

**Background:**

The Audit Committee will review the TCDD FY 2014 RFP Advisory Report and the FY 2014 Annual Internal Audit Report. State law requires this report to be submitted to the State Auditor’s Office; Governor’s Office of Budget, Planning and Policy; Legislative Budget Board; and Sunset Advisory Commission by November 1<sup>st</sup> of each year. The Council will be asked to review and approve submission.

**Audit Committee**

**Agenda Item 3-4.**

**Expected Action:**

The Committee will review this report and recommend Council approval for submission to the State Auditor’s Office and other offices as required by state law.

**Council**

**Agenda Item 11.**

**Expected Action:**

The Council will review this report and approve submission to the State Auditor’s Office and other offices as required by state law.



# **TEXAS COUNCIL FOR DEVELOPMENTAL DISABILITIES**

## **Internal Audit Report #2014-1**

### **Advisory Project on RFP Process**

**6/25/2014**

**Prepared by:**  
**Rupert & Associates, PC**  
Certified Public Accountants  
Austin, Texas

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## **Acronyms and Abbreviations**

• AIDD	Administration on Intellectual Developmental Disabilities
• AUCD	Association of University Centers on Disabilities
• CMG	Contract Management Guide, Statewide, Texas
• CPA	Comptroller of Public Accounts, Texas
• DSA	Designated State Agency
• FY	Fiscal Year
• FFY	Federal Fiscal Year
• GAO	Government Accountability Office, US
• IIA	Institute of Internal Auditors, International
• IDD	Intellectual Developmental Disabilities
• OMB	Office of Management & Budget, US
• OP	Operating Procedures
• RFP	Request for Proposals
• SAO	State Auditor’s Office, Texas
• SME	Subject matter expert
• TAC	Texas Administrative Code
• TCDD	Texas Council for Developmental Disabilities
• TEA	Texas Education Agency
• TGC	Texas Government Code
• UGMS	Uniform Grants Management Standards, Texas



Internal Auditor's Report  
RFP Development Process Advisory Project

June 25, 2014

Audit Committee and Council Members  
The Texas Council for Developmental Disabilities

The following report provides the results and observations noted during the advisory engagement to review TCDD's processes and controls over the development of Requests for Proposals (RFP) for awarding federal funds. Included in this report are the purpose, scope, and objectives of the advisory project.

The internal audit was conducted in accordance with the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* and the Texas Internal Auditing Act. We believe that our work fully supports our conclusions.

This report is distributed to and intended for the use of the Texas Council for Developmental Disabilities management and Governing Board, and the oversight agencies as identified in the Texas Internal Audit Act.

*Rupert & Associates, P.C.*

Certified Public Accountants  
Austin, Texas

## **Executive Summary**

### **PURPOSE**

TCDD's process for developing a Request for Proposals (RFP) begins with the Council directing staff to develop an idea to implement a state plan goal or objective. Staff drafts an Executive Summary that identifies project goals, main activities, intended outcomes, maximum funding per year, and duration of the project. The Executive Summary is drawn from hard data, reports, public input, staff input, and other relevant resources. Once project specifications are approved by the Council, the Planning Coordinator develops the RFP to align with the goals and objectives, again consulting with TCDD staff for input and review of the proposed RFP solicitation.

The time it takes to develop an RFP has several variables, including staff experience in the project area. If it is a familiar area it can be less than 40 hours to draft the RFP. If it is complex and unfamiliar, it can take much longer to develop the specs for an RFP. The Planning Coordinator also reviews and edits the application packet if necessary. Examples of RFP's that require more time are those related to self-advocacy, minority groups, and rural areas. Measures are taken to ensure a level playing field for the less-experienced grant writers who may be competing with larger entities, with more experienced staff and available resources.

TCDD would like to identify efficiencies to help ensure that projects can be brought online as quickly as possible when there is a need to obligate funds within tight time constraints.

### **SCOPE & OBJECTIVES**

The scope of this advisory project is limited to current processes and controls over the RFP development activities at TCDD, with a focus on the Executive Summary and RFP development, prior to posting an RFP publicly. The objectives of our consulting services are to provide management with assessments and advice for improving processes that will advance the goals and objectives of the organization. This project does not constitute an audit and no assurance is being provided.

