

**TEXAS BOARD
OF PROFESSIONAL
ENGINEERS**

Internal Audit Plan FY 2017

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TEXAS BOARD OF PROFESSIONAL ENGINEERS
Internal Audit Plan – Fiscal Year 2017

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I. Purpose

The purpose of this internal audit plan is to document the development, risk assessment, scope of assignments and implementation timetable for fiscal year 2017 internal audit activities. This document, as accepted and amended, will guide execution of internal audit activities.

This plan has been prepared to meet planning guidelines as required by both generally accepted governmental auditing standards and the International Standards for the Professional Practice of Internal Auditing.

II. Background Information

The Texas Board of Professional Engineers was created in 1937 by the Forty-fifth Legislature to administer the provisions of the Texas Engineering Practice Act (V.T.C.S., Article 3271a). The primary functions of the Board are to examine and license applicants as professional engineers and to enforce the rules and regulations applicable to the practice of engineering as established and defined by the Act in order to protect the public.

The passage of Senate Bill 1438, 76th Legislature, authorized the Board and two other state agencies with exemplary performance to participate in the Self-Directed Semi-Independent (SDSI) Project Agency Act. On September 1, 2001, the Board became a Self-Directed, Semi-Independent Agency under Article 8930, V.T.C.S., 77th Legislature. This program is not subject to the appropriation process and allows the project agencies to exercise greater autonomy over fiscal operations. Originally implemented for a two-year period, the SDSI program has been extended.

The Board's current total annual budget is approximately \$4.0 million. As part of the (SDSI) program, the Board is completely funded by fees collected for licensing, examinations, firm registrations, and license renewals. The annual renewal fee for license holders accounts for approximately two-thirds of the agency's revenues. SDSI participation requires the Board to annually contribute \$373,900 to the general revenue fund.

The Board has four divisions: (1) Financial Services (2) IT/Communications (3) Compliance & Enforcement and (4) Licensing. Each division is responsible for implementing particular portions of the Act and Board rules, ensuring compliance with the agency's statutory role, and supporting internal agency activities. The executive staff is composed of the Executive Director, Deputy Executive Director, Director of Licensing, Director of Compliance & Enforcement, Director of Financial Services, Director of IT/Communications, and Executive Assistant. Human Resources is within the Executive Office. Each division reports directly to the Executive Director.

The Board currently has 31 full-time positions. The Texas Board of Professional Engineers has a board of 9 members appointed by the Governor.

The Agency's operating budget for the fiscal year 2017 is as follows:

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TEXAS BOARD OF PROFESSIONAL ENGINEERS
FY 2017 Budget Summary Statement

Fund 1011, Texas Board of Professional Engineers Local Operating Fund

FY 17 Budget

Revenues:

License Fees	\$ 3,978,250
Penalties	86,000
Other	<u>3,090</u>
Total Operating Revenue	\$ 4,067,340
Expenditures:	
Salaries and Wages	\$ 2,151,537
Payroll Related costs	802,500
Professional fees & Services	76,500
Travel	34,375
Materials and Supplies	120,925
Communication and Utilities	59,550
Repairs and maintenance	134,700
Rental and Leases	27,500
Printing and Reproduction	116,350
Other Operating Expenditures	<u>198,800</u>
Total Operating Expenditures	\$ 3,722,737
Excess (Deficiency) of Revenues over Expenditures	344,603
Transfer Out (FD001) Article 8930 Sec.6 (c)	<u>(373,900)</u>
Net Change in Fund Balance	(29,297)
Ending Fund Balance August 31, 2016	\$ 1,022,896
Budgeted Ending Fund balance August 31, 2017	\$ <u>993,600</u>

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Based on this projected ending fund balance, the Board may consider options for fee increases and/or decreases in order to maintain a stable fund balance for the next 3-4 years while using the adopted fund balance policy to guide this decision.

III. Internal Audit Plan Methodology

This section summarizes the methodology used in preparing the annual internal audit plan. Annual internal audits, when taken as a whole over an entire cycle of years, are intended to evaluate all policies, procedures, and controls of TBPE, with most frequent attention to those areas deemed to involve the greatest risk of not achieving management objectives. It is the responsibility of TBPE management to assess risk and to select area for internal audit attention. Management did this using a three-step process. First, they identified all processes which occur under their supervision. Second, they consolidated these processes into seven areas of responsibility (these do not correspond exactly to the TBPE organization chart, but they are close). Third, they reached a consensus assessment of the level of risk associated with each responsibility area.

The consolidated activities were ranked and prioritized based on: (1) Impact Rating and (2) Probability Rating.

- Executive Administration/Outreach
- Accounting & Budget
- Purchasing
- Information Technology
- Licensing & Examinations
- Compliance & Enforcement
- Human Resources Management

The following audit is planned for the Fiscal Year 2017:

- **Compliance & Enforcement**
 - Case Processing & Procedures Compliance 80
 - Total Hours** **80**

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IV. Internal Audit Plan

The internal audit plan is designed to provide a review of all areas based on the level of risk. Although the plan is structured in this manner, it should not prevent the review of areas on a more frequent basis, in the case of future restructuring or development of new processes/systems. There are other areas that may be identified as requiring attention during the process of performing the steps in this proposal. Continuing input from both the Board members and management will be essential in identifying such areas. Also, special reviews might be added in the future as requested by the Board. Any proposed addition by the internal auditor will be presented to the Board or its designated committee for approval before the commencement of such internal audit activity.

