



TEXAS
Department of Family
and Protective Services

Internal Audit Annual Report

Fiscal Year 2025

October 2025

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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, objective assurance and advisory service designed to add value and improve an organization's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Key internal audit activities for fiscal year (FY) 2025 and planned work during FY 2026 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 an 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 2026 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

DFPS will post the FY 2025 Internal Audit Annual Report on the agency's public website, within 30 days of Commissioner approval of the report as per the State Auditor's Office Internal Auditing Requirements – Report Submission and Posting Requirements. The DFPS Internet site is located at: <https://www.dfps.texas.gov>.

The FY 2026 Annual Audit Plan was approved by the DFPS Commissioner on September 23, 2025, and was posted to the agency's public website on September 26, 2025.

II. Internal Audit Plan for Fiscal Year 2025

Internal Audit Project	Project Status
Adoption Purchased Services Audit Project: 2024-01	Status – Completed Report Date: September 4, 2024
Ensuring Software Quality Audit Project: 2023-02	Status – Completed Report Date: December 17, 2024
Follow-Up on Prior Audit Findings Project: 2025-02	Status - Completed Report Date: August 14, 2025
DFPS and SSCC Data Alignment Audit Project: 2026-01 <i>(Added to the Audit Plan in May 2025 at the request of Agency Leadership through an ongoing process of assessing agency risk)</i>	Status – Reporting Carried forward to FY 2026 Annual Audit Plan
Concurrent Stages Audit Project: 2026-02	Status – Reporting Carried forward to FY 2026 Annual Audit Plan
Audit of Day Care Services Process and Monitoring and Controls Project: 2026-03 <i>(Formerly entitled “Day Care Eligibility Payments Audit” but was renamed to closely align with audit objectives determined by audit planning)</i>	Status – Fieldwork Carried forward to FY 2026 Annual Audit Plan
Information Technology (IT) Risk Assessment	Status – Planning Carried forward to FY 2026 Annual Audit Plan
Office of Information Security (OIS) – Privacy Controls and Awareness Advisory Engagement	Status – Not Started Carried forward to FY 2026 Annual Audit Plan

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Internal Audit Project	Project Status
Field Office IT Support Audit* <i>(Amended the FY 2025 Annual Audit Plan to include as a project to be started based on the availability of resources and completion of other IA projects to accommodate the resources needed for two IA engagements requested by Agency Leadership)</i>	Status – Not Started Carried forward to FY 2026 Annual Audit Plan
Purchased Client Services Audit	Status – Not Started Not started based on evaluation of agency risks and availability of IA resources in FY 2025. Not carried forward to FY 2026 Annual Audit Plan based on reevaluation of agency risks.
IT Help Desk Audit*	Status – Not Started Not started based on evaluation of agency risks and availability of IA resources in FY 2025.
Child Placements Audit*	Status – Not Started Not started based on evaluation of agency risks and availability of IA resources in FY 2025.

* 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.

III. Consulting Services and Other Activities

Consulting engagements and non-audit services may be conducted at the request of executive management. The following tables identify the consulting services and other activities completed during FY 2025.

Consulting Service	Project Status
DFPS Procurement Card Process Mapping Advisory Engagement Project: 2024-07	Status – Completed Final Communications Memo and Deliverables Issued: December 18, 2024
Review of Process to Redact Reporter Information from Responses to Individual Requests for Case Records <i>(Added to the Audit Plan at the request of Agency Leadership using hours allocated for advisory engagements)</i>	Status – Completed Final Communications Memo Issued: January 8, 2025

DFPS Procurement Card Process Mapping Advisory Engagement (2024-07)

Engagement objectives were to:

- 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.

Internal Audit provided deliverables to management that consisted of:

- Documented flowcharts of DFPS procurement card processes identifying key controls.
- Results of the high-level review of the design of controls for procurement card processes, identified control area potential weaknesses, gaps and associated risks relevant to the engagement objectives.

Review of Process to Redact Reporter Information from Responses to Individual Requests for Case Records

Engagement objectives were to:

- Identify and evaluate the design of controls used by the Records Management Group (RMG) and Office of Information Security (OIS) to reduce the risks of unauthorized disclosure of reporter information to individual requestors of case records.
- Evaluate the RMG and OIS processes in context of these risks and controls and provide suggestions for additional reduction of risk.

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Engagement deliverables given to RMG and OIS management included a flowchart that identified risks and controls in the redaction process for general records requests from the time the request is received until it has been released to the requestor. Suggestions for Management's consideration were also provided.

Other Activities	Status	Objectives
TeamMate+ Implementation & Training, Program Template Updates	Status – In progress Carried forward to FY 2026 Annual Audit Plan Other Activities	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.
Develop Internal Audit Strategy and Performance Measures	Status – Completed	Develop an Internal Audit Strategy and performance measures required by the new IIA Global Internal Audit Standards.
Development of IA Continuous Monitoring Process	Status – Not Started Not started due to IA resources allocated to completion of higher priority engagements.	Identify controls for the 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	Status – Completed	Conduct an annual agency-wide risk assessment and develop FY 2026 Annual Audit Plan.
Quality Assurance & Improvement Program (QAIP)	Status – Ongoing Carried forward to FY 2026 Annual Audit Plan Other IA Project Areas	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.

