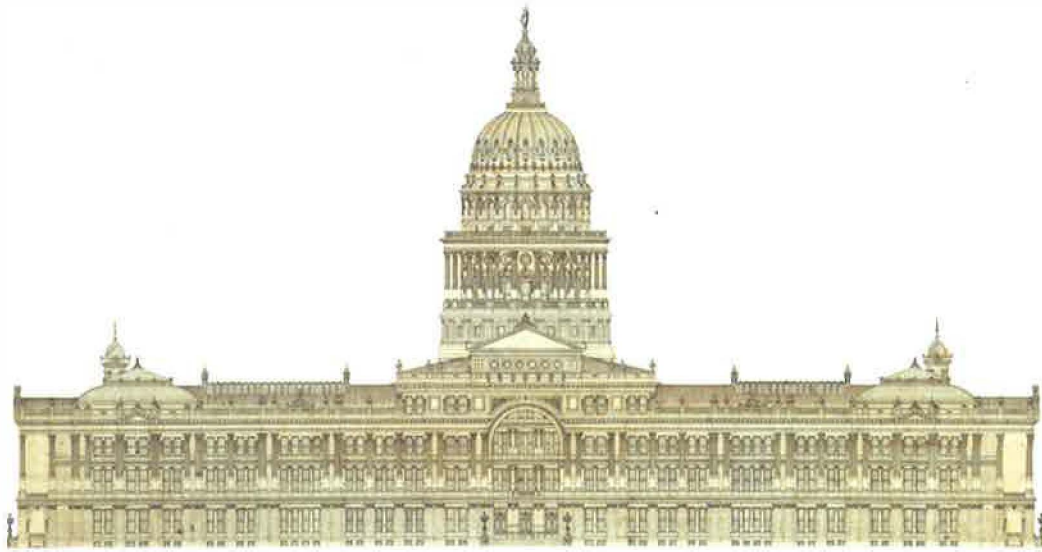


State Preservation Board



Annual Report of Internal Audit Activities Fiscal Year 2017

The Honorable Greg Abbott
The Honorable Dan Patrick
The Honorable Joe Straus
The Honorable Lois Kolkhorst
The Honorable Charlie Geren
Iris H. Moore, Citizen Board Member
Rod Welsh, Executive Director

October 26, 2017



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 Lois Kolkhorst, Texas Senate
The Honorable Charlie Geren, Texas House of Representatives
Iris H. Moore, Citizen Board Member
Rod Welsh, Executive Director

October 26, 2017

Drew DeBerry, Governor's Office of Budget, Planning, and Policy
Julie Ivie, 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 2017 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 Lois Kolkhorst, Texas Senate
The Honorable Charlie Geren, Texas House of Representatives
Iris H. Moore, Citizen Board Member
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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

TABLE OF CONTENTS

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.....	2
II.	INTERNAL AUDIT PLAN FOR FISCAL YEAR 2017	2
III.	CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES COMPLETED.....	10
IV.	EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW).....	10
V.	INTERNAL AUDIT PLAN FOR FISCAL YEAR 2018	13
VI.	EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2017	18
VII.	REPORTING SUSPECTED FRAUD AND ABUSE.....	18

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 2018 Audit Plan, as provided by Texas Government Code, Section 2102.008. The Executive Director approved the Fiscal Year 2018 Audit Plan and the Board will discuss the Audit Plan at the next Board meeting. The date for this meeting has not been determined, but the meeting will occur prior to December 31, 2017. The Fiscal Year 2018 Audit Plan will be posted on the Agency's Internet Web site within 30 days of Board approval.
- A Fiscal Year 2017 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 II, Internal Audit Plan for Fiscal Year 2017.

II. Internal Audit Plan for Fiscal Year 2017

This section of the report contains the FY 2017 Internal Audit Plan.

The Fiscal Year 2017 Audit Plan included a review of State Cemetery processes, policies, and procedures; SPB cash handling review; a follow-up of the TSHM special events and facility rentals project; and a follow-up of the hiring process project. During Fiscal Year 2017, Internal Audit completed the follow-up of the TSHM special events and facility rentals project. Internal Audit also responded to requests for information from the State Auditor's Office.

