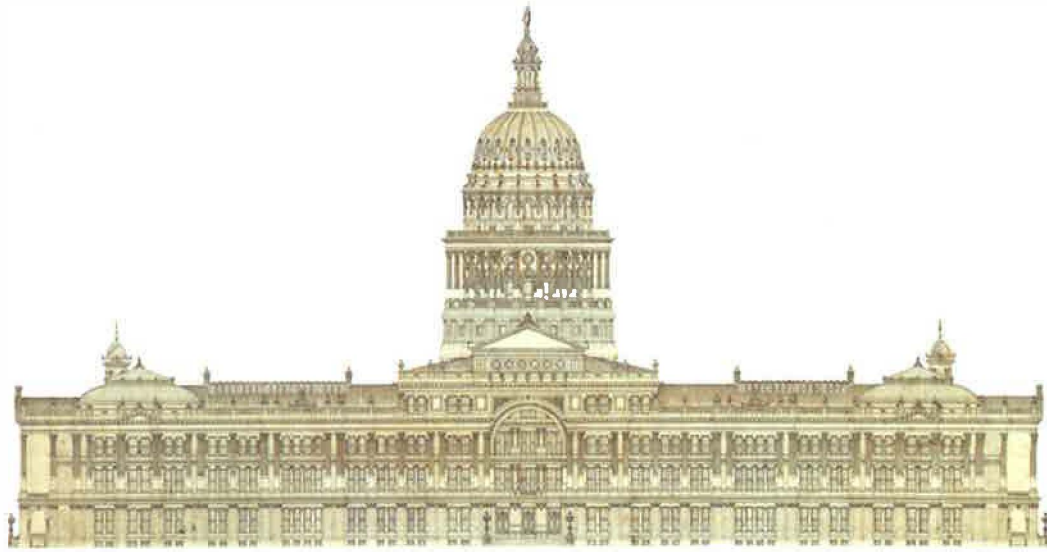


# State Preservation Board



## Annual Report of Internal Audit Activities Fiscal Year 2015

The Honorable Greg Abbott  
The Honorable Dan Patrick  
The Honorable Joe Straus  
The Honorable Kelly Hancock  
The Honorable Charlie Geren  
Iris H. Moore, Citizen Board Member  
John Sneed, Executive Director

**October 28, 2015**



## STATE PRESERVATION BOARD

The Honorable Greg Abbott, Governor, Chairman  
The Honorable Dan Patrick, Lieutenant Governor, Co-Vice Chairman  
The Honorable Joe Straus, Speaker of the House, Co-Vice Chairman  
The Honorable Kelly Hancock, Texas Senate  
The Honorable Charlie Geren, Texas House of Representatives  
Iris H. Moore, Citizen Board Member  
John Sneed, Executive Director

October 28, 2015

Kara Belew, Governor's Office of Budget, Planning, and Policy  
Ed Osner, Legislative Budget Board  
Ken Levine, Sunset Advisory Commission  
Internal Audit Coordinator, State Auditor's Office

Ladies and Gentlemen:

I am pleased to submit the Annual Report of Internal Audit Activities for the State Preservation Board for Fiscal Year 2015 in compliance with the requirements of the Texas Internal Auditing Act, Texas Government Code, Chapter 2102, and in accordance with the requirements established by the State Auditor.

I appreciate the opportunity to provide you with this information. If you have any questions or need further information, please contact me at (512) 475-4975.

Sincerely,

Dale Hernandez, CIA, CGAP  
Internal Auditor

cc:

The Honorable Greg Abbott, Governor, Chairman  
The Honorable Dan Patrick, Lieutenant Governor, Co-Vice Chairman  
The Honorable Joe Straus, Speaker of the House, Co-Vice Chairman  
The Honorable Kelly Hancock, Texas Senate  
The Honorable Charlie Geren, Texas House of Representatives  
Iris H. Moore, Citizen Board Member  
John Sneed, Executive Director

## **Purpose**

The purpose of this annual report is to provide information on the benefits and effectiveness of the internal audit function at the State Preservation Board (SPB), and to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual report assists oversight agencies in their work planning and coordinating efforts.

