



TEXAS COUNCIL FOR DEVELOPMENTAL DISABILITIES

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2013

Presented to
The TCDD Audit Committee
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Texas Council for Developmental Disabilities (TCDD)
Annual Internal Audit Report (AIAR) FY-2013

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for your governing board. The purpose of the Annual Internal Audit Report is 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. According to Texas Government Code, Sections 2102.009 and 2102.0091, the annual internal audit report for fiscal year 2013 is due November 1, 2013.

I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

TCDD will comply with the provisions of House Bill 16 by posting their Annual Internal Audit Report and their Annual Internal Audit Plan on their website, within 30 days after approval by the Council. The risk footprint in the annual plan includes a summary of the high risk areas identified in the risk assessment process. The risk management tables in our risk workbooks provide a summary of actions taken to address concerns. Actions resulting from audits are included in the individual audit reports and are followed up in the audit recommendation tracking schedule. These summaries and tables are updated annually.

II. Internal Audit Plan for Fiscal Year 2013

The following list represents the Texas Council for Developmental Disabilities (TCDD) reports generated from the fiscal year 2013 audit plan. There were no deviations from the audit plan that was submitted in the FY-2012 Annual Internal Audit Report. Completed audit reports for FY-2013 included:

#2013-1 05/31/13 Grantee Communications

#2013-2 07/30/13 Governance Audit

III. Consulting Engagements and Non-Audit Services Completed

The Internal Auditor did not perform any advisory projects which would be considered consulting engagements, as defined in *The International Standards for the Professional Practice of Internal Auditing*, and non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, that were completed during fiscal year 2013.

IV. External Quality Assurance Review (Peer Review)

An external quality assurance review was performed in June of 2012 by David J. MacCabe, CIA, CGAP, MPA, covering TCDD internal audit activities performed by the internal audit contractor (Rupert & Associates) during the period June 2009 through May 2012. The contracted internal audit function at TCDD was found to ‘fully conform’ 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). No significant weaknesses were identified during the review, but the following opportunity for improvement was identified:

Opportunity for Improvement – Plan Future Internal Audit Projects Evaluating Organizational Governance

The internal auditor should incorporate the evaluation of ethics and governance into future audit plans.

Internal Audit Response updated 2013:

A governance project was included in the FY-13 Internal Audit Plan submitted to the Audit Committee for approval in October, 2012. The audit was completed and reported to the Council at their October meeting 2013.

V. Internal Audit Plan for Fiscal Year 2014

The fiscal year 2014 Audit Plan will be presented for review and approval at the October 24, 2013 meeting of TCDD’s Audit Committee and Council. The report will be submitted to oversight agencies and posted on their website within 30 days after approval.

Based on the updated risk assessment, the proposed internal audit plan for FY-2014 is:

1. An advisory project to identify potential ways to streamline processes for the development of requests for proposals.
2. Follow up on prior year audit recommendations.

Annual Internal Audit Report FY-2013
Texas Council for Developmental Disabilities (TCDD)

The budgeted time for all internal audit activities is approximately 192 hours. A rough estimate of how these hours might translate into specific activities follows:

- | | |
|--|---------|
| • Risk Assessment and Internal Audit Plan | 40 hrs |
| • Annual Internal Audit Report | 10 hrs |
| • Audit Report Tracking Schedule | 8 hrs |
| • Project Planning, Fieldwork, and Reporting | 120 hrs |
| • Administration and Quality Control | 8 hrs |
| • Board Meetings | 6 hrs |

Additional high risk areas that are not included in the fiscal year 2014 audit plan include:

- the risk of staff departures and loss of skills and knowledge base;
- the risk of insufficient monitoring of grant expenditures (last audited 2012); and
- the risk of violations of state and/or federal rules / regulations.

The risk assessment methodology consists of an annual meeting with management to update the risk assessment footprint and control tables. The risk footprint is updated and used to guide the selection of specific audit areas for the current year. The risk assessment methodology is described in greater detail in the Internal Audit Plan document that is also provided to oversight agencies.

VI. External Audit Services

External audit services procured in fiscal year 2013 consisted of:

- the internal audit function, and
- independent CPA services for performing desk reviews on grantee audit reports.

VII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (83rd Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, TCDD has placement of a link on the website <http://www.txddc.state.tx.us/> to connect users directly to the State Auditor's 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.

Report Distribution List

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