



FISCAL YEAR 2024 ANNUAL REPORT

October 31, 2024

OUR MISSION

The mission of the Office of the Independent Auditor is to assist agency administrators by furnishing independent analyses, appraisals, and recommendations concerning the adequacy and effectiveness of the agency's system of internal control procedures, and the quality of performance in carrying out assigned responsibilities.

AUDIT LEADERSHIP

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To: Brady Franks
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Internal Audit Coordinator
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This report fulfills the requirements of the Texas Internal Auditing Act (Government Code, Chapter 2102) and provides the content prescribed by the State Auditor's Office *Fiscal Year 2024 Guidelines for Submitting and Posting the Internal Audit Annual Report and Periodic Internal Audit Reports*.

The Texas Board of Criminal Justice acted at its October 2024 scheduled meeting and renamed the Internal Audit Division to The Office of the Independent Auditor (OIA) to more clearly delineate the internal audit function reports directly to the board rather than TDCJ management.

The OIA conducted significant work during the period covered by this report and our risk assessment is functioning as intended. Agencywide risk continues to be affected by staffing shortages and employee turnover. Further, the agency's resources dedicated to maintaining and implementing technology have shown strain within recent years. These issues are considered in each audit, walkthrough, or encounter with the field and were listed as contributing factors in many of our findings during this and prior fiscal years.

Sincerely,

Chris Cirrito, CIA, CFE, CGAP
Chief Audit Executive
Texas Board of Criminal Justice
Texas Board of Pardons and Paroles
Windham School District

xc: Members, Texas Board of Criminal Justice
Bryan Collier, Texas Department of Criminal Justice
Marsha Moberley, Texas Board of Pardons and Paroles
Kristina Hartman, Windham School District

INTRODUCTION

Purpose

To provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual internal audit report assists oversight agencies in their planning and coordination efforts.

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Statutory Requirement

In accordance with Chapter 2102 of the Government Code, the internal auditor shall prepare an annual report and submit the report before November 1st of each year to the Governor’s Office Budget and Policy Division, the Legislative Budget Board, the State Auditor, the state agency’s governing board, and the agency administrator. The State Auditor shall prescribe the form and content of the report, subject to the approval of the Legislative Audit Committee.

Texas Board of Criminal Justice Policy

In accordance with Board Policy 14.02, the Director of the Office of the Independent Auditor shall annually report to the Board on the activities of the preceding year.

COMPLIANCE WITH TEXAS GOVERNMENT CODE 2102.015

Section 2102.015 of the Texas Government Code requires state agencies and higher education institutions to post certain information on their internet websites. The Texas Board of Criminal Justice (TBCJ) Office of the Independent Auditor will follow the procedures below to ensure compliance with posting requirements.

Texas Government Code Section 2102.015 (b) (1) requires posting of the agency's internal audit plan approved as provided by section 2102.008.

The *Annual Audit Plan* is developed in the spring and summer of each fiscal year and presented to the Texas Board of Criminal Justice for approval at the August board meeting. Upon approval, the plan will be posted to the agency's web site no later than September 1st of each year.

Texas Government Code Section 2102.015 (b) (2) requires posting of the agency's annual report required under section 2102.009.

The State Auditor's Office provides guidance to state agencies and higher education institutions for the preparation of the annual report in September of each year. Upon receipt of those instructions the TBCJ Office of the Independent Auditor will begin compiling the information into the prescribed format. The report will be distributed as required and posted to the agency's website.

Texas Government Code Sections 2102.015 (d) and (e) require entities to update the posting with:

- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report; and,
- A summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.

To comply with this reporting requirement, we have added Chapter VIII to this report, titled, *Texas Government Code Sections 2102.015 (d) and (e) Update*, and consists of a table, which includes every audit report issued in fiscal year 2024. The final column titled, *Status of Implementation*, satisfies the updating requirements for part (e). It presents management's self-reported status of implementation for the recommendation.