The Texas Internal Auditing Act, Texas Government Code, Chapter 2102, Sec. 2102.009 requires that an annual report on internal audit activity be filed by November 1 of each year. The format used for this report was prescribed by the Texas State Auditor's Office.

### Report Distribution:

- The Governor's Office
- The State Auditor's Office
- The Legislative Budget Board
- The Sunset Advisory Commission
- SPB Board Members
- SPB Executive Director

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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**

In order to comply with the provisions of Texas Government Code, Section 2102.015, the State Preservation Board Internal Auditor will, within 30 days of approval, post the following information on the Agency's Internet Web site:

- An approved Fiscal Year 2016 Audit Plan, as provided by Texas Government Code, Section 2102.008. The Fiscal Year 2016 Audit Plan was approved by the Board on August 20, 2015, and posted on the Agency's Internet Web site on August 31, 2015.
- A Fiscal Year 2015 Internal Audit Annual Report, as required by Texas Government Code, Section 2102.009.
- The SPB Internal Auditor retains the right to refrain from posting information contained in the internal audit plan or the annual report that is exempt from public disclosure under Chapter 552 of the Texas Government Code.
- A "detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit" and a "summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report" are included in Section III, Internal Audit Plan for Fiscal Year 2015.

## **II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

This section is not applicable. The State Preservation Board is not a higher education institution.

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

This section of the report contains the FY 2015 Internal Audit Plan.

The Fiscal Year 2015 Audit Plan included an audit of the Capitol Visitors Parking Garage, a Texas State History Museum (TSHM) cash handling review, SPB cash handling review, a procurement card review, a review of Facilities processes and procedures, and a follow-up of the TSHM special events and facility rental project. During Fiscal Year 2015, Internal Audit completed the Capitol Complex parking meters audit, the procurement card review, and the TSHM cash handling review. Internal Audit was also in the fieldwork phase of the Contract Monitoring Process audit and this project will be completed in Fiscal Year 2016.

Review projects consisted of cash counts at the gift shops, physical counts of concession items at the TSHM IMAX concession area and observation of the end of the year physical count at various SPB Retail locations. In addition, Internal Audit reviewed Retail voids, no sales and returns, and TSHM Concessions returns.

**STATE PRESERVATION BOARD  
FISCAL YEAR 2015 INTERNAL AUDIT PLAN**  
For the Period September 2014 – August 2015

	<u>Initial Allocated Hours</u>
<b><u>Internal Audit Assurance and Consulting/Advisory Activities</u></b>	
1. Closeout of Fiscal Year 2014 Projects .....	240
2. Capitol Visitors Parking Garage (Carry Over From FY 2014).....	100
3. TSHM Cash Handling Review (Carry Over From FY 2014) .....	80
4. SPB Cash Handling Review .....	80
5. Procurement Card Review .....	80
6. Review of Facilities Processes and Procedures.....	80
7. Follow-Up of TSHM Special Events and Facility Rental.....	80
8. RK Group Contract .....	40
9. Monitoring Project: Cash Counts.....	80
10. Monitoring Project: Inventory and Ornament Counts.....	80
11. Monitoring Project: Retail Functions Including Voids and Returns.....	80
12. Monitoring Project: TSHM Concessions .....	100
13. Peer Review Coordination.....	80
14. Reserved for Special Requests .....	222
<b><i>SUBTOTAL</i></b>	<b><u>1,422</u></b>
<b><u>Auditing Standards and Statutorily Required Internal Audit Activities</u></b>	
15. Continuing Professional Education .....	40
16. Internal Audit Annual Report.....	80
17. Annual Risk Assessment Process for 2016 .....	130
<b><i>SUBTOTAL</i></b>	<b><u>250</u></b>
<b><u>Administrative Internal Audit Activities</u></b>	
18. Administration of the Internal Audit Function .....	90
<b><i>SUBTOTAL</i></b>	<b><u>90</u></b>
 <b>Fiscal Year 2015 TOTAL BUDGETED HOURS</b>	 <b>1,762</b>

**AUDIT STAFF/  
RESOURCES  
AVAILABLE**

For FY 2015, there were 1,762 available hours calculated for audits, follow up reviews, external audit coordination, and special projects, including consulting and advisory services. Additional consideration was given for indirect hours such as holidays, vacation, sick leave, and general administration.

