

Background:

The Audit Committee has reviewed the TCDD FY 2010 Annual Internal Audit Report at the Committee meeting October 18th and approved submission on behalf of the Council to the State Auditor’s Office, Governor’s Office of Budget, Planning and Policy, Legislative Budget Board and Sunset Advisory Commission. TCDD Policies allow the Audit Committee to approve submittal on behalf of the Council by the required submission date of November 1st of each year subject to review by the Council. Should the Council choose to make revisions; a revised report can be submitted.

Council Meeting

Agenda Item 8.

Expected Action:

The Council will review, revise as appropriate, and approve the TCDD FY 2010 Annual Internal Audit Report.



TEXAS COUNCIL FOR DEVELOPMENTAL DISABILITIES

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2010

Presented to
TCDD Audit Committee
October 18, 2010

Prepared by:
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Certified Public Accountants
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Texas Council for Developmental Disabilities (TCDD)
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I. Internal Audit Plan for Fiscal Year 2010

The internal audit plan for TCDD for fiscal year 2010 was based on risks identified in the FY10 risk assessment update. The plan identified the following objectives as the main areas of focus for internal audit.

1. Information Technology: An assessment of compliance with TAC 202, Information Security Standards, which will also comply with the requirement for a periodic audit of TCDD's major systems and controls, including safeguarding of assets and data. 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 2010 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

Report #	Rpt Date	High-Level Audit Objective(s)	Rec #	Observations/Findings and Recommen	Current Status	Fiscal Impact / Other Impact
2010-01	8/6/2010	Information Security Standards (TAC 202)				
	Objective A	Determine what the roles and responsibilities of TCDD and TEA are related to TAC 202 compliance requirements.	2010-1	Develop a written Business Recovery Plan for TCDD that will interface with TEA efforts for systems and business recovery in the event of an incident.	In Process: TCDD has adopted Operating Procedure 01-11 Business Continuity Planning that establishes procedures for TCDD business continuity planning in order to ensure the quick and effective recovery of mission-essential business functions in the event of a disaster or major business interruption that impairs the operations of the TCDD. In addition, TCDD IT functions are included in the TEA Business Continuity Plan version 1.0 dated January 2010. TCDD will review this matter further with TEA to determine if additional information is needed by TEA to restore TCDD IT functions should that be necessary. TCDD has recently developed and adopted an Emergency Backup Succession Plan to address organizational stability and leadership continuity of the Executive Director and key management staff.	01-Compliance with TAC 202 information security standards for state agencies.
	Objective B	Determine if TCDD has adequate procedures in place to ensure that they meet their responsibilities as described in TEA's information security procedures.	2010-2	Agency policy calls for employees to sign an acknowledgement of appropriate usage policy at the time of hire. In addition to this initial acknowledgement, TCDD should encourage a reiteration of the risks of inappropriate technology usage.	Implemented: TEA currently offers security classes through their Office of Organizational Effectiveness. These classes are open to TCDD staff. TCDD staff receive emails regarding security class curriculum and schedules. TCDD staff is encouraged to sign up for these classes to raise security awareness and reinforce security usage. Appropriate use of technology is discussed periodically during TCDD staff meetings.	Raise awareness of information security risks among staff.
	Objective C	Determine if TEA provides appropriate monitoring and oversight of TCDD information security control processes to meet the IT security standards.	2010-3	TCDD should work with the TEA ISO to identify the level of security support to be provided by TEA and the activities for which TCDD is responsible. The interagency MOU should be revisited to clearly define the responsibilities for these procedures, including IT security oversight	Implemented: TCDD believes the responsibilities of TEA and of TCDD related to IT services and security are clear and appropriate within the current MOU. The MOU defines the Information technology support provided for TCDD by TEA, including support through the Department of Information Resources and the state Data Center Service.	Operational efficiencies and compliance with state requirements.

