

TEXAS SCHOOL FOR THE DEAF
Austin, Texas
ANNUAL INTERNAL AUDIT REPORT
Fiscal Year 2017



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Annual Internal Audit Report
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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

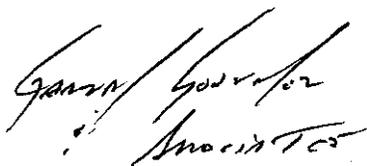
Board Members and Budget Audit
Committee Members
Texas School for the Deaf
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the Homegoing Transportation area of the Texas School for the Deaf (TSD); and, its compliance with applicable state requirements, and TSD's established policies and procedures for the period of September 1, 2016 through March 31, 2017.

The results of our tests disclosed that TSD's internal control structure over the Homegoing Transportation department and its established policies and procedures were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters, included in this report, that are opportunities for strengthening internal controls and ensuring compliance with TSD's established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations," which is included in page 10 of this report.

We also performed a follow-up of the findings presented in prior year internal audit reports. This report reflects the implementation status of those matters and includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements.

We have discussed these comments and recommendations with various TSD personnel; and, will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.



June 2, 2017

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INTRODUCTION

The Texas School for the Deaf (TSD) was established in 1856, and is the oldest continuously operating publicly funded school in Texas. It currently serves approximately 551 students from school districts across the State. TSD's mission is to ensure that students excel in an environment where they learn, grow, and belong.

TSD is established as a state agency to provide a continuum of direct educational services to students, from birth through twenty-one years old, who are deaf and hard of hearing and who may have multiple disabilities.

TSD is governed by a nine-member board appointed by the Governor and confirmed by the Senate. Board members, five of whom must be deaf. Each member of the board must be a person who is experienced in working with persons who are deaf or hard of hearing, a person who is the parent of a person who is deaf, or a person who is deaf. The Board is directed to organize and conduct itself like the board of a local school district and; thus, in addition to overseeing the provision of all TSD services, has specific responsibilities related to budget preparation, policy adoption and appointment of TSD's Superintendent.

TSD's curriculum is designed to meet the needs of a diverse student population. The school is staffed with certified teachers and qualified support personnel in assessment, auditory/speech training, counseling/psychological services, remedial programs, and after-school programs. Residential facilities are available and provided to students needing them.

Programs offered at TSD include a Parent Infant Program (from birth to 35 months old); Early Childhood Education (for students from 3 to 5 years old); a Special Needs Department (for students with multiple disabilities); Elementary, Middle and High School Programs (for kindergarten to graduation); a Career and Technology Education Program (for high school and transitional students); Career and Transition Services (for post-graduation students); and, the Access Program (for students 18 to 22 years old).

2017 Internal Audit Plan

Following are the internal audits and other functions that were included in TSD's 2017 Internal Audit Plan:

- Homegoing Transportation
- Follow-up or Prior Year Internal Audits

This report contains the results of our audit of the Homegoing Transportation Department, reflects the follow-up performed in the current year, and, meets the Internal Audit Annual Report requirements.

INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed the examination and evaluation of the adequacy and effectiveness of TSD's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes the following objectives:

- **Reliability and Integrity of Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Plans, Procedures, Laws, and Regulations** – Review the systems established to ensure compliance with those policies, procedures, laws, regulations, and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Economical and Efficient Use of Resources** – Appraise the effectiveness and efficiency with which resources are employed.
- **Accomplishment of Established Objectives and Goals for Operations or Programs** – Review 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.

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EXECUTIVE SUMMARY

Homegoing Transportation

Background

The Homegoing Transportation Department (Department) is one of the nine Support Operations departments of the Texas School for the Deaf (TSD). This Department is responsible for the overall supervision of students in TSD's Homegoing Program. The Homegoing Program provides non-local students with weekly bus trips, van trips, and flights home and back to school during the school year. The Department currently serves more than 190 residential students living in the following cities: San Antonio, Pearsall, Laredo, Dallas, Mesquite, Waco, Belton, Hurst, Arlington, Lindale, Corsicana, Harlingen, Lubbock, El Paso, Midland, and others.

This Department consists of the manager, chaperones, homegoing assistants (HGAs), and bus drivers. The manager schedules all bus trips, van trips, and flights for students participating in TSD's Homegoing Program. Bus Chaperones and homegoing assistants (HGAs) are TSD staff that volunteer to assist the Homegoing Program by supervising students during the trip to and from home each weekend.