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 price adjustments and returns, and TSHM concessions returns.

The Internal Auditor was the team leader on the Texas Parks and Wildlife Department (TPWD) Internal Audit Quality Assurance Review. This project was not on the FY 2017 Audit Plan but was completed as a special project.

**STATE PRESERVATION BOARD
FISCAL YEAR 2017 INTERNAL AUDIT PLAN
For the Period September 2016 – August 2017**

	<u>Initial Allocated Hours</u>
<u>Internal Audit Assurance and Consulting/Advisory Activities</u>	
1. Closeout of Fiscal Year 2016 Projects	60
2. Review of State Cemetery Processes, Policies and Procedures	500
3. SPB Cash Handling Review (Carry Over From FY 2016)	120
4. Follow-Up of TSHM Special Events and Facility Rentals (Carry Over From FY 2016).....	100
5. Follow-Up of Hiring Process (Carry Over From FY 2016)	100
6. Review Project: Cash Counts	20
7. Review Project: Retail Functions Including Voids and Returns.....	120
8. Review Project: TSHM Concessions	120
9. Reserved for Special Requests	274
SUBTOTAL	1,414
<u>Auditing Standards and Statutorily Required Internal Audit Activities</u>	
10. Continuing Professional Education.....	40
11. Internal Audit Annual Report.....	80
12. Annual Risk Assessment Process for 2018	130
SUBTOTAL	250
<u>Administrative Internal Audit Activities</u>	
13. Administration of the Internal Audit Function	90
SUBTOTAL	90
 Fiscal Year 2017 TOTAL BUDGETED HOURS	 1,754

**AUDIT STAFF/
RESOURCES
AVAILABLE**

For FY 2017, 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.

**RISK ASSESSMENT
PROCESS FOR
FY 2017**

The FY 2017 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 2017, and developed the FY 2017 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.

**DEVIATIONS FROM
THE FISCAL YEAR
2017 AUDIT PLAN**

The following planned audits were incomplete at the end of Fiscal Year 2017 and will be completed in Fiscal Year 2018 or considered in future audit plans:

SPB Cash Handling Review: The project was begun in Fiscal Year 2017 (planning phase) and will be completed in Fiscal Year 2018.

Review of State Cemetery Processes, Policies and Procedures: The project will be performed in Fiscal Year 2018.

Follow-Up of Hiring Process: The project was begun in Fiscal Year 2017 (planning phase) and will be completed in Fiscal Year 2018.

SPECIAL PROJECTS

Review and Update of Internal Audit Policies and Procedures

Review and Update of Internal Audit Quality Assurance and Improvement Program

Team leader on the Texas Parks and Wildlife Department Internal Audit Quality Assurance Review

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.

In addition, the Internal Auditor participated in discussions and meetings regarding Springboard Retail, the Point of Sale system implemented in July/August 2016.

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.

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, the Association of Government Accountants Austin Chapter, and the Institute of Internal Auditors Austin Chapter. This provided an opportunity to remain current on topics in the fraud, government accounting, and audit professions and network with other professionals.

The Internal Auditor attended meetings of the Texas State Agency Business Administrators' Association (TSABAA). This provided an opportunity to learn about issues affecting the business operations of Texas state government.

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"> • Fully Implemented • Substantially Implemented • Incomplete/Ongoing • Not Implemented
17-201	N/A	Cash Counts	Reviewed safe counts and deposit information throughout the year and was part of any discrepancy discussions. This was a review project with no findings. No report was issued.	No issues noted.	N/A
17-202	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 report was issued.	No issues noted.	N/A
17-203	N/A	Various Management Requests	Completed. Management brought several issues to the Internal Auditor during Fiscal Year 2017, and these issues were resolved or further research was performed. A report was not issued. In addition, the Internal Auditor participated in discussions and meetings regarding Springboard Retail, the Point of Sale system which was implemented in July/August 2016. A report was not issued.	Not Applicable	N/A
17-204	N/A	Review of the Retail Function Including Voids and Returns	Completed. The Internal Auditor provided information to the Director of Retail at the end of the fiscal year. This was a review project with no findings. No report was issued.	No issues noted.	N/A
17-205	N/A	Review of TSHM Concessions	Completed. This was a review project with no findings. No report was issued.	No issues noted.	N/A

