



An Audit Report on

# **Financial Processes at the Library and Archives Commission**

July 2016  
Report No. 16-035



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## Overall Conclusion

The Library and Archives Commission (Commission) had processes and related controls in fiscal year 2015 and the first two quarters of fiscal year 2016 to ensure that it administered financial transactions in accordance with applicable statutes, rules, and Commission policies and procedures. However, it should improve certain controls over purchasing and asset management. It also should document and consistently follow its policies and procedures for some financial processes. Specifically:

- **Purchasing.** The Commission had adequate controls over its purchasing process; however, it did not consistently (1) follow its processes related to obtaining required signatures and approvals and (2) retain required documentation to support compliance with purchasing requirements. In addition, the Commission had not fully documented its purchasing processes.
- **Asset management.** The Commission accurately reported controlled and capital assets in the State Property Accounting system; however, it did not have documented policies and procedures related to inventory management and did not retain support showing that it followed certain controls.
- **Revenues.** The Commission had processes to ensure that invoices for shared library resources, records storage, and imaging services were accurate and supported. In addition, the Commission set its rates for those services to ensure that it recovered costs, as required. However, the Commission should document its methodology for establishing its rates for records management.
- **Expenditures.** The Commission had processes to ensure that it processed expenditures in accordance with applicable rules, statutes, and Commission policies.

### Background Information

The Legislature established the Library and Archives Commission (Commission) in 1909. The Commission is responsible for providing support to public, academic, and school libraries; preserving the archival record of the State of Texas; assisting public agencies in the maintenance of their records; and meeting the reading needs of Texans with disabilities.

For fiscal years 2015 and 2016, the Commission was appropriated \$18.8 million and \$32.5 million, respectively.

Sources: The Commission and General Appropriations Acts (83rd and 84th Legislatures).

This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0132.

For more information regarding this report, please contact Courtney Ambres-Wade, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

Table 1 presents a summary of the findings in this report and the related issue rating. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters and Related Issue Ratings		
Chapter	Title	Issue Rating <sup>a</sup>
1	The Commission Had Controls Over Its Purchasing; However, It Should Consistently Comply with Processes and Document Those Processes	Medium
2	The Commission Had Controls to Protect and Report Capital and Controlled Assets; However, It Should Improve Certain Controls Over Asset Management	Medium
3	The Commission Had Adequate Processes for Its Shared Library Resources and Records Management Programs; However, It Should Document Its Methodology for Setting Billing Rates for Records Management	Low
4	The Commission Had Controls to Ensure That It Processed Expenditures in Accordance with Applicable Rules, Statutes, and Commission Policies	Low
<p><sup>a</sup> A chapter is rated Priority if the issues identified present risks or effects that if not addressed could critically affect the audited <b>entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the</b> noted concern and reduce risks to the audited entity.</p> <p>A chapter is rated High if the issues identified present risks or effects <b>that if not addressed could substantially affect the audited entity's</b> ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.</p> <p>A chapter is rated Medium if the issues identified present risks or effects that if not addressed could moderately affect the audited <b>entity's ability to effectively administer program(s)/function(s) audited. Action is</b> needed to address the noted concern and reduce risks to a more desirable level.</p> <p>A chapter is rated Low if the <b>audit identified strengths that support the audited entity's ability to administer the program(s)/functions(s)</b> audited or the issues identified do not present significant risks or effects <b>that would negatively affect the audited entity's ability to</b> effectively administer the program(s)/function(s) audited.</p>		

Auditors communicated other, less significant issues in writing to Commission management.

### ***Summary of Management's Response***

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The Commission agreed with the recommendations in this report.

### ***Audit Objective and Scope***

The objective of this audit was to determine whether selected general government agencies in the General Appropriations Act have processes and related controls to help ensure that they administer financial transactions in accordance with applicable statutes, rules, and agency policies and procedures.

The scope of this audit covered the Commission's activities related to purchasing, inventory management, expenditures, and revenues for fiscal year 2015 (September 1, 2014, through August 31, 2015) and the first two quarters of fiscal year 2016 (September 1, 2015, through February 29, 2016).