Buses, Vans, and Flights

The Department currently has six (6) charter buses rented through TSD's contract with Clark Travel. Each bus is staffed with two (2) staff each, unless the behavior of one or more students require additional supervision.

Six (6) van routes are scheduled each weekend. Three (3) of the vans are rented weekly or monthly based on need. The remaining three (3) vans are from TSD's fleet. TSD utilizes the state contract through Enterprise Rent-A-Car for rental of the vans.

The Manager arranges flights for students to the following cities: Midland, Harlingen, Lubbock, and El Paso. One flight chaperone is assigned to each flight unless it is determined that the student has the skill set and ability to travel on his/her own. The flights are booked by and through National Travel Systems, with whom TSD has a state approved contract, for a fee per traveler. Flights with Southwest Airlines includes participation in the "frequent flyer/rapid rewards" program. Each purchased airline ticket with the airline earns credits that can be applied to future airline ticket purchases, however the credit and the use of the "rewards" is applicable only to the individual named on the airline ticket. Therefore the "rewards" can only be used toward purchases for that individual. At the time of the audit TSD was relying on the airline to track the credit and use of the "rewards" to the individual student.

Bus Chaperones are specifically hired to work part-time or 20 hours a week for the Homegoing process. HGAs are current TSD employees who volunteer to work additional hours to assist the Bus Chaperone where necessary.

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Bus Driver Requirements

The Homegoing process requires the use of a charter bus service. The current contract for charter bus service was procured through an invitation for bid which closed on April 15, 2015. The invitation for bid included compliance with Texas Education Code 22.083-22.087 related to the national criminal history reviews of certified teachers, charter school employees, non-certified staff, contractors and substitutes and requirements to provide the driving record, years of experience, safety record and accident record for each designated driver.

Per Diem

Chaperones, drivers, and Homegoing Assistants (HGAs) are paid on a per trip basis per day. Ground travel (bus and van) staff are paid \$10 per trip and air travel staff are paid \$20 per diem per trip.

Parent Mileage Reimbursement:

The parents of the students can also submit requests for mileage reimbursement. The parents are required to maintain a log of the time, date, name of student, and mileage information for reimbursement.

Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to determine whether the Homegoing Transportation department has developed and implemented policies and procedures; and, internal controls to ensure compliance with state laws and regulations in the transportation of students.

Scope

The scope of our audit was the activities performed by the Homegoing Transportation department for the period from September 1, 2016 through March 31, 2017.

Methodology

We performed the following procedures over the Homegoing Transportation department:

- Obtained and reviewed TSD's written policies and procedures; applicable laws and regulations; and, conducted interviews to obtain an understanding of controls, processes and current practices in place over the Homegoing Transportation area.
- Obtained a listing of students who participate in the Homegoing Transportation program and their designated method of transportation (bus, plane, van, etc.)
- Tested a sample of weekly transportation logs and daily ridership logs for the selected time period to assess compliance with established policies and procedures; and, to ensure accuracy of the applicable databases.

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- Tested a sample of travel reimbursement request forms and travel request forms submitted by chaperones and parents during the period from September 1, 2016 through March 31, 2017 to ensure they were properly supported and in compliance with applicable policies and procedures.
- Tested a sample of transportation expenditures for the period from September 1, 2016 through March 31, 2017 to assess compliance with established policies and procedures.
- Tested a sample of the Homegoing bus drivers to ensure they possess the required training and minimum qualifications required by the Texas Education Code and the Texas Administrative Code consistent with the transportation contract.
- Obtained an understanding and reviewed the process for the credit and use of “frequent flyer/rapid rewards” program earned through the purchase of airline tickets.

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I. Internal Audit Plan for Fiscal Year 2017

The Internal Audit Plan includes the completion of the fiscal year 2017 Risk Assessment and Preparation of this Internal Audit Plan and the audit of the Homegoing Transportation audit area to be performed during the 2017 fiscal year. The Plan also includes a follow-up of the prior year audit recommendations, other tasks as may be assigned by the Audit Committee or Board during the year, and the preparation of the Annual Internal Audit Report for Fiscal Year 2017.

TSD's Internal Audit Plan (Plan) for fiscal year 2017 was prepared utilizing a risk assessment process where we reviewed various documents and discussed various topics with management. Discussions with management included topics; such as, issues and/or concerns, recent changes in key personnel, time elapsed since last audit, and status of past audit findings.

