

Background:

Minutes from the October 24, 2013 meeting are included for your review.

Audit Committee

Agenda Item 2.

Expected Action:

The Committee will review, revise as appropriate and approve.

**AUDIT COMMITTEE MEETING
DRAFT MINUTES
OCTOBER 24, 2013**

COMMITTEE MEMBERS PRESENT

Andrew Crim, Chair	Jeff Kaufmann	John Morris
Mary Durham, Council Chair	Scott McAvoy	

COUNCIL MEMBERS PRESENT

Gladys Cortez

STAFF MEMBERS PRESENT

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

Jaye Stepp, Rupert & Associates

CALL TO ORDER

The Audit Committee of the Texas Council for Developmental Disabilities convened on Thursday, October 24, 2013, in the Guadalupe/Barton Creek Rooms at the Wyndham Garden Hotel, 3401 South IH-35, Austin, TX 78745. Committee Chair Andrew Crim called the meeting to order at 8:32 AM.

1. INTRODUCTIONS

Committee members, staff and guests were introduced.

2. APPROVAL OF MINUTES

The Committee reviewed the minutes from the October 8, 2012, Committee meeting. No revisions were offered.

MOTION: To approve the minutes of the October 8, 2012 Audit Committee meeting as presented.

MADE BY: Mary Durham

SECOND: Andy Crim

The motion **passed** unanimously.

3. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Executive Director Webb provided a history of TCDD Internal Audit activities which began following specific changes to the State Audit Act for small agencies in the late 1990s. He noted that TCDD chose to embrace the requirements of the law at that time by viewing itself as a small state agency instead of a program of the then designated state agency (Texas Rehabilitation Commission) and contracted for internal auditing services specific to TCDD. Webb noted that audit activities began in 2002 by reviewing risks associated with administering grant funds to determine that TCDD and its grantees met all the federal and state regulations. In addition to all

aspects of grants monitoring, Internal Audits have focused on public policy activities, information security, administrative/operating procedures, and governance of the agency.

TCDD established the Audit Committee to provide a direct contact and supervisory authority for the internal auditor. The Audit Committee approves the audit activities and reports and reviews the audit charter and plans for the next fiscal year.

Webb reiterated that internal audit activities are not a yearly review of TCDD finances but encompass all agency activities. The auditor is available for guidance should situations arise where consultation is required. As part of Internal Audit Standards, the TCDD Internal Auditor also submits to a periodic review of the work conducted for TCDD. This is provided by an external contractor who reports findings directly to the Audit Committee.

4. FY 2014 INTERNAL AUDIT CHARTER

TCDD Internal Auditor Jaye Stepp reviewed the FY 2014 TCDD Internal Audit Charter and noted that no changes have been made from FY 2013. Stepp explained that this is the document that defines the objectives and scope of work of audit activities. It also notes that the internal auditor does not have the authority to make management decisions or conduct operational duties. The Charter also lists the standards of audit practice to include the Texas Government Code and the “red and yellow books” which define professional standards for audit activities.

MOTION: To approve the 2014 Internal Audit Charter as presented.

MADE BY: Scott McAvoy

SECOND: Mary Durheim

The motion **passed** unanimously.

5. AUDIT REPORT 2013.1 GRANTEE COMMUNICATIONS

Stepp discussed the Internal Audit Report #2013-1 on Grantee Communications. The purpose of this audit activity was to assess the effectiveness of TCDD’s outreach and communications efforts with their grantees. The audit consisted of two parts: 1) review current communications activities between TCDD staff and grantees; and 2) survey grantees for their assessment of staff communication efforts. The anonymous survey had a 44% response with the most common problems identified to be website issues for online reporting.

Grants Management Director Sonya Hosey provided an outline of staff activities in response to the audit recommendations. She noted that Requests for Reimbursement (RAR) forms now have consolidated 4-5 lines into 1; grantee orientations will now include more guidance about submitting various forms; TCDD staff will provide additional support to grantees in the first 90 days of the project; “across the board” reminders will be sent when reports are due; and staff are working with specific grantees to resolve website accessibility issues. TCDD staff will continue to solicit feedback from grantees about specific concerns as well as strategies to improving grants related forms and procedures.

6. AUDIT REPORT 2013-2 GOVERNANCE AUDIT

Stepp next reviewed the Internal Audit Report 2013-2 Governance Audit. This 2-part audit consisted of reviewing TCDD documentation on Council members as well as a survey of members. The purpose of the audit was to verify if Council members are in compliance with training and filing requirements. Members were found to be in general compliance and checklists to maintain record-keeping of providing copies to staff have been developed. Responses to the survey indicated areas that may need to be emphasized or reviewed for members. No further recommendations were made.

MOTION: To accept Internal Audit Reports 2013-1 and 2013-2.

MADE BY: Mary Durheim

SECOND: Scott McAvoy

The motion **passed** unanimously.

7. FY 2013 ANNUAL INTERNAL AUDIT REPORT

Stepp reviewed the FY 2013 Internal Audit Report and explained that this report summarizes the two previous reports and is required by the Texas Internal Auditing Act. Upon Council approval, this report is submitted to the State Auditor's Office (SAO) and other offices as required by law. The report is divided into seven parts. Part 1 notes that TCDD is in compliance with House Bill 16 by posting audit reports on the agency website within 30 days of approval. Any confidential information may be withheld after a review by the Attorney General's office. Part 2 summarizes the reports and shows there are no deviations from the FY 2013 Audit Plan. Part 3 notes no consulting engagements for this fiscal year. Part 4 shows no changes from the FY 2012 External Audit Peer Review. Part 5 outlines the FY 2014 Audit Plan including the contract for approximately 192 hours of audit work and identifies high risk areas. Part 6 notes external audit services for FY 2013 including Stepp's services as well as desk reviews for grant projects. Part 7 shows TCDD to be in compliance with General Appropriations Act requirements for reporting fraud and abuse.

MOTION: To recommend Council approval of the FY 2013 Annual Internal Audit Report.

MADE BY: Scott McAvoy

SECOND: Jeff Kaufmann

The motion **passed** unanimously.

8. FY 2014 INTERNAL AUDIT PLAN

Stepp provided details of the Internal Audit Plan for FY 2014. She noted that the Plan is also required for submission to the SAO. The Internal Audit Plan defines the Risk Assessment process and includes a history of Internal Audit activities. The FY 2014 Plan will review the Request for Proposals (RFP) process and consider ways to refine that process.

MOTION: To recommend Council approval of the FY 2014 Audit Plan.

MADE BY: John Morris

SECOND: Mary Durham

The motion **passed** unanimously.

9. OTHER DISCUSSION ITEMS

Executive Director Webb reviewed the Risk Assessment for grant projects. He also discussed recent events at the Arc of Texas regarding embezzlement of funds from the Master Pooled Trust. Webb noted that no TCDD funds were compromised. TCDD has recently received a report from the Arc of Texas on the investigation of this activity and Internal Auditor Stepp will review the report and submit and questions to TCDD staff.

ADJOURN

Committee Chair Crim adjourned the Audit Committee meeting at 10:02 AM.

Roger A. Webb
Secretary to the Council

Date