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# Detailed Results

Chapter 1

## ***The Commission Had Controls Over Its Purchasing; However, It Should Consistently Comply with Its Processes and Document Those Processes***

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**Chapter 1  
Rating:  
Medium <sup>1</sup>**

The Library and Archives Commission (Commission) had controls in place over its purchasing activities that were adequately designed to ensure compliance with applicable requirements. However, the Commission did not consistently (1) follow its processes related to required signatures and approvals and (2) retain required documentation to support compliance with purchasing requirements. In addition, the Commission had not fully documented its purchasing policies and procedures.

**The Commission's processes helped to ensure that (1) payments on purchase orders did not exceed approved purchase order totals; (2) purchases were valid, separate purchases; and (3) it appropriately selected vendors.**

For all 65 purchase orders tested, the payments were within approved purchase order amounts. Ensuring that payments do not exceed approved purchase order amounts decreases the Commission's risk of incurring inappropriate expenses. Auditors performed data analysis on selected purchases and vendors and determined that all selected purchases were valid and that the Commission followed all requirements tested for vendor selection. Ensuring that purchases are valid and following vendor selection requirements decreases the risk of making inappropriate purchases, vendor non-performance, and making purchases that are not of best value for the State.

**The Commission did not consistently (1) follow its processes related to required signatures and approvals and (2) retain required documentation. Specifically:**

For 33 (43 percent) of 77 purchase orders tested, the Commission did not ensure that it obtained all signatures indicating that transactions had been appropriately reviewed and approved. Failure to obtain required signatures and approvals increases the risk of unnecessary or inappropriate purchases and noncompliance with purchasing requirements.

In addition, for 14 (21 percent) of 68 applicable purchase orders tested, the Commission was unable to provide sufficient documentation demonstrating

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<sup>1</sup> The risks related to the issues discussed in Chapter 1 are rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

that it complied with all applicable requirements for the purchasing method used. Specifically:

- For nine purchase orders tested, the Commission was unable to provide a statement describing the benefit to the Commission, as required by its policy, for purchases of continuing professional education for staff. That increases the risk that continuing professional education courses and conferences will not benefit the Commission and the State.
- For three purchase orders tested, the Commission was unable to provide sufficient documentation to show that it followed a valid, allowable purchasing methodology. Specifically:
  - ♦ The Commission asserted that one of the three purchase orders, for \$13,088, was made using a sole source methodology; however, it was unable to provide support for its justification of a sole source purchase, as required by the *State of Texas Procurement Manual*, Section 2.15. Failure to document the justification for using a sole source methodology increases the risk of inappropriate selection of vendors and failure to obtain best value for the State.
  - ♦ The other two purchase orders were purchases of goods potentially available from the Purchasing from People with Disabilities Program (State Use Program) that the Commission made from vendors outside of that program. The Commission was unable to provide documentation showing that those purchases were allowable exceptions from the State Use Program as defined in Texas Human Resources Code, Section 122.016.
- For two purchase orders tested, the Commission was unable to provide support showing that it verified that the vendor was not suspended or debarred under Title 34, Texas Administrative Code, Section 20.105. Failure to verify a vendor's debarment status increases the risk of vendor non-performance.

For 12 (24 percent) of 50 purchase orders tested that required vendor order acceptance under Commission policy, either (1) the purchase order file was missing support showing that the Commission obtained a signature verifying the vendor's acceptance of the order prior to the date the service period began or (2) the Commission obtained the vendor's signature after the start of the service period. Failure to obtain vendor acceptance of the order prior to the start of the service period increases the risk of loss due to vendor non-performance or the receipt of goods or services that do not meet specifications.

The Commission had not fully documented its policies and procedures for purchasing.

As of February 2016, the Commission estimated that it had drafted approximately 50 percent of its purchasing policies and procedures. Fully documented policies and procedures help decrease the risk of noncompliance with applicable purchasing requirements and can help the Commission ensure that it performs purchasing in a consistent and approved manner.

#### Recommendations

The Commission should:

- Consistently follow its processes for purchasing, including obtaining all required signatures and receiving and maintaining required supporting documents for all purchases.
- Document all of its policies and procedures for purchasing.