Report No.	Report Date	Report Title	Findings	Recommendations	Status of Recommendations <ul style="list-style-type: none"> • Fully Implemented • Substantially Implemented • Incomplete/Ongoing • Not Implemented
17-206	05/05/17	Follow-Up of TSHM Special Events and Facility Rental	<p>In all but one case, the comp or trade was approved by the Museum Director and the SPB Executive Director and the value of the goods or services received was comparable to or greater than the cost of the rental space.</p> <p>There are currently no formalized policies and procedures for comp or trade transactions.</p> <p>In all but one instance, the checks received in payment were deposited within the required 3 days (99 percent).</p> <p>The final payment was not always received within five business days of the event.</p> <p>The Museum does not have clear policies and procedures regarding the collection of payments, including a designation of the party responsible for monitoring and collection.</p>	<ol style="list-style-type: none"> 1. Management should obtain proper review and approval of all comps, trades and fee waivers. Documentation of this approval should be maintained in the event file. 2. Management should develop policies and procedures for the comp or trade process. 3. Wherever possible, memberships provided in a comp or trade transaction should remain with the Museum and not be assigned to individual employees. 4. Management should develop written policies and procedures for the monitoring and collection of client payments. The written policies and procedures should include an explanation of how payments are tracked. 5. Management should develop written policies and procedures to ensure that all payments are made in the time required. 6. The Facility Rentals Program should continue to track the various ways clients become aware of the rental spaces available so that the Museum's Marketing Department can utilize the information to support the growth of this revenue generating program. 7. Continued membership in industry organizations such as MPI and NEAWP should be supported, but memberships should remain the property of the Museum and not be assigned to individual employees wherever possible. 	<p>Verified during the follow-up.</p> <ol style="list-style-type: none"> 1. Incomplete/Ongoing 2. Incomplete/Ongoing 3. Incomplete/Ongoing 4. Substantially Implemented 5. Substantially Implemented 6. Implemented 7. Implemented

FY 2017 SPB Internal Audit Annual Report

Report No.	Report Date	Report Title	Findings	Recommendations	Status of Recommendations <ul style="list-style-type: none"> • Fully Implemented • Substantially Implemented • Incomplete/Ongoing • Not Implemented
17-405	Pending Approval by the Board	Fiscal Year 2018 Internal Audit Plan	Completed. Annual Risk Assessment and Internal Audit Plan development for Fiscal Year 2018. The Executive Director approved the Fiscal Year 2018 Audit Plan and the Board will discuss the FY 2018 Audit Plan at the next Board meeting. The date for this meeting has not been determined, but the meeting will occur prior to December 31, 2017.	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)
17-101	Review of State Cemetery Processes, Policies and Procedures	Verify that internal controls are in place and are operating as intended.	Incomplete. The project was carried forward to FY 2018.	500
17-102	SPB Cash Handling Review	Verify that controls are in place to safeguard assets.	Incomplete. Project planning was begun in FY 2017 and the project was carried forward to FY 2018.	120
17-207	Follow-Up of the Hiring Process	Verify that recommendations were implemented and processes are operating as intended.	Incomplete. Project planning was begun in FY 2017 and the project was carried forward to FY 2018.	100

III. Consulting Engagements and Non-audit Services Completed

During Fiscal Year 2017, 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.

IV. External Quality Assurance Review (Peer Review)

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

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.



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, CGAP, CRMA
Director of Internal Audit
Texas School for the Blind and Visually Impaired

V. Internal Audit Plan for Fiscal Year 2018

INTRODUCTION

The purpose of the Internal Audit Plan is to identify audits and other activities that will be conducted during fiscal year 2018. 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.

