



**TEXAS**  
Department of Family  
and Protective Services

# **Internal Audit Annual Report**

**Fiscal Year 2023**

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October 2023



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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) 2023 and planned work during FY 2024 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 2024 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 Chief Audit Officer, by email at [Chance.Watson@dfps.texas.gov](mailto:Chance.Watson@dfps.texas.gov) or by telephone at (512) 929-6821.

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

In November 2023, DFPS will post on the agency's public website the FY 2023 Internal Audit Annual Report, which includes the approved FY 2024 Annual Audit Plan. The DFPS Internet site is located at: <https://www.dfps.texas.gov>.

The Annual Audit Report (see Section II) summarizes the FY 2023 Internal Audit recommendations for each audit and reports on the progress towards the implementation of those recommendations.

The FY 2024 Annual Audit Plan was approved by the DFPS Commissioner on September 27, 2023, and was posted to the agency's public website, on October 2, 2023.

## II. Internal Audit Amended Plan for FY 2023

The FY 2023 Internal Audit Plan was amended in April 2023 and posted to the agency’s public website on May 12, 2023. The tables below represent the amended version for internal audit and consulting /non audit services projects.

Audit Project	Project Status
Audit of DFPS Human Resources Hiring Process Report: 2021-05	Status- Completed Report Date: April 6, 2023
Follow-up on Prior Audit Findings Report: 2021-01	Status- Completed Report Date: December 12, 2022
Audit of Third-Party Access to DFPS Data Report: 2022-01	Status- Completed Report Date: May 9, 2023
DFPS Internal Audit Self-Assessment and External Quality Assurance Review	Refer to Section IV (External Quality Assurance Review) for Project Details
Ensuring Software Quality	Status- Fieldwork Phase Carried forward to FY 2024 Annual Audit Plan

Audit Project	Project Status
IT Staff Augmentation Contractor Controls	Status- Reporting Phase Carried forward to FY 2024 Annual Audit Plan
Audit of DFPS Travel Reimbursement Process	Status- Reporting Phase Carried forward to FY 2024 Annual Audit Plan
Prioritizing IT Project Portfolio	Status- Not Started Carried forward to FY 2024 Annual Audit Plan <i>Renamed- Information Technology Services (ITS) - IT Business Operations (ITBO)</i>
Follow-up on Prior Audit Findings	Status- Reporting Phase Carried forward to FY 2024 Annual Audit Plan

*Audit of DFPS Human Resources Hiring Process (2021-05)*

Internal Audit determined the organizational structure and function of DFPS HR Talent Acquisition Group (TAG) is designed to support efficient, consistent, and effective hiring processes for direct delivery positions. Internal Audit identified an opportunity to develop and implement a methodology for determining TAG performance targets based on defined, objective criteria.

Internal Audit recommended the following to improve the efficiency, consistency and effectiveness of human resources hiring processes and strengthen alignment in workforce management and employment activities for non-TAG hired positions:

- Implement a centralized location or dedicated webpage/site for hiring related resources. Also, update or incorporate suggested improvement considerations into existing resources to better meet agency hiring manager needs and expectations for performing hiring process activities.
- Collaborate with DFPS Background Checks, to incorporate information regarding the

new hire fingerprint requirement and due diligence form completion in the HR Manual or other polices where determined to be appropriate.

- Implement changes or alternate approaches to the salary determination process for new hires to gain efficiencies and reduce overall hiring time.
- Pursue the performance of a cost versus benefit assessment or other research and analysis, as applicable, focused on implementing organizational structure changes to improve hiring process efficiency and effectiveness.

*Follow-up on Prior Audit Findings (2021-01)*

Internal Audit completed a follow-up review to determine the implementation status of prior DFPS Internal Audit recommendations. Of the thirty-nine recommendations reviewed, thirty-one were substantially implemented. For two recommendations, Internal Audit determined that the risk had been addressed through other actions. The remaining six recommendations were determined to be in progress and closed due to the age of the recommendation. These six were communicated separately with management to address any remaining risks identified by Internal Audit.

*Audit of Third-Party Access to DFPS Data (2022-01)*

Internal Audit determined that DFPS has effectively implemented controls to reduce risk over third parties that are granted access to DFPS confidential data, both through data exchanges and access to DFPS systems. These controls also ensure the data exchanges are compliant with applicable laws, regulations, agreements, and policies. Internal Audit identified opportunities for improvement in the exchange of data through email (Data Leak Prevention Rules and Incompatibility of Email Encryption with Mobile Devices).