Other Activities	Status	Objectives
Legislative Participation	Status – Completed	Provide input and prepare information for bill analyses and cost estimates for proposed legislation that may impact the Internal Audit division. Attend and participate in regularly scheduled meetings with Executives and division legislative coordinators.
Staff participation in Agency Committees and Workgroups	Status – Ongoing	<p>Provide input in an advisory role on DFPS & professional workgroups such as:</p> <ul style="list-style-type: none"> • Executive Team Meetings • Texas Family and Protective Services Council • IT Governance Committee • Accessibility Workgroup • DFPS Artificial Intelligence Center of Excellence • Case Management Planning Project Executive Steering Committee • ITS Monthly Project Snapshot Meetings • Critical Projects Meetings • State Agency Internal Audit Forum (SAIAF)

IV. External Audit Services

DFPS did not procure external audit services in FY 2025. Internal Audit provided coordination between agency staff and external entities conducting engagements and other reviews of DFPS. See table below for external audits performed and their status as of August 31, 2025.

External Audit Project Title	External Entity Performing Activity	Status
Audit of AllOne Health (Deer Oaks)	Texas Health and Human Services (HHS) Office of Inspector General (OIG)	Closed
State Auditor's Office (SAO) Classification Compliance Review	SAO	Closed
SAO Audit of Performance-Based Contracts	SAO	Closed
SAO Follow-up on Prior Audit Recommendations	SAO	Closed
U.S. Government Accountability Office (U.S. GAO) Site Visit/Survey	U.S. GAO	In Progress
Texas Comptroller's Office (CPA) FY2024 Contracts Audit at DFPS	TX CPA	In Progress
SAO Contract Monitoring Assessment 2025	SAO	Closed
On-site Financial Audits of Selected Residential Foster Care Contractors (FY 2024)	SAO	Closed
On-site Financial Audits of Selected Residential Foster Care Contractors (FY 2025)	SAO	In Progress
Audit of Texas Family Initiatives LLC - Empower	TX HHS OIG	In Progress
Social Security Administration (SSA) Security Assessment 2025	SSA Office of Information Security	In Progress
U.S. Health and Human Services (HHS) Centers for Medicare & Medicaid Services (CMS) RY2027 Payment Error Rate Measurement (PERM) Audit	U.S. HHS Centers for Medicare & Medicaid Services (CMS)	In Progress
FY 2024 Statewide Single Audit	CliftonLarsonAllen (CLA)	Closed
FY 2025 Statewide Single Audit	CliftonLarsonAllen (CLA)	In Progress
U.S. GAO Study - SSA Data Exchanges	U.S. GAO	In Progress

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 Fiscal Year 2026

Planned Engagements

The Annual Audit Plan (AAP) identifies planned assurance and advisory engagements for FY 2026. See Table 1 on the following page.

Advisory Services

Advisory services may be conducted as requested by Executive Management. Internal Audit has allocated 2,900 hours for advisory engagements to be performed during FY 2026. 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, 2025. 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 2026. See Table 3 on the following pages.

Table 1: FY 2026 Planned Engagements

Project Area	Preliminary Objectives	Agency Strategic Plan
Office of Information Security (OIS) – Privacy Controls and Awareness Advisory Engagement <i>Carry forward from FY25 AAP</i>	Determine that DFPS privacy practices are effective and compliant.	Goal 3: Effective and Efficient Operations: Continually improve internal processes and 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.
APS Tuition Reimbursement Audit	Evaluate process controls in place to ensure APS tuition reimbursements are accurate and compliant with agency policies.	Goal 2: Workforce Recruitment, Retention, and Development: Attract and retain dedicated individuals and invest in their development and wellness. Goal 3: Effective and Efficient Operations

Project Area	Preliminary Objectives	Agency Strategic Plan
Consumer Affairs and Appeals Process Advisory Engagement	Perform a review of the design of controls for select Consumer Affairs and Appeals processes and identify control area weaknesses, potential gaps and associated risks.	Goal 1: Client-Centered Services: Promote the safety of children, families, and vulnerable adults. Goal 3: Effective and Efficient Operations
Availability, Privacy and Physical Security of DFPS Data in Field Offices Advisory Engagement* <i>Carry forward from FY25 AAP, renamed and changed to advisory</i>	Determine that controls are in place to ensure the availability, privacy, and physical security of information in select DFPS field offices.	Goal 3: Effective and Efficient Operations
Education Training Vouchers Verification Process Audit*	Determine whether the process for verifying youth Education and Training Voucher (ETV) program eligibility is effective and working as intended to prevent unauthorized payments.	Goal 3: Effective and Efficient Operations Goal 4: Community Relations: Partner to support and protect children, families, and vulnerable adults.
PAL Stipend Process Audit*	Assess process controls in place to ensure Preparation for Adult Living (PAL) stipend payments are made to eligible recipients.	Goal 3: Effective and Efficient Operations Goal 4: Community Relations
FMLA Review Process and Monitoring Controls Audit*	Assess the efficiency and effectiveness of process controls in place for reviewing and monitoring employee Family and Medical Leave Act (FMLA) eligibility.	Goal 2: Workforce Recruitment, Retention, and Development Goal 3: Effective and Efficient Operations