The Executive Director approved the Fiscal Year 2018 Audit Plan and the Board will discuss the Audit Plan at the next Board meeting. The date for this meeting has not been determined, but the meeting will occur prior to December 31, 2017.

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.

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.

**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 2018, there were 1,746 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 2018 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 2018 Audit Plan includes a review of processes, policies and procedures at the Texas State Cemetery. A contract management project will be performed as part of this review. 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 2018
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 ten 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 2018 Audit Plan as cash, inventory and ornament counts and review of various Retail functions. A major project is not planned during FY 2018, 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 2018 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 was performed during FY 2017. 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.

Manage Point of Sale System: Coverage of this high risk area is incorporated into the FY 2018 Audit Plan as part of the review of various Retail functions. In addition, the Internal Auditor participated in the evaluation of internal controls over the new Point of Sale system during the project planning and implementation phases.

Operate Capitol Visitors Parking Garage: This process will be re-evaluated during the risk assessment and preparation of the FY 2019 Audit Plan.

Provide product development for Gift Shops: Coverage of this high risk area is incorporated into the FY 2018 Audit Plan as part of the review of various Retail functions. A major project is not planned during FY 2018, but regular oversight functions will be performed throughout the year.

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

Manage Capitol Grill: A review of The RK Group contract was performed during FY 2016. In addition, a Contract Specialist was hired during FY 2016. The Contract Specialist improved contract oversight and developed processes to ensure The RK Group is properly calculating all amounts due to the SPB, is remitting payments in a timely manner, and is in compliance with the terms of the contract.

The following high risk key processes are included on the FY 2018 Audit Plan. Management concerns were considered during the development of the Audit Plan.

Operate Visitor Center at the Texas State Cemetery: This project is included on the FY 2018 Audit Plan as part of the process review at the Texas State Cemetery. 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 2018.

State Cemetery Public Information and Dissemination: This project is included on the FY 2018 Audit Plan as part of the process review at the

**RISK
ASSESSMENT
PROCESS FOR
FY2018**

Texas State Cemetery. 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.

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

The FY 2018 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 2018, and developed the FY 2018 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.

**STATE PRESERVATION BOARD
FISCAL YEAR 2018 INTERNAL AUDIT PLAN
For the Period September 2017 – August 2018**

	<u>Initial Allocated Hours</u>
<u>Internal Audit Assurance and Consulting/Advisory Activities</u>	
1. Closeout of Fiscal Year 2017 Projects	260
2. Review of State Cemetery Processes, Policies and Procedures	450
3. Review Project: Cash Counts	20
4. Review Project: Retail Functions Including Price Adjustments and Returns	80
5. Review Project: TSHM Concessions	80
6. Reserved for Special Requests	316
<i>SUBTOTAL</i>	<i>1,206</i>
<u>Auditing Standards and Statutorily Required Internal Audit Activities</u>	
7. Continuing Professional Education	40
8. Internal Audit Annual Report.....	80
9. Peer Review Coordination/SAIAF Activities	200
10. Annual Risk Assessment Process for 2019	130
<i>SUBTOTAL</i>	<i>450</i>
<u>Administrative Internal Audit Activities</u>	
11. Administration of the Internal Audit Function	90
<i>SUBTOTAL</i>	<i>90</i>
 Fiscal Year 2018 TOTAL BUDGETED HOURS	 1,746

VI. External Audit Services Procured in Fiscal Year 2017

No external audit services were procured or were ongoing during Fiscal Year 2017.

VII. 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-38, the General Appropriations Act (85th Legislature, Conference Committee Report), and the Texas Government Code, Section 321.022.

Fraud reporting per Section 7.09, page IX-38, the General Appropriations Act (85th 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.texas.gov>. 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. This training was completed during FY 2017.

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.

During Fiscal Year 2017, the SPB addressed one complaint that had been reported anonymously to the State Auditor's Office. The SPB did not have any other suspected fraud, waste or abuse to report to the SAO, as required by Texas Government Code, Section 321.022.