



TEXAS
Department of Family
and Protective Services

Internal Audit Annual Report

Fiscal Year 2024

October 2024

Table of Contents

- Executive Summary 1
- I. Compliance with Posting Requirements 1
- II. Internal Audit Plan for FY 2024 2
- III. Consulting Services and Non-audit Services Completed 4
- IV. External Audit Services Procured 5
- V. External Quality Assurance Review (Peer Review) 5
- VI. Internal Audit Plan for FY 2025 6
 - Planned Engagements 6
 - Advisory Services 6
 - Internal Audit Projects in Progress 6
 - Other Internal Audit Project Areas 6
 - Other Internal Audit Activities 10
 - High Risk Areas Not Included in the Plan 10
 - Risk Assessment Methodology 11
 - Methods for Ensuring Compliance with Contract Processes and Controls 11
- 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) 2024 and planned work during FY 2025 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 2025 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 or by telephone at (512) 929-6821.

I. Compliance with Posting Requirements

In November 2024, DFPS will post on the agency's public website the FY 2024 Internal Audit Annual Report, which includes the approved FY 2025 Annual Audit Plan. The DFPS Internet site is located at: <https://www.dfps.texas.gov>.

The FY 2025 Annual Audit Plan was approved by the DFPS Commissioner on September 25, 2024, and will be posted to the agency's public website no later than October 25, 2024.

II. Internal Audit Plan for FY 2024

Internal Audit Project	Project Status
Audit of DFPS Travel Reimbursement Process Report: 2023-01	Status – Completed Report Date: October 2, 2023
Follow-Up on Prior Audit Findings Report: 2023-03	Status - Completed Report Date: September 13, 2023
IT Staff Augmentation Contractor Controls Audit Report: 2023-04	Status - Completed Report Date: November 15, 2023
Follow-Up on Prior Audit Recommendations Report: 2024-02	Status - Completed Report Date: June 14, 2024
Adoption Purchased Services Audit	Status - Reporting Phase Carried forward to FY 2025 Annual Audit Plan
Ensuring Software Quality Audit	Status - Reporting Phase Carried forward to FY 2025 Annual Audit Plan
DFPS Procurement Card Process Mapping Advisory Engagement	Status - Planning Phase Added to the FY 2024 Annual Audit Plan utilizing hours allocated for requested consulting engagements. Project was requested by Agency Leadership through an ongoing process of assessing agency risk. Carried forward to FY 2025 Annual Audit Plan

Internal Audit Project	Project Status
Information Technology (IT) Risk Assessment	<p>Status - Planning Phase</p> <p>Carried forward to FY 2025 Annual Audit Plan</p>
Legal/Office of Information Security (OIS) – Privacy Controls and Awareness Audit	<p>Status - Not Started</p> <p>Removed Legal from the Audit Area and moved Office of OIS – Privacy Controls and Awareness Audit to Consulting Projects Planned in the FY 2024 Annual Audit Plan. Change due to privacy practices being more clearly defined as a responsibility of OIS.</p> <p>Carried forward to FY 2025 Annual Audit Plan</p>
Concurrent Stages Audit	<p>Status- Not Started</p> <p>Carried forward to FY 2025 Annual Audit Plan</p>
Child Care Investigations Audit	<p>Removed from the FY 2024 Annual Audit Plan and moved to the FY 2024 Risk Areas Not Included in the Plan. Allocated resources to perform two advisory projects requested by Agency Leadership that were identified through an ongoing process of assessing agency risk.</p>
Information Technology Services - IT Business Operations Audit	<p>Removed from the FY 2024 Annual Audit Plan and moved to the FY 2024 Risk Areas Not Included in the Plan. Turnover in the DFPS IT auditor position limited Internal Audit’s ability to conduct IT audits during the second half of FY 2024.</p>

Internal Audit Project	Project Status
Impact of Technology Debt Consulting Engagement	Removed from the FY 2024 Annual Audit Plan. IT has undertaken significant steps towards addressing Technology Debt during FY 2024 with additional focus in FY 2025. The risk at DFPS has been identified and current actions appear appropriate to address or minimize the associated risk. The value of performing the consulting engagement would be limited.

