

# **Texas State Library and Archives Commission**

IA# 2024-01 Internal Audit Report over Risk Management

Report Date: October 7, 2024

Issued: October 11, 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 procedures performed for the Texas State Library and Archives Commission (TSLAC) for the period July 9, 2024, through October 4, 2024, relating to risk management processes.

The objectives of this internal audit were to evaluate the design and effectiveness of TSLAC's risk management processes as follows:

- Determine whether internal controls over risk management processes are designed to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes in order to ensure effective operations.
- Verify that controls over selected critical processes within risk management processes are operating efficiently, effectively, and result in complete, accurate and timely information.

Our procedures included interviewing key TSLAC personnel who have responsibilities in managing and/or monitoring risk management activities to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from January 1, 2023, through June 30, 2024.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Austin, Texas  
October 11, 2024

Weaver and Tidwell, L.L.P.  
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746  
Main: 512.609.1900

**CPAs AND ADVISORS | WEAVER.COM**

# Texas State Library and Archives Commission

## IA# 2024-03 Internal Audit Report over Risk Management

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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. As a part of the risk management process, TSLAC has selected a Risk Management Officer (RMO) to oversee this process. The RMO is responsible for obtaining the appropriate insurance coverages to mitigate risks to the agency. Additionally, TSLAC relies on volunteers to assist in supporting the Texas public.

The State Office of Risk Management (SORM) uses the buying power of the state to procure insurance for state agencies. TSLAC's RMO submits insurance applications to SORM to obtain the agency's insurance coverage. Currently, TSLAC has public officials liability, employment practice liability, automobile, cyber security, and volunteer insurance.

The Archival and Information Services Division (ARIS) and the Talking Book Program (TBP) both utilize volunteers to assist with their respective function. ARIS volunteers help the division with entering digital Texas treasure descriptions into the Texas Digital Archive system and to assist with preservation efforts under a TSLAC employee's supervision. As of June 2024, ARIS had a total of 10 volunteers. TBP utilizes volunteers to assist with recording books to audio formats for Texans with visual, physical, or reading disabilities. The volunteer sessions last up to four hours. As of June 2024, TBP had a total of 83 volunteers.

SORM performs on-site consultation reviews with all state agencies. The on-site consultation review consists of SORM meeting with the agency's RMO and discussing the Risk Management Manual, SORM 200 report, Risk Evaluation and Planning System (REPS), and evacuation route diagrams. TSLAC is required to submit SORM 200 data and update the REPS system information on an annual basis.

### Audit Objective and Scope

The audit focused on TSLAC's risk management within the departments of the Commission that have responsibilities for assisting with the oversight and mitigation of risk throughout the agency. We reviewed the procedures in place for appropriate risk, regulatory coverage and compliance to ensure efficient and effective processes related to risk management. Key functions and sub-processes within the risk management process that were reviewed include:

- Insurance
- Volunteers
- SORM Reviews

Our procedures were designed to ensure relevant risks were covered and verified the following:

#### Insurance:

- Insurance coverage met the requested amount
- Insurance applications were complete

#### Volunteers:

- Volunteer insurance met the requested coverage
- Volunteer insurance application was complete

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- Volunteer insurance adequately covered the agency's volunteers
- Volunteers submitted application forms
- Volunteers signed the IT security acknowledgement form, when applicable

SORM Reviews:

- SORM's on-site consultation occurred
- Recommendations have been addressed
- SORM 200 report and REPS information has been updated

Our procedures included interviewing key personnel within the departments of the Commission that have responsibilities in managing and/or monitoring risk management activities to gain an understanding of the current processes in place, examining existing documentation, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. Our coverage period was from January 1, 2023, through June 30, 2024.

### Executive Summary

Through our interviews, evaluation of internal control design and testing of processes we identified one finding. The finding includes the item that has been identified and is considered to be non-compliance issues with documented TSLAC policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to TSLAC. This issue could have significant financial or operational implications.

A summary of our results, by audit objective, is provided in the table below. See the Appendix for an overview of the Assessment and Risk Ratings.

<b>OVERALL ASSESSMENT</b>		<b>Strong</b>
SCOPE AREA	RESULT	RATING
<p><b>Objective A:</b> Determine whether internal controls over the risk management processes are designed to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes in order to ensure effective operations.</p>	<p>We identified nine controls to be in place in the process. There is an opportunity to improve the process and control environment include:</p> <ul style="list-style-type: none"> <li>• Updating Standard Operating Procedures</li> </ul>	<b>Strong</b>
<p><b>Objective B:</b> Verify that controls over selected critical processes within risk management processes are operating efficiently, effectively, and result in complete, accurate and timely information.</p>	<p>Controls appear to be in place and operating effectively.</p>	<b>Strong</b>

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## **Conclusion**

Based on our evaluation, TSLAC has limited procedures, practices, and controls to mitigate risks within the significant risk management processes. We identified an opportunity to strengthen the processes, formalize the procedures performed, and improve the effectiveness of controls within the divisions of the Commission that have responsibilities to administer risk management for the agency.

TSLAC should work on updating its volunteer standard operating procedures for ARIS and TBP volunteers for the agency.

