

TCEQ Interoffice Memorandum

To: Commissioners' Work Session

Thru: Les Trobman, General Counsel

From: Carlos Contreras, Chief Audit Executive, Chief Auditor's Office (CAO) C.C.

Date: August 8, 2012

Subject: Fiscal Year (FY) 2013 Audit Plan and Audit Charter Approval

A risk-based audit plan, approved by the Commission, is required by the Texas Internal Auditing Act (Chapter 2102, Texas Government Code) and the *International Professional Practices Framework*. This framework provides the Standards followed in the CAO's operations. The audit plan provides detail on the upcoming assurance and advisory activities envisioned for the upcoming fiscal year.

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Recent changes in the composition of the Commission and executive management, in addition to agency reorganization efforts, necessitate a revision of the existing charter.

This proposal outlines our vision for FY2013 audit activities and for changes to the CAO's audit charter with the Commission and Executive management. The Chief Auditor's Office respectfully requests your approval of this proposal.



**C H I E F
A U D I T O R ' S
O F F I C E**

An Audit Report for:
TCEQ Chairman Bryan W. Shaw, Ph.D.
TCEQ Commissioner Carlos Rubinstein
TCEQ Commissioner Toby Baker
TCEQ Executive Director Zak Covar

Fiscal Year 2013 Annual Audit Plan

Table of Contents

Introduction	3
Purpose and Mission.....	3
Audit Charter and Internal Auditing Definition.....	3
Risk Assessment.....	4
Proposed Audit Projects for Fiscal Year 2013	5
Internal Audit Carry-over Projects:	5
External Audit Carry-over Projects:	5
Information Technology Audit Carry-over Projects:.....	5
Proposed Internal Audit Projects:	5
Proposed External Audit Projects:.....	5
Proposed Information Technology Audit Projects:	5
Proposed CAO Officewide Projects:	6
Proposed Alternative Projects:	6
Acceptable Level of Risk	7
Contingency	7
Planning, Administrative & Other	7
Advisory Services.....	7
Follow-Up	8
External Auditor Liaison	8
Management Controls.....	8
Closing	9
Appendix A.....	10
About the Chief Auditor’s Office	10
Appendix B	12
Model – Levels of Internal Control	12

Introduction

The Chief Auditor's Office (CAO) appreciates the opportunity to provide our vision for audit activities at the Texas Commission on Environmental Quality (TCEQ) for Fiscal Year (FY) 2013.

This proposal is the result of a risk assessment process through which the Chief Auditor's Office conscientiously reviewed risks related to internal agency processes, agency expenditures and revenue, and agency information technology. This document presents our proposed internal, external, and information technology audit project areas for FY 2013 and outlines our risk assessment methodology. We believe the areas identified for audit will result in the best return on the audit resource investment.

Purpose and Mission

This audit plan is required by the Texas Internal Auditing Act (Chapter 2102, Title 10, Govt. Code, Vernon's Texas Codes Annotated), Government Auditing Standards, and the International Professional Practices Framework promulgated by the Institute of Internal Auditors (IIA).

The Chief Auditor's Office provides assurance and advisory services that help the Commissioners and management meet agency goals and objectives. We provide independent and objective information, analyses, and recommendations to assist management in effecting constructive change, managing business risk, and/or improving compliance and accountability of the regulated community and business partners.

Audit Charter and Internal Auditing Definition

The Chief Auditor's Office Audit Charter, approved by the Commission in August 2011, clearly defines the multiple focus of the Chief Auditor's Office on internal, external, and information technology audit services. The Charter also defines our vision and philosophy, mission, scope of activities, responsibilities, authority, independence, professional standards, quality assurance processes, continuing professional development, and reporting relationships. A revised charter is being prepared for Commission consideration at the same work session as this audit plan.

As defined in the Charter, internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the agency's system of internal control and the quality of performance in carrying out the goals and objectives of the agency. The Texas Internal Auditing Act adopts the Institute of Internal Auditor's (IIA) definition of internal audit:

An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Chief Auditor's Office has been able to contribute additional value to the Agency by combining the efforts of our internal, external, and information technology audit teams. Many aspects of our Agency's programs and processes involve all three of these components. In numerous instances, our office has audited combinations of these components simultaneously with great success. Our goal is to continue to utilize this approach and leverage our audit resources to ensure that we are maximizing the value we add to the agency.