#### Management's Response

*Management concurs. Staff have developed additional checklists to ensure processes for purchasing are followed according to agency and state policies and procedures. Internal purchasing policies and procedures will be fully updated and documented within the next 60 days.*



## The Commission Had Controls to Protect and Report Historical, Capital, and Controlled Assets; However, It Should Improve Certain Controls Over Asset Management

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Chapter 2  
Rating:  
Medium<sup>2</sup>

The Commission accurately reported historical, capital, and controlled assets in the State Property Accounting (SPA) system; however, it did not have documented policies and procedures related to inventory management and did not retain supporting documentation showing that it followed its processes for its annual physical inventory.

### Commission Assets

The Commission maintains three types of assets:

**Historical assets:** As mandated in Texas Government Code, Section 441.181, the Commission is responsible for taking legal custody of official archival records of Texas government, as well as other significant historical resources determined by the **Commission's director and librarian to be of sufficient value to warrant continued preservation.** Those assets include journals, manuscripts, maps, and photos.

**Capital assets:** This type of asset is real or personal property that has an estimated life of more than one year and a value equal to or more than the capitalization threshold established for that asset type. For this report, auditors tested a sample of equipment, which had a capitalization threshold of \$5,000.

**Controlled assets:** This type of asset is a capital asset that has a value that is lower than the capitalization threshold established for that asset type; however, due to its high-risk nature, it is tracked and reported to SPA. Those assets include computers, mobile devices, and other equipment.

Sources: The Commission and Texas Government Code, Chapter 441.

The Commission had sufficient processes to ensure that historical, capital, and controlled assets tested were properly accounted for in the SPA system and secured against loss or permanent damage (see text box for more information about those asset types).

**From fiscal year 2015 through February 2016, the Commission properly recorded in the SPA system all 23 historical assets tested that it maintained and secured against loss or permanent damage.**

**Of the 60 capital and controlled assets tested, 59 (98 percent) were properly secured. According to the Commission, the remaining asset had been disposed of, but it had not maintained a record of that disposal. Ensuring that assets are properly secured and protected, and that their disposition is accurately recorded, decreases the risk of loss or theft.**

**Of the 59 capital and controlled assets tested that could be located, 58 (98 percent) were properly affixed with inventory tags and were accurately recorded in the SPA system. The remaining asset did not have an inventory tag affixed to it.**

**Commission management stated that, due to initial concerns related to the quality of the asset, an inventory tag was not affixed when that asset first arrived in anticipation that it would be returned to the vendor. Additionally, that asset's serial number was inaccurately entered in the SPA system. The Commission did not identify that data entry error because it does not have a process to review the accuracy of asset information entered in the SPA system. Ensuring that assets have inventory tags affixed to them and that other identifying information, including serial numbers, is accurately recorded in the SPA system helps to ensure that assets are tracked and easily identified.**

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<sup>2</sup> The risks related to the issues discussed in Chapter 2 are rated as Medium because they present risks or results that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

The Commission should improve certain controls over asset management.

While the Commission had sufficient processes to ensure that historical, capital, and controlled assets tested were properly accounted for and secured against loss or permanent damage, it did not have documented policies and procedures for asset management. Having documented policies and procedures for asset management helps ensure that (1) controls in place to safeguard assets are clearly communicated to Commission staff and (2) key processes, such as an annual physical inventory, can still be appropriately performed if key personnel are unavailable.

The Commission did not maintain documentation showing the assets reviewed, discrepancies identified, and how those discrepancies were resolved during its annual inventory for fiscal year 2015. As a result, auditors were unable to determine whether the Commission performed the annual inventory as intended and in accordance with applicable requirements.

#### Recommendations

The Commission should:

- Ensure that records of disposal of assets are created and maintained.
- Ensure that assets are tagged prior to being put into service.
- Develop and implement a process to verify the accuracy of asset information entered in the SPA system.
- Document its policies and procedures for inventory management.
- Maintain documentation supporting its annual inventory process.

#### Management's Response

*Management concurs. Staff currently use the SPA manual for internal procedures and processes; however, the agency's multiple locations require agency-specific procedures and processes to ensure the agency complies with these recommendations. Internal procedures to ensure better tracking and inventory of agency property will be documented and implemented within the next 60 days.*

## *The Commission Had Adequate Processes for Its Shared Library Resources and Records Management Programs; However, It Should Document Its Methodology for Setting Billing Rates for Records Management*

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Chapter 3  
Rating:  
Low<sup>3</sup>

The Commission had processes to ensure that invoices for its shared library resources, records storage, and imaging services were accurate and supported (see text box for more information about those resources and services). In addition, the Commission set its rates for those services to

ensure that it recovered costs as required. However, the Commission should document its methodology for establishing its rates for records management.