III. Consulting Services and Non-audit Services Completed

Consulting engagements and non-audit services may be conducted at the request of executive management. The following table identifies the consulting services and non-audit services completed during FY 2024.

Consulting Service or Non-Audit Service	Project Status
Procurement Card Travel Rewards Advisory Engagement Project: 2024-03	Status - Completed Final Communications Memo Issued: June 5, 2024 Moved the Child Watch Expenditures project from the FY 2024 Risk Areas Not Included in the Plan to the FY 2024 Consulting Projects Planned and narrowed the focus to hotel expenditures. Project was requested by Agency Leadership through an ongoing process of assessing agency risk. Renamed <i>Procurement Card Travel Rewards</i> .

Procurement Card Travel Rewards Advisory Engagement (2024-03)

Internal Audit's objective for this advisory engagement was to determine if the Department of Family and Protective Services (DFPS) procurement cards issued to CPS/CPI and utilized to charge hotel rooms are linked to individual reward program. Internal Audit provided the hotel rewards accounts testing results to management upon testing completion at various intervals throughout the engagement.

IV. External Audit Services Procured

DFPS did not procure external audit services in FY 2024.

V. External Quality Assurance Review (Peer 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.”

VI. Internal Audit Plan for FY 2025

Planned Engagements

The Annual Audit Plan (AAP) identifies planned assurance and advisory engagements for FY 2025. See Table 1 on the following page.

Advisory Services

Advisory services may be conducted as requested by Executive Management. Internal Audit has allocated 1,000 hours for advisory engagements to be performed during FY 2025. 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.

Internal Audit Projects in Progress

In addition, the Annual Audit Plan includes four internal audit projects in progress as of August 31, 2024. See Table 2 on the following pages.

Other Internal Audit Project Areas

The Annual Audit Plan also includes other Internal Audit project areas that are allocated direct staff hours for FY 2025. See Table 3 on the following pages.

Table 1: FY 2025 Planned Engagements

Project Area	Preliminary Objectives	Agency Strategic Plan
Office of Information Security (OIS) – Privacy Controls and Awareness	Determine that DFPS privacy practices are effective and compliant.	Goal 3: Effective and Efficient Operations: Continually improve internal processes and

Project Area	Preliminary Objectives	Agency Strategic Plan
Advisory Engagement <i>Roll forward from FY24 AAP</i>		identify areas for more efficient and effective operations. Goal 5: Community-Based Care: Transition Texas children and family services to a community-driven system of care.
Concurrent Stages Audit <i>Roll forward from FY24 AAP</i>	Assess the effectiveness of concurrent stage process, review alignment of policies/procedures to ensure the process is working as intended.	Goal 1: Client-Centered Services: Promote the safety of children, families, and vulnerable adults. Goal 3: Effective and Efficient Operations
Field Office IT Support Audit	Determine that controls are in place to insure reliable equipment and connectivity to DFPS field offices.	Goal 3: Effective and Efficient Operations
Day Care Eligibility Payments Audit	Assess processes and controls to determine eligibility and monitor day care payments. Also, to review processes used to forecast day care payments for potential process improvements.	Goal 1: Client-Centered Services Goal 3: Effective and Efficient Operations
Purchased Client Services Audit	Determine that DFPS clients are receiving services as procured and that the outcome of the services meets agency requirements and expected outcomes.	Goal 1: Client-Centered Services Goal 3: Effective and Efficient Operations
IT Help Desk Audit*	Determine that controls are in place and working to ensure the efficient and effective response to requests for IT help. Determine responses and resolutions occur on a timely basis.	Goal 3: Effective and Efficient Operations

Project Area	Preliminary Objectives	Agency Strategic Plan
Child Placements Audit*	Assess the efficiency and effectiveness of the child placement search process.	Goal 1: Client-Centered Services Goal 3: Effective and Efficient Operations

* Identifies assurance engagements that will be started based on completion of other Internal Audit (IA) projects and availability of IA resources. In addition, ongoing assessment of agency risks and changes in management priorities during the fiscal year could result in adjustments to IA planned engagements.

