



TEXAS HISTORICAL COMMISSION

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2013

Presented to
The OPEC Committee
October 23, 2013

Prepared by
Rupert & Associates, P.C.
Certified Public Accountants
Austin, Texas

TEXAS HISTORIC COMMISSION (THC)
ANNUAL INTERNAL AUDIT REPORT – FY-2013

Table of Contents

I.	Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report and Other Audit information on Internet Web site	1
II.	Internal Audit Plan for Fiscal Year 2013.....	1
III.	Consulting Services and Non-Audit Services Completed	1
IV.	External Quality Assurance Review (Peer Review)	1
V.	Internal Audit Plan for Fiscal Year 2014.....	2
VI.	External Audit Services Procured in Fiscal Year 2013	3
VII.	Reporting Suspected Fraud and Abuse	3
	Report Distribution List	4

TEXAS HISTORIC COMMISSION (THC)
ANNUAL INTERNAL AUDIT REPORT – FY-2013

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for your governing board. The purpose of the Annual Internal Audit Report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual internal audit report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, Sections 2102.009 and 2102.0091, the annual internal audit report for fiscal year 2014 is due November 1, 2013.

I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

The Texas Historical Commission will post agency internal audit plans, internal audit annual reports, and any weaknesses or concerns resulting from the audit plan or annual report on the agency web site within 30 days after the audit plan and annual report are approved by the Texas Historical Commission. We will also post a summary of actions taken to address issues raised by the audit plan or annual report. This information will be located at www.thc.state.tx.us/about/reports/internalaudit.

II. Internal Audit Plan for Fiscal Year 2013

A list of planned audits for fiscal year 2013 included the following audits:

Audit #2013-1	Governance Audit	Completed and reported 07/31/13
Audit #2013-2	Historic Sites Risk Assessments	In process; estimate 65% complete

The second audit to assess risks at the historic sites is still underway at this time and will be reported on in FY-2014. There were no deviations from the audit plan that was previously submitted in the fiscal year 2012 Annual Internal Audit Report.

III. Consulting Services and Nonaudit Services Completed

The Internal Auditor did not perform any advisory projects which would be considered consulting engagements, as defined in *The International Standards for the Professional Practice of Internal Auditing*, and non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, that were completed during fiscal year 2013.

IV. External Quality Assurance Review (Peer Review)

An external peer review was completed on the internal audit function of the Texas Historical Commission on June 15, 2012, which found that the internal audit function at the Texas Historical Commission ‘Fully Conforms’ with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, the United States

TEXAS HISTORIC COMMISSION (THC)
ANNUAL INTERNAL AUDIT REPORT – FY-2013

General Accountability Office (GAO) *Government Accounting Standards*, and the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102).

No significant weaknesses were identified during the review that would prevent the Commission from fulfilling its responsibilities. The following opportunities for improvement were identified:

- Opportunity for Improvement 1 – Further Revise the *Internal Audit Charter* to Include Commission’s Responsibilities Pertaining to Internal Auditor Oversight

The internal auditor made a revision to the *Internal Audit Charter* to incorporate the Commission’s responsibilities regarding the selection, appointment, removal, and performance evaluation of the Internal Auditor. The revised Charter was approved and adopted.

- Opportunity for Improvement 2 – Develop an OPEC/Audit Committee Charter to Define the Committee’s Purpose, Authority and Responsibilities Related to Oversight of the Internal Audit Activity

The organizational structure of the Commission has changed in that there is no longer an Audit Committee and the internal auditor now reports to the full Commission.

V. Internal Audit Plan for Fiscal Year 2014

The FY 2014 Internal Audit Plan is risk-based, using the agency’s updated risk assessment footprint to identify areas of risk to be included in the plan. The annual risk assessment update was performed in September of 2103 by surveying management and updating the risk matrix. The areas of focus for the FY 2014 internal audit activity are:

1. IT Advisory Project to assess and advise on the risk of equipment failure
2. Property Management Audit
3. Follow up on prior year audit recommendations

Due to limited resources, not all high risk areas can be covered in any given year. Areas of high risk noted in the risk assessment, but not included in this year’s audit plan are shown on the risk footprint included with this report. If the area was previously audited, the year of the last audit is shown in parentheses.

TEXAS HISTORIC COMMISSION (THC)
ANNUAL INTERNAL AUDIT REPORT – FY-2013

The estimated time budget for FY 2014 internal audits and audit-related work is 206 hours. The estimated budget hours for each internal audit activity are as follows:

- FY 2014 Risk Assessment and Internal Audit Plan 20 hrs
- #2014-1: IT Advisory Project 75 hrs
- #2014-2: Property Management Audit 75 hrs
- FY 2014 Annual Internal Audit Report 13 hrs
- Follow Up on Prior Audit Recommendations 13 hrs
- Administrative Meetings: Board / Audit Committee / SAIAF 10 hrs

VI. External Audit Services Procured in Fiscal Year 2013

External audit services procured in fiscal year 2013 consisted of the internal audit function and a review of THC’s policies and procedures for compliance with Texas Labor Code, Chapter 21, performed by the Texas Workforce Commission’s Civil Rights Division.

VII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (83rd Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, the Texas Historical Commission has posted information on how to report suspected fraud, waste or abuse of state funds on their website, including a phone number and a link to the State Auditor’s Office. <http://www.thc.state.tx.us/policies/poldefault.shtml>

The THC’s Fraud Prevention Policy also includes information on how to report any known, alleged or suspected fraud or other illegal activities at the THC to management within the agency or directly to the State Auditor’s Office.

TEXAS HISTORIC COMMISSION (THC)
ANNUAL INTERNAL AUDIT REPORT – FY-2013

Report Distribution List

Texas Historical Commission Members

Mr. Matthew F. Kreisle, III, Chair
Mr. Thomas E. Alexander, Vice-Chair
Mr. Earl Broussard, Jr.
Mr. John W. Crain
Mr. Michael D. Donegan
Mr. August Watkins Harris, III
Mr. Steven Lee Highlander
Mr. Tom Perini
Mr. Gilbert E. “Pete” Peterson, III
Mrs. Judy Carolyn Richardson
Mr. Robert “Bob” K. Shepard, Secretary
Mrs. Nancy M. Steves
Mrs. Daisy Sloan White

Texas Historical Commission

Mr. Mark Wolfe, Executive Director
Dr. Terry Colley, Deputy Executive Director

Oversight Agencies

Kate McGrath
Governor’s Office of Budget Planning and Policy
internalaudits@governor.state.tx.us

Ed Osner
Legislative Budget Board
Ed.Osner@lbb.state.tx.us

Internal Audit Coordinator
State Auditor’s Office
iacoordinator@sao.state.tx.us

Ken Levine
Sunset Advisory Commission
sunset@sunset.state.tx.us