

**TEXAS BOARD
OF PROFESSIONAL
ENGINEERS AND LAND SURVEYORS**

Internal Audit Plan FY 2020

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TEXAS BOARD OF PROFESSIONAL ENGINEERS AND LAND SURVEYORS
Internal Audit Plan – Fiscal Year 2020

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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 2020 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. Initially implemented for a two-year period, the SDSI program was extended.

Senate Bill 277 (78th Regular Session, 2003) mandates that the Board establish fees in amounts that are reasonable and necessary to cover the costs of administering the different licenses, exams and other activities of the Board. Fees for engineering licensure and firm registration are reviewed annually as part of the budgeting process in order to keep the fees as low as possible, while still meeting all budgetary and operating requirements. The annual renewal fee for license holders accounts for approximately two-thirds of the agency's revenues. Beginning in Fiscal Year 2016, the \$200 professional fee was no longer assessed and collected since the 84th Legislature repealed this fee with the passage of House Bill 7. Currently, the TBPE has approximately 66,000 licensed professional engineers. 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. SDSI participation requires the Board to annually contribute \$373,900 to the general revenue fund.

Engineering & Surveying Board Merger

Effective September 1, 2019, HB1523 created the Texas Board of Professional Engineers and Land Surveyors. This is a merger of both the engineering (TBPE) and surveying (TBPLS) boards.

The Board has four divisions: (1) Licensing, (2) Compliance & Enforcement, (3) Operations, and (4) Executive. 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.

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The executive staff is composed of the Executive Director, Deputy Executive Director, Director of Licensing, Director of Compliance & Enforcement, CFO, Director of Operations, and Executive Assistant. Human Resources is within the Executive Office. Each division reports directly to the Executive Director.

The Board currently has 35 full-time positions. The Texas Board of Professional Engineers and Land Surveyors has a board of 9 members appointed by the Governor.

The Agency’s operating budget for the fiscal year 2020 is as follows:

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FY 2020 Approved Budget Summary Statement
General Revenue Fund 0001

		FY 20 Budget
Revenues:		\$ 824,322
Expenditures:		
Salaries and Wages		\$ 330,000
Payroll Related costs		22,700
Professional fees & Services		14,000
Travel		36,554
Materials and Supplies		2,750
Communication and Utilities		3,800
Rental and Leases		1,604
Other Operating Expenditures		69,200
Total Operating Expenditures		\$ 480,608
Employee Benefits Appropriations:		
Retirement		\$ 27,883
Group Insurance		80,445
Social Security		20,835
Total		\$ 129,163

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FY 2020 Approved Budget Summary Statement

Fund 1011, Texas Board of Professional Engineers Local Operating Fund

	FY 20 Budget
Revenues:	
License Fees	\$ 4,188,200
Penalties	109,000
Other	25,320
Total Operating Revenue	\$ 4,322,520
Expenditures:	
Salaries and Wages	\$ 2,425,584
Payroll Related costs	870,870
Professional fees & Services	88,000
Travel	53,800
Materials and Supplies	135,280
Communication and Utilities	75,850
Repairs and Maintenance	70,500
Rental and Leases	27,900
Printing and Reproduction	83,200
Other Operating Expenditures	207,695
Capital Outlay	250,000
Total Operating Expenditures	\$ 4,288,679
Excess (Deficiency) of Revenues Over Expenditures	33,841
Transfers Out (Fd 0001) Gov Code Sec 472.102 c	(373,900)
Net Change in Fund Balance	(340,059)
Estimated Ending Fund Balance August 31, 2019 from Operating Activities	\$ 1,326,288
Budgeted Ending Fund Balance August 31, 2020	\$ 986,229

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.

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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 TBPELS, with most frequent attention to those areas deemed to involve the greatest risk of not achieving management objectives. It is the responsibility of TBPELS 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 TBPELS 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 2020:

- **Licensing**
 - Licensing 80
 - Total Hours** 80

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

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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 2020 with final reporting occurring in August 2020.

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, 2020. The annual internal audit report will be in the form specified by the State Auditor.

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Appendix A: Organizational Chart