Table 2: FY 2025 Internal Audit Projects In-progress

Project Area	Objectives	Agency Strategic Plan
Adoption Purchased Services Audit <i>Reporting</i>	Objective 1: Assess whether payments made to adoption agencies for administrative costs associated with adoption services are compliant with the agency’s established contractual guidelines. Objective 2: To evaluate the accuracy and completeness of budget forecasting for adoption purchased services.	Goal 1: Client-Centered Services Goal 3: Effective and Efficient Operations
Ensuring Software Quality Audit <i>Reporting</i>	To determine controls are in place to ensure the efficient and effective development of quality software that conforms to functional and non-functional requirements.	Goal 3: Effective and Efficient Operations
DFPS Procurement Card Process Mapping Advisory Engagement <i>Planning</i>	Identify and flowchart DFPS procurement card processes and controls. Perform a review of the design of controls for procurement card processes and identify control area weaknesses, potential gaps and associated risks.	Goal 3: Effective and Efficient Operations

Project Area	Objectives	Agency Strategic Plan
Information Technology (IT) Risk Assessment <i>Planning</i>	Assess agency information technology risks by identifying risk events and potential impacts in DFPS IT environment.	Goal 3: Effective and Efficient Operations

Table 3: FY 2025 Other IA Project Areas

Project Area	Preliminary Objectives
TeamMate+ Implementation & Training, Program Template Updates	Migration to new cloud-based audit management application and update engagement program templates to support the new platform and to comply with new Internal Auditing Standards.
Follow-up on Prior Audit Recommendations	Determine whether management actions appropriately address DFPS IA prior audit recommendations.
Develop Internal Audit Strategy and Performance Measures	Develop an Internal Audit Strategy and performance measures required by the new IIA Global Internal Audit Standards.
Development of IA Continuous Monitoring Process	Identify controls for development of continuous or periodic audit processes focused on leveraging technology to provide management with continuous audit results.
Risk Assessment and Annual Audit Plan for FY2026	Conduct an annual agency-wide risk assessment and develop FY 2026 Annual Audit Plan.
Quality Assurance & Improvement Program (QAIP)	Conduct annual QAIP process for FY 2025, incorporating quality management activities to comply with the new GAGAS requirements. External Quality Assurance Review will be due in FY 2026.

Internal Audit has allocated 8,600 budgeted hours to projects in the FY 2025 Annual Audit Plan. The FY 2025 budgeted hours is based on 4 internal auditors, 1 IT auditor, 1 IT audit manager, 1 internal audit manager and 1 assistant director which totaled 8,600 hours.

Other Internal Audit Activities

Other Internal Audit Activities include the following:

- Training and staff development (CPE)
- Internal Audit Annual Report
- Internal Audit staff meetings
- 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
- Potential project sponsor for University of Texas at Austin IA Student group Spring 2025 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
- DFPS Artificial Intelligence Center of Excellence
- Case Management Transformation Planning Project Program Advisory Committee
- Case Management Planning Project Executive Steering Committee
- Case Management Transformation Planning Project Point of Contact meetings
- ITS Monthly Project Snapshot Meetings
- Critical Projects Meetings
- State Agency Internal Audit Forum (SAIAF)

High Risk Areas Not Included in the Plan

Additional high-risk areas identified from the risk assessment process are listed below and could be added to the annual audit plan as projects are completed and resources become available.

- Community-Based Care (CBC)
- Recruitment & Retention
- Office of Data and Systems Improvement (ODSI)
- Work Environment / Worker Safety
- Records Management

Risk Assessment Methodology

In June 2024, an agency-wide risk assessment survey was sent to all 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 other division leadership during June-July 2024, 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

Internal 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 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 Purchased Client Services (PCS) division 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)

DFPS Community-Based Care (CBC) Operations division is responsible for monitoring and managing contract activities for Single Source Continuum Contractors (SSCCs).

DFPS Internal Audit division 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.

VII. Reporting Suspected Fraud and Abuse

Regarding requirements of the General Appropriations Act, Section 7.09, Fraud Reporting, 88th 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.