

Texas Council for Developmental Disabilities

Fiscal Year 2018 Annual Internal Audit Report

August 31, 2018

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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 2018 Internal Audit Plan on its website at www.tcdd.texas.gov on August 31, 2018. TCDD's Council reviewed and approved the Annual Audit Report as part of their regular Council meeting held on August 3, 2018.

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, 2018. 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 2018

The internal audits planned and performed for Fiscal Year 2018 were selected to address the agency's highest risk areas, based on the 2018 Internal Audit Risk Assessment conducted in October of 2017, which included input from TCDD management.

Internal Audit Report	Report Date	Current Status
Internal Audit over External Communications, Advocacy and Public Policy	May 9, 2018	The report was issued June 28, 2018. Follow-up procedures to verify that corrective action has been performed are included in the proposed 2019 Internal Audit Plan.
Internal Audit Follow-Up over Grants Management	June 1, 2018	The report was issued July 3, 2018.

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 2018:

Weaver as TCDD's Internal Auditor did not perform any consulting or nonaudit services in fiscal year 2018.

Bankole, Okoye & Associates, P.C. was engaged to perform desk reviews of the Single 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 2018.

Grantee Desk Review	Report Date	Current Status
Texas State Independent Living Council	August 31, 2016	Review was completed September 7, 2017
Any Baby Can of San Antonio, Inc.	June 30, 2017	Review was completed November 2, 2017
Region 17 ESC	August 31, 2017	Review was completed February 1, 2018
Disability Rights Texas	September 30, 2017	Review was completed February 12, 2018
Community Healthcore (Sabine Valley Center MHMR)	August 31, 2017	Review was completed February 15, 2018
EveryChild, Inc.	August 31, 2017	Review was completed May 8, 2018

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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 2016.



System Review Report

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 engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016. 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 engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016, 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*.

Eide Bailly LLP

Eide Bailly LLP
October 7, 2016

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V. Internal Audit Plan for Fiscal Year 2019

The Internal Audit Plan was submitted to the Audit Committee of the Council. The Audit Committee approved the plan on November 2, 2017, and the Council subsequently approved the plan on November 4, 2017. Below is the 2019 Internal Audit Plan submitted to the agency's Council based on the results of the 2017 Internal Audit Risk Assessment. The approved internal audit plan will be submitted to the State Auditor's Office prior to November 1, 2018.

The following table identifies planned new internal audit activities for fiscal year 2019.

Fiscal Year 2019 Internal Audit Plan		
Audit Area	2017 Risk Rating	Estimated Hours
Governance	Moderate	200-225

Planned follow-up procedures for fiscal year 2019 to verify and communicate with management the remediation efforts of prior internal audit recommendations.

Fiscal Year 2019 Internal Audit Plan Follow-Up Audit		
Audit Area	2017 Risk Rating	Estimated Hours
External Communications / Advocacy	High	20-25
Public Policy	Moderate	

As part of the risk assessment, TCDD assesses the following risk categories across all significant activities of the agency, which include the significant information technology processes:

- financial risk
- fraud risk
- economic risk
- demographic risk
- operations and complexity risk
- organization risk
- human capital risk
- information technology risk
- regulatory/compliance risk, and
- reputational risk

Taking into consideration the input from the TCDD management, all significant activities are assigned a risk score for each risk category. The overall risk rating (High, Medium or Low) is assigned to each significant activity based on the activity's average risk score.

The internal audit plan is developed by considering risk ratings for each significant activity and prioritizing "High" risk activities.

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The 2017 Internal Audit Risk Assessment Update resulted in two significant activities rated as "High" risk. Only one of the significant activities is not included in the Fiscal Year 2019 Internal Audit Plan:

1. **Grant Management and Administration** – Grant Management and Administration was not included in the 2019 Internal Audit Plan. Grant Management and Administration was included in the 2017 Internal Audit Plan, and was included in 2018 Follow-Up Procedures with only one finding remaining open.

VI. External Audit Services Procured in FY 2018

TCDD did not procure external audit services in FY2018. 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, the General Appropriations Act (85th Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, the Council 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.tcdd.texas.gov> to connect users directly to the State Auditor's Office webpage for reporting suspected fraud, waste, or abuse.