### **RESULTS & CONCLUSIONS**

Internet research into common and best practices in the granting of federal funds, and a survey of other DD Councils, were used to align TCDD's processes with others and identify practices for TCDD's consideration. Ideas for increased efficiencies have been communicated to TCDD staff.

## **RESULTS BY OBJECTIVE**

**Objective A – Identify current processes and controls:** Review the information provided by TCDD staff as well as the identified rules, laws, regulations, and information from other sources to determine processes and responsibilities related to development of projects.

### **Results and Conclusions:**

TCDD has written procedures on project development and RFP development, as well as informal documentation developed by the Planning Coordinator to document her activities. The following documents were provided to us for this project:

- Project Development Processes,
- Risk Assumptions Influencing Project Development,
- Options for Initiating Projects, and
- 2012 RFP Process Documentation.

These documents present a summary of the project development process, including the types of instruments that can be employed, detailed guides for developing Executive Summaries, and an overview and guidance on writing the RFP.

Projects are developed and funded through a competitive RFP process except for limited unusual situations. The usual process involves:

1. Council approval of an Executive Summary
2. Writing and posting an RFP that follows the guidelines of the Executive Summary
3. Independent Review Panel evaluations of proposals
4. Council approval of proposals to fund, dependent on successful negotiation of work plan and budget.

The objectives of the activity under review are identified and prioritized as:

1. Develop bid specifications for projects to be funded by the Council that result in implementation of projects that successfully reach the intended goals.
2. Facilitate more and/or better involvement in all DD Council-funded activities by people with intellectual and developmental disabilities, people who live in rural areas, people who live in poverty, and people who strongly identify with an ethnic minority culture.

The specific activities related to the RFP process are identified as:

1. Determine interest/goals of Council
2. Research and draft an Executive Summary
3. Obtain Council approval for funding of a project as described by the Executive Summary
4. Draft RFP and obtain approvals
5. Post RFP
6. Host bidders teleconferences
7. Receive and conduct a technical review of proposals
8. Facilitate independent review panel
9. Summarize review panel findings and facilitate staff review
10. Present information to Executive Committee

The risks identified by the TCDD staff:

- having incomplete knowledge or faulty assumptions that lead to poorly designed or worded RFPs;
- Sophisticated organizations that have better skills submitting the most impressive proposals, when they may not be the best candidate.

Other avenues for funding projects have been explored by staff and a document was developed to consider various types of activities, the possible implementation process, and monitoring considerations. This information was presented to the Council in April of 2013 for review. Some of the ideas that were favorably received included providing funds for information products such as webinars, podcasts, or guides on various topics; materials translations for local disability advocacy organizations; and scholarships or internships for people with IDD, their family members, and selected others, based on available funds.

**CONCLUSIONS:**

The documentation provided by staff identifies and organizes the processes and activities, and includes appropriate and adequate review and oversight control steps.

**RECOMMENDATION:**

Continue to explore options for initiating projects, such as those presented to the Council in 2013, to expand funding opportunities.

**Objective B – Identify RFP requirements and options allowed by state and federal law:** Review relevant guidance from OMB, UGMS, AIDD, and other resources to determine what guides the TCDD in their efforts to let grants with federal DD funds. Contact other DDC's and the National Association of Councils on Developmental Disabilities (NACDD) to inquire how others manage the letting of federal funds for DDC projects.

**Results and Conclusions:**

The primary requirements to guide the process of letting Federal funds are summarized in an Attachment to this report. TCDD follows the State's procurement process for RFPs. There are formal documented procedures that include adequate internal controls, including appropriate review and oversight of the process to ensure compliance with Federal and State guidance.

