

Attachment 6



TEXAS COUNCIL FOR DEVELOPMENTAL DISABILITIES

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2011

Presented to
TCDD Audit Committee
October 19, 2011

Prepared by:
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Certified Public Accountants
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**Texas Council for Developmental Disabilities (TCDD)
ANNUAL INTERNAL AUDIT REPORT – FY-2011**

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I. Internal Audit Plan for Fiscal Year 2011

The internal audit plan for TCDD for fiscal year 2011 was based on risks identified in the annual risk assessment update process in September of 2010. The plan identified the following objectives as the focus for internal audit activities in fiscal year 2011.

1. Grantee Monitoring: Review and evaluate current grantee monitoring procedures and controls. As needed, consult, advise, and monitor the development and refinement of the grantee reporting database (DD Suite).
2. Follow up on prior year audit recommendations.

II. External Quality Assurance Review (QAR)

An external quality assurance review was performed in April of 2009 by David J. MacCabe, CIA, CGAP, MPA, covering TCDD internal audit activities performed by the internal audit contractor (Rupert & Associates) during the period July 2007 through June 2009. The contracted internal audit function at TCDD was found to fully comply with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* including the *International Standards for the Professional Practice of Internal Auditing*, the *Definition of Internal Auditing*, and the *Code of Ethics*, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (*Texas Government Code*, Chapter 2102). Opportunities for improvement recommended by the reviewer include:

1. Consider updating the Audit Committee Charter
2. Plan future audit projects to include evaluation of organizational governance

Recommendations from the QAR have been implemented. The Audit Committee Charter was reviewed and updated in October of 2009 and will be reviewed annually and updated as needed. Future audit projects will include elements of organizational governance within other audit programs as appropriate.

III. List of Audits Completed

The table on the following page provides a list of audits completed during fiscal year 2011 with high-level objectives, summarized key audit observations and recommendations, including impact and implementation status of each.

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III. List of Audits Completed Showing High-Level Objectives, Observations / Findings, Recommendations, and Status

<i>Report # / Rec #</i>	<i>Rpt Date</i>	<i>High-Level Audit Objective(s)</i>	<i>Observations/Findings and Recommendations</i>	<i>Current Status</i>	<i>Fiscal Impact / Other Impact</i>
2011-1	7/15/2011	Grantee Monitoring			
	Objective A	Determine if current processes and controls in place and in use by TCDD staff for monitoring grantees comply with identified monitoring requirements.	TCDD's grantee monitoring processes were found to be in compliance with Federal and State guidance, as well as with TCDD's internal written procedures.	<u>No Recommendations</u>	
	Objective B	Determine if TCDD is following their procedures and if the processes and controls provide an adequate level of monitoring of grantees.	TCDD's grantee monitoring processes and controls are being followed and are effective, with minimal errors noted including clerical errors and one missing report. The errors were not significant; the missing report could have been noted with better oversight controls. See Objective C.	<u>No Recommendations</u>	
2011-1-1	Objective C	Evaluate the data management processes and controls for safeguarding of data.	Processes and controls are in place to ensure data is appropriately managed and safeguarded. Responsibilities have been assigned for annual review of files for retention purposes. A process to ensure review for completeness of files should be implemented.	<u>Implemented:</u> Grants Management staff will meet to identify a process to ensure grantee files completeness and develop a checklist to track documents.	Operational efficiencies and adherence to TCDD procedures

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IV. List of Consulting Engagements and Non-audit Services Completed Showing High-Level Objectives, Observations/Results, Recommendations, and Status