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**RISK ASSESSMENT  
PROCESS FOR  
FY 2015**

The FY 2015 Internal Audit Plan was developed from the results of a risk assessment performed on the auditable units of the SPB. Auditable units are key activities and processes performed by the agency and were determined by reviewing the agency's Strategic Plan, financial information, organization charts, applicable governing statutes and rules, and by interviewing key personnel.

Internal Audit developed and evaluated the results of the risk assessment matrix, calculated internal audit resource hours available for FY 2015, and developed the FY 2015 Internal Audit Plan, which included input from the Executive Director. Internal Audit also determined that on-going review and special projects would provide efficient use of resources for risk coverage in conjunction with traditional audits.

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**DEVIATIONS FROM  
THE FISCAL YEAR  
2015 AUDIT PLAN**

The following planned audits were in process or incomplete at the end of Fiscal Year 2015 and will be completed in Fiscal Year 2016 or considered in future audit plans:

An Internal Audit of the Contract Monitoring Process: The project is in the fieldwork phase.

An Internal Audit of the Capitol Visitors Parking Garage: Higher risk projects will be completed in Fiscal Year 2016 and this project will be reevaluated during the risk assessment and audit plan development process for Fiscal Year 2017.

SPB Cash Handling Review: The project will be performed in Fiscal Year 2016.

Review of Facilities Processes and Procedures: Higher risk projects will be completed in Fiscal Year 2016 and this project will be reevaluated during the risk assessment and audit plan development process for FY 2017.

Follow-Up of TSHM Special Events and Facility Rental: The project will be performed in Fiscal Year 2016.

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A review of the RK Group Contract will be performed in Fiscal Year 2016.

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**SPECIAL PROJECTS**

Review and Update of Internal Audit Policies and Procedures

Review and Update of Internal Audit Quality Assurance and Improvement Program

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**MANAGEMENT REQUESTS**

Management and staff requested assistance or advice from the Internal Auditor on various agency issues such as internal controls and procedures. The Internal Auditor provided agency employees with guidance and resources.

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**CONTINUING EDUCATION AND PROFESSIONAL DEVELOPMENT**

The Internal Auditor attended training throughout the year to comply with the requirements set forth in the *Government Auditing Standards*, December 2011 Revision, Sections 3.76 - 3.78.

The Internal Auditor completed two courses (Forensic Accounting for Governments and Advanced Topics in Governmental Accounting) in the Master of Accountancy in Governmental Accounting program at Rutgers University. This work satisfies Continuing Professional Education requirements and enhances the Internal Auditor's knowledge of governmental accounting.

State Agency Internal Audit Forum (SAIAF): Internal Audit attended SAIAF meetings. This provided an opportunity to share ideas, experiences, and approaches with other internal auditors and promote the effective and efficient use of state agency internal audit resources.

The Internal Auditor attended meetings of the Austin Area Chapter of the Association of Certified Fraud Examiners and the Association of Government Accountants. This provided an opportunity to remain current on topics in the fraud profession and network with other professionals.