Utilizing the information obtained through documents received and discussions with management, 18 audit areas were identified as potential audit topics. A risk analysis was completed for each of the 18 potential audit topics and then compiled to develop TSD's overall risk assessment.

The following 8 risk factors were considered for each potential audit topic:

- | | |
|--|--|
| 1. Materiality | Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the unit is responsible; or, <i>non-financial</i> materiality based on the magnitude of its responsibility related to the agency's primary mission. |
| 2. Time Since Last Audit or Review | Measure of the number of years between the date of the previous audit or review and the date of the risk assessment. |
| 3. Results of Last Audit or Review | Measure of the results of the previous audit or review. |
| 4. Adequacy of Staffing Levels | Measure of the adequacy of the staffing level of the auditable unit as it relates to the achievement of its objectives. |
| 5. Policies and Procedures | Measure of the existence of policies and procedures documenting the auditable unit's activities. |
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the magnitude of contracts, laws, and/or regulations for which the auditable unit is responsible for complying. |
| 7. Susceptibility of Theft or Fraud as it relates to theft or fraud. | Measure of the auditable unit's risk and controls in place |
| 8. Issues or Concerns | Measure of issues or concerns expressed by management, Board members, or Audit Committee. |

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Risk Assessment

Following are the results of the risk assessment performed for the eighteen (18) potential audit topics identified:

| HIGH RISK | MODERATE RISK | LOW RISK |
|---------------------------------------|--|--|
| Admissions & Assessment | Accounting- Cashier Function/Student Activity | Supplies Warehouse |
| Accounting- All Other Functions | Food Service | Abuse, Neglect, and Exploitation (ANE) |
| Instruction: HS, MS, Elem, Special | Human Resources & Payroll | Residential Services |
| | Fixed Assets | Health Services & Student Health Center |
| | Purchasing/Purchasing Cards/HUB Compliance | Career and Transition |
| | Homegoing Transportation | Athletic Revenue |
| | Information Technology | Risk Management |
| | | Performance Measures |

In the prior three years, internal audits were performed in the following areas:

Fiscal Year 2016:

- Follow-Up of Prior Year Audit Recommendations
- Preparation of the Annual Internal Audit Report

Fiscal Year 2015:

- Athletic Revenue

Fiscal Year 2014:

- Performance Measures

The areas recommended for internal audits and other tasks performed for fiscal year 2017 were as follows:

| Report No. | Audits/Report Titles | Report Date |
|-------------------|--|--------------------|
| 1. | Completion of fiscal year 2017 Risk Assessment and Preparation of this Internal Audit Plan | 4/3/2017 |
| 1. | Homegoing Transportation | 6/2/2017 |
| 1. | Follow-Up of Prior Year Internal Audits and Prepare the 2017 Annual Report | 6/2/2017 |
| 1. | Other Tasks Assigned by the Board or Audit Committee | None |

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II. Consulting and Non-Audit Services Completed

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Audit Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards, December 2011 Revision*, Sections 3.33-3.58.

III. External Quality Assurance Review

The internal audit department received a peer review in September 2015, which resulted in an unqualified opinion.

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IV. Summary and Related Rating of Observations/Findings and Recommendations

As TSD’s internal auditors, we used our professional judgement in rating the audit findings identified in this report. The rating system was developed by the Texas State Auditor’s Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings and recommendations included in this report and the related rating.

| Summary of Observations/Findings & Recommendations and Related Ratings | | |
|---|---|---------------|
| Finding No. | Title | Rating |
| 1 | Contract Requirements – Bus Drivers | Medium |
| 2 | Parent Signature Sheet | Low |
| 3 | Picture Verification | Low |
| 4 | Van Driver Requirements | Low |
| 5 | Payment Voucher Coding Form | Low |
| 6 | Documentation and Use of Travel Rewards | Medium |

Description of Rating

A finding is rated *Priority* if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

A finding is rated *High* if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

A finding is rated *Medium* if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer programs(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

A finding is rated *Low* if the audit identified strengths that support the audited entity’s ability to administer the programs(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited.

