

**TEXAS COUNCIL FOR DEVELOPMENTAL DISABILITIES**

**FISCAL YEAR 2015 ANNUAL INTERNAL AUDIT REPORT**

**NOVEMBER 1, 2015**

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**I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site**

Texas Government Code, Section 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post their Internal Audit Plan, Internal Audit Annual Report, and other audit information on the Internet.

The Texas Council for Developmental Disabilities (TCDD or the Council) will post this report and its 2016 Internal Audit Plan on its website at [www.tcdd.texas.gov](http://www.tcdd.texas.gov) on November 1, 2015.

TCDD will update its posting with a detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns raised by performance of the audit plan as they are identified or by November 1, 2016. TCDD will also update the posting with the corrective action taken to address any issues identified.

**II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

On May 29, 2014, Governor Perry requested that internal auditors for higher education institutions conduct work to determine whether “proportionality is being applied according to the established guidelines.” This requirement is not applicable to TCDD.

**III. Internal Audit Plan for Fiscal Year 2015**

The internal audits planned and performed for Fiscal Year 2015 were selected to address the agency’s highest risk areas, based on the Internal Audit Risk Assessment conducted in December of 2014, which included input from TCDD management. TCDD did not deviate from its Audit Plan.

Internal Audit Report	Report Date	Current Status
Internal Audit Report Over Procedures and Controls Review	August 31, 2015	The report was issued September 22, 2015 Follow-up procedures to verify that corrective action has been performed are included in the proposed 2016 Internal Audit Plan.

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**IV. Consulting Services and Nonaudit Services Completed**

As defined in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the Government Auditing Standards, 2011 Revision, Sections 3.33 – 3.58, TCDD completed the following consulting and non-audit services for FY 2015:

Weaver became TCDD's Internal Auditor in December 2014. Internal Audit did not perform any consulting or nonaudit services in fiscal year 2015.

Bankole, Okoye & Associates, P.C. was engaged to perform desk reviews of the OMB Circular A-133 Audit Reports provided to the Council by their grant recipients.

The following reports were issued by Bankole, Okoye & Associates, P.C. during Fiscal Year 2015.

<b>Grantee Desk Review</b>	<b>Report Date</b>	<b>Current Status</b>
Desk Review of the Audit Report of Any Baby Can of San Antonio, Inc. for the Years Ended June 30, 2014 and 2013	January 5, 2015	Report was issued January 5, 2015. The review indicated that the audit report for the grantee's A-133 audit was acceptable with deficiencies.
Desk Review of the Audit Report of Region 17 education Service Center for the Year Ended August 31, 2014	February 22, 2015	Report was issued February 22, 2015. The review indicated that the audit report for the grantee's A-133 audit was acceptable.
Desk Review of the Audit Report of Sabine Valley Regional Mental Health Mental Retardation Center for the Year Ended August 31, 2014	February 26, 2015	Report was issued February 26, 2015. The review indicated that the audit report for the grantee's A-133 audit was acceptable.
Desk Review of the Audit Report of Paseo Del Norte Children's Development Center & Affiliate for the Year Ended August 31, 2014	June 30, 2015	Report was issued June 30, 2015. The review indicated that the audit report for the grantee's A-133 audit was acceptable.
Desk Review of the Audit Report of Texas State Independent Living Council for the Year Ended August 31, 2012	June 30, 2015	Report was issued June 30, 2015. The review indicated that the audit report for the grantee's A-133 audit was acceptable.
Desk Review of the Audit Report of Texas State Independent Living Council for the Year Ended August 31, 2013	June 30, 2015	Report was issued June 30, 2015. The review indicated that the audit report for the grantee's A-133 audit was acceptable.
Desk Review of the Audit Report of Texas A&M University for the Year Ended August 31, 2014	July 21, 2015	Report was issued July 21, 2015. The review indicated that the audit report for the grantee's A-133 audit was acceptable with deficiencies.

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**V. External Quality Assurance Review**

In accordance with professional standards, and to meet the requirements of the Texas Internal Auditing Act, Internal Audit is required to undergo an external quality assurance review at least once every three years. Weaver's review was performed in October 2013.



**System Review Report**

October 4, 2013

To the Partners of Weaver and Tidwell, L.L.P.  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (Service Organizations Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. applicable to non-SEC issuers in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Weaver and Tidwell, L.L.P. has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Eide Bailly LLP

[www.eidebailly.com](http://www.eidebailly.com)

800 Nicollet Mall, Ste. 1300 | Minneapolis, MN 55402-7033 | T 612.253.6500 | F 612.253.6600 | EOE

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**VI. Internal Audit Plan**

The 2016 Internal Audit Plan has not been approved by the Texas Council for Developmental Disabilities. The Internal Audit Plan has been submitted to the Council and is anticipated to be approved on November 6, 2015. Below is the 2016 Internal Audit Plan submitted to the Council for approval based on the results of the 2015 Internal Audit Risk Assessment. The approved internal audit plan will be submitted to the State Auditor’s Office by December 1, 2015.

The following table identifies planned new internal audit activities for Fiscal Year 2016.

Fiscal Year 2016 Internal Audit Plan		
Audit Area	2015 Risk Rating	Estimated Hours
Website Maintenance	High	130-150

Planned follow-up procedures for fiscal year 2016 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

Fiscal Year 2016 Follow-up Procedures		
Audit Area	2015 Risk Rating	Estimated Hours
Procedures and Controls Review	High	18

Senate Bill 20 (84<sup>th</sup> Legislature) requires the consideration the performance of audits on contracts entered into by the Health and Human Services Commission that exceed \$100 million in annual value. TCDD has no contracts that exceed \$100 million in annual value.

The 2015 Internal Audit Risk Assessment resulted in five Significant Activities rated as “High” risk. Four risks are not covered by the 2016 Internal Audit Plan but were addressed by the 2015 Internal Audit Over Procedures and Controls review or in subsequent year’s Internal Audit Plan. Those risks are as follows:

1. **Grant Management and Administration** – Grant Management and Administration is included in the proposed 2017 Internal Audit Plan.
2. **Financial Close and Reporting** – Responsibilities of TCDD personnel for Financial Close and Reporting were included in the 2015 Procedures and Controls Review. Additional risks are addressed by the annual financial statement audit of TEA and the administrative services Memorandum of Understanding with TEA.
3. **Accounts Payable and Disbursements** - Responsibilities of TCDD personnel for Accounts Payable and Disbursements were included in the 2015 Procedures and Controls Review. Additional risks are addressed by the administrative services Memorandum of Understanding with TEA.
4. **Human Resources Administration** - Responsibilities of TCDD personnel for Human Resources Administration were included in the 2015 Procedures and Controls Review. Additional risks are addressed by the administrative services Memorandum of Understanding with TEA.

**VII. External Audit Services Procured in FY 2015**

TCDD did not procure external audit services in FY2015. TCDD’s financial activities are included in the financial audit of the Texas Education Agency.

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**VIII. Reporting Suspected Fraud, Waste 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, the Council's utilizes the Texas State Auditor's Office Hotline for reporting allegations of fraud, waste or abuse. The Council posts a link on TCDD home page at <http://www.txddc.state.tx.us/> to connect users directly to the State Auditor's Office webpage for reporting suspected fraud, waste, or abuse.