

Texas State Library and Archives Commission

Fiscal Year 2019 Annual Internal Audit Report

August 31, 2019

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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 Internet Web site

Texas Government Code, Section 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post their Internal Audit Plan, Internal Audit Annual Report, and other audit information on the Internet.

The Texas State Library and Archives Commission (TSLAC or the commission) will post this report and its Fiscal Year 2019 Internal Audit Plan on its website at www.tsl.texas.gov by November 1, 2019. TSLAC's Commission reviewed and approved the Annual Internal Audit Report as part of their regular meeting held on November 1, 2019.

TSLAC will update its posting with a detailed summary of the weaknesses, deficiencies, wrongdoings or other concerns raised by performance of the audit plan as they are identified or by November 1, 2019. TDLR will also update the posting with the corrective action taken to address any issues identified.

II. Internal Audit Plan for Fiscal Year 2019

The internal audits planned and performed for fiscal year 2019 were selected to address the agency's open internal audit findings and significant processes that have not been previously audited. The audits conducted during fiscal year 2019 are listed below.

| Internal Audit | Report # | Report Date | Current Status |
|---|-----------|--------------|--|
| Internal Audit Follow-Up Procedures Report over Information Resources Technologies | IA #01-19 | May 21, 2019 | <p>The report was issued July 19, 2019.</p> <p>Follow-up procedures to verify that corrective action has been performed on the remaining open findings are included in the proposed 2020 Internal Audit Plan.</p> |
| Internal Audit Follow-Up Procedures Report over Prior Year's Open Internal Audit Findings | IA #02-19 | May 21, 2019 | <p>The report was issued July 15, 2019 and addressed open internal audit findings in the following areas:</p> <ul style="list-style-type: none"> • Archives and Information Services • Purchasing and HUB Compliance • State and Local Records Management • Talking Book Program <p>Follow-up procedures to verify that corrective action has been performed on the remaining open findings are included in the proposed 2020 Internal Audit Plan.</p> |

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| Internal Audit | Report # | Report Date | Current Status |
|---|-----------|--------------|---|
| Internal Audit Report over Grant Administration | IA #03-19 | May 29, 2019 | <p>The report was issued July 15, 2019.</p> <p>Follow-up procedures to verify that corrective action has been performed on the remaining open findings are included in the proposed 2020 Internal Audit Plan.</p> |

III. Consulting Services 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, or Government Auditing Standards, 2018 Revision, Sections 3.64-3.106, as applicable.

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IV. External Quality Assurance Review

In accordance with professional standards, and to meet the requirements of the Texas Internal Auditing Act, Internal Audit is required to undergo an external quality assurance review at least once every three years. Weaver's review was performed in October 2016.



System Review Report

To the Partners of Weaver and Tidwell, L.L.P.
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. (the "firm") applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Weaver and Tidwell, L.L.P. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Weaver and Tidwell, L.L.P. has received a peer review rating of *pass*.

Eide Bailly LLP

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October 7, 2016

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V. Internal Audit Plan

The Internal Audit Plan was submitted to the TSLAC Commission. The Commission approved the plan on November 1, 2019. Below is the Fiscal Year 2020 Internal Audit Plan submitted to the agency's Commission based on the results of the 2019 Internal Audit Risk Assessment. The approved internal audit plan was submitted to the State Auditor's Office on November 1, 2019.

| Fiscal Year 2020 Internal Audit Plan | | |
|---|-------------------------|------------------------|
| Audit Area | 2019 Risk Rating | Estimated Hours |
| Contract Administration | High | 230 |
| Public Information Requests | Moderate | 130 |

Planned follow-up procedures for fiscal year 2020 to verify and communicate with Management the remediation efforts of prior Internal Audit Recommendations.

| Fiscal Year 2020 Follow-up Procedures | | |
|--|-------------------------|------------------------|
| Audit Area | 2019 Risk Rating | Estimated Hours |
| Grant Management | Moderate | 80-100 |
| Archives and Information Services | High | 40-60 |
| Information Technology Services | High | |
| Purchasing and HUB Compliance | High | |
| State and Local Records Management | Moderate | |
| Talking Book Program | Moderate | |

As part of the risk assessment, TSLAC assesses the probability and impact of the following risk categories across all significant activities of the agency, which include the information technology risks and considerations related to Title 1, Texas Administrative Code, Chapter 202:

- financial stability, economic and fraud risk
- compliance risk
- operations risk
- human capital risk
- information technology risk
- reputational and customer service risk

Taking into consideration the input from the TSLAC management, all significant activities are assigned a risk rating for probability and impact related to each risk category. The overall risk rating (High, Moderate or Low) is assigned to each significant activity based on the activity's average risk rating.

The internal audit plan is developed by considering risk ratings for each significant activity and prioritizing "High" risk activities. The risk assessment is updated on an annual basis.

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The 2019 Internal Audit Risk Assessment resulted in 10 Significant Activities rated as “High” risk. Eight of the 10 Significant Activities are not included in the Fiscal Year 2020 Internal Audit Plan. Those activities are as follows:

1. Information Security
2. Information Technology Services
3. Accounts Payable and Disbursements
4. Archival Holdings and Research Materials
5. Disaster Recovery/Business Continuity
6. Governance
7. Payroll
8. Technology Solution Implementation and Development

VI. External Audit Services Procured in FY 2019

TSLAC did not procure any external audit services during the fiscal year 2019.

VII. Reporting Suspected Fraud, Waste and Abuse

TSLAC has provided instructions on reporting suspected fraud, waste, and abuse to the State Auditor's Office (SAO) on the agency's website. The instructions include the SAO Hotline phone number and a link to the SAO Fraud Reporting page. Additionally, TSLAC has developed a Fraud Prevention Policy which includes information for reporting suspected fraud, waste, and abuse to the SAO.