes. Assess agency IT risks within CIA processes. • Level of utilization of technology by program process (IT alignment) • Program area's independent acquisition of information technology ("shadow IT") • Privacy and information security awareness
Identity and Access Management Audit Carried Forward from FY 2020 Annual Audit Plan	Determine that adding, changing, and removing identities on DFPS systems occurs within a timeframe to reduce risk and increase efficiency. Determine if DFPS identities are provisioned and maintained with the least privilege necessary. Also, determine that identities are provisioned with sufficient access to perform their roles.
Third-Party Access to DFPS Data Carried Forward from FY 2020 Annual Audit Plan	*Preliminary Objective:* Identify and evaluate the controls over third parties who are granted access to DFPS data, both through data exchanges or access to DFPS systems.
Human Resources	*Preliminary Objective*: Assess the effectiveness of Human Resources operations to ensure processes are efficient, consistently performed and meeting the agency's needs.

Audit Area	Audit Objectives
Child Care Investigations	*Preliminary Objective:* Assess the efficiency and effectiveness within the Child Care Investigations division operations to ensure processes are working as intended.
Records Management	*Preliminary Objective:* Evaluate the effectiveness of Records Management operations to ensure efficiency, timeliness, and that performance consistently meets the agency's goals and objectives. Also, to ensure appropriate safeguards are in place for records managed by the Records Management Group.
Follow-up on Prior Audit Findings	*Preliminary Objective:* Determine the status of management actions in response to audit recommendations.

Additionally, one consulting project was carried forward from the FY 2020 Annual Audit Plan. Consulting services may be conducted as requested by Executive Management. Internal Audit has allocated 1,750 hours for consulting engagements to be performed during FY 2021. Specific consulting project areas will be determined throughout the year based on risk and discussions with or requests from agency leadership.

Consulting Service	Engagement Objective	Comments
Child Fatalities with Prior Agency involvement Consulting Carried Forward from FY 2020 Annual Audit Plan	Performs analysis of child fatality cases with prior agency involvement and provide analysis results to assist in identifying on-going cases with a higher potential for child fatality due to non-compliance with agency policy/procedure or other applicable factors as determined by the analysis performed.	Status - Fieldwork Phase

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 2022
- 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 policies and procedures refresh to comply with new Yellow Book Standards
- TeamMate enhancements
- Internal Audit office building relocation

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

- Executive Team Meetings
- Texas Family and Protective Services 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 July 2020, the Internal Audit Division sent a risk assessment survey to DFPS directors, managers, and other key personnel for purposes of assessing risk on agency activities and functions identified for the risk assessment process.

The Internal Audit Division interviewed Executive Management from July to August 2020, 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 2021 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.

Methods for Ensuring Compliance with Contract Processes and Controls

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.

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)
- Quality Outcomes of Purchased Client Services

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 2020

DFPS did not procure external audit services in FY 2020.

VII. Reporting Suspected Fraud and Abuse

Regarding requirements of the General Appropriations Act, Section 7.09, Fraud Reporting, 86th 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 investigation coordination requirements in 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, 2015 through August 31, 2020).

Audit of Quality of Services In CPS Regional Contracts Report: 2015-04 Issued: August 25, 2015	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 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 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 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 5) Follow-up Audit Report: Reviewed management action plan for 1 recommendation– 1 Implemented for Report 2015-04. Report: 2020-04 Issued: August 18, 2020

Audit of Transitional Living Services Report: 2015-05 Issued: December 22, 2015	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 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 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 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
Audit of Child-Specific Contract Processes Report: 2016-06 Issued: December 13, 2016	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 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

Consulting Engagement on the Structure and Processes of PCS Report: 2018-01 Issued: May 7, 2018	Follow-up Audit Report: N/A
Consulting Engagement for the Review of Prevention and Early Intervention Contract Management Report: 2018-02 Issued: July 2, 2018	Follow-up Audit Report: N/A
IMPACT Modernization Project Management Audit Report: 2019-03 Issued: May 8, 2019	Follow-up Audit Report: Reviewed management action plan for 12 recommendations– 11 Implemented and 1 risk addressed through other actions for Report 2019-03. Report: 2020-04 Issued: August 18, 2020
Consulting Engagement for Adult Protective Services – Purchased Client Services Report: 2019-05 Issued: August 5, 2019	Follow-up Audit Report: N/A
Consulting Engagement for Substance Abuse Purchased Client Services Report: 2020-01 Issued: May 26, 2020	Follow-up Audit Report: N/A