CURRENT AND CARRY OVER ANNUAL AUDIT PLANS

The table provided below includes audits performed during fiscal year 2024 as well as audits on the fiscal year 2023 plan which were ongoing when the 2023 annual report was issued. The table also includes audit reports issued in September and October 2024, which were in draft at the end of the fiscal year

AUDIT No.	AUDIT/REPORT TITLE	STATUS	REPORT DATE	EXPLANATION FOR DEVIATION
2302	<i>Parole Division Workforce Culture</i>	Draft Report	N/A	Changed to consultation
2307	<i>Criminal Case Disposition</i>	Complete	12/28/23	N/A
2309	<i>Investigation of Sexual Assault Allegations</i>	Complete	09/24/24	N/A
2313 -1404	<i>Data Management – Offender Information Management System Follow Up</i>	Complete	06/03/24	N/A
2313 -1805	<i>Hazardous Materials Follow Up</i>	Complete	11/30/24	N/A
2401	<i>Corrections Information Technology System Consultation</i>	Complete	10/05/24	N/A
2402	<i>A Joint Audit on Mental Health Assessments</i>	Draft Report	N/A	N/A
2403	<i>Commissary Operations – Supply Chain</i>	Complete	05/17/24	N/A
2404	<i>Travel Services</i>	Draft Report	N/A	N/A
2405	<i>Correctional Officer Hiring</i>	Completed	02/05/24	N/A
2406	<i>Office of the Independent Ombudsman</i>	Draft Report	N/A	N/A
2407	<i>Public Funds Investments</i>	Complete	11/09/23	N/A
2408	<i>Inmate Identification Documents</i>	N/A	N/A	Moved forward to 2025 Plan
2409	<i>Incident Reporting</i>	Ongoing	N/A	N/A
2410	<i>A Contracted Audit of Information Systems Security</i>	N/A	N/A	Removed from plan

CURRENT AND CARRY OVER ANNUAL AUDIT PLANS

AUDIT No.	AUDIT/REPORT TITLE	STATUS	REPORT DATE	EXPLANATION FOR DEVIATION
2411-01	<i>Emerging Risk – Classification and Records State Ready</i>	Draft Report	N/A	N/A
2413-1811	<i>Pre-Parole Placement Investigations Follow Up</i>	Complete	10/07/24	N/A
2413-1912	<i>Rehabilitation Teir Tracking and Placement Follow Up</i>	Complete	06/03/24	N/A
2413-23-26	<i>Board of Pardons and Paroles – SAO Audit 23-026 Follow Up</i>	Complete	02/12/24	N/A

CONSULTING SERVICES AND NONAUDIT SERVICES COMPLETED

NAME OF REPORT	OBJECTIVE(S)	OBSERVATIONS/RESULTS AND RECOMMENDATIONS
<p>Project Number: 2401 <i>Corrections Information Technology Consultation</i></p>	<p>To provide advice regarding risks and internal controls during efforts to implement the Corrections Information Technology System.</p>	<p>Although the conversion from the legacy mainframe to the Micro Focus environment was completed, the project continues to experience substantial delays and the Texas Department of Criminal Justice’s relationship with Microsoft remains tenuous.</p>
<p>Project Number: 2411 <i>OIG Assistance</i> 2411 - 02 2411 - 03</p>	<p>The Office of the Independent Auditor is currently assisting the Office of the Inspector General with two separate and unrelated investigations related to allegations of wrongdoing. As these two investigations could result in criminal charges, no other information will be provided in this report.</p>	<p style="text-align: center;">N/A</p>
<p>Project Number: 2411 <i>Emerging Risk – Waste, Fraud, and Abuse</i> SAO 3273 SAO 3595</p>	<p>The Texas State Auditor’s Office forwarded two separate hotline complaints regarding contract oversight by the Texas Department of Criminal Justice Facilities Division, and, via one of the complaints, certain employment actions and management decisions by the Department’s Executive Administration.</p> <p>As these complaints were initially submitted by the same party, the Office of the Independent Auditor provided the SAO with a single written response.</p>	<p>The investigation found no merit to any of the allegations made.</p>

IV. EXTERNAL QUALITY ASSURANCE REVIEW

Texas Board of Criminal Justice Internal Audit Division
External Quality Assurance Review – December 2022

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Board of Criminal Justice 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.