The survey of other DD Councils was facilitated by NACDD that sent a mass email on our behalf to all the DDCs. We requested information on how they manage the project development and RFP process for grants. We requested they share any written procedures they may have and explained that we were trying to find some efficiencies in processes related to obligating Federal funds. We had responses from eight DDCs: Arizona, Delaware, Guam, Kansas, North Carolina, New York, Massachusetts, and Vermont. Many expressed the same concerns that we have with the length of time it takes to get a project online. Most States use much the same process as TCDD, following their state government's procurement procedures. Only two states had written internal procedures to share with us. These procedures have been shared with staff to facilitate the development of more complete written procedures for TCDD. There are some differences in the instruments used, mostly based on individual state's procurement guidelines. RFPs for grants are the most common instrument used by all respondents. Most of the responding DDCs use noncompetitive direct agreements with other state agencies, universities, local units of government and school districts, using Interagency or Intergovernmental agreements. Contracts are used mostly for services such as web development, strategic planning, consultants, etc. Information provided by the DDCs was shared with TCDD management.

**Objective C – Identify opportunities for improvement:** Identify practices that may provide TCDD with greater efficiencies.

The Association of University Centers on Disabilities published a ‘Funders Toolkit’, funded by the Administration on Intellectual and Developmental Disabilities, to help funders who are interested in funding self-advocates and self-advocacy organizations. Some of the guidance provided on developing the request for applications and panel review of applications is listed below; TCDD already employs many of these practices.

- Informational calls for applicants should provide detail in multiple formats, such as conference calls, online meeting rooms for visual support, and closed captioning.
- Templates for each section of the application should be included as appendices (ex. Templates for the application cover page, narrative with required sections, and budget).
- A glossary should be provided to explain grants/contracts terms
- The scoring rubric should be provided so applicants understand the scoring
- Online application systems should ensure that the number of available upload fields matches the number of documents required to be uploaded.
- Include an evaluation component (external or via technical assistance) that grantees have to respond to at the end of the grant, so they have the opportunity to reflect on outcomes.
- A question in the proposal should address the specific outcomes that the RFP is intended to address (i.e., deliverables) – the more clear this is on the front end, the better the applications and outcomes on the back end.
- Reviewers should reflect the target audience expected to submit applications.
- Training for reviewers should be mandatory and provided in multiple formats (conference calls, online meeting, etc.)
- In the reviewer training, provide concrete examples of what to look for in the application when scoring each section.
- Walk cautiously where proposals rely heavily on information technology, as there are significant disparities in access to technology, accessibility, of technology, and support and assistance needed to utilize technology.

The practices identified by the various DDC responses were reviewed and discussed with TCDD management for consideration.

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**REPORT DISTRIBUTION PAGE**

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Scott McAvoy, Member  
John Morris, Member  
Mary Durham, Council Chair

Texas Council for Developmental Disabilities

Roger Webb, Executive Director  
Martha Cantu, Operations Director  
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## **ATTACHMENT A: RFP Guidance Summary**

The Developmental Disabilities Assistance and Bill of Rights Act of 2000 (the DD Act), Subtitle B, Federal Assistance to State Developmental Disabilities Councils, allots sums to the States to pay for the Federal share of the cost of carrying out projects in accordance with approved State plans. These allotments may be used by States for priority area and other advocacy activities.

Federal guidance on the process of granting federal funds is provided in the Code of Federal Regulations (CFR) Chapter I, Part 200 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subpart C, Pre-Federal Award Requirements includes guidance on the use of grant agreements, cooperative agreements, and contracts. The awarding entity must decide on the appropriate instrument for the Federal award in accordance with the Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301-08).

OMB A-102, Grants and Cooperative Agreements with State and Local Governments, discusses the Sections 6301-08, title 31, United States Code on using procurement contracts and grant and cooperative agreements. OMB A-102 states that ‘grants or cooperative agreements shall be used only when the principal purpose of a transaction is to accomplish a public purpose of support or stimulation authorized by Federal statute. Contracts shall be used when the principal purpose is acquisition of property or services for the direct benefit or use of the Federal Government. The statutory criterion for choosing between grants and cooperative agreements is that for the latter, “substantial involvement is expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.”’

The Texas Statewide Contract Management Guide (CMG) published by the Comptroller’s office, states “For agencies planning to use grant funds to procure a good or service, the agency is required to follow state purchasing guidelines”. The CMG provides guidance on the planning process prior to a grant announcement and encourages agencies to “develop good internal controls to ensure grants are awarded to eligible entities for intended purposes, and are managed appropriately”.

