

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

**ANNUAL INTERNAL AUDIT REPORT**

Fiscal Year 2015



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

Annual Internal Audit Report

Fiscal Year 2015

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

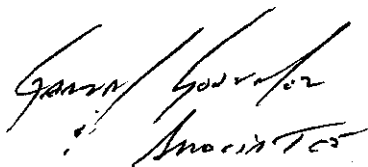
Audit Committee and Commissioners  
Texas State Library & Archives Commission  
Austin, Texas

For the year ended August 31, 2015 we performed the following Internal Audits for the Texas State Library & Archives Commission (TSLAC) and have issued Internal Audit reports as follows:

- Follow-Up Report on Prior Year Internal Audits and the August 27, 2014 Post-Payment Audit dated April 17, 2015
- Archives dated April 30, 2015
- Information Resources Technologies dated June 12, 2015
- Grants Management dated September 8, 2015

The report that accompanies this letter includes all information required for the Annual Internal Audit Report.

We have discussed these comments, recommendations, and implementation status with various TSLAC personnel and we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.



September 9, 2015

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### INTRODUCTION

The Texas State Library and Historical Commission was created in 1909 and in 1979, it was renamed Texas State Library and Archives Commission (TSLAC). TSLAC's mission 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 records 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 it works.

There are a number of statutes and administrative rules that govern TSLAC's scope and functions. However, Chapter 441 of the Texas Government Code establishes TSLAC and its responsibilities; and Title 13, Chapter 2, of the Texas Administrative Code provides the applicable rules and regulations for the administration of TSLAC and its programs.

The "Texas State Library and Archives Commission" (Commission) is both the official name of the agency and the name of its governing board. The 7 members of the Commission are appointed by the Governor, who also designates a chair, and are confirmed by the Texas Senate. Duties of the Commission include:

- Appointment and supervision of TSLAC's Director and Librarian;
- Review and approval of TSLAC's strategic plans, appropriations requests, internal audit documents, employment and management policies, and the like; and
- Review and adoption of rules for administering TSLAC's legislative mandates - for example, grant programs, standards for library accreditation, records management rules and schedules, and customer service policies.

The Commission works with the following advisory boards and committees to help meet its mission: Texas Historical Records Advisory Board; Records Management Interagency Coordinating Council; Library Systems Act Advisory Board; and TexShare Advisory Board.

The Director and Librarian is responsible for agency-wide policy development and dissemination. TSLAC is organized into 4 program divisions:

- (1) Archives and Information Services,
- (2) Library Development and Networking,
- (3) Talking Book Program,
- (4) State and Local Records Management; and

three indirect administration divisions:

- (5) Executive,
- (6) Administrative Services, and
- (7) Information Resources Technologies.

## INTERNAL AUDIT OBJECTIVES

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

- **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, regulations, and contracts that 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 Organization's 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.

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### **I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on TSLAC's website**

To comply with the provisions of Texas Government Code, 2102.015 and the State Auditor's Office, within 30 days of approval by TSLAC's Board, TSLAC will post the following information in its website:

- An approved fiscal year 2016 audit plan, as provided by Texas Government Code, Section 2012.008.
- A fiscal year 2015 internal audit annual report, as required by Texas Government Code, Section 2012.009.

### **II. Internal Audit Plan for Fiscal Year 2015**

The Internal Audit Plan (Plan) includes 3 audits to be performed for the 2015 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 2015.

