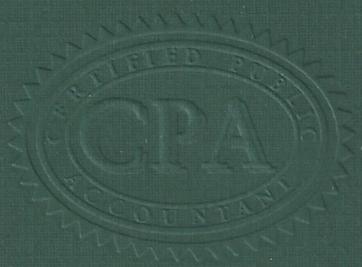


**INTERNAL AUDIT OF THE  
GRANT MANAGEMENT  
AS OF AUGUST 27, 2021**

**AT THE**

**TEXAS COMMISSION ON THE ARTS  
(REPORT NO. TCA 021-001)**



**MONDAY RUFUS & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS**



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**MONDAY RUFUS & CO., P.C.**  
Certified Public Accountants & Advisors

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Commissioners  
Texas Commission on the Arts  
Austin, Texas

Dear Commissioners

We have conducted an internal audit (audit) of the Grant Management at the Texas Commission on the Arts (TCA) as of August 27, 2021. Our objectives were to determine the reliability and integrity of information, compliance with policies, procedures, laws, and regulations, efficiency and effectiveness of operating procedures, and safeguarding of assets.

The results of our tests disclosed that, generally, the Commission has controls in place to ensure the reliability and integrity of information, compliance with policies, procedures, laws, and regulations, efficiency and effectiveness of operations and programs, and safeguarding of assets.

The report that accompanies this letter summarizes our comments.

We appreciate the courtesy and cooperation shown by the management of the TCA during the course of the audit engagement.

*Monday Rufus & Co., P.C.*

August 27, 2021  
Austin, Texas

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## Executive Summary

Texas Commission on the Arts was created by the Texas Legislature in 1965 and operates under the statutory authority of V.T.C.A. Government Code Chapter 444.

The mission of the TCA is to advance our state economically and culturally by investing in a creative Texas. TCA supports a diverse and innovative arts community in Texas, throughout the nation and internationally by providing resources to enhance economic development, arts education, cultural tourism and artist sustainability initiatives.

TCA awards grants for building the economy and creative industries; enhancing education through arts and culture; and growing cultural tourism opportunities. Additionally, TCA serves as a catalyst in advancing leadership in arts and culture in the state and nation by providing information and assistance to arts and cultural industries and organizations and the public.

For fiscal years 2020 and 2021 the General Appropriations Act authorized a budget of \$16,443,038 and \$11,493,038, respectively, with 14 full-time equivalent (FTEs) employees for each year. The TCA's operating budget is prepared and approved by the Commissioners on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature. In Fiscal Year 2020, TCA awarded a total of \$15,925,346 in grants. This amount included a total of \$1,696,000 received from the National Endowment for the Arts. **Appendix 3** shows a schedule of grant awards by cities.

At the time of the audit engagement the TCA had 14 full-time employees.

A nine-member Commission governs the TCA agency. The Commissioners are appointed by the Governor with the advice and consent of the Senate. Members must represent a diverse cross-section of the fields of the arts and be widely known for their professional competence and experience in connection with the arts. At least two members must be residents of a county with a population of less than 50,000. Members of the Commission serve staggered terms of six years. The Chair of the Commission is appointed by the Governor. Commission officers are elected by Commission members and serve at the pleasure of their peers.

The Commissioners appoint an Executive Director who supervises the TCA's activities.

The TCA is divided into two divisions reporting directly to the Executive Director: Finance and Programs and Technology.

The Program & Technology Department is responsible for the grant management functions for the TCA. The Director of Program & Technology who reports to the Executive Director oversees the grant programs and information technology functions.

The Executive Director is the final authority regarding personnel matters of the Agency, except for actions related to that office.

## **Summary of Internal Audit Results**

The TCA has controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, regulations, efficiency and effectiveness of operations and programs, and safeguarding of assets.

There were no deficiencies detected in the audit of the Texas Commission on the Arts that are significant to the objectives of this audit. Any insignificant issues noted have been communicated to the management of the TCA as required by *Government Auditing Standards*.