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### List of Audits Completed & Summary of Issues and Actions Taken

Report No.	Report Date	Report Title	Findings	Recommendations	Status of Recommendations <ul style="list-style-type: none"> <li>• Fully Implemented</li> <li>• Substantially Implemented</li> <li>• Incomplete/Ongoing</li> <li>• Not Implemented</li> </ul>
15-101	7/9/15	Procurement Card Review	Controls provide reasonable assurance that procurement card transactions comply with policies and procedures. Additional tools will strengthen controls over the issuance of procurement cards.	<ol style="list-style-type: none"> <li>1. Implement the Procurement Card Request Form for all future card issuances.</li> <li>2. Update the Employee Termination Checklist for Supervisors to reflect the change in employee responsible for receiving the procurement cards of terminated employees.</li> <li>3. Follow through on all sales tax credits to ensure sales tax is not paid.</li> </ol>	Self-reported by division.  <ol style="list-style-type: none"> <li>1. Fully implemented</li> <li>2. Fully implemented</li> <li>3. Fully implemented</li> </ol>
15-102	8/12/15	An Internal Audit of the Capitol Complex Parking Meters	Controls provide reasonable assurance that payment is collected from all parking meters and cash is adequately safeguarded and secured. Recommendations were made to improve processes.	<ol style="list-style-type: none"> <li>1. Management should add the option of accepting credit cards for meter reservation payments.</li> <li>2. Management should define the roles and responsibilities for each person involved in the meter reservation process.</li> </ol>	Self-reported by division.  <ol style="list-style-type: none"> <li>1. Incomplete/Ongoing</li> <li>2. Incomplete/Ongoing</li> </ol>
15-105	8/21/15	An Internal Audit of Cash Handling at the Bullock Texas State History Museum	<p>Two employees are not always present during cash counts.</p> <p>Employee training is not current. Some employees were not trained in all areas.</p> <p>Museum Policy Documents need periodic updates.</p>	<ol style="list-style-type: none"> <li>1. Visitor Services should continue regular reviews of daily paperwork.</li> <li>2. Two people should be present in the cash room during counts.</li> <li>3. Visitor Services should continue to monitor employee cash handling performance and provide coaching and additional training to employees with repeated overages and shortages.</li> <li>4. Visitor Services should provide periodic training refreshers or updates to all employees. This training should be documented in the employee files.</li> <li>5. Management should review and update procedures on, at a minimum, an annual basis.</li> </ol>	Self-reported by division.  <ol style="list-style-type: none"> <li>1. Fully implemented</li> <li>2. Incomplete/Ongoing</li> <li>3. Ongoing</li> <li>4. Ongoing</li> <li>5. Ongoing</li> </ol>
14-207	9/4/14	A Follow-Up of the TSHM Parking Garage (Original Project No. 12-101)	<p>Deposits were not always made in a timely manner, especially when the primary deposit preparer was out of the office.</p> <p>Documentation supporting comped transactions could be improved.</p>	<ol style="list-style-type: none"> <li>1. Visitor Services should strive to make deposits each business day. If this is not possible, deposits should be made at least once every two business days.</li> <li>2. Visitor Services management should fully train a backup staff member to process deposits in the event the primary person is not available.</li> </ol>	Verified during the follow-up. <ol style="list-style-type: none"> <li>1. Fully Implemented</li> <li>2. Fully Implemented</li> </ol>