We found that the Internal Audit Division is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The 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 in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Division is well managed internally. In addition, the Division has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency's operations.

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 the Division's operations.

Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Chairman and Vice-Chairman of the Board, the Executive Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.

Cheryl P. Scott

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Texas Comptroller of
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FISCAL YEAR 2025 ANNUAL AUDIT PLAN

The following table is our Fiscal Year 2025 Annual Audit Plan as presented to, and approved by, the Texas Board of Criminal Justice on August 23, 2024.

The first step in the risk assessment process is the identification of the audit universe. We review and update this universe on an ongoing basis and are diligent to ensure areas of the agency that monitor and manage contracts are identified in our universe. In addition, our identification of the audit universe for information technology includes functions listed in Title 1, Texas Administrative Code, Chapter 202.

Our risk assessment methodology is based on the Committee of Sponsoring Organization's (COSO) Internal Control Integrated Framework, organizational knowledge, input from management, staff, and the board. This framework is applicable to evaluate risks in all agency functions; and is applied to contract management and information technology functions identified in the audit universe. The audit universe is monitored on an ongoing basis. As events occur that potentially impact the risk associated with a specific auditable activity, the activity is scored or re-scored.

The Department of Criminal Justice continues experiencing significant staffing shortages in many areas, which have resulted in increased risk in most areas of the agency. Further, the agency's resources dedicated to maintaining and implementing technology have shown strain within recent years. While not all areas of the agency experiencing these phenomenon are included on the plan, these issues are considered in each audit, walkthrough, or encounter with the field. The plan also includes a numbered project to allow for work in other areas in the event conditions dictate.

FISCAL YEAR 2025 AUDIT PLAN

PROJECT NUMBER	DIVISION	PROJECT TITLE	OBJECTIVE
2501	<i>Correctional Institutions Division</i>	Security Staff Deployment	To evaluate whether available correctional staff are deployed in a manner that optimizes efficiency while ensuring institutional safety and security.
2502	<i>Correctional Institutions Division</i>	Inmate Custody	To provide non-audit advisory services regarding whether inmate custody levels are appropriately assigned.
2503	<i>Human Resources Division</i>	Employment Related Complaints	To evaluate the effectiveness of processes to receive, screen, and appropriately assign employee complaints related to employment.
2504	<i>Information Technology Division</i>	Inmate Communication Contracts	To evaluate vendor compliance with contracts related to inmate communications.
2505	<i>Correctional Institutions Division</i>	Inmate Behavior Management	To evaluate the effectiveness of processes to manage inmate behavior.
2506	<i>Parole Division</i>	Super Intensive Supervision Program and Electronic Monitoring Program	To determine whether the SISP ensures compliance with conditions of supervision and determine the status of implementation of recommendations made in the State Auditor's Office fiscal year 2023 audit of the Electronic Monitoring Program.
2507	<i>Windham School District</i>	Career and Technical Education Tool Control	To determine whether Windham School District tools are adequately controlled.
2508	<i>Business and Finance Division</i>	Purchasing	To evaluate the efficiency of procurement processes.
2509	<i>Manufacturing, Agribusiness and Logistics Division</i>	Texas Correctional Industries	To determine the extent to which Texas Correctional Industries provides participants with marketable job skills while also reducing agency costs by providing products for agency use and outside sales.

FISCAL YEAR 2025 AUDIT PLAN

PROJECT NUMBER	DIVISION	PROJECT TITLE	OBJECTIVE
2510	<i>Reentry and Integration Division</i>	Inmate Identification Documents	To evaluate the effectiveness of processes to provide inmates applicable reentry related documents.
2511	<i>Windham School District</i>	Information Systems Security	To determine compliance with Texas Administrative Code Section 202.
2512	<i>Internal Audit</i>	Self-Study	To assist the Peer Review team in their planning activities related to evaluating the Internal Audit Division's operations.
2513	<i>Various Divisions</i>	Emerging Risks	In an effort to be responsive to ever changing risk, we have set aside hours to conduct audits of topics within the Texas Department of Criminal Justice, the Windham School District, and/or the Board of Pardons and Paroles, as needed.
2514	<i>Internal Audit</i>	Walk Throughs	To assist in the development of future audit plans by increasing our knowledge of unaudited areas of the agency.
2515	<i>Internal Audit</i>	Action Plan Follow Up and Tracking	To determine the status of implementation for audit recommendations.