Internal audit recommended that DFPS Office of Information Security (OIS) should implement automated controls as appropriate and provide awareness or training for DFPS staff and vendors to prevent confidential information in subject lines. In addition, internal audit recommended that OIS should implement the following actions to mitigate the information security risk while helping promote timely placement of children:

- Promote alternatives to email to third parties, including MOVEit.
- Conduct a campaign to communicate to external partners beyond SSCCs the opportunity for a security assessment to help ease the burdens caused by email encryption.
- Perform a risk analysis balancing the impacts of information security and child protection to identify and implement email encryption controls.

### III. Consulting Services and Non-audit Services Completed

Internal Audit budgeted resources for DFPS Management Consulting Group (MCG) to complete consulting engagements in FY 2023. In February 2023, MCG transitioned to another division within DFPS. Internal Audit amended the FY 2023 audit plan in April 2023 and posted to the agency’s public website in May 2023.

Consulting engagements and non-audit 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 opportunities for improvement. This approach often allows management to address issues proactively before launching systems or newly developed processes. The table below identifies the consulting services and non-audit services projects MCG completed prior to transitioning out of the Internal Audit Division.

Consulting Services or Non-Audit Services	Project Status	Comment
APS District Review of Austin/El Paso District	Status- Completed Report Issued: October 2022	
Business Continuity Planning	Status- Completed Facilitated: October 2022	No written deliverable
CPS Placement Protocols	Status- Completed Report Issued: November 2022	
CLOE LAM Training Assessment	Status- Completed Report Issued: October 2022	



<p>FBCE Business Plan Prep Consultation</p>	<p>Status- Completed Facilitated: September 2022</p>	<p>No written deliverable</p>
<p>Budget Analyst Task Inventory</p>	<p>Status- Completed Report Issued: October 2022</p>	

***APS District Review of Austin/El Paso District***

MCG conducted an operational review of the Adult Protective Services (APS) Austin/El Paso (AEP) district, with a specific focus on four regional functional areas: processes, personnel, performance, and community engagement. The review provided suggestions to enhance the efficiency and effectiveness within the AEP district and statewide for APS. Additionally, a recurring theme across all these areas was the need for clear and more frequent communication. The review highlighted the accomplishment of the AEP leadership, who expressed a clear commitment to continuous improvement and actively worked towards identifying corrective measures.

***Business Continuity Planning***

Supported the Business Continuity Coordinator by facilitating discussions during Incident Command System (ICS) training and tabletop exercises. The aim was to increase regional management staff’s responsiveness to emergency disruptive situations and improve DFPS’s ability to continue with essential business functions until normal business operations are available.

***CPS Placement Protocols***

The consulting engagement was in response to recommendations from an external efficiency audit conducted in FY 2022 evaluating how DFPS uses its placement process to help protect children. At the request of CPS leadership, MCG reviewed and assessed the current child placement documentation policy to identify gaps or deviations in operations and make suggestions for process improvements to provide assurance that there are standardized placement protocols.

The review identified inconsistencies in child placement documentation stemming from various stages of a case and the extensive actions required for case management across multiple

programs which impacts the consistency of documentation maintained by caseworkers in IMPACT. MCG suggested the establishment of a cross-program and cross-region workgroup to address the inconsistencies in case documentation.

#### *CLOE LAM Training Assessment*

MCG facilitated the strategic planning process for the Leadership for Advanced Management (LAM) team. This involved “refreshing” the team’s vision and team message, which resulted in a new vision statement and tagline. MCG also conducted a survey to identify the training needs of mid to senior-level agency leaders. Based on responses from the training needs assessment survey, seven priorities and opportunities were summarized for the LAM team consideration.

#### *FBCE Business Plan Prep Consultation*

Prepared Faith-Based and Community Engagement (FBCE) regional coordinators to operationalize relevant portions of the Prevention and Community Well-Being division’s strategic plan into a business plan of action steps.

#### *Budget Analyst Task Inventory*

MCG facilitated focus group conversations with incumbent budget analysts to inventory tasks performed over a two-year financial cycle by analyst IV-V and manager positions. Subsequently, MCG created a survey for all Budget division staff to identify opportunities for improving support delivery. These efforts resulted in the development of two deliverables: a task analysis and the analysis and results of the survey.

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

An external peer review of DFPS Internal Audit was conducted in FY 2023, 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 1, 2019 through February 28, 2023.

Eleazar Garcia, CIA, CRMA, Chief Auditor, Texas Juvenile Justice Department was the SAIAF Peer Review Team Leader. Stephanie Valdez, CIA, CGAP, Deputy Chief Auditor, Texas Juvenile Justice Department was the SAIAF Peer Review Team Member.

