

TEXAS STATE LIBRARY & ARCHIVES COMMISSION
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2016



TEXAS STATE LIBRARY & ARCHIVES COMMISSION
Austin, Texas

Annual Internal Audit Report

Fiscal Year 2016

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

We performed follow-up procedures for the year ended August 31, 2016 for the Texas State Library and Archives Commission (TSLAC) to determine the implementation status of the findings and recommendations that were presented in prior year internal audit reports. The current year audit reports for the Information Resources Technologies (dated May 11, 2016) and Grants Management (dated August 16, 2016) include the follow-up procedures performed for those areas; therefore, this report does not include those items.

The results and implementation status of our follow-up procedures performed are reported in the accompanying report, which also includes all information required to comply with the State of Texas Internal Audit Annual Report requirements.

We have discussed the implementation status of the findings and recommendations 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.

A handwritten signature in black ink that reads "Garza/Gonzalez & Associates". The signature is written in a cursive, flowing style.

September 22, 2016

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INTRODUCTION

The Texas Library and Historical Commission was created in 1909 and in 1979, it was renamed the 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 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, 3 indirect administration divisions: (5) Executive, (6) Administrative Services, and (7) Information Resources Technologies.

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2016 Internal Audit Plan

Following are the internal audits and other functions to be performed, as identified in TSLAC's approved 2016 Internal Audit Plan:

- Records Management Assistance Unit
- Talking Book Program (TBP): Circulation
- Other Activities – Information Resources Technologies (IRT)
- Other Activities – Grants Management
- Follow-up of Prior Internal Audits performed in Fiscal Year 2015 and Prepare 2016 Annual Internal Audit Report
- Other Tasks

This report contains the results of the follow-up procedures performed of the findings and recommendations that were presented in prior year internal audit reports; and, meets the State of Texas Internal Audit Annual Report requirements.

Reports previously issued, are as follows:

- The limited scope audit of the IRT Division, dated May 11, 2016, was presented on June 3, 2016 to TSLAC's Audit Committee and Commissioners.
- The audit report of the Talking Book Program (TBP): Circulation, dated July 6, 2016, was presented on August 2, 2016 to TSLAC's Audit Committee and Commissioners.
- The audit reports of the Grants Management area, dated August 16, 2016; and, the Records Management Assistance Unit, dated August 30, 2016, are scheduled to be presented to TSLAC's Audit Committee and Commissioners at a meeting in October, 2016.

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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: Required Posting of Internal Audit Information

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

- An approved fiscal year 2017 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2016 internal audit annual report, as required by Texas Government Code, Section 2102.009.

TSLAC will also post periodic internal audit reports since they, like the internal audit annual report, include any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits, as well as the action taken by TSLAC to address such concerns.

II. Internal Audit Plan for Fiscal Year 2016

The Internal Audit Plan (Plan) included 2 audits to be performed for the 2016 fiscal year. The Plan also included information resources technologies and 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 2016.

Risk Assessment

Utilizing information obtained through the inquiries and background information reviewed, 16 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 16 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
<p>Sam Houston Research Center</p> <p>Records Management Assistance</p> <p>Information Services/Cataloging</p> <p>Archives</p> <p>TBP: Circulation</p> <p>Fixed Assets</p> <p>Records Center Services/ Document Imaging Services</p> <p>Accounting (to include travel)</p> <p>Human Resources/Payroll</p>	<p>Purchasing/HUB Compliance</p>	<p>Administrative Support, Facilities & Security</p> <p>Library Development</p> <p>Library Resource Sharing</p> <p>Performance Measures</p> <p>TBP: Production</p> <p>TBP: Reader Services</p>

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

Fiscal Year 2015:

- Archives
- Information Resources Technologies Division
- Grants Management
- Follow-up to the Prior Year Internal Audits
- Follow-up to the Comptroller’s Office August 27, 2014 Post-Payment Audit

Fiscal Year 2014:

- Information Resources Technologies Division
- Fixed Assets
- Records Center Services/Document Imaging Services
- Grants Management:
- Follow-up to the Prior Year Internal Audits

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Fiscal Year 2013:

- Information Resources Technologies Division
- Administrative Services
 - Vendor Contracting Process
 - Travel Expenditures
 - Accuracy of Employee Data Reporting
- Grants Management
- Follow-up to the Prior Year Internal Audits

The areas recommended for internal audit and other functions to be performed for fiscal year 2016 were as follows:

Report No.	Audits/Report Titles	Completion Date
1.	Information Resource Technologies	May 11, 2016
2.	Talking Book Program: Circulation	July 6, 2016
3.	Grants Management	August 16, 2016
4.	Records Management Assistance Unit	August 30, 2016
-	Other Tasks Assigned by the Commissioners, Audit Committee, or management	None

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 7, 2015, 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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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Current Status (Implemented, Partially Implemented, Action Delayed, No Action Taken, Do Not Plan to Take Corrective Action, or Other)	Fiscal Impact/Other Impact
	9/22/2016	2016 Follow-Up	<p>3. Regional Historical Resource Depositories (RHRD)</p> <p>TSLAC should strengthen their internal controls over the acceptance of archived records at the RHRDs and consider performing periodic inventories of the archives. Policies and procedures should also be documented.</p> <p>2016 Follow-Up</p> <p>On February 4, 2016, TSLAC held a meeting with 18 RHRDs to discuss the roles, responsibilities, and requirements of TSLAC and the RHRDs; and the preservation and access issues related to state and local government records. In April 2016, TSLAC sent surveys to 22 RHRDs to obtain information about the holdings at the RHRDs, and 14 completed surveys have been received by TSLAC.</p> <p>TSLAC also plans on providing additional training and materials to the RHRDs on records management and other topics.</p> <p>4. Policies and Procedures</p> <p>The ARIS Division (Division) should review, update, and finalize their policies and procedures to ensure they are accurate, up-to-date, and properly reflect the Division's practices.</p> <p><u>Records Center Services/Document Imaging Services (Report date 6/30/2014)</u></p> <p>5. Non-System Items</p> <p>The State Records Center (SRC) should continue its process of converting their non-system, manual items into the OmniRim tracking system so that the system is complete and includes all items stored in the SRC. We understand that the SRC is in process of preparing for a new electronic record storage and tracking system. The SRC can achieve improved data migration results when a complete electronic database is available from the OmniRim for the new system.</p> <p>2016 Follow-Up</p> <p>The SRC is no longer using OmiRim; however, the conversion of the existing inventory system to the new system has been delayed due to the need of inspections of each microfilm reel for signs of deterioration. Staff has committed to completing this project by the end of fiscal year 2018; however, will reassess their progress in fiscal year 2017.</p>	<p>Partially Implemented</p> <p>Implemented</p> <p>Action Delayed</p>	<p>To strengthen controls over archival records owned by TSLAC in the custody of the RHRDs.</p> <p>To ensure policies & procedures are accurate and up-to-date.</p> <p>Improved accuracy and efficiency of record data and billing info.</p>

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Current Status (Implemented, Partially Implemented, Action Delayed, No Action Taken, Do Not Plan to Take Corrective Action, or Other)	Fiscal Impact/Other Impact
	9/22/2016	2016 Follow-Up	<p><u>Fixed Assets Management (Report date 3/11/2014)</u></p> <p>6. Sam Houston Research Center (Center) Inventory</p> <p>TSLAC should continue its efforts in completing the physical inventory of the Center's various artifact collections and furniture housed in its museum and other historical structures, and developing various databases to provide oversight and accountability for the assets that it owns; and, to ensure the value, as reported in SPA, can be supported by a detailed fixed assets inventory listing.</p> <p>2016 Follow-Up</p> <p>Half of the Center's staff continue to work at least one day a week on the inventory of the Center's archival collections and cataloging of the Center's book collection. An estimated 40% of government records have been inventoried, and 40% of the book collection has been cataloged.</p> <p>Inventory of the Center's archival collection is expected to be completed in 4 years and cataloging of the book collection is expected to be completed in 2 years.</p>	Partially Implemented	Improved oversight and accountability for fixed assets.

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VI. External Audit Services Procured in Fiscal Year 2016

TSLAC procured the internal audit services documented in the approval Internal Audit Plan for fiscal year 2016. No other external audit services were procured.

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.

VIII. Internal Audit Plan for Fiscal Year 2017

A risk assessment was performed to develop the Internal Audit Plan (Plan) for fiscal year 2017. The Plan, which will be presented to the Audit Committee and Commissioners at an October 2016 meeting, includes the following internal audit and functions to be performed.

- Completion of the Fiscal Year 2017 Risk Assessment and Preparation of the Internal Audit Plan
- Sam Houston Research Center (Facilities Security & Cash Handling)
- Purchasing / HUB Compliance
- Other Activities – Information Resources Technologies (IRT)
- Other Activities – Grants Management
- Follow-Up of Internal Audits Performed in Prior Years and Preparation of the 2017 Annual Internal Audit Report
- Other Tasks

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IX. Organizational Chart