For more background information on Chief Auditor's Office, please see **Appendix A**.

Risk Assessment

Risk assessment, as defined by the IIA, is a *"systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events."*

In conducting our risk assessment, the Chief Auditor's Office received input from TCEQ Commissioners, Executive Management, Deputy Directors, and numerous Division Directors and Section Managers. Additionally, selected agency program areas had the opportunity to provide input into our risk assessment through formal facilitated sessions.

For **internal audit** purposes, the Chief Auditor's Office identified the universe of auditable activities primarily as those activities conducted to address the strategies funded by the General Appropriations Act.

We then risk ranked all identified activities within each category using specific elements of risk related to that category, including fraud risk as appropriate. From this ranking, specific project topics were identified for each of the high risk areas. Lastly, we prioritized each potential project to determine which projects should be included in the proposed audit plan.

For **external audit** purposes, the universe of auditable activities included all fees collected and all contracts entered into by the agency. Each of the fees and contracts included in the assessment was ranked using specific elements of risk related to that category, including fraud risk as appropriate. The high risk fees and contracts identified were selected as areas for audit projects. These projects were then prioritized to determine which fees and contracts should be included in the proposed audit plan.

We will update our risk assessment as additional information is obtained and expenditures occur throughout the coming fiscal year. Our continuous evaluation of contracts will ensure the most efficient use of audit resources.

For **information technology audit** purposes, the universe of auditable activities included both organizational units with IT functions and specific IT systems.

Both the organizational units and systems were ranked using specific elements of risk related to that category, including fraud risk as appropriate. These units were then ranked and specific project topics were developed based on the high risk units. These projects were then prioritized to determine which projects should be included in the proposed audit plan.

The risk assessment process included review of the project areas by the Chief Auditor to assure adequate coverage of risk and to avoid inappropriate duplication of coverage. The results of the process are presented in the following tables.

Alternative projects are additional areas that we believe could potentially benefit from the use of audit resources, but did not rise to the top of the list of potential audit areas. We seek approval to use them as alternative projects in circumstances where additional or substitute projects are required.

We will consult with the Commission and executive management to adjust the plan as needed based on priorities, management requests, workloads, changes in operations, and availability of audit resources. Through approval of this proposal, the Commission authorizes the Chairman to approve any amendments to the audit plan that become necessary.

Proposed Audit Projects for Fiscal Year 2013

The following audits in progress at the end of FY 2012 are expected to be carried over to FY 2013.

Internal Audit Carry-over Projects:

- Division Administrative Review – Monitoring Division
- Office of Water - Management Controls Audit (MCA)
- An Audit of Payroll and Related Expenditures
- An Audit of Capitalized and Controlled Assets
- Division Administrative Review (2 additional engagements)
- TCEQ Procurements and Contracts - Contract Initiation Process
- TCEQ Procurements and Contracts - Contract Management Process

External Audit Carry-over Projects:

- Water Supply – Contracts
- Waste Permits - Hazardous Waste Facility Fees
- Waste Permits - Class V audit (medical waste)
- Waste Permits - Class V audit (cooking oil collection/disposal)

Information Technology Audit Carry-over Projects:

- An Audit of the Budget, Accounting, & Monitoring System (BAMS)

Below are the proposed and alternative projects for Internal Audit, External Audit, Information Technology Audit, and the Chief Auditor's Officewide Audit Projects.

Proposed Internal Audit Projects:

- An Audit of Records Retention Policies and Procedures
- An Audit of the Dry Cleaner Remediation Program

Proposed External Audit Projects:

- Contract Compliance - Remediation Division Contractors
- Contract Compliance - Selected Outsourcing and third party agreements

Proposed Information Technology Audit Projects:

- Management Control Audit of Established Information Technology Policies and Procedures
- Database Integrity Audits (2 engagements)
- Texas Emissions Reduction Program Application Controls Audit

Proposed CAO Officewide Projects:

- Fraud, Waste, and Abuse Investigations
- Quality Assurance Reviews of Other Agencies (2 engagements)
- Special Requests from the Commissioners or Executive Director

Proposed Alternative Projects:

- An Audit of Agency Disbursements
- An Audit of Public Information Request Processes
- Texas Emissions Reduction Program Grant Compliance
- Texas Emissions Reduction Program Alternative Fueling Facilities
- Texas Emissions Reduction Program Natural Gas Vehicle Plan
- Permit and Registration Information System (PARIS) Application Controls Audit
- An Audit of State Implementation Plan Compliance
- Contract Compliance Audit – Texas State University

Acceptable Level of Risk

We believe that completing the projects proposed above, or appropriate alternatives, will reasonably cover the risks identified by the risk assessment.

While the list of proposed projects results from our consideration of a wide-ranging scope of auditable activities, it does not address or provide coverage for all TCEQ components or systems. Our goal is to optimize our resources to provide reasonable coverage in the areas we believe require the most attention.

Due to a variety of factors, some significant activities that might warrant review may not be carried forward to the list of proposed audit projects, but they did receive consideration.

Ultimately, we cannot address every risk area. It is important for the Commission and executive management to understand the limitations of the audit coverage and the attendant risks for areas not audited. In our opinion, this listing of proposed projects allocates audit resources to the most important priorities and significant risks of TCEQ and allows flexibility to address other risk areas that may become known during the fiscal year.

However, according to the Texas Internal Auditing Act, it is the governing board's responsibility to conclude whether resources are adequate to address the identified risks. Specifically, Senate Bill 1694 of the 78th legislative session amended the Texas Internal Auditing Act to require the governing board of a state agency to periodically review the resources dedicated to the audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame.

The Chief Auditor asserts that staff resources are adequate to address the high risk areas linked to proposed audit projects. Any additional audit coverage would require additional staff resources.

Besides staff resources, the Chief Auditor's Office is provided with an operating budget to cover administrative costs. While all state agencies are suffering under the budget shortfall, these limitations are not expected to have a great impact on our ability to address the risks identified in this plan. In the past, when additional resources have been requested for specific audit needs, those resources have generally been made available. The Chief Auditor is confident that if it becomes necessary to request additional resources that our request will be addressed in good faith.

Contingency

While we will always work to address any appropriate special requests, we have specifically set aside resources for special requests from the Commission and/or the Executive Director.

Planning, Administrative & Other

A percentage of the total available audit hours are allocated to planning, administrative and other special projects. These projects include advisory services, follow-up, and external auditor liaison duties.

Advisory Services

We plan to continue to have audit staff members participating ex-officio in agency committees and work groups as needed and directed by the Commission or requested by executive management. We provide advice and suggestions on management issues, concerns, and draft policies and procedures upon request.

Follow-Up

Follow-up is an important part of our audit effort and is required by professional standards. The status of all recommendations is presented in mid-year and annual follow-up reports to the Commissioners and executive management. Follow-up reporting continues until all recommended actions and management action plans are implemented or the specific risk reported is otherwise mitigated or accepted.

External Auditor Liaison

The Chief Audit Executive serves as the liaison with the Texas State Auditor's Office (SAO), the Environmental Protection Agency's Office of the Inspector General (EPA-OIG), and other external audit groups having oversight responsibility for TCEQ activities. Audit staff will assist these external entities on their projects as appropriate. Our goal in the role of liaison is to provide assistance to the extent that professional and organizational reporting responsibilities allow. The Chief Auditor's Office will conduct examinations in a manner that allows for maximum audit coordination and efficiency.

Management Controls

Management is responsible for establishing a system of internal/management controls adequate to reasonably assure that established objectives are accomplished. During FY 2013, the Chief Auditor's Office will continue to provide agency managers with information on internal control processes and procedures. We have used, to good response, a model developed by the UT System Audit Office. The Levels of Internal Control Model contains the following control tiers:

- Level 1 Controls (Operating Controls)
- Level 2 Controls (Monitoring Controls)
- Level 3 Controls (Oversight Controls)
- Level 4 Controls (Internal Audit)

This model identifies the four levels of internal control and relates them to the three dimensions of transactions, time, and involvement in the process. The model and its application within TCEQ are shown in **Appendix B**.