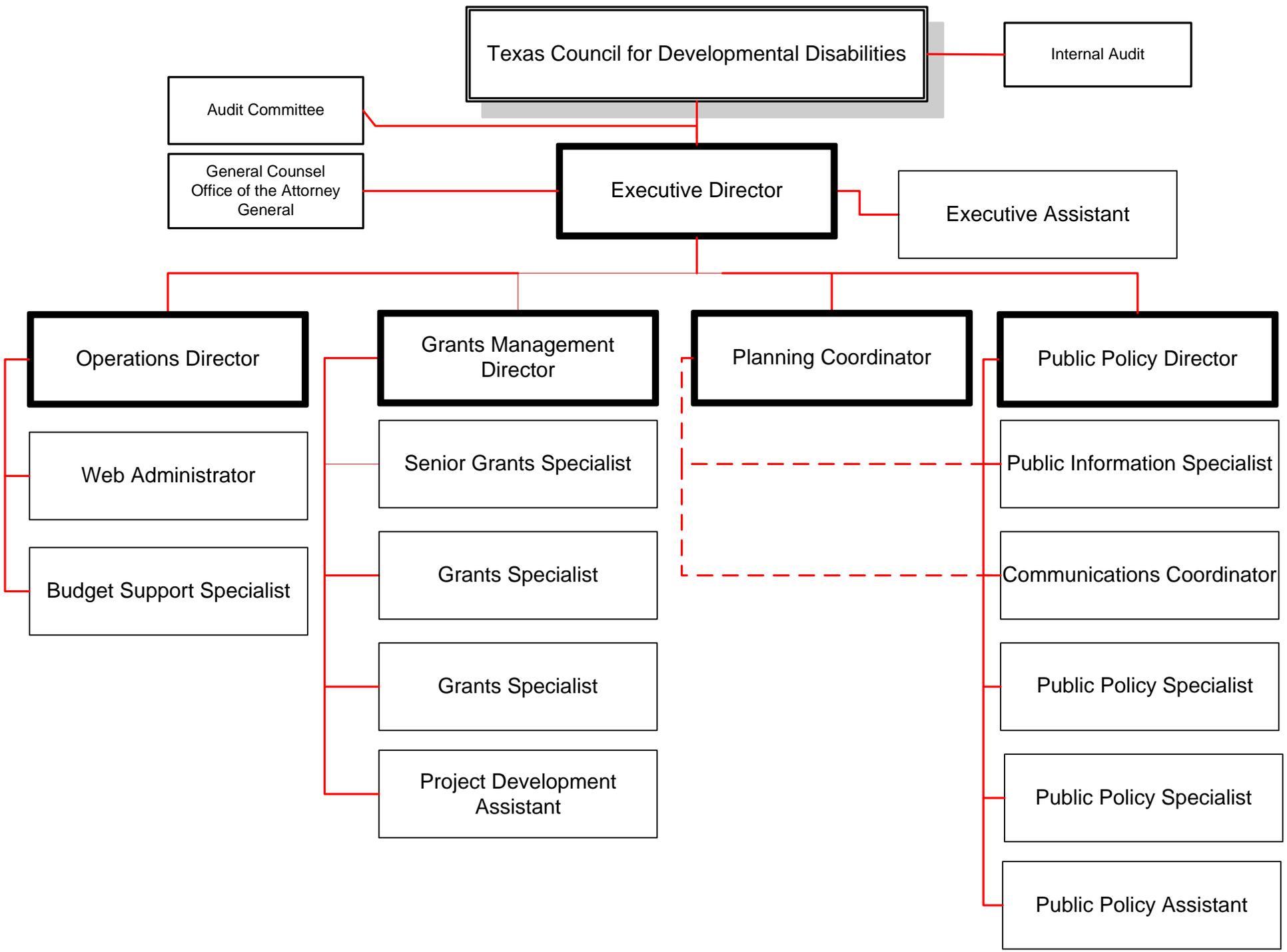
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IV. List of Consulting Engagements and Non-audit Services Completed Showing High-Level Objectives, Observations/Results, Recommendations, and Status

There were no consulting engagements or non-audit services performed in FY10.

V. Organizational Chart

A current organizational chart is provided on the following page.



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VI. Report on Other Internal Audit Activities

Activity	Impact
Annual Risk Assessment Update	Facilitated management in the 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 performed 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 standards and/or legislation that may impact internal audit's role in state agencies.
The Institute of Internal Auditors International Conference	Attend various internal audit training events, including the international conference in 2010, to stay abreast of changes in the professional standards.

VII. Internal Audit Plan for Fiscal Year 2011

Based on the updated risk assessment, the proposed internal audit focus for FY-2011 is:

3. 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).
4. 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 2010 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

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