

**TEXAS STATE LIBRARY AND ARCHIVES COMMISSION**  
Austin, Texas

**INTERNAL AUDIT PLAN**

For Fiscal Year 2014



# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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Audit Committee and Commissioners  
Texas State Library and Archives Commission  
Austin, Texas

Enclosed is the proposed fiscal year 2014 Internal Audit Plan (Plan) for the Texas State Library and Archives Commission (TSLAC). This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2014. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised as necessary by the Commissioners or Audit Committee.

This Plan has been prepared following Generally Accepted Auditing Standards and International Standards for the Professional Practice of Internal Auditing, as determined by the Institute of Internal Auditors.

*Garza/Gonzalez  
& Associates*

August 30, 2013

# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

Austin, Texas

## Internal Audit Plan For Fiscal Year 2014

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### I. Methodology

The fiscal year 2014 Internal Audit Plan (Plan) for the Texas State Library and Archives Commission (TSLAC) was prepared using a risk assessment process, where we reviewed various documents and conducted interviews with various employees, as documented below. Following are some of the documents that were reviewed to obtain our understanding of TSLAC:

- Organizational Charts
- Operating Budgets
- Policies and Procedures
- Applicable Laws and Regulations
- Audits and/or Reviews Performed by Third Party Agencies
- Prior Internal Audit Reports

Interviews with the Interim Director and Librarian, Division Directors, and other staff were conducted to obtain an understanding of each division and its role within the overall scheme of TSLAC. Topics discussed in the interviews included business process activities, controls, systems, past performance, and interaction with other agencies. Utilizing information obtained through the inquiries and background information reviewed, 17 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 17 individual potential audit topics and then compiled to develop an overall risk assessment for TSLAC. Grants Management is an area which requires an assessment and determination of audit procedures on an annual basis; accordingly, it was not included as part of the risk analysis performed.

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

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|---|--|
| 1. Financial Materiality                            | The measure of the auditable unit's materiality based on the dollar amount per year of assets, receipts, or disbursements for which it is responsible. |
| 2. Time Since Last Audit or Review                  | The 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                  | The measure of the results of the previous audit or review.  |
| 4. Adequacy of Staffing Levels                      | The 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                          | The measure of the existence of policies and procedures documenting the auditable unit's activities.   |
| 6. Compliance with Contracts, Laws, and Regulations | The measure of the existence of contracts, laws, and/or regulations for which the auditable unit is responsible to ensure compliance.                  |

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| 7. Susceptibility of Material Theft or Fraud | The measure of the auditable unit's risk and controls in place as it relates to material theft or fraud. |
| 8. Existence of Material Issues or Concerns  | The measure of material issues or concerns by management, the Commissioners, or Audit Committee.         |

### Risk Assessment

Following are the results of the risk assessment performed for the 17 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Records Center Services/ Document Imaging Services	Circulation (Talking Book Program)	Mail Room/Print Shop
Fixed Assets	Human Resources/Payroll	Performance Measures
Sam Houston Research Center	Information Services/Cataloguing	Production (Talking Book Program)
	Information Resources Technologies	Accounting
	Library Resource Sharing	Purchasing
	Library Development	Archives
		Reading Services (Talking Book Program)
		Records Management Assistance

The Grants Management area will be assessed separately to determine the annual audit and review procedures necessary to ensure compliance with state, federal and TSLAC requirements. The 2014 Risk Assessment Summary is included in this report as Attachment A.

In the prior 3 years, internal audits were performed in the following areas:

### Fiscal Year 2013:

- Information Resources Technologies Division
- Administrative Services
  - Vendor Contracting Process
  - Travel Expenditures
  - Accuracy of Employee Data Reporting
- Grants Management
  - Central Texas Library System
  - Houston Community College System
  - Dallas Public Library
  - Schulenburg Public Library
- Follow-up to the Internal Audit of the Sam Houston Regional Library & Research Center

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### Fiscal Year 2012:

- Information Resources Technologies Division
- State and Local Record Management
- Grants Management Policies and Procedures
- Grants to North Texas Library Partners
- Grants to the City of San Antonio, San Antonio Public Library
- Follow-up to the SAO July 2010 Audit Report
- Grants Management Desk Reviews
  - Brownsville Public Library
  - Gateway to Libraries
  - Smithville Public Library
  - Arlington Public Library
  - Weatherford Public Library
  - Georgetown Public Library
  - El Paso Community College
  - Texas Archive of the Moving Image

### Fiscal Year 2011:

- Information Resources Technologies Division
- Sam Houston Regional Library and Research Center
- Grants Management
  - Grants to the City of Houston, Houston Public Library
  - Grants to the City of Amarillo, Amarillo Public Library
  - Desk review of “other grant recipients” who received less than 3 percent of all grant funds individually but collectively received 35 percent of all grant funds.

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### II. Scope

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

- **Reliability and Integrity of Financial and Operational 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, Procedures, Laws, Regulations and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, and 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.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organizations Strategic Objectives** – 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.

