

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

INTERNAL AUDIT PLAN

For Fiscal Year 2017



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

Internal Audit Plan  
For Fiscal Year 2017

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditor's Report .....	1
I. Methodology .....	2-5
II. Audit Scope.....	5
III. Internal Audit Plan.....	6-8
 ATTACHMENTS	
Attachment A - Risk Assessment Summary .....	9
Attachment B - History of Areas Audited .....	10

# 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 Texas State Library and Archives Commission's (TSLAC) proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2017. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2017. 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 by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted Auditing Standards and International Standards for the Professional Practice of Internal Auditing, as determined by the Institute of Internal Auditors.

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

September 2, 2016

# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

Austin, Texas

## Internal Audit Plan For Fiscal Year 2017

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### I. Methodology

TSLAC's fiscal year 2017 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by TSLAC's Director and Librarian; and, staff, as documented below.

The following documents were reviewed and considered in our risk assessment process:

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

Questionnaires were developed for completion by the Chairman of the Audit Committee, Director and Librarian, the Chief Operations and Fiscal Officer, division directors; and, other staff, to update our understanding of each division, and its role within the overall scheme of TSLAC. The questionnaires included topics; such as, issues and/or concerns, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements (i.e. TAC 202, Information Security Standards; and, benefits proportionality). Utilizing information obtained through the questionnaires and background information reviewed, 14 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 14 individual potential audit topics and then compiled to develop TSLAC's overall risk assessment. The Grants Management and Information Resources Technologies areas were not included in the risk analysis performed; since, at TSLAC's request, they are audited on an annual basis.

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

- |                                    |   |
|------------------------------------|---|
| 1. Materiality                     | Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the area is responsible; or, <i>non-financial</i> materiality based on the degree of its responsibility related to the agency's primary mission. |
| 2. Time since Last Audit or Review | 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 | Measure of the results of the previous audit or review.   |
| 4. Adequacy of Staffing Levels     | Measure of the adequacy of the staffing level of the auditable unit as it relates to the achievement of its objectives.   |

# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

## Internal Audit Plan

- |   |   |
|---|---|
| 5. Policies and Procedures                          | Measure of the existence of policies and procedures documenting the auditable unit's activities.                                  |
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the existence of contracts, laws, and/or regulations for which the auditable unit is responsible to ensure compliance. |
| 7. Susceptibility of Material Theft or Fraud        | Measure of the auditable unit's risk and controls in place as it relates to material theft or fraud.                              |
| 8. Issues or Concerns                               | Measure of issues or concerns by management, the Commissioners, or Audit Committee.   |

### Risk Assessment

Following are the results of the risk assessment performed for the 14 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Purchasing/HUB Compliance  Sam Houston Research Center	Records Management Assistance  Administrative Support, Facilities & Security  Library Resource Sharing  Information Services/Cataloging/Genealogy  Archives  Fixed Assets  Human Resources/Payroll  Accounting (to include travel)	Library Development  Records Center Services/Document Imaging Services  Performance Measures  Talking Book Program

This report includes the "Risk Assessment Summary" as Attachment A; and, the "History of Areas Audited" as Attachment B, which lists audits and/or reviews performed from fiscal year 2009 through 2016 for the above 14 potential audit topics. In the prior 3 years, *internal audits* were performed in the following areas:

### Fiscal Year 2016:

- Talking Book Program
- Records Management Assistance Unit
- Information Resources Technologies Division
- Grants Management
  - Impact Grants
    - Harris County Public Library

# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

## Internal Audit Plan

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- Special Projects Grants
  - o Dallas Public Libraries
  - o Irving Public Library
  - o Nueces County Library
  - o Pottsboro Area Public Library
- Library Cooperation Grants
  - o Blanco County South Library District
  - o Fort Worth Library
  - o Houston Public Library
- Texas Treasures Grants
  - o Abilene Library Consortium
- Texas Reads Grants
  - o Longview Public Library
- Follow-up to the Prior Year Internal Audits

### Fiscal Year 2015:

- Archives
- Information Resources Technologies Division
- Grants Management
  - Impact Grants
    - o Cedar Park Public Library
  - Special Projects Grants
    - o Corpus Christi Public Libraries
    - o Schulenburg Public Library
  - Library Cooperation Grants
    - o Central Texas Library System
    - o Smithville Public Library
  - Texas Treasures Grants
    - o Austin Film Festival
    - o Austin Public Library
    - o Concordia University
    - o Harry Ransom Center at the UT Austin
    - o Southwestern University
    - o Texas State University
  - Texas Reads Grants
    - o Corpus Christi Public Libraries
- Follow-up to the Prior Year Internal Audits
- Follow-up to the Comptroller's Office August 27, 2014 Post-Payment Audit

# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

## Internal Audit Plan

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### Fiscal Year 2014:

- Fixed Assets
- Records Center Services/Document Imaging Services
- Information Resources Technologies Division
- Grants Management:
  - Impact Grants
    - Burleson Public Library
    - Cedar Park Public Library
    - Cross Plains Public Library
    - The Colony Public Library
  - Special Projects Grants
    - 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
- Follow-up to the Prior Year Internal Audits

## II. Audit 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.

# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

## Internal Audit Plan

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### III. Internal Audit Plan

In addition to performing the 2017 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes 2 audits to be performed, the Grants Management and Information Resources Technologies as other activities to be performed by the Internal Auditor; a follow-up of the prior year audit recommendations; 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 2017.

The areas recommended for internal audits and other activities and functions to be performed, with the estimated hours for completion, for fiscal year 2017 are as follows:

1. Completion of the Fiscal Year 2017 Risk Assessment and Preparation of this Internal Audit Plan (40 Hours)

2. Sam Houston Research Center (Facilities Security & Cash Handling) (160 Hours)

The planned audit procedures include the following:

- a. Conduct interviews with responsible parties to obtain an understanding of the internal controls established relating to facilities security and the cash handling processes.
- b. Obtain and review established policies and procedures related to facilities security and cash handling processes; and, ensure adequate internal controls have been implemented.
- c. Design audit procedures to review, evaluate and assess the controls in place over facilities security and cash handling.
- d. Obtain and review security reports prepared by TSLAC and/or third parties.
- e. Other procedures that may be deemed necessary during audit fieldwork.

3. Purchasing / HUB Compliance (90 hours)

The planned audit procedures include the following:

Purchasing

- a. Obtain and review TSLAC's purchasing policies and procedures and conduct interviews with key personnel involved in the purchasing process to ensure compliance with the State's guidelines.
- b. Develop audit procedures to ensure compliance with Texas Government Code Chapter 2101 regarding contract management.
- c. Obtain a listing of purchases made in fiscal year 2017, including contracts awarded in fiscal year 2017, and test selected items to determine compliance with applicable laws and regulations; and, TSLAC's policies and procedures.



# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

## Internal Audit Plan

---

### HUB Compliance

- a. Obtain and review TSLAC's written policies and procedures and ascertain that they are consistent with the purpose, goals, and policies of the Texas Procurement and Support Services as it relates to HUB.
  - b. Interview TSLAC personnel responsible for HUB compliance to obtain an understanding of the agencies current practices and the adequacy of accountability maintained over procurement and reporting requirements.
  - c. Obtain the Semi-Annual and Annual HUB Reports and determine whether the reports were prepared and submitted in a timely manner, are accurate based on supporting documentation; and, that the HUB supplemental reports are properly supported.
  - d. Select certain procurement actions included in the monthly reports and determine that contact with HUB vendors were documented and determine whether HUB vendors were selected as reported.
  - e. Other procedures that may be deemed necessary during audit fieldwork.
4. Other Activities - Information Resources Technologies (IRT) (90 Hours)  
The planned audit procedures include the following:
- a. Review and update our understanding of legal and regulatory requirements relevant to TSLAC's Information Resources management.
  - b. Evaluate whether TSLAC has established and implemented procedures to ensure compliance with selected state requirements outlined in the TAC 202 Control Standards Catalog.
  - c. Obtain and understanding of any new software and systems TSLAC implemented within the various divisions/areas to assess the controls in place to manage access, authorized use, modification, or destruction.
  - d. Other procedures that may be deemed necessary during audit fieldwork.
5. Other Activities – Grants Management (120 Hours)  
The planned audit procedures will include the following:
- a. Review initial applications to ensure they are properly submitted, reviewed, and scored by TSLAC staff.
  - b. Determine, on a test basis, whether grant recipients were in compliance with the applicable federal and state laws and regulations for the respective grant program.

# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

## Internal Audit Plan

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- c. Ensure TSLAC is in compliance with federal and state guidelines governing the disbursement of grant funds including sub-recipient monitoring, where applicable.
  - d. Assess TSLAC's progress towards meeting selected performance goals, as set and listed in the Library Services and Technology Act Five Year Plan for Texas 2013 - 2017.
  - e. Other procedures that may be deemed necessary during audit fieldwork.
6. Follow-Up of Internal Audits Performed in Prior Years (40 Hours)  
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of fiscal year 2016. The audit procedures will result in a determination that the recommendation is (1) Implemented; (2) Partially Implemented; (3) Implementation Delayed; (4) No Action Taken; (5) Do Not Plan to Take Corrective Action; or, (6) Other.
7. Other Tasks (Hours TBD)  
Other tasks as may be assigned by the Commissioners, Audit Committee, or management during the fiscal year.

