

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

FISCAL YEAR 2016 INTERNAL AUDIT ANNUAL REPORT

MONDAY RUFUS & CO., P.C.

**Certified Public Accountants & Advisors
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Texas State Board of Public Accountancy
Austin, Texas
Internal Audit Annual Report
Fiscal Year 2016

I. Compliance with Texas Government Code, Section 212.105: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site.

Within 30 days of approval, the Texas State Board of Public Accountancy will post the following information on its Internet Web site:

- An approved fiscal year 2017 audit plan, as provided by Texas Government Code, Section 2102.008.
- Individual audits (including follow-up internal audits) showing findings and recommendation made by the internal auditor, and management's responses and/or action plans or updates, unless they are excepted from disclosure under Chapter 552 of the Texas Government Code.
- A fiscal year 2016 internal audit annual report, as required by Texas Government Code, Section 2102.009.

II. Internal Audit Plan for Fiscal Year 2016

The Board approved the following audits for fiscal year 2016:

- Internal Audit of the Peer Review Program (**Report #016-001: Report Date: July 19, 2016**)
- Internal Audit of the Information Systems – System Development (**Report #016-002: Report Date: August 23, 2016**).

III. Consulting Services and Non-audit Services Completed

The Internal Auditor did not perform any services which would be considered consulting engagements, as defined in the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*, and no non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, during fiscal year 2016.

IV. External Quality Assurance Review (Peer Review)

A copy of the most recent External Quality Assurance Review Report is included on the following pages:

**REPORT ON THE
EXTERNAL QUALITY ASSURANCE REVIEW
OF THE
Texas State Board of Public Accountancy
INTERNAL AUDIT FUNCTION
Year ended August 31, 2015**

Report Date: October 23, 2015

Performed By

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External Quality Assurance Review Report

Overall Conclusion

Based on the information received and evaluated during this external quality assurance review, we conclude that the Texas State Board of Public Accountancy's Internal Audit function "complies" with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing Standards*, the Code of Ethics contained in the Professional Practices Framework, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act (*Texas Government Code, Chapter 2102*).

Samson T.A. and Associates, PLLC

External Quality Assurance Reviewer
Washington, DC
October 23, 2015

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**EXTERNAL QUALITY ASSURANCE REVIEW
TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY
INTERNAL AUDIT FUNCTION
Year ended August 31, 2015**

BACKGROUND

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act require that internal audit functions obtain external quality assurance review to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require this review at least every three years. A periodic external quality assurance review, or peer review, of the internal audit function is an essential part of a comprehensive quality assurance program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of the quality assurance review was to evaluate the Texas State Board of Public Accountancy’s compliance with professional standards and the Texas Internal Audit Act. The scope of the review included all internal audits completed during the year ended August 31, 2015

The work performed during the review included:

- Review of Internal Audit’s policies and procedures, annual risk assessment, annual audit plan, and other relevant documents;
- Review of the Texas Internal Auditing Act (Government Code, Chapter 2102);
- Review of the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*;
- Review of the U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Code of Ethics contained in the *Professional Practices Framework*; and
- Review and evaluation of audit work papers.

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VI. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2017
(To be submitted for Board’s approval during the fiscal year)

	<u>Budgeted Hours</u>
• Cash Disbursement Processing, Payables, and Payroll	150
• Licensing Applications and Processing	<u>150</u>
	300

Our risk assessment was performed through the consideration of various factors, including:

1. Exposure Level
2. Complexity of Unit
3. Materiality of Revenues and Expenditures
4. Results of Last Audit
5. Extent of other Coverage or Oversight
6. Quality of Internal Controls/Adherence to laws
7. Changes in systems and processes
8. Normal Audit Interval

Although all of the above factors were considered in the assessment of risk for each process/system, some of the factors were weighed more heavily and considered to be more critical to the Agency’s internal control structure. The following critical factors were weighted more heavily in our assessment.

- Exposure Level
- Quality of Controls
- Changes in Systems and Processes

VII. External Audit Services Procured in Fiscal Year 2016

There were no External Audit Services for the fiscal year 2016 other than Internal Audit Services.

VIII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (84th Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, the Texas State Board of Public Accountancy has posted information on how to report suspected fraud, waste or abuse of state funds on their website.

IX. Report Distribution

As required by Government Code Section 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning and Policy

Attn: Drew Deberry

Phone: (512) 463-1778

budgetandpolicyreports@gov.texas.gov

Legislative Budget Board

Attn: Julie Ivie

Phone: (512) 463-1200

audit@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator

Phone: (512) 936-9500

iacoordinator@sao.state.tx.us

Sunset Advisory Commission

Attn: Ken Levine

Phone: (512) 463-1300

sunset@sunset.state.tx.us