Management controls are most effective when they are built into the organization's infrastructure and are a fundamental part of management's philosophy. Use of the model supports quality and empowerment initiatives, avoids unnecessary costs, and enables a quick response to changing conditions.

Closing

The Chief Auditor's Office thanks the TCEQ Commission for their consideration of this proposal. We look forward to helping TCEQ meet its objectives during this upcoming fiscal year.

For further information on the Chief Auditor's Office or the FY 2013 Annual Audit Plan, please contact Chief Audit Executive Carlos Contreras at (512) 239-0780 or by email at carlos.contreras@tceq.texas.gov.

Project Team

Michael K. Hardison, CPA, CICA, CLEA, Project Manager
Heather Correia, Mickey Leland Intern, Project Team Member
Carlos Contreras, CIA, CISA, CGAP, CCSA, CICA, Chief Audit Executive

Appendix A

About the Chief Auditor's Office

Organization and Staffing

In FY 2012, the Chief Auditor's Office (CAO) was authorized 16 full-time equivalent positions: a Chief Audit Executive, three audit work leads, one senior investigator, one executive assistant, and 10 auditors. Our FY 2013 Annual Audit Plan was developed based on the assumption that these staff resources would continue to be available for the remainder of the biennium.

CAO staff members collectively have 63 years of agency experience, 163 years of auditing experience, and 23 professional certifications including:

- Certified Internal Auditor (CIA)
- Certified Public Accountant (CPA)
- Certified Information Systems Auditor (CISA)
- Certified Fraud Examiner (CFE)
- Certified Government Auditing Professional (CGAP)
- Certification in Control Self-Assessment (CCSA)
- Certified Internal Controls Auditor (CICA)
- Certified Law Enforcement Auditor (CLEA)

Professional Organizations

CAO staff members actively participate in professional auditing and information systems organizations. These groups are excellent sources for obtaining information on auditing, accounting, and other professional issues:

- Institute of Internal Auditors (IIA)
- Information Systems Audit and Control Association (ISACA)
- Association of Certified Fraud Examiners (ACFE)
- Texas State Agency Internal Audit Forum (SAIAF)
- International Law Enforcement Auditors Association (ILEAA)

Quality Assurance

Quality assurance is an important component in providing high quality auditing services. We conduct supervisory and quality assurance reviews of each project and the resulting audit report.

Additionally, professional standards require audit departments to have a periodic external quality assurance (peer) review. The Chief Auditor's Office was reviewed in April 2011 and received the rating of fully complies. Our next review will occur in FY 2014.

Performance Measures

Chief Auditor's Office performance measures include the following:

- Completion of 100% of the approved audit plan, allowing for appropriate project substitutions and amendments (Output).
- Percentage of prior audit recommendations that are in the process of being implemented or have been implemented. Combined performance target is 89% (Outcome).

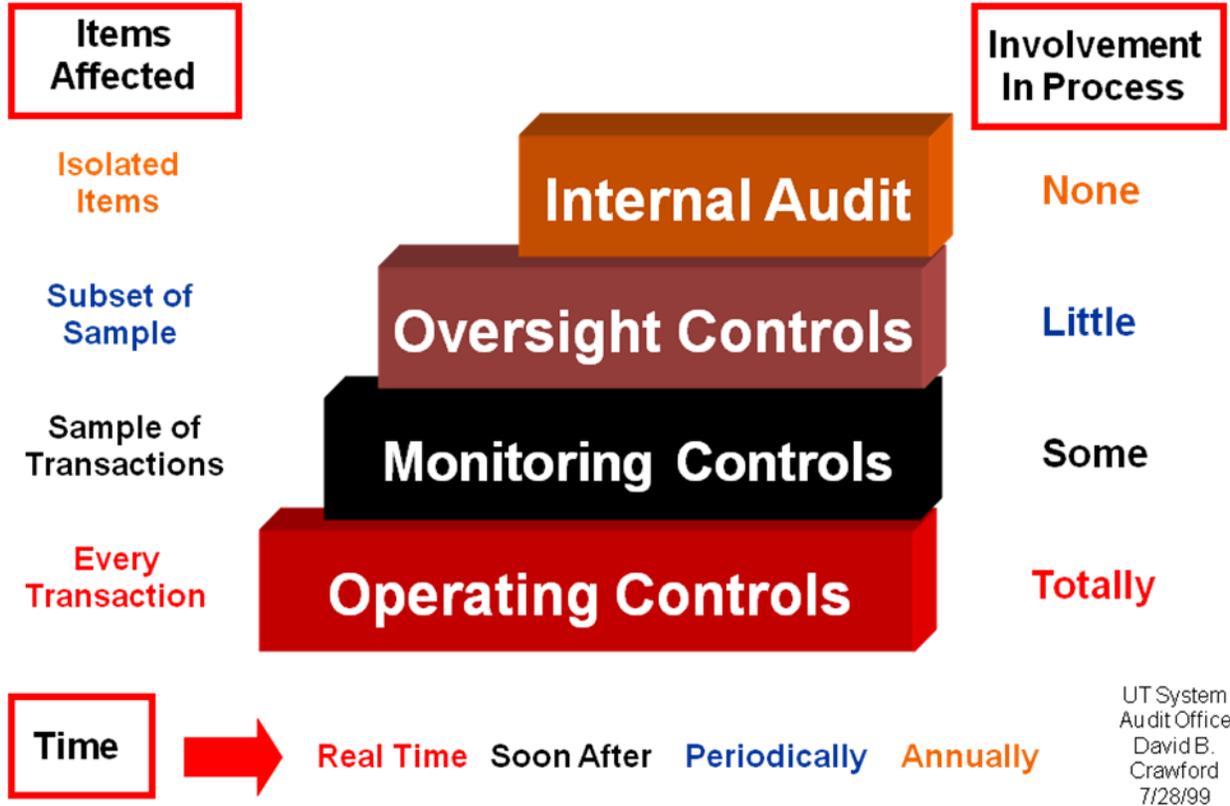
Additionally, the Chief Audit Executive uses the following to measure performance:

- By month and year: Percentage of time spent on Administration (15%); Professional Development (2%); Leave (17%); and Audit Projects (66%)
- For each project: Establishing and meeting realistic deadlines and budgeted hours to achieve audit objectives.

Appendix B

Model – Levels of Internal Control

Levels of Internal Control



TCEQ Mission Statement

The Texas Commission on Environmental Quality strives to protect our state's human and natural resources consistent with sustainable economic development. Our goal is clean air, clean water, and the safe management of waste.

Chief Auditor's Office Mission Statement

The mission of the Chief Auditor's Office is to provide assurance and advisory services that help the Commissioners and management meet agency goals and objectives. We provide independent and objective information, analyses, and recommendations to assist management in effecting constructive change, managing business risk and/or improving compliance and accountability of the regulated community and business partners.

**To obtain a hard copy of this TCEQ Audit Report,
please e-mail IntAudit@tceq.texas.gov or call 512-239-0500.**

**To report Fraud, Waste, or Abuse please e-mail Fraud@tceq.texas.gov
or call 512-239-0700 or 1-877-901-0700.**



CHIEF AUDITOR'S OFFICE

An Audit Report for:
TCEQ Chairman Bryan W. Shaw, Ph.D.
TCEQ Commissioner Carlos Rubinstein
TCEQ Commissioner Toby Baker
TCEQ Executive Director Zak Covar

Chief Auditor's Office Audit Charter

Texas Commission on Environmental Quality Mission

The Texas Commission on Environmental Quality (TCEQ) strives to protect our state's human and natural resources, consistent with sustainable economic development. Our goal is clean air, clean water, and the safe management of waste.

Chief Auditor's Office Mission

The mission of the Chief Auditor's Office is to provide assurance and advisory services that help the Commissioners and management meet agency goals and objectives. We provide independent and objective information, analyses, and recommendations that assist management in effecting constructive change, managing business risk, and improving compliance and accountability of the regulated community and business partners.

Chief Auditor's Office Vision & Philosophy

Our vision is to be a world class audit department by encompassing the following attributes:

Leadership

We will lead our profession in the use of innovative audit techniques and will continue to update our audit approach to effectively address emerging risks, issues, and changes in the environment.

Integrity

We will exemplify the highest degree of trust and integrity in our partnership with agency leadership and employees, and continually uphold professional standards.