The Commission had processes that ensured it accurately billed and accounted for revenue generated from its shared library resources and records management services.

According to the General Appropriations Act, for both the TexQuest and TexShare programs, the Commission is responsible for generating revenue in appropriated receipts<sup>4</sup> and interagency contracts. To comply with General Appropriation Act requirements, the Commission bills TexQuest and TexShare participants based on established fee rates. Likewise, the Commission bills participants for its Records Management Program to cover operating costs.

The Commission had processes that ensured that it (1) accurately calculated invoice totals for the three programs audited based on established and approved fee rates and documented billable activity and (2) accurately recorded in the Uniform Statewide Accounting System (USAS) payments it received for the three programs audited. Specifically, the Commission ensured that the 25 TexQuest invoices, the 25 TexShare invoices, and the 29 Records Management Program invoices tested were accurately calculated and based on the supported rates. In addition, the Commission also accurately recorded all of the invoices tested in USAS.

### Commission Shared Library Resources and Records Management Service

TexQuest - A shared library resource program restricted to public K-12 school districts that allows libraries to access electronic databases of published materials. According to the Commission, the program began in fiscal year 2014 and was paid for out of General Revenue during that year. The Commission began billing participants for this service in 2015. TexQuest is currently funded by a combination of General Revenue, appropriated receipts, and fees specified in interagency contracts.

TexShare - A shared library resource program restricted to Texas public and higher education libraries that allows those libraries to purchase online resources and have access to electronic materials. According to the Commission, it assumed responsibility for billing for this service in 2012 (previously, a third-party vendor was responsible for that billing). TexShare is funded by a combination of General Revenue, appropriated receipts, and fees specified in interagency contracts.

Records Management Program - This program offers state and local government entities storage of hard-copy and digital records and record-imaging services. In fiscal year 2011, the Commission transitioned from using General Revenue to pay for a portion of this program to recovering all costs associated with this program through billing state and local agencies.

Sources: **The Commission, the Commission's** legislative appropriations requests (83rd and 84th Legislatures), and General Appropriations Acts (83rd and 84th Legislatures).

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<sup>3</sup> The risks related to the issues discussed in Chapter 3 are rated as Low because they present risks or results that if not addressed do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

<sup>4</sup> The Texas Senate defines appropriated receipts as "Fees and other revenue collected for services performed by a state agency, and usually reappropriated to the agency to help recover the agency's costs for performing the services."

The Commission had processes that ensured it was effectively setting fee rates to cover necessary costs for TexQuest, TexShare, and its Records Management Program.

The Commission had an effective methodology for setting membership fee rates for TexShare and TexQuest to ensure that the rates were sufficient to meet appropriated receipts and interagency contract receipts as established in the General Appropriations Act. Specifically, the Commission appropriately set rates for TexQuest and TexShare to meet the budgeted amounts for appropriated receipts and interagency contracts without collecting large surpluses over the four years that auditors reviewed for TexShare (appropriation years 2012 through 2015) and the one year that auditors reviewed for TexQuest (appropriation year 2015).

For fiscal years 2011 through 2015, the Commission had an effective process for adjusting rates for its Records Management Program to ensure that it continued to recover costs, as required by Texas Government Code, Section 441.017. Specifically, the Commission's process was to adjust its fees annually, and those adjustments were sufficient to address any deficits or excess collections from the previous year. The Commission has the authority to move unexpended balances from one appropriation year to the next.

However, the Commission had not documented the methodology it used to calculate the fees for its Records Management Program, which increases the risk that it may not set future rates to recover costs as required. Having documented policies and procedures for setting rates helps ensure that controls to determine rates are clearly communicated to Commission staff and can still be appropriately performed if key personnel are unavailable.

#### Recommendation

The Commission should document its methodology for determining rates for its Records Management Program.