## **Audit Objectives and Results**

The primary objectives of the internal audit were:

1. Reliability and Integrity of Information
2. Compliance with Policies, Procedures, Laws, and Regulations
3. Efficiency and Effectiveness of Operating Procedures
4. Safeguarding of Assets

### **AUDIT RESULTS**

#### **Internal Audit Objective 1: Reliability and Integrity of Information.**

All grantees must submit a complete report that details the use of funds, income sources, an assessment of activities, and the statistical outcomes of the program or project, including one or two quality images, thirty days after contract ending date.

All transactions tested were successfully traced to supporting documentation

Staff members review all grants and award points on the success of a program based on the information submitted on the reports.

Also, staff members periodically conduct financial reviews and programmatic on-site visits with constituents

#### **Internal Audit Objective 2: Compliance with Policies, Procedures, Laws, and Regulations.**

TCA staff reviews all grant applications for completeness and compliance with certain eligibility criteria. Eligible grant applications are reviewed and evaluated by evaluation panels that provide expert guidance so that the Commission can make objective decisions in awarding grants. TCA has four grant processes for the evaluation panel to evaluate grant applications: Multi-Year, Annual, Semi-Annual and Quarterly. Based on final scores and rankings of all grant applications, and available funds, staff develop funding recommendations for approval by the Commissioners. TCA has a policy that allows Commissioners to abstain from voting based on a conflict of interest.

One of the conditions to which organizations agree in accepting a Texas Commission on the Arts grant is to assure that their programs and the facilities in which their programs are presented are accessible to people with disabilities.

### **Internal Audit Objective 3: Efficiency and Effectiveness of Operations and Programs**

TCA has established a complaint procedure to ensure that constituents are assisted as efficiently as possible.

Applicants whose proposals were rejected could appeal to the Commission for reconsideration. The applicants who believe their proposals for funding or approval were rejected may appeal to the Commission for reconsideration using the TCA Appeal Form.

TCA staff accepts draft grant applications for review and comment up to two weeks before the deadline. The staff role is to assist the applicants in making the best presentation for funding.

Grantees are required to certify correctness of their reports by signing and mailing signature pages of their reports and expense ledger to TCA after filing the reports online.

All grant recipients are required to contact their state representative and state senator to share news about their grant award and thank them for making these funds available.

### **Internal Audit Objective 4: Safeguarding of Assets**

The Commission's decisions are based on the availability of funds, the merits of the application, and ongoing assessment of the needs of the field.

Payments are contingent upon the satisfactory completion of TCA requirements which may include submission of a revised budget, submission of fully executed contracts, receipts, completed report forms for current or past grant awards, copies of legislative thank you letters, and satisfactory completion of TCA site visit action items.

## **Appendix 1**

### **Objective and Scope**

#### **Objective**

The primary objectives of the internal audit were to determine the following:

- *Reliability and Integrity of Information*
- *Compliance with Policies, Procedures, Laws, and Regulations*
- *Efficiency and Effectiveness of Operating Procedures*
- *Safeguarding of Assets*

#### **Scope**

The scope of the internal audit (audit) included ensuring compliance with the Texas Government Code, Texas Comptroller of Public Accounts Uniform Grant Management Standards, General Appropriations Act, Strategic Plan 2019-2023, TCA Guide to Programs and Services, and operating policies and procedures. The scope also included review and analysis of grant awards for fiscal year 2020. In addition, we tested some attributes on a sample of grant applications, and reviewed grant applications, grant awards, and other documents and records that are relevant to our audit objectives.

#### **Methodology**

Our procedures included collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests; reviewing operating policies and procedures, laws, and regulations, testing for compliance with policies, procedures and laws, and review of other pertinent reports and documentation.

#### **Data Reliability, Completeness and Sampling Methodology**

The internal auditors determined population completeness and reasonableness by gaining an understanding of the controls in place within automated systems used in generating data; evaluated the controls and performed procedures necessary to assure reliability and integrity of data. Selected and tested a random sample of grant applications and other pertinent documents. Those sample sizes were not necessarily representative of the population as the intent was not to project test results to the population.