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V. Observations/Findings and Recommendations

| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations | Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) | Fiscal Impact/Other Impact |
|------------|-------------|--------------------------|---|--|--|
| 1 | 5/10/2017 | Homegoing Transportation | <p>1. <u>Contract Requirements - Bus Drivers</u></p> <p>The Invitation for Bid (IFB No. 772-6-001A dated April 15, 2015) for Charter Bus Service awarded to Clark Travel included the following requirements:</p> <ul style="list-style-type: none"> • Texas Education Code 22.084 (c) (d), the vendor of the awarded contract shall obtain criminal history record information on all of its bus drivers used in the performance of the contract. • Vendor must submit a letter to Texas School for the Deaf within thirty (30) days of on awarded contract stating that all bus drivers used in the performance of the contract have been checked for criminal history record information and are cleared to drive the buses. • Bidder must provide the driving record, years of experience, safety record and accident record for each designated driver for all routes outbound and inbound. • Vendor must provide proof to TSD that the employees have been fingerprinted. See Attachment "B". SB9 is codified in Texas Education Code 22.083-22.087 related to the national criminal history reviews of certified teachers, charter school employees, non-certified staff, contractors and substitutes. • Awardee must provide turn-by-turn data with mileage per Texas Education Agency (TEA) School Transportation Allotment Handbook dated May 2008 <p>We were provided data supporting the contract requirements however the data was not contemporaneous with the award of the contract. In addition, it is not clear that a criminal history record was obtained and reviewed in compliance with Texas Education Code 22.084 (c) (d).</p> <p>Recommendation We recommend that TSD ensure that the criminal background checks be performed in compliance with Texas Education Code 22.084 (c) (d) by the contractor. In addition, we recommend that TSD develop a process to ensure compliance with contract requirements imposed on contractors.</p> | | For the safety and security of students and to ensure that contractors are in compliance with all contract requirements. |

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| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations | Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) | Fiscal Impact/Other Impact |
|------------|-------------|--------------------------|--|--|--|
| 1 | 5/10/2017 | Homegoing Transportation | <p>Management Response Management agrees with the recommendation. Effective immediately, TSD will implement quarterly contract reviews to ensure both TSD and Contractor maintain compliance with all terms and conditions of the contract. TSD will ensure criminal background checks are completed prior to the first scheduled homegoing trip associated with each annual homegoing services contract.</p> <p>2. <u>Parent Signature Sheet</u></p> <p>We tested 25 students that travel by bus, 10 students that traveled by vans, and 10 students that traveled by flights to determine if the procedures were followed for obtaining parent signatures/approval. We noted the following instances of noncompliance with the Department's policies and procedures –</p> <ul style="list-style-type: none"> • One (1) instance where the student was marked as having boarded the bus for a return trip; however, the parent/guardian did not sign the related <i>Parent Signature Sheet</i>. • Two (2) instances where the student was marked as having boarded the van for a return trip; however, the parent/guardian did not sign the related <i>Parent Signature Sheet</i>. • one (1) instance where the parent/guardian did not sign the <i>Parent Signature Sheet</i> when the student was returning to school and four (4) instances where the parent/guardian did not sign the signature sheet when picking up or dropping off the student for travel by air. <p>Recommendation We recommend that the Homegoing procedures be enforced to ensure that a <i>Parent Signature Sheet</i> is provided to bus drivers and chaperones prior to each trip and that every parent/guardian sign the signature sheet upon pick-up or drop-off of their student.</p> | | For the safety and security of students and to document release of responsibility to TSD and/or TSD to the parent. |

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| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations | Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) | Fiscal Impact/Other Impact |
|------------|-------------|--------------------------|--|---|--|
| 1 | 5/10/2017 | Homegoing Transportation | <p>Management Response Management agrees with the recommendation. Upon return from Summer Break in August 2017, all Homegoing Chaperones will be reminded of the 100% requirement of this procedure to ensure every parent/guardian signs the signature sheet upon pick-up or drop-off of their student, regardless of pick-up or drop-off weather conditions or any other distracting environmental factors. Additionally, TSD is currently exploring potential technology solutions that may simplify this check-in / check-out procedure.</p> <p>3. <u>Picture Verification</u> We tested 25 students that traveled through bus between 9/1/2016 through 3/31/2017 our testing disclosed three (3) instances where picture verification was only done for either the homegoing or returning trip and one (1) instance where picture verification support was not provided for either the homegoing or returning trip.</p> <p>Recommendation We recommend that the Homegoing procedures be enforced to ensure that a picture of the student roster be provided to bus drivers and chaperones prior to each trip to properly identify each student by clearly indicating whether the student was on board. The picture document should be retained to support the trip.</p> <p>Management Response Management agrees with the recommendation. Homegoing Staff received refresher training on their responsibilities in August 2017. We will endeavor to achieve 100% compliance moving forward.</p> <p>4. <u>Van Driver Requirements</u> Our discussion with Homegoing management disclosed that TSD has not established formal requirements for potential van drivers. It was noted that a TSD staff may volunteer and may be assigned to drive the vans for Homegoing purposes.</p> | | <p>For the safety and security of students and to document compliance with the Homegoing policies and procedures.</p> <p>To ensure safety and security of the students in the provision of Homegoing services.</p> |