### III. Internal Audit Plan

The Internal Audit Plan (Plan) includes 3 audits to be performed for the 2014 fiscal year. The Plan also includes grants management as other activities to be performed by the Internal Auditor on an annual basis; a follow-up of the prior year audit recommendations; any other tasks that may be assigned by the Commissioners, Audit Committee, or management during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2014.

The areas recommended for internal audits and other activities and functions to be performed for fiscal year 2014 are as follows:

1. Records Center Services/ Document Imaging Services
  - a. Review established policies, procedures, collect various documents; and, conduct interviews to obtain an understanding of the processes and current practices in place over the Records Center Services and Document Imaging Services area.
  - b. Obtain an understanding of the applicable laws and regulations associated with the area as assessed by TSLAC.
  - c. Ensure TSLAC is consistently and accurately charging for the services provided in accordance with its published fee schedule.
  - d. Ensure sensitive and confidential information is secure and determine whether records are destroyed in a timely manner.
  - e. Ensure records are accurately tracked in TSLAC's inventory of state records.
  - f. Other procedures that may be deemed necessary during audit fieldwork.

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### 2. Fixed Assets

- a. Review and obtain an understanding of Chapter 403, Subchapter L of the Texas Government Code; TSLAC's policies, procedures, and practices; and, the State Property Accounting (SPA) system reporting requirements.
- b. Determine whether TSLAC has designated an employee as the Property Manager and properly notified the Texas Comptroller of Public Accounts (Comptroller).
- c. Obtain the most recent fixed asset inventory performed and "Certification of Physical Inventory Conducted by Agency" to ensure proper reporting to the Comptroller.
- d. Obtain the most recent SPA assets listing to determine whether asset additions and deletions are properly reported and meet the Comptroller's criteria of capitalized versus controlled assets.
- e. Reconcile the list of capital assets reported in the SPA system to the capital assets reported in the August 31, 2013 Annual Financial Report.
- f. Other procedures that may be deemed necessary during audit fieldwork.

### 3. Information Resources Technologies

- a. Limited procedures, as necessary, will be performed to ensure TSLAC is in compliance with Texas Administrative Code Rule 202.21 "Management and Staff Responsibility".

### 4. Other Activities – Grants Management

- a. Review initial applications to ensure they are properly submitted, reviewed, and scored by TSLAC staff.
- b. Obtain a list of competitive grants issued in the 2014 fiscal year and make a selection of recipients for further testing of compliance with the applicable federal and state laws and regulations for the respective grant program.
- c. Ensure TSLAC is in compliance with federal and state guidelines governing the disbursement of grant funds including sub-recipient monitoring where applicable.
- d. Other procedures deemed necessary during audit fieldwork.

### 5. Follow-Up

Perform follow-up procedures to determine the status of prior year comments as reported by TSLAC's predecessor internal auditor that were not fully implemented as of fiscal year 2013. The audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or, (4) Not Implemented.

### 6. Other Tasks

Other tasks as may be assigned by the Commissioners, Audit Committee, or management during the fiscal year.

Texas State Library & Archives Commission  
 Risk Assessment Summary  
 For Fiscal Year 2014

Potential Audit Topic	Risk Factor								Total
	1	2	3	4	5	6	7	8	
	Financial Materiality	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Compliance with Contracts, Laws & Regulations	Susceptibility of Material Theft or Fraud	Existence of Material Issues/Concerns	

**High Risk: > 178**

1	Records Center Services/Imaging Services	3	2	1	1	2	2	2	2	191
2	Fixed Assets	3	3	1	1	2	1	1	3	186
3	Sam Houston Research Center	3	1	2	1	2	2	2	2	179

**Moderate Risk: 165-178**

4	Circulation (Talking Book Program)	3	3	1	1	2	1	1	2	176
5	Human Resources/Payroll	3	2	2	1	1	2	2	1	173
6	Information Services/Cataloging	3	2	2	1	1	2	2	1	173
7	Information Resources Technologies	3	1	2	1	2	2	2	1	169
8	Library Resource Sharing	2	3	1	1	2	2	1	1	168
9	Library Development	2	2	2	1	2	2	1	1	167

**Low Risk: < 165**

10	Mail Room/Print Shop	1	3	2	1	2	1	1	1	162
11	Performance Measures	1	3	1	1	2	2	1	1	158
12	Production- Talking Book Program	1	3	1	1	2	2	1	1	158
13	Accounting	3	1	2	1	1	2	2	1	156
14	Purchasing	3	1	2	1	1	2	2	1	156
15	Archives	3	1	2	1	1	2	2	1	156
16	Reading Services (Talking Book Program)	1	3	1	1	2	1	1	1	146
17	Records Management Assistance	1	1	2	1	1	2	1	1	128

**Risk Factor Scores**

- 1 Low Risk
- 2 Moderate Risk
- 3 High Risk