#### **Information collected and reviewed included the following:**

- Grant policies and procedures manual.
- Spreadsheet of all grant awards made and received, including name, address, type, and amount.
- List of agencies employees responsible for grant management.

- TCA Annual Financial Report for Fiscal Year Ended August 31, 2020
- TCA Website (<https://arts.texas.gov>)
- Agency's Approved Budget for Fiscal Year 2020 and 2021
- Agency Strategic Plan for Fiscal Years 2021-2025
- State Auditor's Office Audit Reports [www.sao.state.tx.us](http://www.sao.state.tx.us)
- Texas Comptroller of Public Accounts Uniform Grant Management Standards
- Limited Scope Audit conducted by the National Endowment for the Arts
- System for award management at <https://www.sam.gov>
- Texas Government Code Section 2155.077
- Texas Administrative Code 34.TAC.20 Subchapter G
- Texas Government Code Chapter 444

Procedures and tests conducted included the following:

- Obtained an understanding of the grant management process and controls in place.
- Researched the State Auditor's Office report system for any TCA audit reports issued within the last three years for any pertinent audit findings.
- Reviewed the TCA Annual Financial Report for year ended August 31, 2020 for information and an understanding of the agency's grant management process.
- Inquired regarding legislative changes or potential changes in agency administrative processes which have had or may have an impact on the grant management process.
- Obtained and reviewed the TCA's grant management policies and procedures manual.
- Obtained list of all TCA grant management personnel involved in the process to test for proper authorizations and controls during the processing of awards and disbursements.
- Spreadsheet of all grant awards made and received, including name, address, type, and amount. Selected a sample and tested for certain attributes.
- Reviewed the Comptroller of Public Accounts Uniform Grant Management Standards and selected requirements that were significant to the objectives of audit.

Criteria Used included the following:

- TCA policies and procedures manual for grant management process.
- Comptroller of Public Accounts Uniform Grant Management Standards
- System for award management at <https://www.sam.gov>
- Texas Government Code Section 2155.077
- Texas Administrative Code 34.TAC.20 Subchapter G
- Review of other pertinent reports and documents

### **Other Information**

Our audit was conducted in accordance with *generally accepted government auditing standards*. These 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 internal audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our internal audit objectives. Our internal audit also conforms with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*.

## **Appendix 2**

### **Background Information**

Texas Commission on the Arts was created by the Texas Legislature in 1965, and operates under the statutory authority of V.T.C.A. Government Code Chapter 444.

#### The TCA's Mission

The mission of the TCA is to advance our state economically and culturally by investing in a creative Texas. TCA supports a diverse and innovative arts community in Texas, throughout the nation and internationally by providing resources to enhance economic development, arts education, cultural tourism and artist sustainability initiatives.

The TCA is guided by the following:

#### **Core values:**

- Accountability for public investment
- Efficiency in the delivery of core functions and services
- Effective and accessible programs available to the diverse population and geography of Texas
- Excellent customer service for all constituents
- Transparency in all agency operations

#### **Goals:**

1. Building the economy and creative industries
2. Enhancing education through arts and culture
3. Growing cultural tourism opportunities
4. Advancing leadership in arts and culture in the state and nation

To carry out its mission, the TCA has appropriations approval to hire 14 positions. The Commission is composed of nine members appointed by the Governor with the advice and consent of the Senate. Members must represent a diverse cross-section of the fields of the arts and be widely known for their professional competence and experience in connection with the arts. At least two members must be residents of a county with a population of less than 50,000. Members of the Commission serve staggered terms of six years. The Chair of the Commission is appointed by the Governor. Commission officers are elected by Commission members and serve at the pleasure of their peers.

TCA's operating budget is prepared and approved by the Commissioners on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature. The Commission's departments consist of the Executive, Programs & Technology, and Finance. Each department head reports to the Executive Director.

