

Texas State Library and Archives Commission

IA# 2024-02 Internal Audit Advisory Report over Facilities and Maintenance

October 4, 2024

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Commissioners of the
Texas State Library and Archives Commission 1201 Brazos St.
Austin, TX 78701

This report presents the results of the internal audit advisory procedures performed for the Texas State Library and Archives Commission (TSLAC) during the period of July 12, 2013, through October 4, 2024, relating to Facilities and Maintenance projects at the Sam Houston Regional Library and Research Center (SHC).

The objectives of this internal audit advisory procedures were to evaluate project execution, impact of site closures, impacts facilities investments on visitor attendance, and to perform an assessment on potential future cost over TSLAC's existing facilities and maintenance projects at SHC, as follows:

Compare contract amounts to actual costs for facilities and maintenance projects, ensure proper execution over contracts and amendments, and assess the impact of building closures on visitor attendance.

Evaluate existing facilities and maintenance improvement plans to assess the Commission's financial capability for funding current and future projects.

Our procedures included interviewing key TSLAC personnel who have responsibilities in managing and/or monitoring facilities and maintenance activities at the Sam Houston Regional Library and Research Center to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the contracts, timelines, and projects in their current state. Our coverage period was from September 1, 2013, through August 1, 2024.

The following report summarizes the audit results, risks to TSLAC, recommendations for improvement and management's responses.

The following report summarizes the results of our procedures.

Weaver and Tidwell, L.L.P.

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October 4, 2024

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Background

The Texas State Library and Archives Commission (TSLAC) is responsible for preserving the archival records of Texas; providing support to Texas public, academic, and school libraries; assisting public agencies in the maintenance of their records; and meeting the reading needs of Texans with disabilities. Located in Liberty, Texas is the Sam Houston Regional Library and Research Center (SHC), a component of the Texas State Library and Archives Commission's Archives and Information Services Division (ARIS) and serves as the official regional historical resource depository for the 10 Southeast Texas counties of Chambers, Hardin, Jasper, Jefferson, Liberty, Newton, Orange, Polk, San Jacinto, and Tyler.

Through its extensive collections, preservation efforts, historic buildings, educational exhibits, and initiatives, SHC pays tribute to the distinguished public service of former governors, organizations, and citizens of the Atascosito District. Historical buildings at the SHC include the 1848 Gillard-Duncan House, 1883 Norman House, Jean and Price Daniel Home, 1898 St. Stephen's Episcopal Church, and Hull-Daisetta Rotary Building.

Since 2013 (state fiscal year 2014), the Commission received the first \$1 million biennial appropriation to fund facilities and maintenance projects. The Commission has continued to receive the funding through the 2023 biennium. Throughout this period, SHC has spent its funds on various renovation and maintenance projects that would encompass the main building, historical buildings, and work on the facilities grounds. Many of these projects were contracted through the Texas Facilities Commission (TFC). Due to the renovations and access to funding, many of SHC's buildings were closed to visitors until work could be completed. Today, the St. Stephens Episcopal Church, Jean and Price Daniel Home, and Gillard-Duncan House remain closed to the public.

Audit Advisory Objective and Scope

This internal audit advisory engagement focused on TSLAC's facilities and maintenance projects related to project management, impact of building closures, and assessed the impact of inflation on existing estimates at SHC. We provided recommendations for improving project execution. These recommendations included closing out open and completed contracts timely, communicating all project needs to TFC, re-prioritizing projects, and obtaining a new and updated estimates from engineering consultants.

Our procedures included interviewing key personnel at SHC that have oversight or and responsibility in managing and/or monitoring the facilities and maintenance projects at SHC to gain an understanding of the current facilities and maintenance plan in place, examining existing documentation, evaluating incurred costs, and project timelines. We evaluated the capital projects and facilities and maintenance plan in its current state. Our coverage period was from September 1, 2013, through August 1, 2024.

Executive Summary

The outcome of our internal audit advisory procedures resulted in providing TSLAC data analysis over the impact of site closures on attendance, personal service transactions, and assist with information resources. We were also able to provide TSLAC with inflation adjusted cost estimates for projects currently prioritized by the commission and provided cost projections through 2030 for other project needs considering both inflation and additional degradation to facilities due to deferred maintenance.

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Conclusion

TSLAC should consider pursuing additional or continued funding to fulfill its facilities and maintenance obligations.

TSLAC should develop a desired timeline to achieve 100% completion of its facilities and maintenance plan and coordinate the completion of that timeline with TFC. TSLAC should consider the inflationary impacts on construction costs and the costs of additional degradation when deferring projects beyond one year.

Additionally, TSLAC should close out any open contracts where work has been completed and should close out contracts within 45 days of completion moving forward.

Detailed Procedures Performed and Results

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Detailed Procedures Performed and Management Results

Our procedures included interviewing key TSLAC personnel who have responsibilities in managing and/or monitoring facilities and maintenance activities at the Sam Houston Regional Library and Research Center to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the contracts, timelines, and projects in their current state.

Objective A: Assessment over Projects and Closures

Compare contract amounts to actual costs for facilities and maintenance projects, ensure proper execution over contracts and amendments, timely project execution, and assess the impact of building closures on visitor attendance.

Job Costing:

Procedures Performed: We obtained a listing of 26 projects/contracts completed or in progress during the scope period of September 1, 2013, through August 1, 2024. We judgmentally selected four projects for testing and verified that any variances between the contract amount and actual costs incurred were substantiated and reasonable.

Results: No findings identified

Project Management and Execution:

Procedures Performed: We obtained a listing of 26 projects/contracts completed or in progress during the scope period of September 1, 2013, through August 1, 2024. We judgmentally selected four projects for testing and verified that contracts and amendments were completely executed by appropriate personnel.

Results: No findings identified

Assessment over Project Timeliness and Closures:

1) **Procedures Performed:** We obtained a listing of 26 projects/contracts completed or in progress during the scope period of September 1, 2013, through August 1, 2024. We judgmentally selected four projects for testing and evaluated the timeline of events between key project milestones.

Issue 1 – Low - Open Contract:

Through testing we determined there to be a contract (17-049-000) that has yet to be formally closed. It was determined that work had been substantially complete back in February 2020. Contracts should be closed in a timely manner in accordance with Texas Procurement and Contract Management Guide.

Recommendation: We recommend the Commission reach out to TFC to ensure the contract 17-049-000 is closed. Further, the Commission should ensure that contracts that have been satisfied are formally closed within 45 days and retained by the Commission.

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Issue 2 – Moderate - Timely Communication of Project Needs:

TSLAC has developed a listing of the known facilities and maintenance needs at the Sam Houston Regional and Library Research Center that cover multiple years of projects. However, needs are communicated to TFC on a project by project basis. Therefore, TFC has no insight into the project workload for future projects. This may limit TFC's ability to provide timely responses and scheduling for project management.

Recommendation: We recommend that the TSLAC communicate all its facilities and maintenance needs to TFC to develop a schedule for ongoing projects. If TFC cannot commit to providing project management for the list of projects, TSLAC may determine that requesting the use of third-party project managers is an appropriate alternative so that projects can be completed timely.

2) Procedures Performed: We obtained a listing of all on-site visits, personal service transactions, and information resource assist during the scope period of September 1, 2013, through August 1, 2024, and assessed the impact of site closures on visitor attendance and whether investments into facilities and maintenance projects had a positive impact on total activity at SHC. In detail, we performed the following:

1. Summed total on-site visits, personal service transactions, and information resource assists and consolidated the data for each month as "Total Activity".
2. Assessed the average visitor activity for each fiscal year along with the number of closures during the year.

Results:

Over the period reviewed, the general visitor attendance declined, which matched the national trend. As a part of the analysis, the years impacted by Covid-19 were excluded. While closures at the site had an impact, this was not the only contributing factor in the downward trend.

Objective B: Assessment over Projects and Closures

Evaluate existing facilities and maintenance improvement plans to assess the Commission's financial capability for funding current and future projects.

Assessment over Current and Future Facilities and Maintenance Cost:

1) Procedures Performed: We obtained a listing of all projects currently prioritized by the Commission at the Sam Houston Center of which included estimates for each project. Weaver utilized various U.S. Bureau of Labor Statistics Producer Price Index's (PPI) for Non-Residential Construction Trade Contractors and performed the following:

1. Identify most appropriate index to use for calculations based on scope of work and trade
2. Identify estimate amount, estimate date, and source of estimate which included KCI, Quimby McCoy, TFC, and TSLAC Staff for projects prioritized
3. Calculate inflation rate using PPI
4. Calculate inflation adjusted estimate as of July 2024
5. Include calculation for deferred maintenance cost on scope of work where further deterioration of facilities can potentially occur (compounded at 5%)
6. Calculate percent and dollar increase between original estimate and adjusted estimate
7. Calculate the average age of estimates