#### Management's Response

*Management concurs that the methodology for calculating fees should be more clearly outlined in documented policies and procedures. State and Local Records Management (SLRM) Division staff will provide documentation to the TSLAC Chief Operations and Fiscal Officer no later than December 16, 2016. SLRM and Administration staff will review and complete edits by February 1 to ensure policies and procedures are documented and followed for the fiscal year 2018 fee schedule calculation process.*

## *The Commission Had Controls to Ensure That It Processed Expenditures in Accordance with Applicable Rules, Statutes, and Commission Policies*

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Chapter 4  
Rating:  
Low<sup>5</sup>

The Commission had controls in place that were adequately designed to ensure that it processed expenditures in accordance with applicable rules, statutes, and Commission policies. The Commission ensured that all expenditures tested were appropriately authorized, sufficiently supported by invoices and other purchasing documents, and complied with other applicable requirements. It also verified that goods and services were received prior to payment. Specifically:

- All 27 expenditures tested were appropriately authorized, supported by invoices and purchasing documents, and coded correctly in USAS. Additionally, auditors performed data analysis and tested 24 potential duplicate transactions and determined that all 24 expenditures were valid, separate transactions.
- All 16 expenditures tested, to which the requirement applied, were made within 31 days of (1) receipt of goods or completion of services or (2) receipt of the invoice (whichever was later), as required by Texas Government Code, Section 2251.021.
- For 24 (96 percent) of 25 payments for goods and services tested, the Commission verified that it had received those goods and services prior to payment. For the remaining expenditure, the Commission did not verify that it had received the service prior to payment. Not verifying the receipt of goods and services increases the risk that payments will be made for goods and services that are not received or do not meet specifications. For that same payment, the Commission also did not verify the vendor's debarment status prior to payment, which increases the risk of vendor non-performance.

### Recommendation

To help ensure continued compliance with payment requirements, the Commission should consistently verify that it has received the goods or services and verified the vendor's debarment status prior to payment.

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<sup>5</sup> The risks related to the issues discussed in Chapter 4 are rated as Low because they present risks or results that if not addressed do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

## **Management's Response**

*Management concurs. The vendor in this instance was a local utility provider (AT&T) for telephone services at the agency's facilities in Liberty. As a result, services were not procured through normal purchasing procedures as this is the sole vendor for these services in Liberty. Vendor debarment verification normally occurs prior to issuing a final purchase order, so this step was overlooked under current procedures. The agency's accounting and purchasing teams will work together to develop the most efficient procedure to ensure compliance with the requirement for non-purchase order utility services.*

*The agency's accounting department has already implemented a procedure to ensure written verification for utility services received. This will be accomplished via email verification from the manager at the Sam Houston Center in Liberty. The invoices reviewed under this audit were for phone services (AT&T) and electricity services (City of Liberty) for the agency's facilities in Liberty.*

# Appendices

## Appendix 1

### *Objective, Scope, and Methodology*

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#### Objective

The objective of this audit was to determine whether selected general government agencies in the General Appropriations Act have processes and related controls to help ensure that they administer financial transactions in accordance with applicable statutes, rules, and agency policies and procedures.

#### Scope

The scope of this audit covered the Library and Archives Commission's (Commission) activities related to purchasing, inventory management, expenditures, and revenues for fiscal year 2015 (September 1, 2014, through August 31, 2015) and the first two quarters of fiscal year 2016 (September 1, 2015, through February 29, 2016).

#### Methodology

The audit methodology included collecting information and documentation; interviewing Commission staff regarding financial and operational processes; testing documentation related to purchasing, inventory management, expenditures, and revenue; and analyzing and evaluating the results of audit tests.

#### Sampling Methodology

Auditors selected a nonstatistical sample of 60 purchase orders through random selection. Auditors used professional judgement to select additional items for testing. Additionally, auditors performed data analysis of the population to identify selected purchases and vendors and used professional judgement to select a sample of each. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Auditors selected a nonstatistical sample of 60 capital and controlled assets and 15 historical assets through random selection. Auditors also used professional judgement to select additional items for historical asset testing. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Auditors selected a nonstatistical sample of 25 revenues received for TexShare, TexQuest, and the Commission's Records Management Program through random selection. Auditors also used professional judgement to select additional items for testing of the Records Management Program. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

Auditors selected a nonstatistical sample of 25 expenditures. Auditors also used professional judgement to select additional items for testing. Expenditures selected were related to all cost categories, excluding payroll expenses. In addition, auditors performed data analysis of the population to identify selected payments and used professional judgement to select a sample of those identified. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population.

