

Texas State Library and Archives Commission

Annual Internal Audit Report
Fiscal Year 2013





**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

*To the Texas State Library & Archives Commission and its Executive Management
Austin, Texas*

We are pleased to provide you with this Annual Internal Audit Report. This report summarizes the internal audit work performed during FY 2013, and other items specified in the State Auditor's Office *Fiscal Year 2013 Guidelines for Submitting and Posting the Internal Audit Annual Report and Periodic Internal Audit Reports*. This report was compiled pursuant to contract number 306-13-8013 between the Texas State Library & Archives Commission (TSLAC) and Myers and Stauffer LC, formerly known as CliftonLarsonAllen LLP.

This report is intended solely for the information and use of TSLAC management for its internal use and to satisfy statutory requirements on its submission to other Texas State agencies. It is not intended to be and should not be used by anyone other than these specified parties.

If we can be of any assistance to you, or if you have any questions concerning this report, please feel free to contact us.

Myers and Stauffer LC

Austin, Texas
August 31, 2013

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BACKGROUND INFORMATION

TSLAC Overview

The Texas State Library and Archives Commission has defined its vision, mission and philosophy as follows.

Vision

The people of Texas will have access to and effectively use information, archival resources, public records and library materials to improve their lives, the lives of their families, and their communities. All people will benefit from expanded opportunities and resources to explore diverse pathways to knowledge and wisdom.

Mission

The mission of the Texas State Library and Archives Commission is to safeguard significant resources, provide information services that inspire and support research, education and reading, and enhance the capacity for achievement of current and future generations.

To accomplish this, TSLAC

- Preserves the record of government for public scrutiny,
- Secures and makes accessible historically significant records and other valuable resources, both for print and electronic documents,
- Meets the reading needs of Texans with disabilities,
- Builds and sustains statewide partnerships to improve library programs and services, and
- Enhances the capacity for achievement of individuals and institutions with whom they work.

Philosophy

The Texas State Library and Archives Commission and staff believe all Texans have the right to barrier-free access to library and information services that meet personal and professional needs and interests, provided by well-trained, customer-oriented staff. TSLAC pledges to adhere to the highest standards of honesty, integrity, and accountability. They strive to attain and hold the highest levels of public trust.

To achieve its mission, TSLAC is organized into four program divisions: State and Local Records Management, Archives and Information Services, Library Development and Networking, and the Talking Book Program. Indirect Administration includes the Executive, Administrative Services, and Information Resources Technology divisions.

CHAPTER ONE: Compliance with House Bill 16

House Bill 16 (83rd Legislature, Regular Session), effective on June 14, 2013, requires state agencies to post certain information on their websites. The Texas State Library and Archives Commission (TSLAC) plans to comply with current House Bill 16 requirements by posting the fiscal year 2014 audit plan and the fiscal year 2013 internal audit report on its website within 30 days of approval by the Library and Archives Commission.

In addition, TSLAC will post the fiscal year 2015 audit plan on its website along with the fiscal year 2014 internal audit annual report within 30 days of Commission approval. The fiscal year 2014 annual report will include any weaknesses, deficiencies, wrongdoings or other concerns raised in internal audits or in other functions performed by the internal auditor. The annual report will also include a summary of actions taken by TSLAC to address such concerns.

CHAPTER TWO: Internal Audit Plan for Fiscal Year 2013

The internal audit plan for fiscal year 2013 was approved by the Texas State Library and Archives Commission at its October 2, 2012 meeting. The work plan for fiscal year 2013 internal audit services included the following projects:

- A follow-up review of findings from the SFY 11 audit of the Sam Houston Library and Research Center. (100 hours)
- An internal audit of the Information Resources Technologies Division – Texas Administrative Code (TAC) 202 requirement. The Information Resources Technology (Data Processing) review will be performed in order for TSLAC to be in compliance with TAC Rule 202.21 “Management and Staff Responsibility.” This annual review is mandatory. (100 hours)
- Three internal audits pertaining to Administrative Services functions:
 - An internal audit of the vendor contracting process (60 hours)
 - An internal audit of travel expenditures (40 hours)
 - An audit to assess the accuracy of employee data reporting, including headcount and full-time employees per division (60 hours)
- Tailored grant compliance reviews, to include limited on-site audit work or a desk review at each of the grantee libraries listed. (120 hours)
- Auditees for FY 2013 included:
 - Central Texas Library System, serving member libraries in the Central Texas area
 - Houston Community College System
 - Dallas Public Library
 - Schulenburg Public Library
- Reporting and administration tasks (120 hours):
 - Annual Risk Assessment and Audit Plan
 - Preparation of Annual Report
 - Attendance at Commission meetings
 - Submission of reports to various State agencies as required by law
 - Submission of working papers to TSLAC upon request

