# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015: POSTING</td>
<td>2</td>
</tr>
<tr>
<td>THE AUDIT PLAN AND ANNUAL REPORT ON THE INTERNET</td>
<td></td>
</tr>
<tr>
<td>II. FISCAL YEAR 2019 INTERNAL AUDIT PLAN STATUS</td>
<td>2</td>
</tr>
<tr>
<td>III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED</td>
<td>2</td>
</tr>
<tr>
<td>IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)</td>
<td>3</td>
</tr>
<tr>
<td>V. INTERNAL AUDIT PLAN FISCAL YEAR 2020</td>
<td>4</td>
</tr>
<tr>
<td>VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2019</td>
<td>4</td>
</tr>
<tr>
<td>VII. REPORTING SUSPECTED FRAUD AND ABUSE</td>
<td>5</td>
</tr>
<tr>
<td>VIII. SIGNIFICANT INTERIM CHANGES</td>
<td>5</td>
</tr>
<tr>
<td>IX. REPORT DISTRIBUTION</td>
<td>6</td>
</tr>
</tbody>
</table>
October 4, 2019

The Honorable Greg Abbott, Governor
Members of the Legislative Budget Board
Members of the Sunset Advisory Commission
Internal Audit Coordinator, State Auditor

Dear Ladies and Gentlemen:

Attached is the FY 2019 Internal Audit Annual Report for the Texas Historical Commission (THC). This report is submitted in accordance with the Texas Internal Auditing Act requirement for state agency internal auditors to prepare and distribute an annual report (Government Code, Chapter 2102). THC engaged McConnell & Jones LLP (MJ) to provide internal audit services to the agency in accordance with The Texas Internal Auditing Act. MJ submits this FY 2019 Annual Internal Audit Report on behalf of the THC Commissioners.

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for their governing board. The purpose of the Internal Audit Annual Report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the Internal Audit Annual Report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, Sections 2102.009 and 2102.0091, the FY 2019 Internal Audit Annual Report is due November 1, 2019.

Please contact Odysseus Lanier at 713.968.1603 or Chairman John L. Nau, III at 512.463.5767 if you should have any questions about this audit report.

Sincerely,

Odysseus Lanier, CPA
Partner
I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015: POSTING THE AUDIT PLAN AND ANNUAL REPORT ON THE INTERNET

Texas Government Code, Section 2102.015, requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports to the agency’s internet website within 30 days of approval. Texas Government Code, Section 2102.015, also requires agencies to update the posting on the website to include a detailed summary of any weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report and include a summary of the actions taken by the agency to address the issues raised.

In accordance with requirements of Texas Government Code, Section 2102.015, McConnell & Jones LLP (MJ) will ensure the required Annual Internal Audit Plan, Internal Audit Annual Report and any other required internal audit information is provided to the Texas Historical Commission for posting to their website.

II. FISCAL YEAR 2019 INTERNAL AUDIT PLAN STATUS

McConnell & Jones LLP prepared the Fiscal Year 2019 Annual Internal Audit plan based on a comprehensive risk assessment which was approved by the THC commissioners. There were no deviations from the approved audit plan. The chart below reflects the status of the approved Internal Audit Plan as of August 31, 2019.

Fiscal Year 2019 Internal Audit Plan Status

<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
<th>Report Number</th>
<th>Report Date</th>
<th>Report Title</th>
<th>Audit Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CAPPS Financials User Access</td>
<td>19-001</td>
<td>August 31, 2019</td>
<td>CAPPS Financials User Access</td>
<td>Completed</td>
</tr>
<tr>
<td>2</td>
<td>Information Technology Policies</td>
<td>19-002</td>
<td>August 27, 2019</td>
<td>Information Technology Policies</td>
<td>Completed</td>
</tr>
<tr>
<td>3</td>
<td>Update Annual Risk Assessment &amp; Audit Plan</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Completed</td>
</tr>
<tr>
<td>4</td>
<td>Internal Audit Annual Report</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Completed</td>
</tr>
<tr>
<td>5</td>
<td>Audit Communications, Project Management</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>On-going</td>
</tr>
</tbody>
</table>

III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

Internal Audit did not provide consultative services or non-audit services to THC management during FY 2019.
IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

MJ has been a member of the AICPA since 1987 and is subject to the AICPA’s peer review process every three years. Our commitment to quality is underscored by the fact that, in our four most recent peer reviews, we have consistently received an unqualified opinion in external peer review reports on the quality of our accounting and auditing practice by the AICPA. After a thorough review of our procedures and work practices, which include reviews of our nonprofit, governmental, and commercial engagements, the reviewers concluded that MJ complies with the stringent quality control standards established by the American Institute of Certified Public Accountants. We provide a copy of our most recent peer review letter below.

Opinion

In our opinion, the system of quality control practiced by McConnell & Jones, LLP, complies with the AICPA’s peer review standards. The system has been designed and implemented with a view to the firm’s overall management of its professional services, including reviews of our nonprofit, governmental, and commercial engagements, and the reviewers concluded that MJ complies with the stringent quality control standards established by the American Institute of Certified Public Accountants. This system has been in place for the last five years and has been successfully reviewed by the AICPA.

