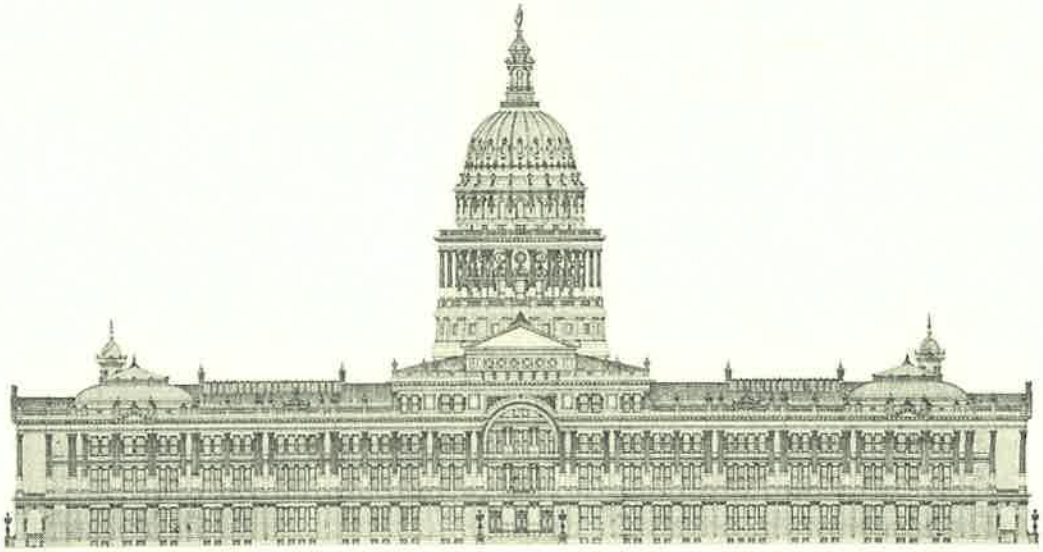
Fiscal Year 2016
Internal Audit Plan

State Preservation Board



This Internal Audit Plan was prepared by the Internal Auditor and presented to the Texas State Preservation Board.

Dale Hernandez
Internal Auditor

8-20-15
Date

This Internal Audit Plan was approved by the Texas State Preservation Board.

as designee
Chairman

8-20-15
Date

Executive Director

8/31/15
Date

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Fiscal Year 2016 Internal Audit Plan

For the Period September 2015 – August 2016

	Initial Allocated Hours
Internal Audit Assurance and Consulting/Advisory Activities	
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
SUBTOTAL	***1,414***
Auditing Standards and Statutorily Required Internal Audit Activities	
11. Continuing Professional Education	40
12. Internal Audit Annual Report	80
13. Annual Risk Assessment Process for 2017	130
SUBTOTAL	***250***
Administrative Internal Audit Activities	
14. Administration of the Internal Audit Function	90
SUBTOTAL	***90***
Fiscal Year 2016 TOTAL BUDGETED HOURS	**1,754**[1]

[1] See supporting calculations in Appendix 1.

Discussion of Proposed Engagements, Initiatives, and Activities

NOTE: The below represents an initial discussion and some preliminary scoping of proposed Internal Audit projects for Fiscal Year 2016. However, the actual scope will be determined at the time the planned project commences, and may differ from the discussion below based on an assessment of risk at that time.

Internal Audit Assurance and Consulting/Advisory Activities

1. **Closeout of Fiscal Year 2015 Projects:** Internal Audit will complete, finalize, and distribute the Contract Monitoring audit report.
2. **Review of Agency Processes, Policies and Procedures:** Internal Audit will review agency processes, policies and procedures to verify that internal controls are in place and are operating as intended.
3. **SPB Cash Handling Review (Carry Over From FY 2015):** Internal Audit will perform a review of SPB cash handling procedures to verify that controls are in place to safeguard assets.
4. **Follow-Up of TSHM Special Events and Facility Rental (Carry Over From FY 2015):** Internal Audit will perform a follow-up of TSHM Special Events and Facility Rentals to verify that recommendations were implemented and processes are operating as intended.
5. **Follow-Up of Hiring Process:** Internal Audit will perform a follow-up of the Hiring Process to verify that recommendations were implemented and processes are operating as intended.
6. **RK Group Contract:** Internal Audit will perform a review of the RK Group contract to evaluate compliance with the terms of the agreement and evaluate the efficiency and effectiveness of operations.
7. **Cash Counts:** Internal Audit will perform cash counts at the gift shops and museum to verify that controls over cash are operating as intended.
8. **Retail Review Projects:** Internal Audit will perform reviews of various Retail functions, including voids and returns recorded in the Retail Point of Sale system. Internal Audit will review for patterns and trends, and provide information to the Director of Retail. Internal Audit will also observe or review annual inventory counts at the gift shops and warehouse to verify that inventory controls are operating as intended. In addition, Internal Audit will observe, review or perform a cycle count of ornaments or selected products to verify that internal controls are operating as intended.
9. **TSHM Concessions Review:** Internal Audit will perform reviews of various Concessions functions including receiving and returns. Internal Audit will also observe inventory counts of IMAX concessions to verify that inventory controls are operating as intended.
10. **Reserved for Special Requests:** Hours are allocated for unanticipated requests for Internal Audit assistance that arise throughout the year so that the division can be responsive to the immediate needs of the Board and management. Allocated hours represent approximately 11% of total budgeted hours.

Auditing Standards and Statutorily Required Internal Audit Activities

11. **Continuing Professional Education:** Hours are allocated for ensuring compliance with requirements set forth in the Government Auditing Standards.
12. **Internal Audit Annual Report:** Hours are allocated for ensuring compliance with requirements set forth by the Texas Internal Auditing Act and professional audit standards.
13. **Annual Risk Assessment Process for Fiscal Year 2017:** Hours are allocated for ensuring compliance with requirements set forth by the Texas Internal Auditing Act and professional audit standards.

Administrative Internal Audit Activities

14. **Administration of the Internal Audit Function:** Allocated hours represent approximately 5% of total budgeted hours.

Overview

Introduction

We appreciate the opportunity to provide our vision of Internal Audit efforts at the Texas State Preservation Board (SPB) for Fiscal Year 2016. Accordingly, this plan covers the period September 1, 2015, through August 31, 2016. This document provides our Internal Audit Plan as required by professional auditing standards and *Texas Government Code §2102.008.*

The Internal Audit Division is committed to being a valuable resource in improving the agency's operations, and is proposing a plan that targets key agency responsibilities, yet builds in flexibility to allow for the Board's and management's special requests. Special requests are unanticipated requests for Internal Audit assistance that arise during the year and require immediate attention.

Purpose of Internal Auditing

The Audit Charter provides the purpose, authority, responsibilities, and professional requirements of the Internal Audit Division.

As the internal audit profession has evolved, so has the definition of our work efforts.

> *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.* [2]

Types of Internal Audit Services

Internal Audit services consist of two types of activities – assurance and consulting/advisory. In Fiscal Year 2016, Internal Audit will provide both types of services.

Assurance Activities

Internal Audit provides assurance services for the agency which are defined as objective examinations of evidence for the purpose of providing an independent assessment on risk management, control, and governance processes for the organization.

Consulting/Advisory Activities

By definition, internal auditing also includes the provision of consulting services. Consulting services are advisory client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve the organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Progressive Internal Audit departments provide additional management assistance or consulting services to their organizations. We will continue to provide representation on SPB committees and work groups as needed and requested by the Board and management. We will provide both formal and informal counsel and recommendations on management issues, concerns, and draft policies and procedures.

[2] Institute of Internal Auditors

By providing consulting or advisory activities, Internal Audit adds value to the SPB beyond assurance services. These activities are an important component of strengthening agency internal control.

Audit Plan Development

Internal Audit develops the proposed Audit Plan by first conducting a comprehensive risk assessment of the agency.

Risk Assessment

Risk assessment is a systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events. The risk assessment process provides a means of organizing and integrating professional judgments for development of the work schedule. Activities with higher risk are assigned higher audit priorities. The risk assessment process leads Internal Audit to establish audit or review work-schedule priorities which become the Internal Audit Plan.

Project Selection

Ultimately, proposed projects are selected based on management and Board input, auditor judgment, relative risk, and scope of coverage. We perform a variety of analyses to ensure appropriate coverage and strive to not duplicate efforts by external auditors. We also consider the inherent risk and likely potential scope of each project in allocating the available hours the number of projects to be scheduled for the fiscal year. Additional hours are also allocated to the administration of the Internal Audit function and to special initiatives.

In Fiscal Year 2016, Internal Audit intends to continue its efforts in examining critical areas of agency operations. In addition, Internal Audit will remain flexible to assist the Board and management with any special requests throughout the year.

Agency Mission and Philosophy

Agency Mission: The State Preservation Board preserves and maintains the Texas Capitol, the Capitol Extension, the 1857 General Land Office Building, other designated buildings, their contents and their grounds; preserves and maintains the Texas Governor's Mansion; and operates the Bob Bullock Texas State History Museum. We provide educational programs centered on Texas history, government and culture. These services benefit the citizens of Texas and its visitors.

Agency Philosophy: The State Preservation Board acts in accordance with the highest standards of achievement, accountability and ethics. We value our customers and their needs. We strive to maintain a working environment where each participant is valued and where all participants can work together positively to accomplish common and individual goals. We manage our resources wisely. We are driven by our commitment to excellence and our appreciation of the lessons of history and the value of the past as a teacher for the future.

Internal Audit plays an important role in supporting the agency's efforts toward meeting its goals and objectives. We consider the agency's mission and philosophy in each project and engagement undertaken.

Acceptable Level of Risk

While the proposed Internal Audit Plan results from our consideration of a wide-ranging scope of projects, it does not, nor does it intend to, address or provide coverage for all SPB components or systems. Our goal is to optimize our limited resources to provide reasonable coverage in the areas we believe require the most attention.

However, because we cannot address every risk area, it is important for the Board and management to understand the limitations of the audit coverage and the risks they assume in areas not audited. We believe that this plan appropriately allocates resources of the Internal Audit Division to the most important priorities and risks of the agency at this point in time.

Professional Standards

We adhere to *Government Auditing Standards,* as promulgated by the U.S. Government Accountability Office, and the *International Standards for the Professional Practice of Internal Auditing,* as promulgated by the Institute of Internal Auditors which includes the *Code of Ethics.* In addition, we conform to requirements found under the Texas Internal Auditing Act and comply with all policies and procedures of the Texas State Preservation Board.

Closing

Audit plans act as a guide for audit departments. Our plan includes proposed engagements and other initiatives to perform during the year. We have budgeted time for special requests so that we can be responsive to the immediate needs of the Board and management as they may arise throughout the fiscal year.

As discussed under "Acceptable Level of Risk", our plan does not, nor is it intended to, address or provide complete coverage for all SPB components or systems. We believe that this plan allocates the resources of the Internal Audit Division to the most important priorities and risks of the agency at this point in time.

Internal Audit wishes to thank SPB management and staff for their assistance in providing information which led to the development of this proposal. The Internal Audit Division looks forward to helping the agency meet its objectives this fiscal year. For further information on the Fiscal Year 2016 Internal Audit Plan, please contact the Internal Auditor, Dale Hernandez, at (512) 475-4975 or by email at dale.hernandez@tspb.state.tx.us .

Calculation of Available Hours

September 2015 – August 2016

Total Work Hours (One Auditor)	2,096
Less: Holidays 14 days x 1 auditor	(112)
Less: Annual and Sick Leave 11% of 2,096	(230)
TOTAL AVAILABLE HOURS	**1,754**