Agencies planning on making grant awards to other entities must follow UGMS (Uniform Grant Management Standards) prepared by the Governor's Office of Budget and Planning. UGMS provides practical guidance related to using standardized application forms and not requiring submission of more than the original and two copies (State agencies may require more), and continuation or supplemental award applications require only the affected pages to be resubmitted (State agencies may require the entire application). Section .36 on Procurement states that when procuring property and services under a grant, a state will follow the same policies and procedures it uses for procurements from its non-federal funds.

Some of the new CFR 200 on uniform grant standards are referenced below for additional guidance on the procurement process:

§200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

- (a) The Federal awarding agency or pass-through entity must decide on the appropriate instrument for the Federal award (i.e., grant agreement, cooperative agreement, or contract) in accordance with the Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301-08).

Note: A fixed amount award cannot be used in programs which require mandatory cost sharing or match.

§200.317 – Procurements by states. When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds... All other non-Federal entities, including subrecipients of a state, will follow §§200.318 General Procurement standards through 200.326 Contract provisions.

§200.318 – General procurement standards.

- (a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts

§200.320 – Methods of procurement to be followed.

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, there are other requirements that apply:

(1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(2) Proposals must be solicited from an adequate number of qualified sources;

(3) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;

(4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

(5) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(e) [Reserved]

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
  - (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
  - (4) After solicitation of a number of sources, competition is determined inadequate.
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<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>
<b>2013-1</b>	<b>5/31/2013</b>	<b>Grantee Communications</b>			
Objective A	Review current communication activities between TCDD staff and grantees	#2013-1-01: Identify and review processes, forms, and website access issues identified in the grantee survey to improve the overall grantee communications process.	<b>Implemented and Ongoing:</b> TCDD has made revisions to the grants manual, forms, website and other grant-related activities. Grantees have easier access to the manual, email submissions, courtesy reminders, tracking program and fiscal reports with follow up as needed, and streamlined orientation / forms for mini-grants, and regular follow-up within first 90 days of new awards.	Improved communications with grantees	
Objective B	Survey grantees for their assessment of the TCDD staff communication efforts				
Objective C	Evaluate processes and controls; make recommendations for improvements.				
<b>2013-2</b>	<b>9/10/2013</b>	<b>Governance Audit</b>			
Objective A	Compliance - Evaluate board member compliance with training and filing requirements.	General compliance noted - no recommendations	n/a		
Objective B	Survey - Survey Council members to assess their perspective of council member duties and responsibilities.	% Participation;	n/a		



**TEXAS COUNCIL FOR  
DEVELOPMENTAL DISABILITIES**

**ANNUAL INTERNAL AUDIT REPORT**

**Fiscal Year 2014**

Presented to  
The TCDD Audit Committee  
August 7, 2014

*Prepared by*  
**Rupert & Associates, P.C.**  
Certified Public Accountants  
Austin, Texas

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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 2014 is due November 1, 2014.

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

TCDD complies 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 2014**

The Texas Council for Developmental Disabilities (TCDD) had one advisory report delivered from the fiscal year 2014 audit plan. There were no deviations from the plan that was submitted in the FY-2013 Annual Internal Audit Report. Completed reports for FY-2014 included:

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.

### **III. Consulting Engagements and Non-Audit Services Completed**

The Internal Auditor performed one advisory projects which is considered a consulting engagement, 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, during fiscal year 2014.

#### **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. One opportunity for improvement was identified – to plan future projects to evaluate organization governance. In FY-2013 the internal audit function performed a Governance Audit at TCDD.

#### **V. Internal Audit Plan for Fiscal Year 2015**

The fiscal year 2015 Audit Plan will be presented at a later date. The contracted internal audit function at TCDD’s is being rebid this year and the risk assessment and internal audit plan will be developed by the new auditors. The report will be submitted to oversight agencies and posted on the TCDD website within 30 days after approval by the Audit Committee and Council.

#### **VI. External Audit Services**

External audit services procured in fiscal year 2014 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.

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