Innovation

We encourage initiative, creativity, and innovation, while recognizing the attendant risk. We benefit from diverse ideas. Recognition is bestowed upon those who are innovative and accept responsibility for their actions. Mistakes are considered challenges from which we learn.

Prevention

We anticipate future issues and risks rather than merely report on past events. As agency operations change, we look ahead to address potential risks.

Quality

We will excel by practicing continuous improvement. We enrich the agency's performance by delivering timely, value-added services and information to key customers.

Teamwork

We create a participatory environment to challenge our staff and allow them to fully utilize their talents. We maintain a positive, productive relationship with agency management and staff. By working together and capitalizing on our strengths, we continually improve our services.

Chief Auditor's Office

The Texas Internal Auditing Act (Government Code 2102) requires certain Texas state agencies, including the TCEQ, to conduct a program of internal auditing. The Chief Auditor's Office is established to meet these requirements. The Act also requires the Board to appoint an internal auditor. The Chief Auditor is the internal auditor required by the Act.

The Chief Auditor's Office work is guided by a risk-based audit plan approved by the Commission on an annual basis. The approved audit plan will be reviewed and updated during the course of the year to reflect the most current strategies and direction of the agency. The Chief Auditor will submit any interim changes to the audit plan to the Chairman for review and approval.

Professional Standards

The Chief Auditor's Office follows the Texas Internal Auditing Act. The Chief Auditor's Office must also adhere to the Institute of Internal Auditors' *International Professional Practices Framework* (Definition of Internal Auditing, the Code of Ethics, and the Standards) and the U.S. Government Accountability Office's *Government Auditing Standards*. This mandatory guidance provides the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Chief Auditor's Office.

Definition of Internal Auditing

This definition is from the Institute of Internal Auditors' *International Professional Practices Framework*.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Auditing Program

The auditing program of the Chief Auditor's Office includes both Assurance and Advisory Services conducted by staff in two sections: Audit Services and Information Technology Audit. The Audit Services teams conduct the internal and external audit services for the TCEQ. For our internal audit planning, our audit projects are categorized as internal and external. However, all of the work of the Chief Auditor's Office falls under the definition of internal auditing above and is performed in accordance with prescribed audit standards.

Assurance Services include the examination and evaluation of the adequacy and effectiveness of the agency's system of internal control and the quality of performance in carrying out the goals and objectives of the agency. Assurance Services also include

evaluating compliance with established laws, rules, and contract provisions. Assurance activities of the Chief Auditor's Office may include, but are not limited to:

- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Assessing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Appraising the economy and efficiency with which resources are employed.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing contractors, fee payers, grantees, vendors, and reimbursement recipients for compliance with established laws, rules and/or contract provisions.
- Evaluating control systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and determining whether the Commission is in compliance.
- Assessing and making recommendations for improving agency governance processes.
- Reviewing agency information systems throughout the system lifecycle.
- Monitoring and assessing management's actions taken in response to reported audit issues.
- Receiving and investigating allegations of fraud, waste, and abuse. On occasion, at the request of the Chief Auditor, investigations may be conducted under the supervision of an agency attorney.
- Reporting to the Texas State Auditor's Office, as required by Texas Government Code, Section 321.022, when there is reasonable cause to believe that fraudulent or unlawful conduct has occurred in relation to the agency.

Advisory Services are consultative services, the specific nature and scope of which are agreed upon with the client, and are intended to add value and improve an organization's operations. The Chief Auditor's Office does not provide any services which would require auditors to make decisions that are normally made by management. The Chief Auditor's Office performs three types of advisory services:

- **Assessment Services** are those in which the auditor examines/evaluates a past, present, or future aspect of operations, and renders information to assist management in making decisions. Assessments are provided as timely as possible and generally do not include specific recommendations for management.
- **Facilitation Services** are services in which the auditor assists management in examining organizational performance for the purpose of promoting change. In a facilitation role, the auditor does not judge organizational performance. Instead, the auditor guides management in identifying organizational strengths and opportunities for improvements.
- **Liaison Services** are generally those activities required to coordinate or facilitate activities of external entities that oversee the work of the TCEQ, e.g., the Texas

State Auditor's Office, the Environmental Protection Agency, and the Government Accountability Office.