Tucker, Stone & Company, LLP

January 31, 2018

Report of the Firm’s System of Quality Control

To the Partners

McConnell & Jones, LLP

and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of McConnell & Jones, LLP, as described in the Standards for Performing and Reporting on Peer Reviews published by the Peer Review Board of the AICPA. The system is designed to ensure that engagements are performed in accordance with applicable professional standards, if any, as well as by a peer reviewer to determine if a peer review rating.

Firm’s Responsibility

The Firm is responsible for designing a system of quality control to provide reasonable assurance that engagements are performed in conformity with applicable professional standards in all material respects. The Firm is also responsible for maintaining actions to promptly resolve any deficiencies detected or reported to the firm, as appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer’s Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance with the standards in our review.

Required Selections and Considerations

Engagements selected for review include engagements performed under Government Auditing Standards, including a compliance audit under the Single Audit Act, audits of employee benefit plans and an audit of a non-profit’s indirect costs.

As a part of our peer review, we considered whether any errors or omissions were communicated to the Firm, if any, at the end of our review. We did not find any errors or omissions.

Tucker, Stone & Company, LLP

Assurance and Compliance

March 1, 2018

McConnell & Jones, LLP

111 Main Street

Assisted by AICPA

Telephone: 404-555-1234

Fax: 404-555-1234

www.aicpa.org

With this understanding, we report the following:

We have reviewed the system of quality control for the accounting and auditing practice of McConnell & Jones, LLP, and concluded that it complies with the AICPA’s peer review standards.
V. INTERNAL AUDIT PLAN FISCAL YEAR 2020

MJ developed the Fiscal Year 2020 Annual Internal Audit Plan based on results of the annual risk assessment. The risk assessment included reviewing the agency’s strategic plan, the Legislative Appropriations Request, and policies and procedures; analyzing the agency’s financial reports; reviewing prior audit reports and findings; and conducting discussions with management. Our assessment evaluated risk exposures relating to the THC’s governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts.

MJ will conduct two audits, conduct follow-up activities related to prior audit findings, update the risk assessment, prepare the Fiscal Year 2021 Annual Internal Audit plan and prepare the Fiscal Year 2020 Annual Internal Audit Report in accordance with the Texas Internal Auditing Act. These activities are estimated to require **225 hours**. The planned audits, timing and estimated hours are summarized in the table below.

### Fiscal Year 2020 Annual Internal Audit Plan Activities

<table>
<thead>
<tr>
<th>Audit Activity #</th>
<th>Description</th>
<th>Risk Rating</th>
<th>Estimated Timing</th>
<th>Estimated Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National Register and State Antiquities Landmark Designation Processes</td>
<td>High</td>
<td>January 2020</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Texas Historic Preservation Tax Credit Program</td>
<td>High</td>
<td>March 2020</td>
<td>86</td>
</tr>
<tr>
<td>3</td>
<td>Follow-Up on Prior Audit Findings</td>
<td>Compliance</td>
<td>March 2020</td>
<td>25</td>
</tr>
<tr>
<td>4</td>
<td>Update Risk Assessment</td>
<td>Compliance</td>
<td>July 2020</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Annual Audit Plan</td>
<td>Compliance</td>
<td>July 2020</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Annual Audit Report</td>
<td>Compliance</td>
<td>August 2020</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Audit Communications, Committee Meetings, Project Management</td>
<td>N/A</td>
<td>All Year</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>225</strong></td>
</tr>
</tbody>
</table>

VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2019

External audit services procured in fiscal year 2019 consisted of internal audit services necessary to execute THC’s internal audit plan.
VII. REPORTING SUSPECTED FRAUD AND ABUSE

Texas Historical Commission has implemented measures to comply with Article IX, Section 7.10, the General Appropriations Act (81st Legislature) and Texas Government Code, Section 321.022. These measures include, but are not limited to, the following:

- The Texas Historical Commission included a link to the State Auditor’s Office website for fraud reporting at the footer of the Texas Historical Commission website.

- 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.

VIII. SIGNIFICANT INTERIM CHANGES

Interim changes to the annual audit plan may occur from time to time due to changes in management direction, objectives, business risks, timing of initiatives, and staff availability. In accordance with IIA Performance Standard 2020, MJ will communicate any significant changes of the audit plan to THC’s executive management and present these changes to the THC Commissioners for review and approval. Notification of significant changes to the Internal Audit Plan approved by the Audit Committee will be submitted to the State Auditor’s Office.

This annual internal audit report was presented to the Commissioners and approved on October 4, 2019.
IX. REPORT DISTRIBUTION

This report is being distributed to the following individuals.

**Texas Historical Commission Members**
- Mr. John Nau, III, Chair
- Mr. Earl Broussard, Jr.
- Mr. Jim Bruseth
- Ms. Monica Burdette
- Mr. John W. Crain
- Mr. Garrett Donnelly
- Ms. Renee Dutia
- Ms. Lilia Garcia
- Mr. David Gravelle
- Mr. Wallace B. Jefferson
- Ms. Laurie Limbacher
- Ms. Catherine McKnight
- Mr. Tom Perini
- Mr. Gilbert E. Peterson
- Ms. Daisy Sloan White

**Texas Historical Commission**
- Mr. Mark Wolfe, Executive Director
- Mr. Alvin Miller, Deputy Executive Director

**Oversight Agencies**
- Governor’s Office of Budget Planning and Policy
- Legislative Budget Board
- Internal Audit Coordinator, State Auditor’s Office