- Status reports and miscellaneous meetings with TSLAC staff and Commissioners

The current status of the six reports is as follows:

- Internal Audit of Texas Administrative Code Section 202 Compliance, State Fiscal Year 2013 dated May 4, 2013. Accepted by Audit Committee and Commission on June 3, 2013.
- Internal Audit of the Vendor Contracting Process, State Fiscal Year 2013 dated March 29, 2013. Accepted by Audit Committee and Commission on June 3, 2013.
- Independent Account's Report on Internal Audit of Travel Expenditures, State Fiscal Year 2012 dated May 29, 2013. Accepted by Audit Committee and Commission on July 30, 2013.
- Internal Audit of Employee Data Reporting, State Fiscal Year 2012 dated July 17, 2013. Accepted by Audit Committee and Commission on July 30, 2013.
- Follow-up to the Internal Audit of the Sam Houston Regional Library and Research Center dated June 13, 2011 – in reporting phase, to be presented to Audit Committee and Commission at next meeting on November 1, 2013.
- Internal Audit of Limited Scope Desk Reviews of Selected Grantees for State Fiscal Year 2013 dated August 31, 2013 – in reporting phase, to be presented to Audit Committee and Commission at next meeting on November 1, 2013.

CHAPTER THREE: Consulting Services and Nonaudit Services Completed

No consulting or nonaudit services were completed in fiscal year 2013.

CHAPTER FOUR: External Quality Assurance Review (Peer Review)

Myers and Stauffer LC's most recent peer review report is attached as Appendix A.

CHAPTER FIVE: Internal Audit Plan for Fiscal Year 2014

In August 2013, TSLAC contracted with Garza/Gonzalez and Associates for SFY 2014 internal audit services, to include preparation of the SFY 2014 Risk Assessment and Audit Plan.

CHAPTER SIX: External Audit Services Procured in Fiscal Year 2013

TSLAC contracted with Myers and Stauffer LC, and its predecessor firm, CliftonLarsonAllen LLP, for internal audit services during SFY 2013. In August 2013, TSLAC contracted with Garza/Gonzalez and Associates for SFY 2014 internal audit services.

CHAPTER SEVEN: Reporting Suspected Fraud and Abuse

The General Appropriations Act, 83rd Legislature, Article IX, Section 7.09 “Fraud Reporting” requires agencies to implement the following.

A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds, including funds received pursuant to the American Recovery and Reinvestment Act, as follows:

- (a) By providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's fraud hotline information and a link to the State Auditor's website for fraud reporting; and
- (b) By including in the agency or institution's policies information on how to report suspected fraud involving state funds to the state auditor.

TSLAC has added a link on its website homepage to the State Auditor's fraud hotline page at <http://sao.fraud.state.tx.us>.

The Texas Government Code, Section 321.022 “Coordination of Investigations” contains the following requirements.

- (a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.
- (b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.
- (c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.

TSLAC management investigated one incident of suspected fraud that had no monetary impact to the State. A report of the incident and a copy of the investigation were sent to the State Auditor's Office in January 2013.

TSLAC has not had reasonable cause to believe that, with the exception of the January 2013 incident, any of the situations described above in Section 321.022 of the Texas Government Code occurred during SFY 2013. TSLAC's administrative heads will comply with this requirement should such a situation occur in the future.

APPENDIX A: Peer Review Report



CANNON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2010

To the Members of Myers and Stauffer, LC
and the Peer Review Committee of the Kansas Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of *Myers and Stauffer, LC*. (the firm) in effect for the year ended March 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Myers and Stauffer, LC in effect for the year ended March 31, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Myers and Stauffer, LC has received a peer review rating of *pass*.

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