**Appendix 3**

**TEXAS COMMISSION ON THE ARTS  
SCHEDULE OF GRANT AWARDS BY CITIES  
FISCAL YEAR 2020**

#	City	Grant Amount	#	City	Grant Amount
1	Flower Mound	\$ 5,000,000	37	Kansas City, MO	\$ 25,000
2	Houston	\$ 3,108,028	38	Lufkin	\$ 23,697
3	Dallas	\$ 1,656,506	39	Marshall	\$ 23,474
4	Austin	\$ 1,110,192	40	Seguin	\$ 23,224
5	Fort Worth	\$ 912,933	41	Irving	\$ 22,723
6	San Antonio	\$ 563,996	42	Mount Vernon	\$ 22,008
7	Arlington	\$ 346,031	43	Conroe	\$ 18,926
8	El Paso	\$ 315,363	44	Victoria	\$ 18,750
9	Lubbock	\$ 266,232	45	Del Rio	\$ 18,723
10	San Angelo	\$ 237,934	46	Sherman	\$ 18,223
11	Abilene	\$ 187,934	47	Lewisville	\$ 17,872
12	Galveston	\$ 176,988	48	Katy	\$ 16,522
13	Amarillo	\$ 147,272	49	Fredericksburg	\$ 16,285
14	Corpus Christi	\$ 125,817	50	Round Rock	\$ 16,224
15	Canadian	\$ 101,361	51	Kingwood	\$ 16,223
16	Waco	\$ 84,678	52	Kilgore	\$ 14,862
17	Plano	\$ 77,730	53	McAllen	\$ 14,848
18	Marfa	\$ 70,159	54	Richardson	\$ 14,724
19	McKinney	\$ 57,223	55	Georgetown	\$ 14,585
20	Denton	\$ 57,177	56	Wimberley	\$ 14,362
21	Beaumont	\$ 47,207	57	Garland	\$ 14,223
22	College Station	\$ 45,423	58	New Braunfels	\$ 13,421
23	Tyler	\$ 44,586	59	Canyon	\$ 12,223
24	Kerrville	\$ 42,209	60	Texarkana	\$ 12,112
25	Wichita Falls	\$ 38,672	61	Graham	\$ 12,000
26	Rockport	\$ 31,362	62	Brenham	\$ 11,723
27	Midland	\$ 28,784	63	Crockett	\$ 11,612
28	Round Rock	\$ 28,223	64	Bastrop	\$ 10,581
29	Frisco	\$ 28,223	65	Waxahachie	\$ 9,930
30	Allen	\$ 26,933	66	Addison	\$ 9,862
31	Longview	\$ 26,446	67	Bedford	\$ 9,703
32	La Grange	\$ 26,399	68	Corsicana	\$ 9,022
33	Temple	\$ 26,373	69	Mansfield	\$ 8,862
34	San Marcos	\$ 25,599	70	Mineola	\$ 8,861
35	Spring	\$ 25,587	71	Coppell	\$ 8,861
36	Odessa	\$ 25,223	72	Smithville	\$ 8,331