#### **Risk Assessment**

Utilizing information obtained through the inquiries and background information reviewed, 17 audit areas were identified as potential audit topics. A risk analysis utilizing 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

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

HIGH RISK	MODERATE RISK	LOW RISK
<p>Archives</p> <p>Accounting</p> <p>Sam Houston Research Center</p>	<p>Purchasing/HUB Compliance</p> <p>Information Resources Technologies</p> <p>Administrative Support, Facilities &amp; Security</p> <p>Information Services/Cataloguing</p> <p>Circulation (Talking Book Program)</p> <p>Records Center Services/ Document Imaging Services</p>	<p>Performance Measures</p> <p>Fixed Assets</p> <p>Human Resources/Payroll</p> <p>Library Resource Sharing</p> <p>Records Management Assistance</p> <p>Production (Talking Book Program)</p> <p>Library Development</p> <p>Reading Services (Talking Book Program)</p>

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 areas recommended for internal audit and other functions to be performed for fiscal year 2015 were as follows:

<b>Report No.</b>	<b>Audits/Report Titles</b>
1.	Archives
2.	Information Resource Technologies
3.	Other Activities – Grant Management
4.	Other Activities – Post-Payment Audit Dated August 27, 2014 Follow-up on Prior Year Audits
	Other Tasks Assigned by the Commissioners, Audit Committee, or management

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

### Fiscal Year 2014:

- Information Resources Technologies Division
- Fixed Assets
- Records Center Services/Document Imaging Services
- Grants Management:
  - Impact Grants
    - Burleson Public Library
    - Cedar Park Public Library
    - Cross Plains Public Library
    - The Colony Public Library
  - Special Projects
    - El Paso Community College
    - Tyler Public Library
  - Library Cooperation Grants
    - Central Texas Library System
    - University of North Texas
  - Texas Treasures Grant
    - Austin Film Festival
  - Texas Reads Grant
    - Mesquite Public Library

### 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
- 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

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List of Audits Completed by High Level Audit Objectives

Report No.	Report Date	Name of Report	High Level Audit Objectives
1	4/30/2015	Archives	The objective of the audit was to gain an understanding of the processes in place for the Archives audit area; to determine compliance with TSLAC's policies, procedures, and current practices; to determine compliance with the applicable sections of the Texas Government Code and that the archived items and collections are adequately documented and safeguarded.
2	6/12/2015	Information Resource Technologies Division	The objective of our audit was to determine if TSLAC's established policies, procedures, and processes in place, as applicable to the IRT Division, are sufficient to ensure compliance with the most significant requirements of TAC Rule 202.21 and TAC 202.25.
3	9/9/2015	Grants Management	The objective of our audit was to gain an understanding of the Grants Management Area's practices and processes in place to ensure compliance with established policies and procedures; and applicable Federal and State laws and regulations.
4	4/17/15	Follow- Up Report on Prior Year Internal Audits and Post-Payment Audit (dated August 27, 2014)	The objective of our audit was to determine the implementation status of the findings and recommendations that had not been fully implemented for the prior year internal audit reports on the Record Center Services/Document Imaging Services area, Fixed Assets Management area, and the most recent state comptroller post-payment audit dated August 27, 2014. This report presents the implementation status through the period ending February 28, 2015.

**III. Consulting and Nonaudit Services Completed**

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Audit Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards, December 2011 Revision*, Sections 3.33-3.58.

**IV. External Quality Assurance Review**

The internal audit entity's most recent *System Review Report*, dated October 26, 2012, indicates that its system of quality control has been suitably designed and conforms to the applicable professional standards in all material respects.

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### **V. Internal Audit Plan for Fiscal Year 2016**

The risk assessment performed during the 2015 fiscal year was used to identify the following areas and functions that are recommended for inclusion in the internal audit plan for fiscal year 2016. The Internal Audit Plan for fiscal year 2016 will be developed and presented to the Commissioners at the February 2016 meeting.

- Information Resources Technologies Division
- Grants Management
- Talking Book Program Circulation
- Vendor Contracting/Travel Expenditures
- Other Tasks Assigned by the Commissioners, Audit Committee, or management

### **VI. External Audit Services Procured in Fiscal Year 2015**

No other external audit services were procured other than the internal audit services for FY 2015.

### **VII. Reporting Suspected Fraud and Abuse**

TSLAC has provided information on its home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. TSLAC has also developed a Fraud Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

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## VIII. Organizational Chart

TSLAC Organizational Chart, September 1, 2015