Follow-up procedures will be performed in Fiscal Year 2025 to evaluate the effectiveness of remediation efforts taken to address the findings.

**Detailed Procedures Performed, Findings,  
Recommendations and Management  
Response**

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## Detailed Procedures Performed, Findings, Recommendations and Management Response

Our procedures included interviewing key personnel within the Commission that have responsibilities in managing and/or monitoring risk management processes to gain an understanding of the current procedures in place, examining existing documentation, and evaluating the internal controls. We evaluated the existing policies, procedures, and processes in their current state during the coverage of January 1, 2023, through June 30, 2024.

### Objective A: Design of Internal Controls

Determine whether internal controls over the risk management processes were designed to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes in order to ensure effective operations.

**Procedures Performed:** We conducted interviews with key personnel within the departments of the Commission that have responsibilities in performing risk management processes to gain an understanding of the current procedures in place, examined existing documentation, and evaluated the internal controls. We evaluated the existing policies, procedures, and processes in their current state. We documented our understanding of the processes and identified internal controls over the following sub processes:

- Insurance
- Volunteers
- SORM Reviews

We evaluated the controls identified against expected controls to determine whether the identified processes and internal controls were sufficiently designed to mitigate the critical risks associated with the risk management sub-processes. We identified any unacceptable risk exposures due to gaps in the existing control structure as well as opportunities to strengthen the effectiveness and efficiency of the existing procedures.

**Results:** We identified nine controls in place over the significant activities within the risk management processes. We also identified a finding where improvements in the process can be made.

Process Area	Control Coverage	Findings
Insurance	5	-
Volunteers	2	<b>Finding 1</b>
SORM Reviews	2	-
<b>Total:</b>	<b>9</b>	<b>1 Finding</b>



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**Volunteers:**

**Finding 1 – Low – Updating Standard Operating Procedures:**

TSLAC has written standard operating procedures for Archival and Information Services (ARIS) and the Talking Book Program (TBP); however, several of the procedures and forms used have not been regularly updated. We obtained and reviewed the ARIS and TBP coordinator guides, volunteer guides, volunteer forms, and security acknowledgement form. The ARIS coordinator handbook was last updated in April 2015 and the volunteer guide and volunteer registration form last revised in July 2022.

The TBP volunteer guide is incomplete due missing information in fields for key contacts. The Studio and Production Manager contact information includes fields for email and phone information. However, only phone information is included.

**Recommendation:** TSLAC ARIS and TBP volunteer coordinators should review and updated their respective guides on an annual basis. The two departments should consider developing a common volunteer registration form to ensure consistency with all TSLAC volunteers. r registration form to ensure consistency with all TSLAC volunteers.

**Management Response:** Management concurs. Staff will develop a common orientation for agency volunteers to be incorporated into volunteer guides for both the Talking Book and ARIS programs. This common information and the division-specific guidelines will be reviewed and updated on an annual basis. The programs will implement the generic email addresses rather than staff-specific emails for volunteers to use when contacting the agency coordinators in each division.

**Responsible Party:** ARIS Volunteer Coordinator; TBP Volunteer Coordinator

**Implementation Date:** December 31, 2024

## **Objective B: Control Testing**

Ensure that controls over selected critical processes within risk management processes were operating efficiently, effectively, and resulting in complete information, appropriate transactions, timely reporting and active monitoring.

**Insurance:**

**Procedures Performed:** We obtained all insurance policies in effect during the scope period of January 1, 2023, through June 30, 2024. We reviewed the policies and verified that the coverage amount met the requested amount and insurance application was complete for the public official liability and automobile insurance.

**Results:** No findings identified

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## Volunteers:

**Procedures Performed:** We obtained the volunteer insurance policy in effect during the scope period of January 1, 2023 through June 30, 2024. We reviewed the policy and verified that the coverage amount met the requested amount, insurance application was complete, adequately covered the agency's volunteers, volunteer applications were complete, and the IT security acknowledgement form was signed. We reviewed the volunteer standard operating procedures including a completed example of the volunteer application and signed IT security acknowledgement forms.

**Results:** No findings identified

## SORM Reviews:

**Procedures Performed:** We obtained and reviewed the July 12, 2023 State Office of Risk Management (SORM) On-Site Consultation Report. We verified that management has taken steps to remediate SORM's findings. We verified that TSLAC submitted the required SORM 200 data and updated the agency's REPS information.

**Results:** No findings identified.

# Appendix

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The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

## Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of TSLAC
- TSLAC objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
  - Reliability and integrity of financial and operational information
  - Effectiveness and efficiency of operations and programs
  - Safeguarding of assets
  - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

### Strong

The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.

### Satisfactory

The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.

### Unsatisfactory

The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

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## Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

### High

High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten TSLAC's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of TSLAC or beyond a single function or department
- Potential material impact to operations or TSLAC's finances
- Remediation requires significant involvement from TSLAC management

### Moderate

Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of TSLAC
- Impact could be felt outside of TSLAC or across more than one function of the agency
- Noticeable and possibly material impact to the operations or finances of TSLAC
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior TSLAC management to be updated

### Low

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the TSLAC's strategic priorities
- Impact is limited to a single function within TSLAC
- Minimal financial or operational impact to TSLAC
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk