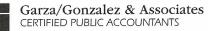# TEXAS STATE LIBRARY AND ARCHIVES COMMISSION
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2015

TEXAS STATE LIBRARY & ARCHIVES COMMISSION
Austin, Texas

Internal Audit Report
For Fiscal Year 2015

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

Enclosed is the proposed fiscal year 2015 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 2015. 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.

Garza/Gonzalez & Associates

January 16, 2015

Internal Audit Plan
For Fiscal Year 2015

I. Methodology

The fiscal year 2015 Internal Audit Plan (Plan) for the Texas State Library and Archives Commission (TSLAC) was prepared using a risk assessment process, where we made inquiries of the Deputy Director and reviewed various documents to update our understanding of TSLAC. Following are some of the documents that were reviewed and considered in our risk assessment process:

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

The inquiries, and documents reviewed were used to update the prior year risk assessment where we obtained an understanding of each division and its role within the overall scheme of TSLAC by considering 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:

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.

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. Issues or Concerns

The 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 17 potential audit topics identified:

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

The 2015 Risk Assessment Summary is included in this report as Attachment A.

Please refer to Attachment B, titled "History of Areas Audited" for a listing of audits and/or reviews performed within the last 6 years for the above 17 potential audit topics. 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
    o Burleson Public Library
    o Cedar Park Public Library
    o Cross Plains Public Library
    o 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 Internal Audits of the Information Resources Technologies Division, Grants Management, and Travel Expenditures

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

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

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.

III. Internal Audit Plan

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.

The areas recommended for internal audits and other activities and functions to be performed for fiscal year 2015 are as follows:

1. Archives *(160 Hours)*
   The planned audit procedures will include the following:
   a. Review established policies and procedures; applicable laws and regulations; collect various documents; and, conduct interviews to obtain an understanding of the processes and current practices in place over the Archives area.

   b. Perform procedures to ensure that the information in its special collection library is secure and accurately tracked.

   c. Determine if there are any services provided by this area for which TSLAC may assess fees and design procedures to ensure that TSLAC is consistently and accurately charging for such services.

   d. Other procedures that may be deemed necessary during audit fieldwork.

2. <u>Information Resources Technologies (IRT)</u> *(60 Hours)*
   The planned audit procedures will include the following:

   a. Review the controls and processes in place to manage access to information resources to ensure authorized use and that sensitive or confidential information is protected from unauthorized access, modification, or destruction.

      We will review and assess the following—
      1) Encryption requirements in place for information storage devices, data transmissions, portable devices, etc.
      2) Procedures in place for modification to or removal of a user's access authorization.
      3) Password usage.
      4) Procedures in place for periodic monitoring of unauthorized software installation.

   b. Review the process in place that provides individual accountability for changes made to information resources systems.

   c. Assess any new technology requirements, as mandated by the Texas Department of Information Resources and/or other oversight agencies, determine their applicability to TSLAC; and, design procedures to test for compliance with such requirements.

   d. Other procedures that may be deemed necessary during audit fieldwork.

3. <u>Other Activities – Grants Management</u> *(150 Hours)*
   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 and/or 2015 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.

4. <u>Other Activities – Post-Payment Audit Dated August 27, 2014</u> *(20 Hours)*
    Perform follow-up procedures to verify that the actions taken to address the recommendations, as reported by TSLAC in its Corrective Action Plan, were implemented.

5. <u>Follow-Up of Internal Audits Performed in Fiscal Year 2014 and Prepare 2015 Annual Report</u> *(40 Hours)*
    Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of fiscal year 2014. 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. <u>Other Tasks</u> *(Hours TBD)*
    Other tasks as may be assigned by the Commissioners, Audit Committee, or management during the fiscal year.