Thus, in summary, internal audit activities will be primarily concerned with documenting, testing and evaluating each division or system's internal control policies and procedures and the quality of performance in carrying them out. This will include reporting to management and evaluating management's response and plans for corrective actions. Opportunities for improved efficiency identified as a result of performing internal activities will be communicated to management and the Board or its designated Committee as part of the reporting process.

The work envisioned in this proposal will take place from March through June of fiscal year 2017 with final reporting occurring in August 2017.

V. Reporting

In compliance with the Texas Internal Auditing Act, the annual internal audit report and individual reports will be submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the Sunset Advisory Commission, and the State Auditor, agency Board members, and Agency's Executive Director by November 1, 2017. The annual internal audit report will be in the form specified by the State Auditor.

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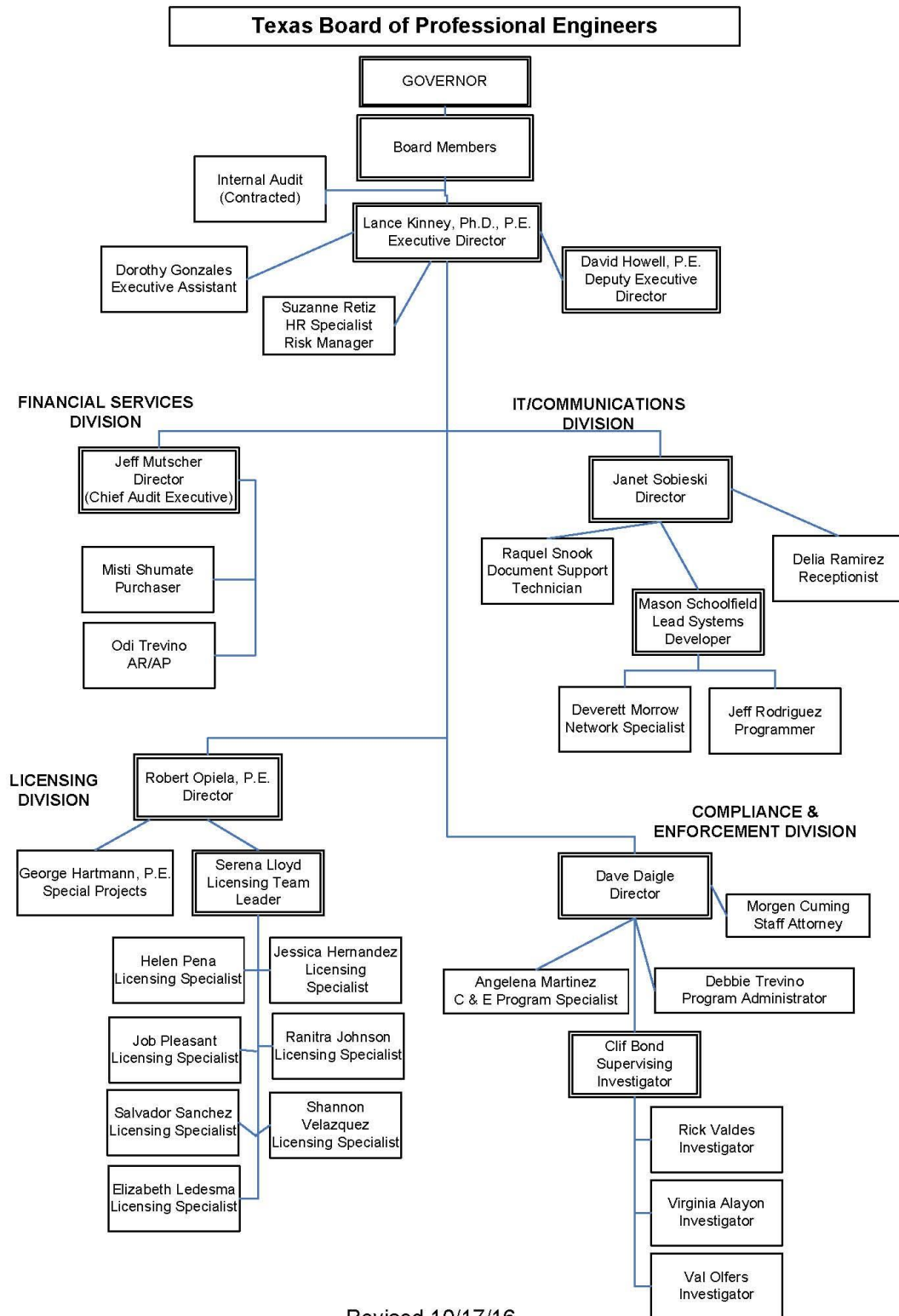
VI. Internal Audit History

	FY	FY	FY	FY	FY	FY	FY
AUDIT AREAS	16	15	14	13	12	11	10
Cash Processing, Handling, and Receipting Process							X
Compliance: Communication/Correspondence/Enforcement Processes						X	
Accounting & Budget: Mail Opening, Cash Handling, Documentation in TIDE Renewal processing, and Financial trail for renewal payments			X				
Account, Budget & Purchasing: Proper Payment Processing and General Procurement Compliance		X					
Licensing and Examinations	X						

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Appendix A: Organizational Chart



Revised 10/17/16