NOTE: This project was finalized at the

Report No.	Report Date	Report Title	Findings	Recommendations	Status of Recommendations <ul style="list-style-type: none"> <li>• Fully Implemented</li> <li>• Substantially Implemented</li> <li>• Incomplete/Ongoing</li> <li>• Not Implemented</li> </ul>
	beginning of FY 2015, but substantially completed during FY 2014.		<p>Other similar parking facilities do not offer free parking to disabled or handicapped patrons.</p> <p>Shift paperwork is outdated and confusing.</p>	<p>3. Visitor Services management should update the Parking Garage Daily Deposit Procedures to include backup contingencies in the event of the absence of the regular deposit preparer, and to clarify the need to prepare the deposit in a timely manner.</p> <p>4. Management should consider documenting comped or reduced fee events on the shift paperwork.</p> <p>5. Management should periodically compare the anticipated number of comped transactions for an event to the actual number.</p> <p>6. Management should periodically review the shift paperwork and indicate their review and approval.</p> <p>7. Parking cashiers should continue to use the "Comments" section of the Cashier/Deposit Report to record unusual or atypical events.</p> <p>8. Log-in codes should be kept private and not shared.</p> <p>9. Museum management should re-evaluate the policy of offering free parking to patrons with a handicapped parking permit.</p> <p>10. The shift paperwork forms should be updated, with input from the parking cashiers, to make them easier to use and less confusing.</p>	<p>3. Fully Implemented</p> <p>4. Fully Implemented</p> <p>5. Fully Implemented</p> <p>6. Fully Implemented</p> <p>7. Fully Implemented</p> <p>8. Fully Implemented</p> <p>9. Fully Implemented</p> <p>10. Fully Implemented</p>
15-201	N/A	Cash Counts	Completed one cash count with no exceptions noted. This was a review project with no findings. No report was issued.	No issues noted.	N/A
15-202	N/A	Inventory and Ornament Counts	Completed. Reviewed multiple Concessions inventory cycle counts, performed one physical count of concession items at the TSHM IMAX concession area, and reviewed the end of year physical count at all four Retail locations. This was a review project. No	No issues noted.	N/A

FY 2015 SPB Internal Audit Annual Report

Report No.	Report Date	Report Title	Findings	Recommendations	Status of Recommendations <ul style="list-style-type: none"> <li>• Fully Implemented</li> <li>• Substantially Implemented</li> <li>• Incomplete/Ongoing</li> <li>• Not Implemented</li> </ul>
			report was issued.		
15-203	N/A	Various Management Requests	Completed. Management brought several issues to the Internal Auditor during Fiscal Year 2015, and these issues were resolved or further research was performed. A report was not issued.	Not Applicable	N/A
15-204	N/A	Review of the Retail Function Including Voids and Returns	Completed. The Internal Auditor provided information to the Director of Retail on a monthly basis. This was a review project with no findings. No report was issued.	No issues noted.	N/A
15-205	N/A	Review of TSHM Concessions	Completed. This was a review project with no findings. No report was issued.	No issues noted.	N/A
15-407	N/A	Peer Review	Completed. Prepared the Master Peer Review Program/Self-Assessment Tool and the Self-Assessment Report. Assembled information to be used during the Peer Review.	Not Applicable	N/A
15-404	9/2/14	Fiscal Year 2015 Internal Audit Plan	Completed. Annual risk assessment and Internal Audit Plan development for Fiscal Year 2015.	Not Applicable	N/A
15-405	8/20/15	Fiscal Year 2016 Internal Audit Plan	Completed. Annual risk assessment and Internal Audit Plan development for Fiscal Year 2016.	Not Applicable	N/A

### List of Audits in Progress or Incomplete

Project No.	Project Title	High-level Audit Objective(s)	Project Status	Project Budget (Hours)
15-103	An Internal Audit of the Contract Monitoring Process	Determine whether the process ensures compliance with contract terms and conditions, and the SPB received the goods and services intended.	The project is in the Fieldwork phase and will be completed during FY 2016.	240
15-104	An Internal Audit of the Capitol Visitors Parking Garage	Research the benefits of automatic gates or pay stations at the Visitors Parking Garage.	Higher risk projects will be completed in Fiscal Year 2016 and this project will be reevaluated during the risk assessment and audit plan development process for Fiscal Year 2017.	100
15-107	SPB Cash Handling Review	Verify that controls are in place to safeguard assets.	Incomplete. The project was carried forward to FY 2016.	80
15-108	Review of Facilities Processes and Procedures	Determine if processes can be streamlined and procedures are current and relevant.	Higher risk projects will be completed in Fiscal Year 2016 and this project will be reevaluated during the risk assessment and audit plan development process for Fiscal Year 2017.	80
15-206	Follow-Up of TSHM Special Events and Facility Rental	Verify that recommendations were implemented and processes are operating as intended.	Incomplete. The project was carried forward to FY 2016.	80
15-106	RK Group Contract	Evaluate compliance with the terms of the agreement and evaluate the efficiency and effectiveness of operations.	Incomplete. The project was carried forward to FY 2016.	40

## IV. Consulting Engagements and Non-audit Services Completed

During Fiscal Year 2015, Internal Audit did not participate in any consulting engagements, as defined in *The International Standards for the Professional Practice of Internal Auditing* or provide any non-audit services as defined in the *Government Auditing Standards*, December 2011 Revision, Sections 3.33 - 3.58.