*Excerpt from “Report on the External Quality Assurance Review of the Texas Department of Family and Protective Services Internal Audit Division” April 2023.*

#### 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 Division 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 internal audit function.

The Internal Audit Division has reviewed the results of the peer review team’s work and has accepted them to be an accurate representation of their operations.”

## **V. Internal Audit Plan for FY 2024**

The approved FY 2024 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 7,900 budgeted hours to projects in the FY 2024 for audit engagements and consulting services. The FY 2024 budgeted hours is based on 4 auditors, 1 IT auditor, 1 IT audit manager, 1 audit manager and 1 assistant director which totaled 7,900 hours.

Audit Area	Audit Objectives
<p>Audit of DFPS Travel Reimbursement Process</p> <p>Status- Reporting</p> <p>Carried forward from FY 2023 Annual Audit Plan</p>	<p>Objective I: To determine how the advance travel process could be more efficient and whether it meets the travel needs of the agency for the following sub objectives:</p> <ul style="list-style-type: none"> <li>• Analyze causes of delay and returns of travel settlements.</li> <li>• Identify obstacles for APS/CPI/CPS new hires receiving Advance Travel.</li> <li>• Analyze impact of eligibility restrictions for requesting Advance Travel.</li> </ul> <p>Objective II: To evaluate DFPS travel claims processes for compliance with timeliness requirements. Also, to assess claims reimbursement process efficiency and to identify opportunities to reduce delays or constraints for the following sub objectives:</p> <ul style="list-style-type: none"> <li>• Identify potential delays in transferring information from CAPPS to the eTravel application.</li> <li>• Analyze potential causes of delayed or returned travel reimbursements.</li> <li>• Analyze the frequency and distribution of claim submissions by the traveler.</li> </ul> <p>Objective III: To identify potential improvements to oversight of reviewing and approving claims.</p>

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Audit Area	Audit Objectives
<p>IT Staff Augmentation Contractor Controls</p> <p>Status- Reporting</p> <p>Carried forward from FY 2023 Annual Audit Plan</p>	<p>Evaluate the effectiveness of the vendor solicitation and candidate selection processes for IT Staff Augmentation contractors to ensure compliance with relevant Department of Information Resources (DIR) and State of Texas purchasing requirements. Also, determine that process controls in place promote consistency and objectivity in acquiring IT staffing services.</p>
<p>Ensuring Software Quality</p> <p>Status- Fieldwork</p> <p>Carried forward from FY 2023 Annual Audit Plan</p>	<p>To determine controls are in place to ensure the efficient and effective development of quality software that conforms to functional and non-functional requirements .</p>
<p>Follow-up on Prior Audit Recommendations</p> <p>Status- Reporting</p> <p>Carried forward from FY 2023 Annual Audit Plan</p>	<p>Determine whether management actions appropriately address DFPS IA prior audit recommendations.</p>
<p>Legal / Office of Information Security (OIS) - Privacy Controls and Awareness</p>	<p><i>Preliminary Objective:</i> Determine that DFPS privacy practices are effective and compliant.</p>
<p>Information Technology Services (ITS) - IT Business Operations (ITBO)</p> <p>Carried forward from FY 2023 Annual Audit Plan- Previously named <i>Prioritizing IT Project Portfolio</i></p>	<p><i>Preliminary Objective:</i> Determine that ITS processes for budgeting and estimation provide reliable, accurate results.</p>

Audit Area	Audit Objectives
Concurrent Stages	<i>Preliminary Objective:</i> Assess the effectiveness of concurrent stage process, review alignment of policies/procedures to ensure the process is working as intended
Child Care Investigations	<i>Preliminary Objective:</i> Assess the effectiveness and efficiency of training and alignment with business practices within the Child Care Investigations division operations to ensure processes are working as intended.
Adoption Purchased Services	<i>Preliminary Objective:</i> Assess whether payments made to adoption agencies for administrative costs associated with adoption services are compliant with agency policies.
Information Technology (IT) Risk Assessment	<i>Preliminary Objective:</i> Assess agency information technology risks by identifying risk events and potential impacts in DFPS IT environment.
Follow-up on Prior Audit Recommendations	<i>Preliminary Objective:</i> Determine whether management actions appropriately address DFPS IA prior audit recommendations

Consulting services may be conducted as requested by Executive Management. Internal Audit has allocated 1,000 hours for consulting engagements to be performed during FY 2024. Specific consulting project areas will be determined throughout the year based on identified agency and/or divisional need and discussions with or requests from agency leadership.