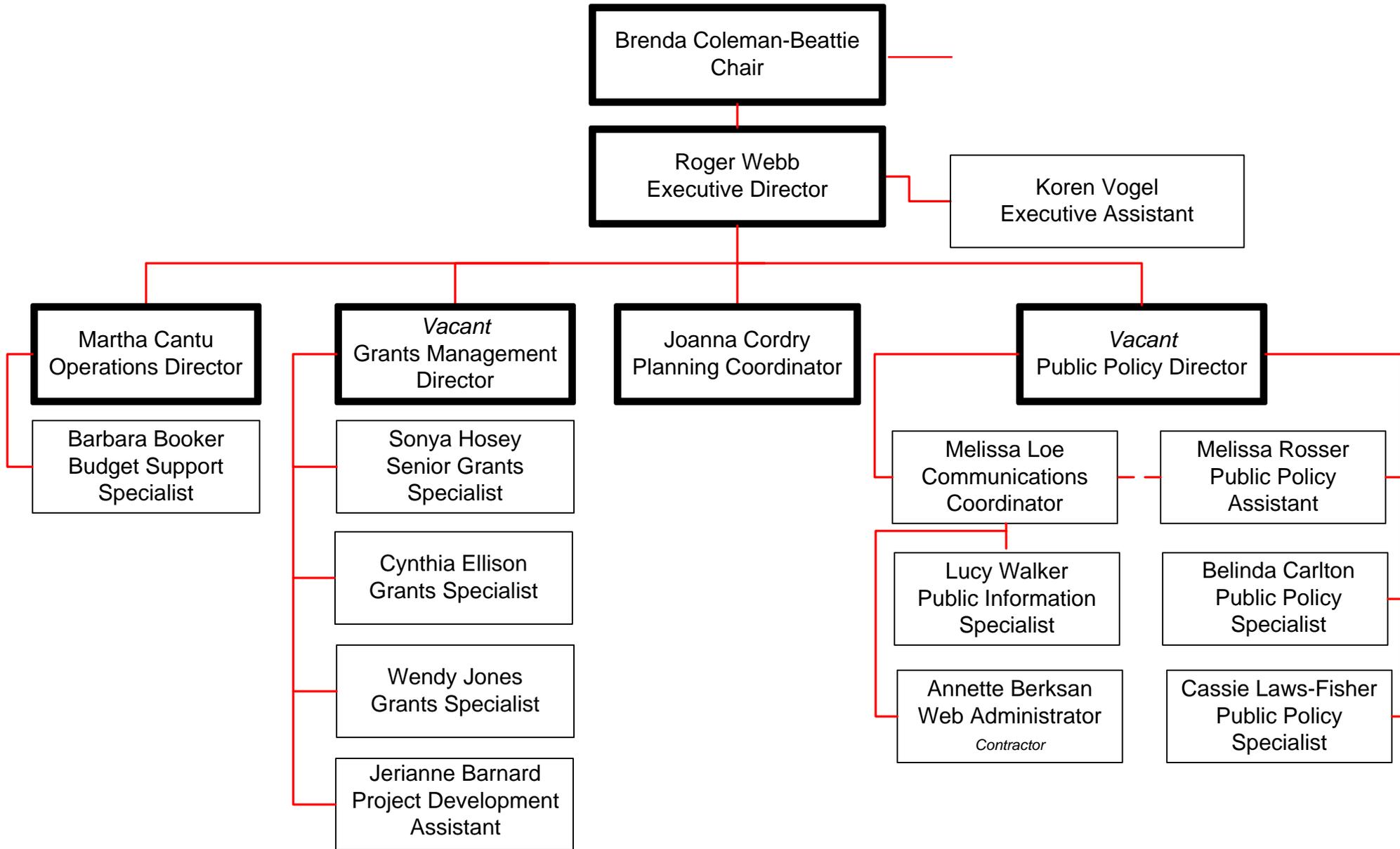
The Internal Auditor did not perform any consulting engagements, as defined in *The International Standards for the Professional Practice of Internal Auditing*, or non-audit services, as defined in *Government Auditing Standards, July 2007 Revision*, Sections 3.25-3.30 for the Texas Council for Developmental Disabilities in fiscal year 2011.

V. Organizational Chart

A current organizational chart is provided on the following page. The Council has an Audit Committee, with responsibilities and duties outlined in TCDD Policy.

There is no organizational chart for the internal audit function because that activity is contracted out to Rupert & Associates, Certified Public Accountants, in Austin Texas.

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VI. Report on Other Internal Audit Activities

Activity	Impact
Annual Risk Assessment Update	Facilitated management in the annual review and update of their risk assessment, including fraud risk factors, and mitigating strategies.
Internal Audit Quality Assurance and Improvement Program (QAIP)	Professional standards checklists, working paper reviews and quality self-assessments are employed on all audits.
External Quality Assurance Reviews (QAR)	External Quality Assurance Reviews are performed on the internal audit function at TCDD in accordance with the Texas Internal Auditing Act.
State Agency Internal Audit Forum (SAIAF)	Participated in SAIAF to stay abreast of changes in legislation that may impact internal audit's role in Texas.
Training sponsored by The Institute of Internal Auditors and the State Auditor's Office	Attend various audit and internal audit training events to stay abreast of changes in professional standards.

VII. Internal Audit Plan for Fiscal Year 2012

Based on the updated risk assessment, the proposed internal audit focus for FY-2012 is:

1. Monitoring of Funding Obligations and Liquidations: Review and evaluate current monitoring procedures and controls over funding obligations and liquidations.
2. As needed, consult, advise, and monitor the development and refinement of the grantee reporting database (DD Suite).
3. Follow up on prior year audit recommendations.

Alternative audit areas are proposed in the event that circumstances prevent the implementation of the planned audit, or if additional resources are available for more audit work. An alternative audit areas proposed is IT security over social media sites.

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VIII. External Audit Services

External audit services procured in fiscal year 2011 consisted of the internal audit function and independent CPA services for performing desk reviews on grantee audit reports.

IX. Reporting Suspected Fraud and Abuse

Actions taken to implement the requirements of Article IX, Section 17.05, and Article XII, Section 5(c), the General Appropriations Act (81st Legislature) and Texas Government Code, Section 321.022) include the placement of a link on the TCDD website to connect users directly to the State Auditor's Office website page for reporting suspected fraud, waste, or abuse.

TCDD Policies also provide guidance for anyone wanting to report suspected fraud or abuse. Grantees are provided guidance on reporting fraud in the TCDD Grants Manual.

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REPORT DISTRIBUTION PAGE

Texas Council for Developmental Disabilities, Audit Committee

John Morris, Chair
Andrew Crim, Member
Jeffrey Kaufmann, Member
Brenda Coleman-Beattie, Council Chair

Texas Council for Developmental Disabilities

Roger Webb, Executive Director
Martha Cantu, Operations Director

Oversight Agencies

Governor's Office of Budget, Planning, and Policy

Legislative Budget Board

State Auditor's Office

Sunset Advisory Commission

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