* Identifies 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 2026 Internal Audit Projects In-progress

Project Area	Objectives	Agency Strategic Plan
Concurrent Stages Audit <i>Reporting</i>	Determine if the goals of Concurrent Stages are sufficiently defined, aligned and tracked to allow the agency to measure outcomes of the program. Assess the effectiveness of Concurrent Stages guidance for adherence with established policies and procedures. Identify causes of unfavorable outcomes of FBSS early case closures.	Goal 1: Client-Centered Services Goal 3: Effective and Efficient Operations
DFPS/SSCC Data Alignment Audit <i>Reporting</i>	Determine the reliability of the initial transfers of cases to SSCCs for placement, and that required plans of service for children under the care of SSCCs are timely and complete as recorded in IMPACT.	Goal 3: Effective and Efficient Operations Goal 5: Community-Based Care
Audit of Day Care Services Process and Monitoring Controls <i>Fieldwork</i>	Assess the efficiency and effectiveness of process controls in place for authorizing, monitoring, and payment processing for day care services. Determine whether appropriate and consistent documentation is retained to support day care service eligibility determinations in compliance with agency policies and procedures.	Goal 1: Client-Centered Services Goal 3: Effective and Efficient Operations
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 2026 Other IA Project Areas

Project Area	Preliminary Objectives
TeamMate+ Implementation and Program Template Updates	Complete transition to the new cloud-based audit management application and update engagement program templates to support the new platform and to comply with new Internal Auditing Standards.
FY 2025 Internal Audit Annual Report	Complete an Annual Report as required by the Texas Internal Auditing Act to provide information on the assurance and consulting services and other activities of the internal audit function based on the form and content prescribed by the Texas State Auditor's Office.
Follow-up on Prior Audit Recommendations	Determine whether management actions appropriately address DFPS IA prior audit recommendations.
System of Quality Management	Design and implement a system of quality management incorporating activities to comply with the new GAGAS requirements effective December 15, 2025, including the development of an engagement quality review template.
DFPS Internal Audit Self-Assessment and External Quality Assurance Review	Evaluate DFPS Internal Audit function's conformance with internal auditing standards and the Texas Internal Auditing Act. <i>Required every three years by GAO Generally Accepted Government Auditing Standards.</i>
Case Management Transformation Planning Project (CMTTP) Resources	The IT Audit team will provide independent advisory and assurance services to promote efficient processes and effective programs that support the acquisition, development, and deployment of a replacement case management system.
DFPS External Efficiency Audit	Procure an external auditor to conduct an efficiency audit of DFPS and provide external audit coordination services. <i>Required every four years by Texas Human Resources Code §40.045.</i>
Risk Assessment and Annual Audit Plan for FY 2027	Conduct an annual agency-wide risk assessment and develop the FY 2027 Annual Audit Plan.

Internal Audit has allocated 8,400 budgeted hours to projects in the FY 2026 Annual Audit Plan. The FY 2026 budgeted hours are based on 4 internal auditors, 1 IT auditor, 1 IT audit manager, 1 internal audit manager, 1 audit coordinator, and 1 assistant director. The hours were adjusted to account for expected vacancies in the internal audit manager and one internal auditor position during FY 2026.

Other Internal Audit Activities

- Training & staff development (CPE)¹
- 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
- Legislative coordination

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 Committee
- Accessibility Workgroup
- DFPS Artificial Intelligence Center of Excellence
- Case Management Planning Project Executive Steering Committee
- 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
- Work Environment
- Program Area Policies / Processes
- Network Connectivity

¹ Professional standards require internal auditors to obtain 40 hours of continuing professional education yearly. Additional hours have also been allocated for staff intending to sit for professional certification exams during the year.

Risk Assessment Methodology

In July 2025, an agency-wide risk assessment survey was sent to all employees to submit input for the purpose of assessing risks on agency activities and its functions for the risk assessment process.

The Internal Audit Division met with Executive Management and other division leadership during June-August 2025, 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 (Note: Effective 9/1/2025, the statute changed this audit requirement to biennial).

VII. Reporting Suspected Fraud and Abuse

Regarding requirements of the General Appropriations Act, Section 7.09, Fraud Reporting, 89th 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.