

**AUDIT COMMITTEE MEETING
DRAFT MINUTES
OCTOBER 19, 2011**

COMMITTEE MEMBERS PRESENT

John Morris, Chair	Andy Crim	Jeff Kaufmann, DARS
Brenda Coleman-Beattie, Council Chair	Mary Durheim	

STAFF MEMBERS PRESENT

Roger Webb, Executive Director	Martha Cantu Sonya Hosey	Koren Vogel
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GUESTS PRESENT

Jaye Stepp, Rupert & Associates James Faragoza, Attendant

CALL TO ORDER

The Audit Committee of the Texas Council for Developmental Disabilities convened on October 19, 2011, in the Boardroom at the Comfort Suites Hotel, 7501 East Ben White, Austin, TX 78741. Committee Chair John Morris called the meeting to order at 9:16 AM.

1. INTRODUCTIONS

Committee members and staff were introduced. Council Chair Brenda Coleman-Beattie welcomed Jeff Kaufmann as a new member to the Committee.

2. APPROVAL OF MINUTES

The Committee reviewed the minutes from the November 1, 2010, Committee meeting. No revisions were offered.

MOTION: To approve the minutes of the November 1, 2010 Audit Committee meeting as presented.

MADE BY: Andy Crim

SECOND: Mary Durheim

The motion **passed** unanimously. Jeff Kaufmann abstained from voting.

3. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Executive Director Roger Webb reviewed the duties of the Audit Committee as outlined in Council Policies and offered a few comments about the Committee's important role. Jaye Stepp, TCDD Internal Auditor, also discussed the importance of the Committee to provide oversight of various internal functions. Other members also offered comments. Members suggested providing an overview of the Audit Committee and internal audit functions for all Council members at a future Council meeting.

4. TCDD FY 2011 AUDIT REPORT ON GRANT MONITORING

Stepp reviewed the FY 2011 Annual Internal Audit Report and provided a summary of findings and recommendations. The FY 2011 internal audit activities focused on current

processes in place for grants awarded during the past three years. Methodology included interviews, questionnaires, and discussions with various personnel at TCDD as well as a sampling of current grants and tests of controls and details. Stepp indicated that criteria for compliance were developed by reviewing federal and state monitoring requirements and comparing those requirements to monitoring activities in place at TCDD. Stepp also reviewed related TCDD operating procedures and the TCDD Grants Manual to identify procedures related to grantee monitoring for tests of controls and tests of details. From that review, three audit objectives were developed:

- A. Evaluate compliance with state grant monitoring requirements.
- B. Evaluate effectiveness of processes and controls over grantee monitoring.
- C. Evaluate the processes and controls for data management and safeguarding of data.

Ms. Stepp's audit activities determined that TCDD grantee monitoring processes were found to be in compliance with federal and state guidance, and with TCDD's internal written procedures. TCDD grant files supported monitoring activities were performed and documented. Based on a random sample of grantees, grantee file content was present as expected, mostly in electronic format and some hard copies. Stepp noted that TCDD has initiated various new activities that reflect a proactive monitoring program. She found grantee monitoring processes and controls are being followed and are effective, and noted minimal errors in filing material in grantee files. Stepp also found that TCDD has assigned responsibilities appropriately to maintain grantee files and has initiated appropriate security and backup protocols for those files. TCDD processes and controls to safeguard grantee files are in place, are followed, and are effective.

From these auditing activities, Ms. Stepp offered a recommendation that TCDD develop a checklist that identifies expected documentation for each file as a template where staff can initial and date when documents are added. In that manner, exceptions can be quickly recognized and corrected. TCDD Grants Management staff concur with the recommendation and have developed a draft checklist. Acting Grants Management Director Sonya Hosey reviewed the draft checklist with the Committee. Ms. Hosey indicated that staff expect to complete this process by mid-November.

MOTION: To approve the TCDD FY 2011 Internal Audit Report on Grantee Monitoring.

MADE BY: Mary Durheim

SECOND: Andy Crim

The motion **passed** unanimously.

5. **TCDD ANNUAL INTERNAL AUDIT REPORT**

Stepp next reviewed the TCDD Annual Audit Report for Fiscal Year 2011. This report summarizes the internal auditor's auditing activities during the fiscal year including the internal audit of grantee monitoring, any external quality assurance review activities, other audits conducted, and other items the State Auditor's Office (SAO) requires for this report. This report also includes a summary of the internal audit plan for FY 2012.

MOTION: To approve the TCDD Annual Internal Audit Report for FY 2011.

MADE BY: Jeff Kaufmann

SECOND: Mary Durham

The motion **passed** unanimously.

6. TCDD FY 2011 QUALITY ASSURANCE PLAN

Ms. Stepp also reviewed the TCDD Internal Audit Activity Report on Quality Assurance and Improvement Program for FY 2011. This report reviews steps initiated by the internal auditor to assure that audit work is performed in accordance with the audit charter and professional standards, is operated in an efficient and effective manner, and is perceived by stakeholders as adding value. This report is not required by SAO and is provided to TCDD as an information item only. Ms. Stepp noted that the external quality assurance review of the auditor's work will occur again during FY 2012.

7. TCDD FY 2012 INTERNAL AUDIT CHARTER

Ms. Stepp reviewed the Internal Audit Charter for FY 2012. The document defines the objectives and scope of work in the internal audit activities. Stepp indicated that there are no substantive changes proposed for the Charter this year.

MOTION: To accept the FY 2012 TCDD Internal Audit Charter as presented.

MADE BY: Andy Crim

SECOND: Jeff Kaufmann

The motion **passed** unanimously.

8. TCDD FY 2012 INTERNAL AUDIT PLAN

Ms. Stepp reviewed the Internal Audit Plan for FY 2012. This included a summary of the focus of internal auditing activities each year beginning in 2002. Stepp reviewed the updated risk assessment developed jointly with TCDD executive staff. This assessment of key areas of risk informs the auditor's thinking about key areas for auditing review. Based on this analysis and discussion with executive staff, Stepp proposed the following activities as the focus of internal audit activities for FY 2012:

1. Monitoring of Funding Obligations and Liquidations.
2. Consult, Advise, and Monitor the development and refinement of the grantee reporting database (DD Suite).
3. Follow-up on prior year audit recommendations.

MOTION: To approve the FY 2012 TCDD Internal Audit Plan as presented.

MADE BY: Mary Durham

SECOND: Andy Crim

The motion **passed** unanimously.

9. OTHER DISCUSSION ITEMS

Ms. Stepp reminded members that they should always contact her with any concerns or if they have suggestions for future audit plans. Council Chair Coleman-Beattie also

suggested including this meeting's agenda as a handout for all Council members to be reviewed during the Audit Committee report at the November 4, 2011, Council meeting.

ADJOURN

There being no further business, Committee Chair Morris adjourned the Audit Committee meeting at 10:22 AM.

Roger A. Webb
Secretary to the Council

Date