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| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations | Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) | Fiscal Impact/Other Impact |
|------------|-------------|--------------------------|---|--|--|
| 1 | 5/10/2017 | Homegoing Transportation | <p>Recommendation We recommend that TSD adopt the Texas Education Code 22.083-22.087 related to the national criminal history reviews of certified teachers, charter school employees, non-certified staff, contractors and substitutes as minimum requirements for potential van drivers. In addition, TSD should obtain the driving record and accident record for each driver.</p> <p>Management Response Management agrees with the recommendation. Effective School Year 2017/2018, TSD will no longer use employees for Homegoing transportation. In August 2017 TSD contracted with a charter bus company to provide these services moving forward. All buses will be driven by an employee of the charter bus company who must undergo the required background checks in compliance with the Texas Education Code 22.084(c)(d).</p> <p>5. <u>Documentation and Use of Travel Rewards</u> As airline tickets are purchased for the Homegoing process the ticket purchase earns a "reward" towards the purchase of future tickets. We understand that the "reward" is credited for the use of the passenger (student/employee) and not TSD. We requested a listing of the rewards available for the use of the Homegoing program, however an actual list of available "rewards" was not directly available except through the airline.</p> <p>Of the 10 student accounts, 2 were set up by parents of the student. TSD did not have access to 1 of the 2 accounts. A separate account also was not accessible by password.</p> <p>Recommendation We recommend that TSD establish a process to monitor the credit and use of the "rewards" earned for both students and employees to ensure that the "rewards" are only used for valid Homegoing or other TSD use. The process should include a listing of each "reward" earned and used by individual and by date of travel.</p> | | Strengthen controls over the use of assets earned through State purchases. |

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| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations | Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) | Fiscal Impact/Other Impact |
|------------|-------------|--------------------------|---|--|----------------------------|
| 1 | 5/10/2017 | Homegoing Transportation | <p>Management Response Management agrees with the recommendation. However, the state of Texas' current travel provider, National Travel Systems (NTS) is unable to allow any redemption of travel miles as those redemptions must go directly through the airlines themselves. Since TSD is required by the Comptroller of Public Accounts requirements, located at https://comptroller.texas.gov/purchasing/programs/travel-management/travel-agency/, to utilize NTS, who is unable to provide this service, we are unable to utilize reward miles at this time. Our previous state travel agency was able to do this. If the state changes its provider we will once again try to implement this benefit. TSD will review and research the current Travel Reward accounts to ensure that the use; conversion and/or the closing or suspension of the accounts will be performed in accordance with applicable state requirements.</p> | | |

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VI. Follow-Up of Prior Year Findings and Recommendations

| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations | Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) | Fiscal Impact/Other Impact |
|------------|-------------|----------------|---|--|---|
| 1 | 5/10/2017 | 2017 Follow-Up | <p><u>Follow-Up of Prior Year Audits</u></p> <p>Following is the status of the recommendations made in previous fiscal years that had not been implemented.</p> <p><u>Athletic Revenue (Report date 9/9/2015)</u></p> <p>1. Disbursements</p> <p>TSD should:</p> <ul style="list-style-type: none"> • Develop a policy similar to the procurement card policy, which disallows reimbursement of sales tax paid on purchases made on behalf of the Athletic Department, since TSD is a tax-exempt entity. • Develop a policy requiring itemized receipts to support reimbursement requests to ensure items purchased are allowable. • Document the determination of the cash advance on the Request for Check to support the requested amount. (Ex. 10 students x \$25 (est. meals cost) = \$250) <p>2017 Follow-Up</p> <p>The status of the recommendations related to Athletic Revenue Disbursements is as follows:</p> <ul style="list-style-type: none"> • TSD is currently reimbursing sales tax for athletic revenue disbursements. TSD has determined that Athletic Revenue is not considered a “Bona Fide Chapter” as defined by the State Comptroller. We recommend that TSD request a “Letter Ruling” from the State Comptroller related to Athletic Revenue and other Student Activity Funds and develop a policy consistent with the guidance. • TSD requires itemized receipts to support reimbursement requests consistent with Chapter 660 of Section 660.027 of the Government Code Section, which requires employees to submit itemized receipts. • TSD requires an estimation of the actual costs as support for the request of a cash advance. | Substantially Implemented | To support the disbursement of Athletic Activity Funds. |

