

TEXAS COUNCIL FOR DEVELOPMENTAL DISABILITIES

FISCAL YEAR 2016 ANNUAL INTERNAL AUDIT REPORT

NOVEMBER 7, 2016 (AS EXTENDED)

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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) posted this report and its 2017 Internal Audit Plan on its website at www.tcdd.texas.gov on November 7, 2016. TCDD's Council reviewed and approved the Annual Audit Report as part of their regular Council meeting in November 2 through 4, 2017. TCDD was granted an extension to file the Annual Internal Audit Report by the State Auditor's Office until after the review and approval of the report by TCDD's Council.

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, 2017. TCDD will also update the posting with the corrective action taken to address the weaknesses, deficiencies, wrongdoing or other concerns identified.

II. Internal Audit Plan for Fiscal Year 2016

The internal audits planned and performed for Fiscal Year 2016 were selected to address the agency's highest risk areas, based on the 2015 Internal Audit Risk Assessment conducted in December of 2014, which included input from TCDD management. The only deviation from the Internal Audit Plan was that there was no follow-up performed on the 2015 Procedures and Controls Review findings. These follow-up procedures are scheduled for October 2016.

Internal Audit Report	Report Date	Current Status
Internal Audit Over Website Maintenance	June 21, 2016	The report was issued July 15, 2016. Follow-up procedures to verify that corrective action has been implemented are included in the proposed 2017 Internal Audit Plan.
2015 Internal Audit Follow-Up	N/A	Follow-up procedures are deferred to Fiscal Year 2017.

III. 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 2016:

Weaver as TCDD's Internal Auditor did not perform any consulting or nonaudit services in fiscal year 2016.

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.

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The following reports were issued by Bankole, Okoye & Associates, P.C. during Fiscal Year 2016.

Grantee Desk Review	Report Date	Current Status
Desk Review of the Audit Report of Texas Tech University for the years ended August 31, 2013 and August 31, 2014	Both reports have the same report date of November 24, 2015	Both reports were issued November 24, 2015.
Desk Review of the Audit Report of Travis County Domestic Violence & Sexual Assault Survival center for the years ended December 31, 2014 and December 31, 2015	November 23, 2015 for the year ended December 31, 2014 and December 31, 2015 (not received yet)	Report for the year ended December 31, 2014, was issued November 23, 2015. Findings Identified: In the second and third paragraphs in the section on Internal Control over Financial Reporting of the independent auditors' Yellow Book Reports excluded some words and sentences of the reporting language required by Statement of Auditing Standards AU-C Section 265 Paragraphs .14 (a) and (c) (iv) and 2012 Government Auditing Standards.
Desk Review of the Audit Report of Epilepsy Foundation of Texas for the years ended December 31, 2014 and December 31, 2015	Both reports have the same report date of November 23, 2015	Both reports were issued November 23, 2015.
Desk Review of the Audit Report of Any Baby Can of San Antonio, Inc. for the years ended June 30, 2015	December 21, 2015	Report issued December 21, 2015.
Desk Review of the Audit Report Region 17 Education Service Center for the year ended August 31, 2015	January 22, 2016	Report issued January 22, 2016. Findings Identified: In the "Summary of Auditors' Results" section of the Schedule of Findings and Questioned Costs, the auditors described the results of their audits of the financial statements and compliance for major programs as Unqualified. The results of the audits should have been described as Unmodified. A copy of the revised audit was submitted to TCDD's CPA.
Desk Review of the Audit Report Texas State Independent Living Center for the year ended August 31, 2014	January 22, 2016	Report issued January 22, 2016.
Desk Review of the Audit Report Sabine Valley Regional Mental Health Mental Retardation Center dba Community Healthcore for the year ended August 31, 2015	February 9, 2016	Report issued February 9, 2016. Findings Identified: From the review of Type A programs in 2015 fiscal year, it was identified that VA Supportive Services for Veteran Families Program (CFDA 64.033) was a Type A program that should have been considered a high-risk program and audited as a major program in 2015 fiscal year since it was not audited as a major program in either 2013 or 2014 fiscal year.
Desk Review of the Audit Report Texas A&M University for the year ended August 31, 2015	June 10, 2016	Report issued June 10, 2016.
Desk Review of the Audit Report Imagine Enterprise, Inc. for the year ended December 31, 2014	June 9, 2016	Report issued June 9, 2016.

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IV. 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.

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

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V. Internal Audit Plan for Fiscal Year 2017

The Internal Audit Plan was submitted to the Audit Committee of the Council. The Audit Committee approved the plan on November 2, 2016, and the Council subsequently approved the plan on November 4, 2016. Below is the 2017 Internal Audit Plan submitted to the agency’s Council based on the results of the 2015 Internal Audit Risk Assessment. The approved internal audit plan was submitted to the State Auditor’s Office prior to November 7, 2016.

The following table identifies planned new internal audit activities for Fiscal Year 2017.

Fiscal Year 2017 Internal Audit Plan		
Audit Area	2015 Risk Rating	Estimated Hours
Grant Management and Administration	High	160-180

Planned follow-up procedures for fiscal year 2017 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

Fiscal Year 2017 Follow-up Procedures		
Audit Area	2015 Risk Rating	Estimated Hours
Website Maintenance	High	40-50
2015 Procedures and Controls Review	High	20-25

Senate Bill 20 (84th 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. Three risks are not covered by the 2017 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. **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.
2. **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.
3. **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.

The Internal Audit Risk Assessment was performed in 2015 and an entity-wide risk assessment for the purposes of developing an internal audit plan. Information technology risks were considered throughout the risk assessment process, as information technology risk influences the significant processes of TCDD.

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VI. External Audit Services Procured in FY 2016

TCDD did not procure external audit services in FY2016. TCDD's financial activities are included in the financial audit of the Texas Education Agency.

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, 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.