## V. External Quality Assurance Review (Peer Review)

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### REVIEW RESULTS

The State Preservation Board's Internal Audit function's External Quality Assurance Review was completed in June 2015. The opinion reported is as follows:

"Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas State Preservation Board (TSPB) Internal Audit (IA) Department receives a rating of "pass" and is in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.

We found that the Internal Audit function is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff member is qualified, proficient, and knowledgeable in the areas she audits. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Department is well managed internally. The Department has an effective relationship with the agency head, and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers IA a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency's operations."

According to the International Standards for the Professional Practice of Internal Auditing (Standards) promulgated by the Institute of Internal Auditors (IIA), an external assessment should be conducted at least once every five years by a qualified, independent reviewer or review team

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from outside the organization (Standards 1312).

According to generally accepted government auditing standards (GAGAS) promulgated by the U.S. Government Accountability Office (GAO), audit organizations should have an external quality control review completed within three years from the date the first audit begins in accordance with these standards (GAGAS 3.96 - 3.97). After the issuance of the review, a subsequent external quality control review should occur once every three years.

The next review is due June 2018.

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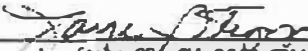


**Internal Audit Department**  
of the Texas State Preservation Board receives a rating of  
**"Pass"**

In compliance with the Institute of Internal Auditors'  
International Professional Practices Framework, Government Auditing Standards, and the  
Texas Internal Auditing Act

This opinion is based on a quality assessment review conducted by members of the  
Texas State Agency Internal Audit Forum (SAIAF) during the period of June, 2015.  
The review was based on the methodology developed by the  
Texas State Agency Internal Audit Forum.



  
Jaye Stebbins, CPA, CIA, CREST, CRISA  
Director of Internal Audit

Texas School for the Blind and Visually Impaired

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

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### **INTRODUCTION**

The purpose of the Internal Audit Plan is to identify audits and other activities that will be conducted during fiscal year 2016. The Internal Audit Plan is developed using risk assessment techniques and methodology. The audit plan satisfies responsibilities established by Government Code, Chapter 2102, and applicable auditing standards.

The Audit Plan is flexible to consider risks and changes in conditions on an ongoing and as needed basis.

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### **MISSION**

The Internal Audit division is committed to supporting management and the Board in achieving their goals and objectives through competent and efficient auditing and consulting/advisory services. Internal Audit will accomplish this mission by providing independent analysis, appraisals, and recommendations to strengthen agency operations and controls.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In addition to providing auditing services, Internal Audit coordinates with external auditors and provides consulting and advisory services as appropriate.

Internal Audit conducts its activities in compliance with the SPB Internal Audit Charter, the Texas Internal Auditing Act, and applicable Internal Audit Standards as outlined in the Internal Audit Charter.

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### **INTERNAL AUDIT CHARTER**

The Internal Audit Charter provides authorization to the Internal Auditor for full, free, unrestricted access to all SPB activities, records, property, and personnel relevant to the subject under review. The Internal Auditor exercises due diligence in the safeguarding and use of these resources.

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**AUDIT STAFF/  
RESOURCES  
AVAILABLE**

SPB staffs the Internal Audit function with one full-time equivalent. The Internal Auditor is the Chief Audit Executive and reports directly to the Board and administratively to the Executive Director.

For FY 2016, there were 1,754 available hours calculated for audits, follow up reviews, external audit coordination, and special projects, including consulting and advisory services. Additional consideration was given for indirect hours such as holidays, vacation, sick leave, and general administration.