**SCHEDULE OF GRANT AWARDS BY CITIES (CONT'D)**  
**FISCAL YEAR 2020**

#	City	Grant Amount	#	City	Grant Amount
73	Stephenville	\$ 7,502	108	Angleton	\$ 3,000
74	Ingram	\$ 7,362	109	Carthage	\$ 2,971
75	Columbus	\$ 7,361	110	Fayetteville	\$ 2,818
76	Marble Falls	\$ 7,233	111	Eden	\$ 2,700
77	Canyon Lake	\$ 6,975	112	Orange	\$ 2,684
78	Ennis	\$ 6,961	113	Huntsville	\$ 2,525
79	Mesquite	\$ 6,870	114	Elgin	\$ 2,475
80	Sunset Valley	\$ 6,274	115	Clifton	\$ 2,129
81	Killeen	\$ 6,238	116	Palacios	\$ 1,860
82	Bulverde	\$ 5,908	117	Magnolia	\$ 1,800
83	Kingsbury	\$ 5,862	118	Wellington	\$ 1,682
84	Paris	\$ 5,861	119	Salado	\$ 1,650
85	Decatur	\$ 5,786	120	Keller	\$ 1,650
86	North Richland Hills	\$ 5,674	121	Friendswood	\$ 1,650
87	Blanco	\$ 5,582	122	El Lago	\$ 1,623
88	League City	\$ 5,575	123	Livingston	\$ 1,605
89	Tomball	\$ 5,500	124	Bandera	\$ 1,500
90	Sugar Land	\$ 5,000	125	Colorado City	\$ 1,484
91	Harlingen	\$ 5,000	126	Pflugerville	\$ 1,462
92	Grand Prairie	\$ 4,862	127	Archer City	\$ 1,406
93	Cottonwood Shores	\$ 4,862	128	Mason	\$ 1,404
94	Lake Jackson	\$ 4,861	129	Goldthwaite	\$ 1,404
95	Uvalde	\$ 4,825	130	Bee Cave	\$ 1,404
96	Bryan	\$ 4,676	131	Del Valle	\$ 1,400
97	The Woodlands	\$ 4,650	132	Seminole	\$ 1,386
98	Cedar Hill	\$ 4,523	133	Emory	\$ 1,373
99	Stafford	\$ 4,500	134	Mission	\$ 1,350
100	Port Isabel	\$ 4,500	135	Universal City	\$ 1,335
101	Cedar Park	\$ 4,071	136	Monahans	\$ 1,296
102	Kyle	\$ 4,000	137	Southlake	\$ 1,250
103	Palestine	\$ 3,861	138	Humble	\$ 1,189
104	Wellington	\$ 3,750	139	Eules	\$ 1,125
105	Greenville	\$ 3,750	140	Buda	\$ 1,113
106	Liberty Hill	\$ 3,470	141	Nacogdoches	\$ 1,000
107	Clute	\$ 3,362	142	Beeville	\$ 1,000

**SCHEDULE OF GRANT AWARDS BY CITIES (CONT'D)**  
**FISCAL YEAR 2020**

#	City	Grant Amount	#	City	Grant Amount
143	Leander	\$ 962	158	Hutto	\$ 500
144	La Marque	\$ 873	159	George West	\$ 500
145	Richland Hills	\$ 837	160	Henrietta	\$ 475
146	Brownsboro	\$ 800	161	Ballinger	\$ 475
147	Pasadena	\$ 790	162	Taylor	\$ 375
148	Seymour	\$ 770	163	Haltom City	\$ 350
149	Melissa	\$ 767	164	Hillsboro	\$ 340
150	Schulenburg	\$ 750	165	Athens	\$ 297
151	Needville	\$ 669	166	Henderson	\$ 250
152	Floresville	\$ 660	167	Medina	\$ 235
153	Hewitt	\$ 647	168	Hearne	\$ 225
154	Nevada	\$ 600	169	Cleburne	\$ 225
155	Danbury	\$ 587	170	Celina	\$ 200
156	Hitchcock	\$ 542			
157	Groesbeck	\$ 510		<b>TOTAL</b>	<b>15,925,346</b>

## **Appendix 4**

### **Report Distribution**

As required by Gov't Code 2102.0091 copies of this report should be filed with the following:

#### **Governor's Office of Budget and Planning**

Attn: Sarah Hicks

Phone: (512) 463-1778

Budgetandpolicyreports@gov.texas.gov

#### **Legislative Budget Board**

Attn: Christopher Mattsson

Phone: (512) 463-1200

Audit@lbb.state.tx.us

#### **State Auditor's Office**

Attn: Internal Audit Coordinator

Phone: (512) 936-9500

iacoordinator@sao.texas.gov

#### **Texas Commission on the Arts Commissioners**

Dale W. Brock, Chairman

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#### **Texas Commission on the Arts**

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