

those activities to the agency. Grants Management Director Sonya Hosey added that internal audit activities provide an extra level of assurance that grant activities comply with federal and state standards.

4. FY 2012 PEER REVIEW REPORT

MacCabe provided a report on the External Quality Assurance Review he conducted of the work completed by TCDD Internal Auditor Jaye Stepp. "Peer reviews" are conducted every three years and this report covers all completed projects from June 2009 – May 2012. He reviewed a self-evaluation completed by Stepp, the expectations of the agency, the completed reports as well as work to produce those reports, and conducted interviews with TCDD executive staff as well as the Council Chair and Vice-Chair. MacCabe reported positive results and noted that TCDD Internal Audit Activities conducted by Stepp fully conform to internal audit standards. The only recommendation from this review is that the internal auditor should conduct periodic audits on the governance of the agency.

5. FY 2012 AUDIT REPORT ON MONITORING OF FUNDING OBLIGATIONS AND LIQUIDATIONS

TCDD Internal Auditor Jaye Stepp discussed the Advisory Project Report on Grant Funds Monitoring. The objectives of this report were to evaluate the TCDD procedures to monitor the obligation and liquidation of federal funds including responsibilities of staff members in those monitoring procedures. Following the evaluation, Stepp recommended a review and update of existing TCDD procedures to provide better coordination of the internal monitoring and reporting relationship. TCDD management concurred with the recommendation.

MOTION: To approve the Advisory Project Report #2012-1 on Grant Funds Monitoring as presented.

MADE BY: Scott McAvoy

SECOND: Mary Durham

The motion **passed** unanimously.

6. FY 2012 ANNUAL INTERNAL AUDIT REPORT

Stepp next reviewed the Annual Internal Audit Report and noted that this report uses a prescribed format from the State Auditor's Office which summarizes the agency's audit activities and plans for the next fiscal year. Executive Director Webb reviewed the reasoning behind this year's audit review of grants funds monitoring including both the need for coordinated monitoring of funds and the reporting process of those funds to Council members. Stepp reported that the audit plans for FY 2013 include grantee communications and a governance project. Stepp noted that no approval is needed for this report.

7. FY 2013 ANNUAL REVIEW OF AUDIT CHARTER

Stepp indicated no revisions are recommended for the Internal Audit Charter for FY 2013 from the previous year. This document defines the objectives and scope of work for internal audit activities and highlights responsibilities of the audit executive (auditor) and staff and notes that the audit executive is accountable to the Audit Committee and the TCDD Executive Director. Committee approval is not needed since no changes are recommended.

8. FY 2013 INTERNAL AUDIT PLAN

Stepp reviewed the proposed Internal Audit Plan for FY 2013. She proposes to review grantee communications and to conduct a governance project. Grantee Communications will include a survey of TCDD grantees to evaluate the effectiveness and efficiency of communication between TCDD staff and grantees. The Governance Project will include a survey of Council members, Audit Committee members, and management staff to evaluate TCDD compliance with state standards on required filings and disclosures. The Audit Plan will also conduct a follow-up on the previous year's audit recommendations. Finally the Audit Plan reviews the risk footprint of TCDD activities. Webb discussed risk assessment and noted that identifying risk is a positive activity because it allows for monitoring. The danger is in unidentified risk and this assessment helps to minimize those concerns.

MOTION: To approve the Internal Audit Plan for FY 2013 as presented.

MADE BY: Mary Durham

SECOND: Scott McAvoy

The motion **passed** unanimously.

9. DESK REVIEW AUDIT PROCESS

Don Mikeska provided a summary of desk reviews that were conducted during the previous fiscal year. 12 independent audit reports from TCDD grantees were reviewed during this time period. Three exceptions were noted and addressed. No findings or questioned costs related to a DD Council grant were noted in any of the audit reports. He further discussed the criteria for desk review audits, responsibilities of the desk review auditor, responsibilities of the management of the grantee and responsibilities of the grantee's auditor.

10. OTHER DISCUSSION ITEMS

No further items were discussed.

ADJOURN

Committee Chair Morris adjourned the Audit Committee meeting at 11:06 AM.

Roger A. Webb
Secretary to the Council

Date