**PROJECTS  
RELATED TO  
EXPENDITURE  
TRANSFERS,  
CAPITAL  
BUDGET  
CONTROLS, OR  
OTHER  
LIMITATIONS**

The State Preservation Board Fiscal Year 2016 Audit Plan does not include any projects related to expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act. These types of projects will be considered during the risk assessment process and when developing future audit plans.

**PROJECTS  
RELATED TO  
CONTRACT  
MANAGEMENT  
AND OTHER  
REQUIREMENTS  
OF SENATE BILL  
20 (84TH  
LEGISLATURE)**

The State Preservation Board Fiscal Year 2016 Audit Plan includes a contract monitoring audit. Additional contract management projects will be considered during the risk assessment process and when developing future audit plans.

**ADDITIONAL  
"HIGH" RISKS  
NOT INCLUDED  
IN THE FY 2016  
INTERNAL  
AUDIT PLAN**

Several key processes ranked as high risk during the risk assessment due to their impact to the agency's mission, and the high level of cash transactions and inventory and the corresponding opportunities for fraud. These nine areas scored over 300 out of a possible 400 during the risk assessment process. An explanation of audit coverage or exclusion of these areas is discussed below.

Operate Gift Shops: Coverage of this high risk area is incorporated into the FY 2016 Audit Plan as cash, inventory and ornament counts and review of various Retail functions. A major project is not planned during FY 2016, but regular oversight functions will be performed throughout the year.

Operate the Texas State History Museum: Internal Audit projects covering

processes at the Museum are not included in the FY 2016 Audit Plan. The Internal Auditor performed three audits at the Museum during FY 2012. In addition, the State Auditor performed an audit at the Museum during FY 2012. A follow-up of Internal Audit's Museum Concessions audit was performed in FY 2013. A follow-up of the TSHM Parking Garage was performed during FY 2014. An audit of TSHM Cash Handling was performed during FY 2015. A follow-up of Special Events and Facility Rental will be performed during FY 2016. In addition, oversight and review will be performed through periodic cycle counts of Concession inventory and review of Concession transactions in the Point of Sale system.

Operate Capitol Visitors Parking Garage: This process will be reevaluated during the risk assessment and preparation of the FY 2017 Audit Plan.

Provide maintenance at the Capitol: These areas will be considered during future risk assessments and Audit Plan development.

The following high risk key processes are included on the FY 2016 Audit Plan. Management concerns were considered during the development of the Audit Plan.

RK Group Contract (Includes two high risk key processes). This project is carried forward from FY 2015. The two high risk key processes identified during the risk assessment include the Capitol Grill, and the TSHM Story of Texas Café. The focus of the project will be identified during the planning process and any areas not covered will be considered during future risk assessments and Audit Plan development.

Operate Museum Concessions at the IMAX Theatre: Internal Audit performed a follow-up during FY 2013 and will review returns and inventory during FY 2015.

An additional key process that ranked as high risk during the Risk Assessment process but did not score over 300 was included on the Audit Plan based on Management concerns. This project is: SPB Cash Handling Review. This project was carried over from FY 2015.

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**RISK  
ASSESSMENT  
PROCESS FOR  
FY2016**

The Texas Internal Auditing Act requires state agencies to conduct a program of internal auditing that includes an annual audit plan prepared using risk assessment techniques and that identifies the individual audits to be conducted during the year. Additionally, the program should include periodic audits of the agency's major systems and controls, including:

- (1) accounting systems and controls;
- (2) administrative systems and controls; and
- (3) electronic data processing systems and controls.

Per the Texas Internal Auditing Act, an audit can be a financial audit, a

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compliance audit, an economy and efficiency audit, an effectiveness audit, or an investigation.

The FY 2016 Internal Audit Plan was developed from the results of a risk assessment performed on the auditable units of the SPB. Auditable units are key activities and processes performed by the agency and were determined by reviewing the agency's Strategic Plan, financial information, organization charts, applicable governing statutes and rules, previous internal audit risk assessments and plans, and by interviewing key personnel.