EXHIBITS

TEXAS STATE LIBRARY & ARCHIVES COMMISSION
Risk Assessment Summary
For Fiscal Year 2015

	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	
Potential Audit Topic	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	Susceptability of Material Theft or Fraud	Existence of Issues or Concerns	Total
High Risk: > 159									
1 Archives	3 30.00	3 49.50	1 16.00	1 15.00	1 12.50	2 24.00	2 16.00	1 10.00	173.00
2 Accounting	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
3 Sam Houston Research Center	3 30.00	1 16.50	2 32.00	1 15.00	1 12.50	2 24.00	2 16.00	2 20.00	166.00
Moderate Risk: 146 - 159									
4 Purchasing/HUB Compliance	3 30.00	1 16.50	2 32.00	1 15.00	1 12.50	2 24.00	2 16.00	1 10.00	156.00
5 Information Resources Technologies	3 30.00	1 16.50	1 16.00	2 30.00	1 12.50	2 24.00	2 16.00	1 10.00	155.00
6 Administrative Support, Facilities & Security	1 10.00	3 49.50	1 16.00	1 15.00	2 25.00	1 12.00	2 16.00	1 10.00	153.50
7 Information Services/Cataloguing	1 10.00	3 49.50	1 16.00	1 15.00	1 12.50	2 24.00	2 16.00	1 10.00	153.00
8 Circulation (Talking Book Program)	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
9 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
Low Risk: < 146									
10 Performance Measures	1 10.00	3 49.50	1 16.00	1 15.00	1 12.50	2 24.00	1 8.00	1 10.00	145.00
11 Fixed Assets	3 30.00	1 16.50	2 32.00	1 15.00	1 12.50	1 12.00	2 16.00	1 10.00	144.00
12 Human Resources/Payroll	3 30.00	1 16.50	1 16.00	1 15.00	1 12.50	2 24.00	2 16.00	1 10.00	140.00
13 Library Resource Sharing	2 20.00	1 16.50	1 16.00	1 15.00	2 25.00	2 24.00	1 8.00	1 10.00	134.50
14 Records Management Assistance	1 10.00	2 33.00	1 16.00	1 15.00	1 12.50	2 24.00	1 8.00	1 10.00	128.50
15 Production (Talking Book Program)	1 10.00	1 16.50	2 32.00	1 15.00	1 12.50	2 24.00	1 8.00	1 10.00	128.00
16 Library Development	1 10.00	1 16.50	1 16.00	1 15.00	2 25.00	2 24.00	1 8.00	1 10.00	124.50
17 Reading Services (Talking Book Program)	1 10.00	1 16.50	2 32.00	1 15.00	1 12.50	1 12.00	1 8.00	1 10.00	116.00

Risk Factor Rating:
1 - Low Risk
2 - Moderate Risk
3 - High Risk

TEXAS STATE LIBRARY & ARCHIVES COMMISSION

History of Areas Audited

For Fiscal Year 2015

	Potential Audit Topic	Fiscal Year Audited and/or Reviewed					
		2009	2010	2011	2012	2013	2014
1	Accounting			A		F	A
2	Grants Management	F	F	F	F	F/G	E
3	Human Resources/Payroll	F		A		F/H	A
4	Administrative Support, Facilities & Security	F					
5	Purchasing/HUB Compliance			A		F	A
6	Information Resources Technologies	F	F	F	F	F	E
7	Library Development		F			G	
8	Library Resource Sharing					G	
9	Archives		F				
10	Information Services/Cataloguing		F				
11	Sam Houston Research Center			F	I	F	
12	Records Management Assistance				F		
13	Records Center Services/Document Imaging Services		B	C			E
14	Circulation (Talking Book Program)	F	D		D		D
15	Production (Talking Book Program)	F	D		D		D
16	Reading Service (Talking Book Program)	F	D		D		D
17	Fixed Assets						E
18	Performance Measures		F				

	LEGEND
A	**Comptroller Post Payment Audit**
B	**State Auditor's Office Audit**
C	**LBB Government Effectiveness and Efficiency Report**
D	**NLS Site Visit of Talking Book Program**
E	**Audited by G/G&A**
F	**Audited by CliftonLarsonAllen *or* Myers and Stauffer (formerly CliftonLarsonAllen, LLP)**
G	**IMLS Site Visit of Federal Program**
H	**Tx Workforce Commission Review of HR Policies & Procedures**
I	**State Office of Risk Management (SORM) Review**