



Annual Internal Audit Report

FY-2018

Presented to
TSBVI Board of Trustees

September 28, 2018

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ACRONYMS USED IN THIS REPORT

DMV	Department of Motor Vehicles
FY	Fiscal year
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
IIA	Institute of Internal Auditors
PFIA	Public Funds Investment Act
QAR	Quality Assurance Review
RRC	Railroad Commission
SAIAF	State Agency Internal Audit Forum
SAO	State Auditor’s Office
TFC	Texas Facilities Commission



Texas School for the Blind and Visually Impaired

A center for educational services for all blind and visually impaired students in Texas

William Daugherty, Superintendent
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(512) 454-8631 Toll-free: (800) TSB-KARE
www.tsbvi.edu

September 28, 2018

Members of the TSBVI Board of Trustees
Mr. Bill Daugherty, Superintendent

Dear Ladies and Gentlemen:

Internal Audit is pleased to submit the Annual Internal Audit Report of the Texas School for the Blind and Visually Impaired (TSBVI) for the year ended August 31, 2018 in compliance with *Texas Government Code, Section 2102.009* and in accordance with guidelines established by the Texas State Auditor's Office.

As required by the Texas Internal Auditing Act, this report provides information on the assurance services, consulting services, and other activities of the internal audit function during the 2018 fiscal year.

If you have questions regarding the annual report please contact me at (512) 206-9245.

Respectfully,

Kemp L Long

Kemp L Long, CPA, CISA, CFE
Director of Internal Audit

Cc: Governor's Office of Budget, Planning, and Policy
State Auditor's Office
Legislative Budget Board
Sunset Advisory Commission

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The Texas Internal Auditing Act (Texas Government Code, Chapter 2102) requires certain state agencies to submit an internal audit annual report each year to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the entities' governing boards and chief executives. The SAO prescribes the form and content of this annual report.

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

TGC 2102.015 requires state agencies to post certain information on their Internet websites. At the time and in the manner provided by the state auditor, a state agency shall post the following information on its Internet website:

- (1) The approved audit plan, as required by TGC §2102.008
- (2) The internal audit annual report, as required by TGC §2102.009

TGC 2102.015 also requires entities to update the posting described above to include the following information on the website:

- A 'detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report.'
- A 'summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.'

TSBVI complies by posting our Annual Internal Audit Report on the TSBVI internet website within 30 days after review and approval by the Board of Trustees. No weaknesses or concerns resulting from the audit plan or annual report were identified for posting on the TSBVI Internet website.

Individual audit recommendations from 2018 related to updating policies and procedures, training staff, and strengthening internal controls. All recommendations have been addressed by management.

II. Internal Audit Plan for Fiscal Year 2018

The Internal Audit Plan for FY-17 proposed three individual audit areas, and was completed as follows:

- Report #2018-1 – Public Funds Investment Act Compliance, report dated 10/31/17
- Report #2018-2 – Ethics Evaluation, report dated 03/19/18
- Report #2018-3 – QAR of the Railroad Commission, report dated 02/22/18
- QAR of TSBVI, report issued by Tx DMV, dated 12/18/2017

All audits in the FY-18 Internal Audit Plan were completed as planned. There were no deviations from the audit plan.

III. Consulting Services and Nonaudit Services Completed

No consulting or non-audit services, as defined in *The International Professional Practices Framework*, or non-audit services, as defined in *Government Auditing Standards*, Section 3.33 – 3.58, were performed during fiscal year 2017.

IV. External Quality Assurance Review (Peer Review)

An external quality assurance review was performed in December of 2017, under the State Agency Internal Audit Forum (SAIAF) peer review process.

The following excerpt from the report presents the overall opinion:

“Based on the information received and evaluated during this external quality assurance review, it is our opinion that the TSBVI Internal Audit Department receives a rating of **“Pass/Generally Conforms”** and is in compliance with the IIA Standards, the GAO Standards, and the Texas Internal Auditing Act. This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.”

No areas for improvement were identified in the report.

V. Internal Audit Plan for Fiscal Year 2019

The fiscal year 2019 Internal Audit Plan was developed using a risk-based methodology including input from the Board and senior management. The plan was approved by the Board at their June 1, 2018 meeting and includes the following planned audits and budgeted hours.

- | | |
|----------------------------------------------|---------|
| • Audit #1 – Cybersecurity Audit | 500 hrs |
| • Audit #2 – Grants Management | 250 hrs |
| • Audit #3 – CAPPs Payroll/HR Implementation | 200 hrs |
| • Contingencies | 80 hrs |

Remaining hours are allocated to administrative tasks, other reporting requirements, meetings, continuing education, performance goals, participation in the State Agency Internal Audit Forum (SAIAF), and leave, as detailed in the annual Internal Audit Plan.

Additional risks ranked as “high” that have been identified but have not been included in the current Internal Audit Plan include the following:

- Ability to recruit and retain qualified and competent staff – future audit
- Medication Management and Student Care System – audited 2016

Communication/coordination of special diets – future audit
Management of Contractual Obligations of TFC – future audit
Inaccurate/untimely payroll information – audited 2015
Inaccurate timekeeping, personnel actions – audited 2010
Transportation failure risks – audited 2013
Student supervision risks – audited 2013
Financial loss due to errors or fraud – audited 2015

The methodology used to update the annual risk assessment and identify the high risk areas for audit is described in detail in our annual Internal Audit Plan document. This year our review and update of the existing footprint was based on discussions with staff, Board members, and our SAO liaison. Information technology risks are considered in every individual audit area that uses technology. The TAC 202 Information Security Standards Audit and the Contract Management Audit were completed as part of the FY-17 internal audit plan.

At the September 28, 2018 meeting of the TSBVI Board of Trustees and subsequent to the drafting of this Annual Internal Audit Report, the Board voted to postpone this Internal Audit Plan for Fiscal Year 2019 following the resignation of TSBVI's Internal Auditor effective September 6, 2018.

VI. External Audit Services Procured in Fiscal Year 2018

There were no external audit services procured in fiscal year 2018.

VII. Reporting Suspected Fraud and Abuse

In accordance with requirements for reporting fraud in Section 7.09 of the General Appropriations Act (85th Legislature), TSBVI provides a link in the footer of our website that leads the reader to guidance on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office, as well as the School's Fraud Policy. The link to the SAO's website goes directly to the SAO's website page for fraud reporting, which includes the Hotline information. The TSBVI Fraud Policy and a link to the State Auditor's website for reporting fraud are also provided on the School's intranet home page.

TSBVI's Policy DHF – Employment Standards of Conduct: Fraudulent Action Against TSBVI, advises anyone who suspects fraud to report it in accordance with procedures developed and implemented by the Superintendent.

TSBVI's Policy DHF also addresses TGC 321.022, Coordination of Investigations. Policy DHF states that the Superintendent will report to the State Auditor's Office if he has reasonable cause to believe that money received from the State by TSBVI, or a TSBVI contract may have been lost, misappropriated, or misused, or that other fraudulent, or unlawful, conduct has occurred in relation to the operation of TSBVI.

This concludes the Annual Internal Audit Report for TSBVI for fiscal year 2018.

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