Internal Audit performed the risk assessment using five risk factors: (1) Impact to the Agency's Mission; (2) Control Environment; (3) Opportunity for Fraud; (4) External and Internal Interest; and (5) Impact on Net Revenue. Risks associated with contract management and any applicable information technology risks related to Title 1, Texas Administrative Code, Chapter 202, Information Security Standards were considered when evaluating the risk factors Control Environment and Opportunity for Fraud.

Internal Audit applied the five risk factors to each auditable unit. These risk factors were weighted and Internal Audit evaluated the results of the risk assessment matrix, calculated internal audit resource hours available for FY 2016, and developed the FY 2016 Internal Audit Plan, which included input from Division Directors and the Executive Director.

Internal Audit also determined that some risk coverage would be provided through on-going monitoring, follow-up reviews, and special projects, allowing for efficient use of resources.

Hours budgeted for projects are best estimates. Many unforeseeable factors can increase or decrease total hours allotted to a project.

Due to limited resource hours, Internal Audit cannot address, review, or monitor every risk. It is important that the Executive Director and the Board understand the limitations of the audit coverage and the attendant risk for areas not audited.

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**STATE PRESERVATION BOARD  
FISCAL YEAR 2016 INTERNAL AUDIT PLAN**  
For the Period September 2015 – August 2016

	Initial Allocated Hours
<b><u>Internal Audit Assurance and Consulting/Advisory Activities</u></b>	
1. Closeout of Fiscal Year 2015 Projects .....	100
2. Review of Agency Processes, Policies and Procedures .....	500
3. SPB Cash Handling Review (Carry Over From FY 2015) .....	120
4. Follow-Up of TSHM Special Events and Facility Rental (Carry Over From FY 2015) .....	100
5. Follow-Up of Hiring Process.....	100
6. RK Group Contract .....	40
7. Review Project: Cash Counts .....	40
8. Review Project: Retail Functions Including Voids and Returns.....	120
9. Review Project: TSHM Concessions .....	100
10. Reserved for Special Requests .....	194
<b><i>SUBTOTAL</i></b>	<b><i>1,414</i></b>
<b><u>Auditing Standards and Statutorily Required Internal Audit Activities</u></b>	
11. Continuing Professional Education .....	40
12. Internal Audit Annual Report.....	80
13. Annual Risk Assessment Process for 2017 .....	130
<b><i>SUBTOTAL</i></b>	<b><i>250</i></b>
<b><u>Administrative Internal Audit Activities</u></b>	
14. Administration of the Internal Audit Function .....	90
<b><i>SUBTOTAL</i></b>	<b><i>90</i></b>
 <b>Fiscal Year 2016 TOTAL BUDGETED HOURS</b>	 <b>1,754</b>

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

No external audit services were procured or were ongoing during Fiscal Year 2015.

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

The State Preservation Board has developed several mechanisms for reporting fraud to the State Auditor's Office. These mechanisms satisfy the requirements of Section 7.09, page IX-37, the General Appropriations Act (84th Legislature, Conference Committee Report), and the Texas Government Code, Section 321.022.

### **Fraud reporting per Section 7.09, page IX-37, the General Appropriations Act (84th Legislature, Conference Committee Report).**

The State Preservation Board has a link for reporting fraud, waste, and abuse to the State Auditor's Office on the Agency's website at <http://www.tspb.state.tx.us>. In addition, the SPB Human Resources Policy Manual includes information regarding internal controls, fraud investigations, employee responsibilities, complaint procedures, and reporting fraud involving state funds to the State Auditor's Office. The SPB provides fraud and ethics training to all new employees and provides refresher training every two years. The refresher training was completed during FY 2015.

### **Compliance with Texas Government Code, Section 321.022**

The SPB has established a fraud policy that includes a fraud reporting requirement and specific management and employee roles and responsibilities.

The SPB did not have any suspected fraud, waste or abuse to report to the SAO, as required by Texas Government Code, Section 321.022.