## **ATTACHMENTS**

## TEXAS STATE LIBRARY &amp; ARCHIVES COMMISSION

## Risk Assessment Summary

For Fiscal Year 2017

		RISK FACTOR WEIGHT																	
		10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%										
		RISK FACTORS																	
		1	2	3	4	5	6	7	8										
				Time Since		Results of		Adequacy of				Compliance		Susceptibility		Existence of			
		Materiality		Last Audit or		Last Audit or		Staffing		Policies and		with		of Material		Issues or		Total	
Potential Audit Topic				Review		Review		Levels		Procedures		Contracts, Laws & Regulations		Theft or Fraud		Concerns			
<b>High Risk: &gt; 182</b>																			
1	Purchasing/HUB Compliance	3	30.00	2	33.00	2	32.00	2	30.00	1	12.50	2	24.00	2	16.00	2	20.00	197.50	
2	Sam Houston Research Center	2	20.00	2	33.00	2	32.00	2	30.00	1	12.50	2	24.00	2	16.00	2	20.00	187.50	
<b>Moderate Risk: 166 - 182</b>																			
3	Information Services/Cataloging/Genealogy	3	30.00	2	33.00	1	16.00	2	30.00	1	12.50	2	24.00	2	16.00	2	20.00	181.50	
4	Records Management Assistance	3	30.00	1	16.50	2	32.00	2	30.00	2	25.00	2	24.00	1	8.00	1	10.00	175.50	
5	Administrative Support, Facilities & Security	1	10.00	3	49.50	1	16.00	1	15.00	2	25.00	2	24.00	2	16.00	2	20.00	175.50	
6	Library Resource Sharing	3	30.00	2	33.00	2	32.00	1	15.00	1	12.50	2	24.00	1	8.00	2	20.00	174.50	
7	Archives	3	30.00	1	16.50	2	32.00	2	30.00	1	12.50	2	24.00	2	16.00	1	10.00	171.00	
8	Fixed Assets	3	30.00	1	16.50	2	32.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	168.50	
9	Human Resources/Payroll	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	2	20.00	166.50	
10	Accounting (to include travel)	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	2	16.00	2	20.00	166.50	
<b>Low Risk: &lt; 166</b>																			
11	Library Development	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	148.50	
12	Records Center Services/ Document Imaging Services	2	20.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	146.00	
13	Performance Measures	1	10.00	2	33.00	1	16.00	2	30.00	1	12.50	1	12.00	1	8.00	1	10.00	131.50	
14	Talking Book Program	3	30.00	1	16.50	1	16.00	1	15.00	1	12.50	1	12.00	2	16.00	1	10.00	128.00	

**Risk Factor Rating:**

1 - Low Risk

2 - Moderate Risk

3 - High Risk

**TEXAS STATE LIBRARY & ARCHIVES COMMISSION**  
**History of Areas Audited**  
**For Fiscal Year 2017**

	POTENTIAL AUDIT TOPIC	Fiscal Year Audited and/or Reviewed							
		2009	2010	2011	2012	2013	2014	2015	2016
1	Accounting (to include travel)			E*		F	E*		
2	Administrative Support, Facilities & Security	F							
3	Archives		F					A	B
4	Fixed Assets						A		B
5	Human Resources/Payroll	F		E*		F/H*	E*		B
6	Information Services/Cataloging/Genealogy		F						
7	Library Development		F			G			
8	Library Resource Sharing					G			B
9	Performance Measures		F*						
10	Purchasing/HUB Compliance			E		F	E		B
11	Records Center Services/Document Imaging Services		B	C*			A		B
12	Records Management Assistance				F				B
13	Sam Houston Research Center			F	I*	F			
14	Talking Book Program	F	D		D		D		B

Audit Topics required by the TSLAC to be audited every year:									
1	Grants Management	F	F	F	F	F/G	A	A	A
2	Information Resources Technologies	F	F	F	F	F	A	A	A

LEGEND (audits/reviews with asterisk are considered limited scope for the audit area)	
<b>A</b>	Audit performed by Garza/Gonzalez & Associates, CPAs
<b>B</b>	Audit performed by the State Auditor's Office
<b>C</b>	Government Effectiveness and Efficiency Report by the Legislative Budget Board
<b>D</b>	Site visit by the National Library Service for the Blind and Physically Handicapped (NLS)
<b>E</b>	Post-payment audit performed by the Comptroller of Public Accounts
<b>F</b>	Audit performed by CliftonLarsonAllen or Myers and Stauffer (formerly CliftonLarsonAllen, LLP)
<b>G</b>	Site Visit of federal program by the Institute of Museum and Library Services (IMLS)
<b>H</b>	Review of HR Policies & Procedures by the Texas Workforce Commission
<b>I</b>	Review by the State Office of Risk Management