EXTERNAL AUDIT SERVICES

The TDCJ, through delegated authority from the State Auditor’s Office, contracts with an outside vendor for audits of compliance with the Prison Rape Elimination Act. The Office of the Independent Auditor did not use any external audit services during fiscal year 2024.

REPORTING SUSPECTED FRAUD AND ABUSE

Actions taken to implement the requirements of:

1. Fraud Reporting: Article IX, Section 7.09, the General Appropriations Act (84th Legislature, Conference Committee Report)

This section of the Appropriations Act states:

Sec. 7.09 Fraud Reporting. A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds, as follows:

(a) By providing information on the home page of the entity's website on how to report suspected fraud waste and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's fraud hotline information and a link to the State Auditor's website for fraud reporting; and,

○ **To implement (a) of Section 7.09, the TDCJ has:**

- Included a link on the TDCJ website homepage to report waste, fraud, and abuse to the State Auditor's Office website for fraud reporting.

(b) By including in the agency or institution's policies information on how to report suspected fraud involving state funds to the state auditor.

○ **To implement (b) of Section 7.09, the TDCJ has:**

- Included in Executive Directive 02.02, *Fraud Prevention, Detection, and Reporting*, a section on reporting suspected fraud that includes reference to the State Auditor's Office and the SAO Hotline. As required by ED-02.02, a copy of the policy is to be provided to every newly hired employee during their orientation.

2. Texas Government Code, Section 321.022

This section of the Texas Government Code states:

COORDINATION OF INVESTIGATIONS

(a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state

REPORTING SUSPECTED FRAUD AND ABUSE

auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.

- (b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.
- (c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.
 - **To implement this statute TDCJ has:**
 - Developed Executive Directive 14.03, *Coordination of Investigations with the State Auditor*, which includes reference to the reporting of incidents involving the loss, misappropriation, misuse, or other fraudulent or unlawful conduct that have occurred in relation to the operation of the TDCJ to the State Auditor's Office. To fulfill these reporting requirements the policy has been updated to require the Chief Audit Executive coordinate with the State Auditor's Office to provide routine updates of potential fraud.

TEXAS GOVERNMENT CODE 2102.015 (D) AND (E) UPDATE

Texas Government Code Sections 2102.015 (d) and (e) require entities to update the posting with:

- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report; and,
- A summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.

The table below provides the required update for audit reports issued during the fiscal year.

TEXAS GOVERNMENT CODE 2102.015 UPDATE

AUDIT	SUMMARY CONCLUSION	STATUS OF IMPLEMENTATION
2307 <i>Criminal Case Disposition</i>	<p>A holistic approach that unites the Texas Department of Criminal Justice, the Office of the Inspector General, and the Texas Special Prosecution Unit is vital for addressing dangerous contraband and acts of violence in Texas prisons. This collaboration is instrumental in upholding the safety and security of both inmates and staff, ensuring justice is served, and maintaining order within the correctional system.</p> <p>A framework of cooperation exists among these entities, and we observed increased communication and collaboration prior to and during the audit. Further, all parties are invested in ensuring future success. We made recommendations intended to strengthen relationships, enhance information sharing, and optimize resources.</p>	Management has reported all three recommendations as ongoing.
2309 <i>Investigation of Sexual Assault Allegations</i>	<p>Although inmates have multiple avenues to report allegations of sexual assault, it is our opinion operational roles and responsibilities were not clearly defined, and modification of processes would result in increased efficiency and improved confidence in investigative outcomes. Further, staffing shortages and certain processing inefficiencies resulted in instances in which inmates convicted of sexual assault of another inmate were not identified to allow for informed decision making regarding housing, custody, etc. However, during this audit the agency took steps to proactively begin addressing the issues identified and reported additional actions were underway during our meetings prior to publishing our report.</p>	Management has reported all six recommendations as ongoing.
2313 -1404 <i>Data Management – Offender Information Management System Follow Up</i>	<p>Our 2014 audit, <i>Data Management - Offender Information Management System</i>, contained a recommendation related to ensuring monitoring reports were appropriately designed to meet the Parole Division’s operational needs which was reported as implemented in 2021. This follow up found the status of implementation of the original recommendation is ongoing, we did not provide our typical “Additional Action Needed” and do not plan to conduct additional follow-up activities related to these reports. Instead, we believe significant turnover is an issue that impacts all areas of TDCJ operations and addressing project management concerns within the Information Technology Division will contribute significantly to a smoother implementation process.</p>	Management has reported both as recommendations as ongoing.
2313 -1805 <i>Hazardous Materials Follow Up</i>	<p>The agency made efforts to implement recommendations made in the original audit. However, standardized methodology for inventory accountability of hazardous materials should be developed, to include method and frequency of counts, inventory monitoring, and documenting adjustments due to spillage, breakage, spoilage, or loss. We recognize that implementation efforts may have been impacted by the COVID-19 global pandemic. Implementing the remaining necessary actions should result in positive outcomes.</p>	We followed up on one recommendation and reported the status as ongoing. Management has since reported this recommendation as implemented.