The Chief Auditor's Office will not perform Remediation Services. Remediation services are those in which the auditor assumes a direct role designed to prevent or remediate known or suspected problems on behalf of management. Remediation services require the making of management type decisions and are thus inappropriate according to the Government Auditing Standards.

Responsibilities

Auditors have no direct responsibilities for, or authority over, the activities or operations they review. They should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by auditors. This does not preclude auditors from serving in an advisory capacity in the implementation of improvements or the establishment or redesign of activities, policies, procedures, or information systems. Additionally, this restriction shall not prevent auditors from performing analyses and recommending alternative courses of action to management.

Authority

Authorization is granted for full and free access to any of the Commission's records (electronic and manual), physical properties, activities, and personnel relevant to a review. Access to records belonging to contractors, fee payers, grantees, vendors and reimbursement recipients is dependent on authority established in contract provisions, laws and rules. Documents and information provided to auditors will be handled in the same prudent manner as by those employees normally accountable for them.

Audit working papers are protected from disclosure under the Public Information Act per the Texas Government Code Section 552.116.

Organizational Independence

The Chief Auditor reports directly to the Commissioners with access to the Executive Director. This allows the internal audit activity the organizational independence necessary to fulfill its responsibilities. The Chief Auditor is responsible for communicating and interacting directly with the Commissioners. Furthermore, the Chief Auditor shall brief the Commissioners on audit issues, in person or in writing, at least quarterly.

Individual Objectivity

The Chief Auditor's Office will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Audit assignments are reviewed and organized to prevent potential and/or actual conflict of interest.

Proficiency

The Chief Auditor's Office will possess or obtain the knowledge, skills, and other competencies needed to perform the audit activities. Continuing professional development is essential to help ensure audit staff remains proficient. The Chief Auditor's Office will obtain competent assistance, through contracting or partnering, if audit staff lacks the knowledge, skills, or other competencies needed to accomplish an approved audit engagement.

Continuing Professional Development

Each fiscal year, the Chief Auditor's Office will be allocated a budget for training and educational materials to ensure staff meet the continuing education requirements established in the *Standards* as well as have access to current audit techniques, policies, and practices.

Quality Assurance and Improvement Program

The Chief Auditor's Office will maintain a quality assurance and improvement program to ensure conformance with applicable audit standards, policies, and audit programs. The program includes appropriate supervision, periodic internal assessments, and ongoing monitoring of work performed. In addition, an external quality assurance review will be performed at least once every three years.

Chief Auditor's Office Reports

Internal Audit reports, which may include management's responses, are issued to the Commissioners and Executive Director following the conclusion of each audit. Internal Audit reports are submitted to the Audit Contact Commissioner for review and comment prior to final distribution.

External Audit reports may include issues to be addressed by TCEQ management and/or the management of the external entity. These reports may also include management's responses as well as those of the external entity. When potential ex-parte issues exist, the reports will not be addressed to the Commissioners. Instead, the reports will be copied to the Commissioners' Executive Assistants.

As required by the Texas Internal Auditing Act, audit reports are distributed to the State Auditor's Office, Legislative Budget Board, Sunset Advisory Commission, and the Governor's Office.

Investigation reports are generally addressed to the Division Director over the area of investigation with copies going to the Deputy Director, Executive Director's Office, the General Counsel, and the Commissioners' Executive Assistants. When there is reasonable cause to believe that fraudulent or unlawful conduct has occurred in relation to the agency, the report will be distributed to the Texas State Auditor's Office as required by Texas Government Code, Section 321.022.

In all cases, management is responsible for reviewing audit conclusions and recommendations and deciding what actions, if any, are warranted.

Reports resulting from advisory services are generally provided only to the manager who requested and received the advisory service. However, significant risks identified during an advisory service will be communicated to the appropriate level of management and, if warranted, to the Commission.

In certain instances, audit reports may be of limited interest or of a sensitive nature. In these circumstances, the report will be sent only to those persons designated by the Commissioners.

Presented and approved on August 17, 2012

Bryan W. Shaw, Ph.D.
Chairman

Carlos Rubinstein
Commissioner

Toby Baker
Commissioner

Zak Covar
Executive Director

Carlos Contreras, CIA, CISA, CGAP, CCSA,
CICA
Chief Audit Executive