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|------------|-------------|----------------|--|---|--|
| 1 | 5/10/2017 | 2017 Follow-Up | <p>Management Response</p> <p>A. Management agrees with the recommendation. TSD made a formal request, dated 6/28/17, to the Texas Comptroller of Public Accounts Tax Policy Section requesting a ruling to determine if student activity funds (custodial funds held outside of the State Treasury) are exempt from state sales tax. As of 8/10/17, we are still awaiting response.</p> <p>B. Regarding the topic of requiring itemized receipts to support reimbursements, TSD considers this item implemented.</p> <p>C. Regarding the requirement of an estimation of the actual costs as support for the request of a cash advance, TSD has developed and implemented a new electronic fillable form for cash advance requests that automatically calculates the cash advance needed (ex: number of students, number of staff, cost per meal, number of days travelling, etc.).</p> <p><u>Performance Measures (Report date 8/5/2014)</u></p> <p>1. Key Efficiency Performance Measures Calculation</p> <p>TSD should retain documentation used to calculate and report actual performance for the Average Daily Cost of Transportation per School Day key efficiency performance measure.</p> <p>2017 Follow-Up</p> <p>Our follow-up indicated that the recommendation was substantially implemented since the performance measure can be considered Certified (accurate within 5%), however, the number of days used in the calculation was incorrect by one (1) day since a teacher work day was inadvertently included in the calculation.</p> <p>Management Response</p> <p>Management agrees with the recommendation. TSD will ensure an accurate number of days is utilized in the Average Daily Cost of Transportation per School Day calculation by including a secondary review to verify the calculation.</p> | Substantially Implemented | To ensure reported performance is supported and accurately calculated. |

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| Report No. | Report Date | Name of Report | Observations/Findings and Recommendations | Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) | Fiscal Impact/Other Impact |
|------------|-------------|----------------|--|---|---|
| 1 | 5/10/2017 | 2017 Follow-Up | <p>Management Response TSD has an established policy, TSD Athletic Gate Receipt Policy and Procedures, dated September 2009, in which Section I states, "Prior to each seasonal sport, the Athletic Department will distribute schedule/log sheet that indicates the games for which admissions will be charged to the Cashier's office". TSD acknowledges that the policy has not been followed as intended. The Athletics Director communicated in person to the CFO and Accounting Manager on August 10, 2017 that the Athletics schedule for school year 2017/2018 was posted on the TSD webpage and that all varsity home games for football, volleyball, and basketball are intended to generate admissions sales, as long as volunteers were available to sell admission tickets.</p> <p>3. Fundraising Fund TSD should revise its policy to include a reference for the 12 separate Athletic Revenue Funds that it began using in fiscal year 2015.</p> <p>2017 Follow Up Our follow-up indicated that the Activity Fund Operational Procedures have not been updated to reflect the suggested changes.</p> <p>Management Response Management agrees. TSD will update the Activity Fund Operational Procedure to include an addendum that will be updated annually which lists each individual Student Activity Account. Target implementation - Fall 2017.</p> | <p>Incomplete/Ongoing</p> | <p>To ensure the minimum number of funds are used to account for athletic activity.</p> |

VII. External Audit Services Procured in Fiscal Year 2017

TSD procured the internal audit services documented in the Internal Audit Plan for fiscal year 2017.

VIII. Reporting Suspected Fraud and Abuse

TSD has provided information on their home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. TSD has also developed a Fraud Prevention Policy that provides information on how to report suspected fraud.

IX. Proposed Internal Audit Plan for Fiscal Year 2018

Following are the *proposed* areas recommend for internal audits for fiscal year 2018. The Internal Audit Plan for fiscal year 2018 will be developed and presented to the Audit Committee and Board at a meeting to be determined at a later date.

- Instructional: High School, Middle School, Elementary School, Special Needs
- Career and Transition
- Follow-up of Prior Year Audits
- Other tasks as may be assigned by the Audit Committee or Board during the fiscal year.

X. Organizational Chart

