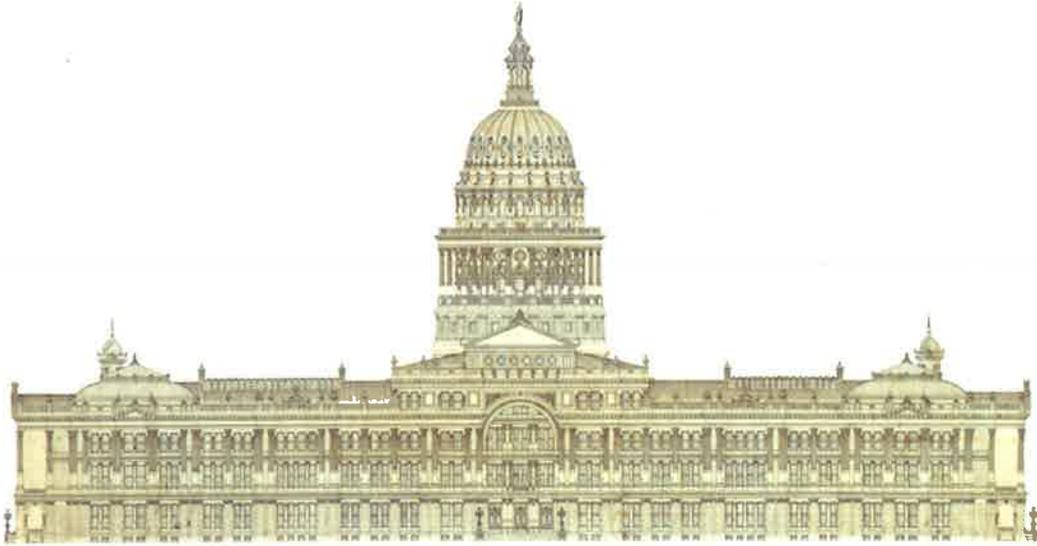


# State Preservation Board



## Annual Report of Internal Audit Activities Fiscal Year 2016

The Honorable Greg Abbott  
The Honorable Dan Patrick  
The Honorable Joe Straus  
The Honorable Kelly Hancock  
The Honorable Charlie Geren  
Iris H. Moore, Citizen Board Member  
Bob Cash, Acting Deputy Director

**October 26, 2016**



## STATE PRESERVATION BOARD

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

October 26, 2016

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 2016 in compliance with the requirements of the Texas Internal Auditing Act, Texas Government Code, Chapter 2102, and in accordance with the requirements established by the State Auditor.

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

Sincerely,

Dale Hernandez, CIA, CGAP  
Internal Auditor

cc:

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

## **Purpose**

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

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

### **Report Distribution:**

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

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## **I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site**

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

- An approved Fiscal Year 2017 Audit Plan, as provided by Texas Government Code, Section 2102.008. The Fiscal Year 2017 Audit Plan was approved by the Board on August 30, 2016, and posted on the Agency's Internet Web site on September 2, 2016.
- A Fiscal Year 2016 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 2016.

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

This section of the report contains the FY 2016 Internal Audit Plan.

The Fiscal Year 2016 Audit Plan included a review of agency processes, policies, and procedures; SPB cash handling review; a follow-up of the TSHM special events and facility rental project; a follow-up of the hiring process project; and an audit of The RK Group contract. During Fiscal Year 2016, Internal Audit completed the audit of The RK Group contract.

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

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

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

**AUDIT STAFF/  
RESOURCES  
AVAILABLE**

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

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**RISK ASSESSMENT  
PROCESS FOR  
FY 2016**

The FY 2016 Internal Audit Plan was developed from the results of a risk assessment performed on the auditable units of the SPB. Auditable units are key activities and processes performed by the agency and were determined by reviewing the agency's Strategic Plan, financial information, organization charts, applicable governing statutes and rules, 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 2016, and developed the FY 2016 Internal Audit Plan, which included input from the Executive Director. Internal Audit also determined that on-going review and special projects would provide efficient use of resources for risk coverage in conjunction with traditional audits.

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**DEVIATIONS FROM  
THE FISCAL YEAR  
2016 AUDIT PLAN**

The following planned audits were incomplete at the end of Fiscal Year 2016 and will be completed in Fiscal Year 2017 or considered in future audit plans:

SPB Cash Handling Review: The project will be performed in Fiscal Year 2017.

Follow-Up of TSHM Special Events and Facility Rental: The project will be performed in Fiscal Year 2017.

Follow-Up of Hiring Process: The project will be performed in Fiscal Year 2017.

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**SPECIAL PROJECTS**

Review and Update of Internal Audit Policies and Procedures

Review and Update of Internal Audit Quality Assurance and Improvement Program

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**MANAGEMENT  
REQUESTS**

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

In addition, the Internal Auditor participated in discussions and meetings during the planning and implementation phases of Springboard Retail, the new Point of Sale system implemented in July/August 2016.

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**CONTINUING  
EDUCATION AND  
PROFESSIONAL  
DEVELOPMENT**

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

The Internal Auditor completed one course (Federal Financial Management) and earned the Master of Accountancy in Governmental Accounting from Rutgers University. This work satisfies Continuing Professional Education requirements and enhances the Internal Auditor's knowledge of governmental accounting.

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

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

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

Report No.	Report Date	Report Title	Findings	Recommendations	Status of Recommendations <ul style="list-style-type: none"> <li>• Fully Implemented</li> <li>• Substantially Implemented</li> <li>• Incomplete/Ongoing</li> <li>• Not Implemented</li> </ul>
16-101	N/A	Review of Agency Processes, Policies and Procedures	Completed. Reviewed various agency processes, policies and procedures and presented findings and recommendations to management. No reports were issued.	Not Applicable	N/A
16-106	N/A	An Internal Audit of The RK Group Contract	Completed. The results of the audit were presented to management for use in contract negotiations. A written report was not issued.	Several recommendations were made to improve contract monitoring processes. During FY 2016, a Contract Specialist was hired. 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.	Self-reported by division. Fully implemented.
16-201	N/A	Cash Counts	Completed one cash count with no exceptions noted. This was a review project with no findings. No report was issued.	No issues noted.	N/A
16-202	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
16-203	N/A	Various Management Requests	Completed. Management brought several issues to the Internal Auditor during Fiscal Year 2016, 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 during the planning and implementation	Not Applicable	N/A

FY 2016 SPB Internal Audit Annual Report

Report No.	Report Date	Report Title	Findings	Recommendations	Status of Recommendations
			phases of Springboard Retail, the new Point of Sale system which was implemented in July/August 2016. This project involved a significant amount of time. A report was not issued.		<ul style="list-style-type: none"> <li>• Fully Implemented</li> <li>• Substantially Implemented</li> <li>• Incomplete/Ongoing</li> <li>• Not Implemented</li> </ul>
16-204	N/A	Review of the Retail Function Including Voids and Returns	Completed. The Internal Auditor provided information to the Director of Retail on a monthly basis. This was a review project with no findings. No report was issued.	No issues noted.	N/A
16-205	N/A	Review of TSHM Concessions	Completed. This was a review project with no findings. No report was issued.	No issues noted.	N/A
16-405	8/30/16	Fiscal Year 2017 Internal Audit Plan	Completed. Annual risk assessment and Internal Audit Plan development for Fiscal Year 2017.	Not Applicable	N/A

### List of Audits in Progress or Incomplete

<b>Project No.</b>	<b>Project Title</b>	<b>High-level Audit Objective(s)</b>	<b>Project Status</b>	<b>Project Budget (Hours)</b>
16-107	SPB Cash Handling Review	Verify that controls are in place to safeguard assets.	Incomplete. The project was carried forward to FY 2017.	120
16-206	Follow-Up of TSHM Special Events and Facility Rental	Verify that recommendations were implemented and processes are operating as intended.	Incomplete. The project was carried forward to FY 2017.	100
16-207	Follow-Up of the Hiring Process	Verify that recommendations were implemented and processes are operating as intended.	Incomplete. The project was carried forward to FY 2017.	100

### **III. Consulting Engagements and Non-audit Services Completed**

During Fiscal Year 2016, 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)**

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#### **REVIEW RESULTS**

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

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

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

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

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

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from outside the organization (Standards 1312).

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

The next review is due June 2018.

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

**"Pass"**

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

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



  
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Jaye Stepps, CPA, CIA, CCAF, CRMA  
Director of Internal Audit  
Texas School for the Blind and Visually Impaired

## **V. Internal Audit Plan for Fiscal Year 2017**

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### **INTRODUCTION**

The purpose of the Internal Audit Plan is to identify audits and other activities that will be conducted during fiscal year 2017. The Internal Audit Plan is developed using risk assessment techniques and methodology. The audit plan satisfies responsibilities established by Government Code, Chapter 2102, and applicable auditing standards.

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

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### **MISSION**

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

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

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

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

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### **INTERNAL AUDIT CHARTER**

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

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**AUDIT STAFF/  
RESOURCES  
AVAILABLE**

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

For FY 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.

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

The State Preservation Board Fiscal Year 2017 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 2017 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 2017  
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 2017 Audit Plan as cash, inventory and ornament counts and review of various Retail functions. A major project is not planned during FY 2017, 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 2017 Audit Plan. The Internal Auditor performed three audits at the Museum during FY 2012. In addition, the State Auditor performed an audit at the Museum during FY 2012. A follow-up of Internal Audit's Museum Concessions audit was performed in FY 2013. A follow-up of the TSHM Parking Garage was performed during FY 2014. An audit of TSHM Cash Handling was performed during FY 2015. A follow-up of Special Events and Facility Rental will be performed during FY 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 2017 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.

**Manage Capitol Grill and Story of Texas Café (Two high risk key processes):** 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.

**Operate Capitol Visitors Parking Garage:** This process will be reevaluated during the risk assessment and preparation of the FY 2018 Audit Plan.

**Provide product development for gift shops:** Coverage of this high risk area is incorporated into the FY 2017 Audit Plan as part of the review of various Retail functions. A major project is not planned during FY 2017, 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.

The following high risk key processes are included on the FY 2017 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 2017 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 2017.

**RISK  
ASSESSMENT  
PROCESS FOR  
FY2017**

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 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, 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 2017, and developed the FY 2017 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 2017 INTERNAL AUDIT PLAN  
For the Period September 2016 – August 2017**

	Initial Allocated Hours
<b><u>Internal Audit Assurance and Consulting/Advisory Activities</u></b>	
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 Rental (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
<b>SUBTOTAL</b>	<b>1,414</b>
<b><u>Auditing Standards and Statutorily Required Internal Audit Activities</u></b>	
10. Continuing Professional Education .....	40
11. Internal Audit Annual Report .....	80
12. Annual Risk Assessment Process for 2018 .....	130
<b>SUBTOTAL</b>	<b>250</b>
<b><u>Administrative Internal Audit Activities</u></b>	
13. Administration of the Internal Audit Function .....	90
<b>SUBTOTAL</b>	<b>90</b>
 <b>Fiscal Year 2017 TOTAL BUDGETED HOURS</b>	 <b>1,754</b>

## **VI. External Audit Services Procured in Fiscal Year 2016**

No external audit services were procured or were ongoing during Fiscal Year 2016.

## **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-37, the General Appropriations Act (84th Legislature, Conference Committee Report), and the Texas Government Code, Section 321.022.

### **Fraud reporting per Section 7.09, page IX-39, the General Appropriations Act (84th Legislature).**

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 2015. A current refresher training was in process at the end of FY 2016 with a target completion date of December 31, 2016.

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

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

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