TEXAS GOVERNMENT CODE 2102.015 UPDATE

AUDIT	SUMMARY CONCLUSION	STATUS OF IMPLEMENTATION
2403 <i>Commissary Operations – Supply Chain</i>	<p>Commissary and Trust Fund Department management designed processes to mitigate supply chain disruptions. The actions taken by the Commissary and Trust Fund Department during the COVID-19 pandemic demonstrated a proactive approach to address supply chain disruptions and ensure the availability of commissary items to inmates within Texas Department of Criminal Justice facilities.</p> <p>The overall management of procurement and inventory during challenging circumstances was commendable.</p>	Management reported all three recommendations as implemented.
2405 <i>Correctional Officer Hiring</i>	The Training and Leader Development Division (TLDD) hired a commendable average of 643 correctional officers per month between January and August 2023, a trend which has remained consistent for years. However, despite these diligent recruiting and hiring efforts, retention of correctional officers continues to greatly impact the correctional officer shortage. Until agency efforts to retain officers are effective, the correctional officer shortage will continue to be prevalent.	Management reported all four recommendations as implemented.
2407 <i>Public Funds Investments</i>	Based on the work performed, we believe the Texas Department of Criminal Justice and the Windham School District were compliant with the <i>Public Funds Investment Act</i> , management controls on investments, and their respective agency’s established investment policies.	We made no recommendations.
2413 -1811 <i>Pre-Parole Placement Investigations Follow Up</i>	<p>We have completed our follow-up audit of recommendations reported by Parole Division management as implemented for Audit 1811, Pre-release Placement Investigations and it is our opinion management should review these processes with a focus on leveraging technology to conduct and document placement investigations.</p> <p>Due, in part, to changing circumstances (e.g. high vacancy rate, outdate information system, etc.) since the original audit, documentation was not sufficiently reliable to evaluate whether these actions were effective. Instead of tracking a formal recommendation, we will consider conducting a full-scope audit of this topic in Fiscal Year 2026.</p>	We made no recommendations.
2413 -1912 <i>Rehabilitation Teir Tracking and Placement Follow Up</i>	The original audit concluded processes were effective and we made two minor recommendations to improve timeliness and efficiency. Due to the importance of the subject matter, we conducted a follow up and found both recommendations were fully implemented and processes continue to function effectively.	We made no recommendations.

TEXAS GOVERNMENT CODE 2102.015 UPDATE

AUDIT	SUMMARY CONCLUSION	STATUS OF IMPLEMENTATION
2413-23-026 <i>Board of Pardons and Paroles – SAO Audit 23-026 Follow Up</i>	The recommendation outlined in SAO Audit 23-026 has been effectively implemented. The guidance provided to parole panels addresses the severity of violations and includes a graduated sanction approach, aligning with the original recommendation. We will consider this status when preparing future annual audit plans and may include the application of this guidance in a future audit.	We made no recommendations.