#### Data Reliability

Auditors used expenditure and revenue information in the Uniform Statewide Accounting System (USAS). Auditors (1) relied on previous State Auditor's Office audit work on USAS and (2) reviewed the Commission's user access to USAS to determine that the data in USAS was sufficiently reliable for the purposes of this audit.

To determine the reliability of the data from the State Property Accounting (SPA) system, auditors (1) extracted the data from the SPA system, (2) performed a high-level review of data fields and contents for appropriateness, and (3) reviewed for reasonableness the Commission's reconciliation between the SPA system and capital and controlled asset information from USAS. Auditors determined that the data in the SPA system was sufficiently reliable for the purposes of this audit.

Auditors used revenue information for TexShare and TexQuest maintained in the Commission's manual tracking spreadsheets. To determine the reliability of that data, auditors (1) obtained the tracking spreadsheets in their entirety and (2) compared the information in the spreadsheets to USAS revenue data. Auditors determined that the data in those spreadsheets was sufficiently reliable for the purposes of this audit.

Auditors used purchase order information maintained in the Commission's manual purchasing database. To determine the reliability of that data, auditors (1) obtained the database in its entirety, (2) performed a high-level review of data fields and contents for appropriateness, and (3) compared the



data to USAS vendor payment information. Auditors determined that the data in that database was sufficiently reliable for the purposes of this audit.

For the Commission's Records Management Program, auditors also relied on automated calculations and data entered in the Commission's records management system, TexLinx. To determine the reliability of data in TexLinx, auditors tested (1) key automated controls to ensure that they operated as designed and (2) reviewed user access and the service organization controls audit report for the third-party vendor that maintains TexLinx and its data. Auditors determined that the data in TexLinx was sufficiently reliable for the purposes of this audit.

Information collected and reviewed included the following:

- The Commission's policies and procedures.
- Data on assets from the SPA system.
- Expenditure and revenue data from USAS.
- Purchasing data from the Commission's manual purchasing database.
- Revenue data from the Commission's manual spreadsheets.
- Commission documentation such as invoices, receiving reports, purchase vouchers, purchase orders and associated documentation, and annual physical inventory documentation.
- Information on billable activities for the Commission's Records Management Program from TexLinx.
- Published fee rate charts for TexShare, TexQuest, and the Commission's Records Management Program.

Procedures and tests conducted included the following:

- Interviewed Commission staff to identify the Commission's financial and operational processes, including financial and administrative internal controls.
- Tested documentation related to purchasing, assets, revenue, and expenditures to determine compliance with the Commission's policies and procedures and state laws and regulations.
- Performed a trend analysis of expenditures and revenues for the Records Management Program to determine whether the fee rates were sufficient to cover expenses.

- Performed a trend analysis of revenue for TexShare; TexQuest; and budgeted amounts for appropriated receipts and interagency contracts for TexShare, TexQuest, and the Commission's Records Management Program.
- Conducted a physical inventory of the Commission's assets and compared the results with information in the SPA system and the Commission's property records.

Criteria used included the following:

- Commission policies, procedures, and guidelines.
- Office of the Comptroller of Public Accounts' *State of Texas Procurement Manual*.
- Texas Human Resources Code, Chapter 122.
- Texas Government Code, Chapter 441.
- Texas Government Code, Chapter 2251.

#### Project Information

Audit fieldwork was conducted from January 2016 through June 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Anna Howe (Project Manager)
- Scott Armstrong, CGAP (Assistant Project Manager)
- Jonathan Coneby
- Michelle Lea DeFrance, CPA
- Joey Fredrick, MAcy
- Justin Sztroin
- Ann E. Karnes, CPA (Quality Control Reviewer)

- Courtney Ambres-Wade, CGAP (Audit Manager)

## Issue Rating Classifications and Descriptions

Auditors used professional judgement and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Copies of this report have been distributed to the following:

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The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Otto, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

### Office of the Governor

The Honorable Greg Abbott, Governor

### Library and Archives Commission

#### Members of the Library and Archives Commission

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Ms. Sharon T. Carr, Vice Chair

Mr. Lynwood Givens

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