Consulting Area	Preliminary Objective
Impact of Technology Debt	In coordination with ITS and OIS, evaluate the impact of obsolete, unsupported systems on program and administrative functions.

## 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 2025
- 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, etc.)
- Legislative Coordination
- Internal Audit quality assurance and improvement program
- Internal Audit policies and procedures update to comply with new IIA Standards
- Development of Internal Audit Strategic Plan
- Project sponsor for University of Texas at Austin IA Student group Spring 2024 semester

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
- Accessibility Workgroup
- Legislative Workgroup
- State Agency Internal Audit Forum (SAIAF)

## Risk Assessment Methodology

In August 2023, the Internal Audit Division sent an agency-wide risk assessment survey to all DFPS employees to submit input for the purposes of assessing risks on agency activities and its functions for the risk assessment process.

The Internal Audit Division interviewed Executive Management and division leadership during August 2023 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:

- Governance and Culture
- Strategy and Objective Setting
- Performance
- Risk and Revision
- Information, Communication, and Reporting

- Executive Management Input and Other Considerations

Auditing standards require the Chief Audit Officer 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)
- Community Based Care (CBC) Contracts is responsible for monitoring and managing contract activities for Single Source Continuum Contractor (SSCC).

DFPS Internal Audit division/department oversees and coordinates the following:

- Oversees internal audits related to contract monitoring and coordinates related external audits that are performed. This includes coordinating the SAO annual audit of performance-based contracts.



## 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.

- Business Continuity and Disaster Recovery
- Child Watch Expenditures
- Program Quality Assurance

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 2023

DFPS did not procure external audit services in FY 2023.

## VII. Reporting Suspected Fraud and Abuse

Regarding requirements of the General Appropriations Act, Section 7.09, Fraud Reporting, 86<sup>th</sup> and 87<sup>th</sup> Legislature, the home page of DFPS internet, Internal Audit and Legal Division's intranet pages as well as DFPS Ethics Policy provide instructions for reporting suspected fraud, waste and abuse involving DFPS programs directly to the State Auditor's Office (SAO). The home and intranet pages include a link to SAO fraud hotline information and a link to the SAO website for fraud reporting.

Health and Human Services (HHS) System policy concerning fraud, waste, and abuse was established in HHS Circular C-027, *Health and Human Services System 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, 2018, through August 31, 2023).

<p>Audit of Residential Foster Care Contract Monitoring</p> <p>Report: 2014-01 Issued: July 24, 2014</p>	<p>Follow-up Audit Report: Reviewed management action plans for two recommendations- 2 Implemented for report: 2014-01 Report: 2021-01 Issued: December 12,2022</p>
<p>Audit of Quality of Services in CPS Regional Contracts</p> <p>Report: 2015-04 Issued: August 25, 2015</p>	<p>1) Follow-up Audit Report: Reviewed management action plan for one recommendation– 1 Implemented for Report 2015-04. Report: 2020-04 Issued: August 18, 2020</p> <p>2) Follow-up Audit Report: Reviewed management action plan for eight recommendations– 6 Implemented, one Closed In Progress and one Risk Addressed Through Other Actions for Report 2015-04. Report: 2021-01 Issued: December 12, 2022</p>

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<p>Audit of Child-Specific Contract Processes</p> <p>Report: 2016-06 Issued: December 13, 2016</p>	<p>Follow-up Audit Report: Reviewed management action plans for two recommendations – 1 Implemented and 1 Risk Addressed Through Other Actions for Report 2016-06. Report: 2021-01 Issued: December 12,2022</p>
<p>IMPACT Modernization Project Management Audit</p> <p>Report: 2019-03 Issued: May 8, 2019</p>	<p>Follow-up Audit Report: Reviewed management action plan for twelve recommendations– 11 Implemented and 1 Risk Addressed Through Other Actions for Report 2019-03. Report: 2020-04 Issued: August 18, 2020</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>
<p>Consulting Engagement for Substance Abuse Purchased Client Services</p> <p>Report: 2020-01 Issued: May 26, 2020</p>	<p>Follow-up Audit Report: N/A</p>
<p>Consulting Engagement for the Reconciliation Process of Supplemental Payments for 24-hours Awake Supervision</p> <p>Report: 2021-02 Issued: April 28, 2021</p>	<p>Follow-up Audit Report: N/A</p>

<p>Audit of Third-Party Access to DFPS Data Report: 2022-01 Issued: May 9, 2023</p>	
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