

**TEXAS RACING
COMMISSION**

FISCAL YEAR 2013 INTERNAL AUDIT ANNUAL REPORT

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Texas Racing Commission
Austin, Texas

Internal Audit Annual Report
Fiscal Year 2013

I. Compliance with House Bill 16

Within 30 days of approval, the Texas Racing Commission will post the following information on its Internet Web site, unless excepted from disclosure under Chapter 552 of Texas Government Code:

Beginning Fiscal Year 2014, the Texas Racing Commission (TxRC) will develop procedures for implementing House Bill 16 that include measures to ensure that within 30 days of approval, the following reports will be posted to their website:

- An approved fiscal year 2014 audit plan.
- A fiscal year 2013 internal audit annual report.
- Internal Audit Reports which include the following:
 - A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report;
 - A summary of the action taken by the agency to address concerns, if any, that raised by the audit plan or annual report

II. Internal Audit Plan for Fiscal Year 2013

- Complaints and Investigations Process (**Report #2013-001: Date: November 12, 2012**)

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, were completed during fiscal year 2013.

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 Racing Commission
INTERNAL AUDIT FUNCTION**

October 29, 2012



Performed By

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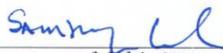
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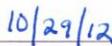
**TEXAS RACING COMMISSION
INTERNAL AUDIT FUNCTION
EXTERNAL QUALITY ASSURANCE REVIEW
October 29, 2012**

OVERALL CONCLUSION

Based on the information received and evaluated during this external quality assurance review, we conclude that the Texas Racing Commission's Internal Audit function "fully 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 Afolabi, CPA, CGMA
External Quality Assurance
Reviewer



Date
October 29, 2012

**TEXAS RACING COMMISSION
INTERNAL AUDIT FUNCTION
EXTERNAL QUALITY ASSURANCE REVIEW
October 29, 2012**

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 reviews to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require these reviews 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 Racing Commission's compliance with professional standards and the Texas Internal Audit Act. The scope of the review included all internal audit completed during the year ended August 31, 2012.

The work performed during the review included:

- 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.
- Review and evaluation of audit working papers.
- Review of Internal Audit's policies and procedures, annual risk assessment, annual audit plan, and other relevant documents.

V. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2014
(To be submitted for approval on December 10, 2013)

• Licensing Applications and Registrations	100
• FY 2014 Risk Assessment & Audit Plan	20
• FY 2015 Risk Assessment & Audit Plan	<u>20</u>
Total Hours	140

Risks ranked as “high” but not included in the FY 2014 audit plan

- **Drug Testing**
- **Reporting – Key Performance Measures**

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

VI. External Audit Services Procured in Fiscal Year 2013

There were no External Audit Services for the fiscal year 2013 other than Internal Audit Services.

VII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (83rd Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, the Texas Racing Commission has posted information on how to report suspected fraud, waste or abuse of state funds on their website.

VIII. Distribution List

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: Kate McGrath

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Legislative Budget Board

Attn: Ed Osner

Phone: (512) 463-1200

Ed.Osner@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator

Phone: (512) 936-9500

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Sunset Advisory Commission

Attn: Ken Levine

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