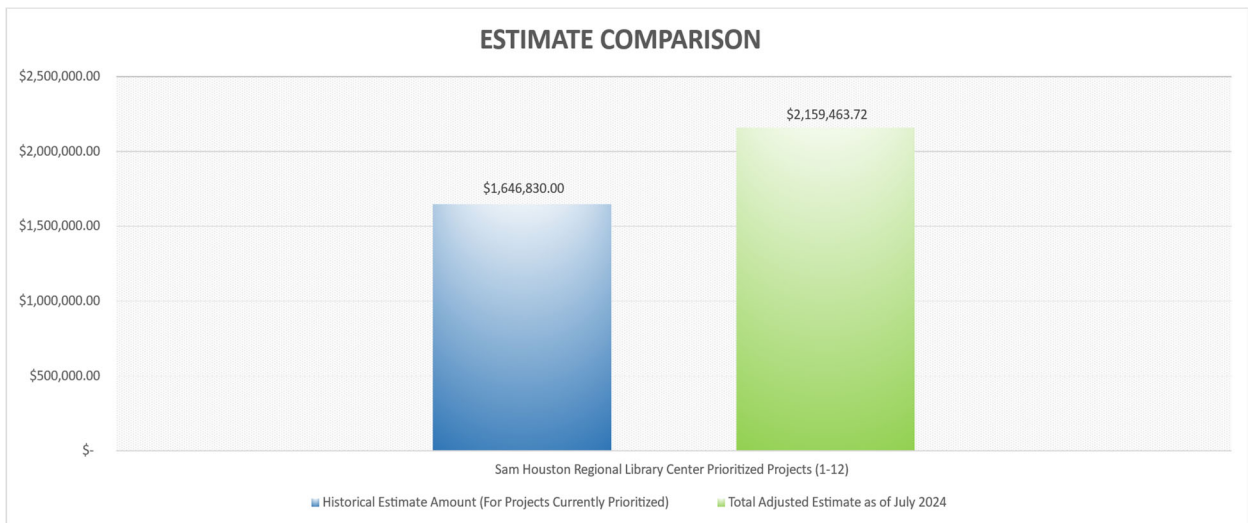
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Issue 3 – High – Outdated Estimates:

Results:

During our review over projects currently prioritized by the commission, we determined many of the estimates to be outdated due to rising cost for materials, labor, and services. The average age of the estimates used to prepare the commissions budget was approximately four years, with some estimates as old as eight years. Based on our procedures, we determined there to be a 24% increase in cost or \$512,633.72 additional funding needed to complete these projects based on cost increases and inflation from the original project estimates.



Recommendation: TSLAC should update its project list for estimated cost increases and reexamine the prioritization of the projects to ensure they meet the Commission's needs. Alternatively, TSLAC could consider having the cost estimates updated by a third-party consultant to determine the effects of inflation and any new maintenance issues arising from deferring the timing of the projects in the project list.

2) Procedures Performed: We obtained a listing of all projects/facilities and maintenance needs identified by the Commission or its third-party architect and engineering firms that are not currently prioritized and performed the following:

1. Identify most appropriate index to use for calculations based on scope of work and trade
2. Identify estimate amount, estimate date, and source of estimate which included Quimby McCoy, TFC, and TSLAC Staff for projects not prioritized
3. Include general maintenance annual cost and utilities
4. Calculate inflation rate using PPI
5. Calculate adjusted estimate as of July 2024
6. Calculate percent increase between original estimate and adjusted estimate
7. Calculated the estimated future value project cost of deferring maintenance projects through 2030 using a 5% rate (lower range) and 10% rate (upper range).
8. Develop charts to show the increasing cost through 2030 for facilities projects, general maintenance, and utilities.

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Issue 4 – High – Unforeseen Costs of Deferred Maintenance and Market Conditions:

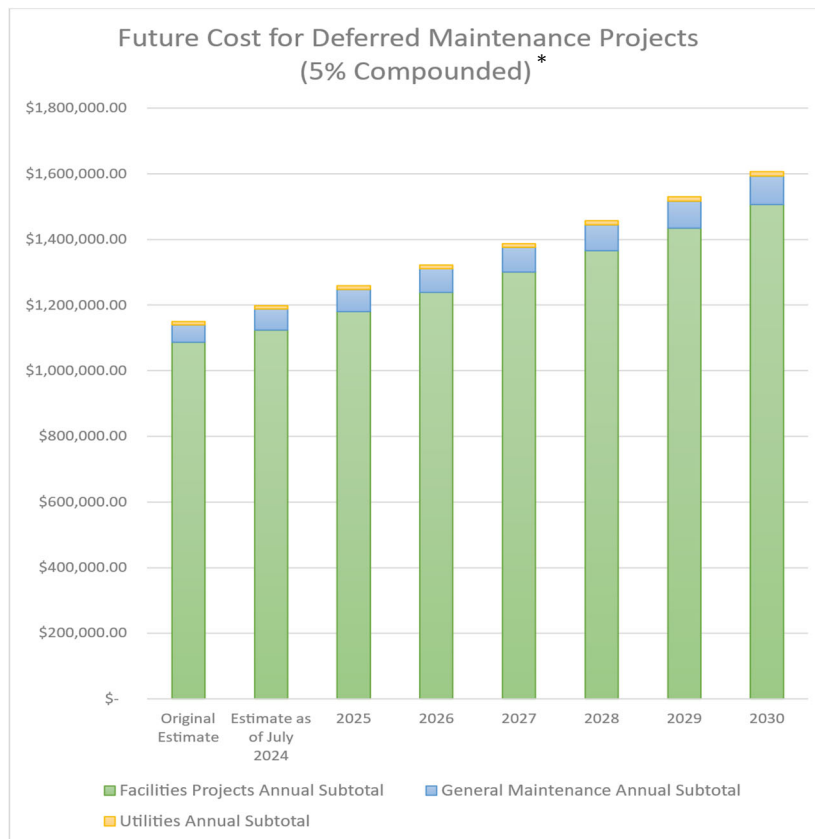
Results:

Deferring the completion of some projects has likely increased the amount of work needed to repair/restore the properties to usable condition.

During our assessment, we projected significant increases to the costs of capital projects and maintenance needs identified by TSLAC (not currently prioritized) due to the deferral of the maintenance projects.

Conservatively, the Commission may potentially see an increase of cost by approximately \$456,577 if these projects are deferred through August 2030. Results of our Upper Range assessment suggest that the Commission may potentially see an increase of cost by approximately \$973,797 if these projects are deferred through August 2030.

Lower Range Results:

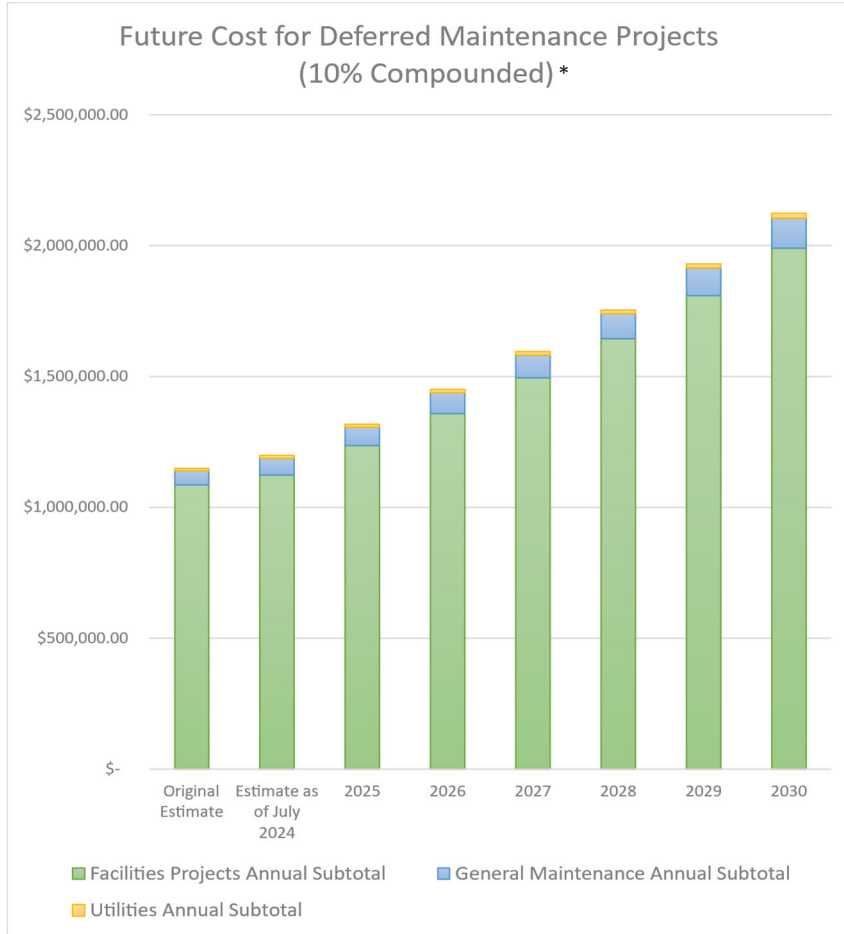


*The compounded rate compensates for the uncertainty in rising construction cost and unforeseen deterioration of facilities due to prolonged deferred maintenance.

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Upper Range Results:



* The compounded rate compensates for the uncertainty in rising construction cost and unforeseen deterioration of facilities due to prolonged deferred maintenance.

Recommendation: We recommend the Commission develop a strategic plan that reprioritizes its needs and outlines the Commission's goal for when it wishes to accomplish completion of its capital projects. Additionally, contingent upon the Commission's goal for completion, the Commission should request additional funds to expedite the completion of its capital projects minimizing the effects of inflation and additional degradation to the facilities.