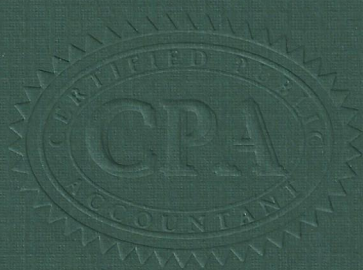


**INTERNAL AUDIT OF
THE PERFORMANCE MEASURES REPORTING**

AT THE

**TEXAS COMMISSION ON THE ARTS
(REPORT NO. TCA 023-001)**



MONDAY RUFUS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS



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

Commissioners
Texas Commission On The Arts
Austin, Texas

Dear Commissioners

We have conducted an internal audit (audit) of the Performance Measures Reporting (Measures) at the Texas Commission on the Arts for the fiscal year ended 2021. Specifically, our internal audit was limited to the following Key Measures:

- Outcome: Percentage of Grants Funded for Arts Education
- Outcome: Number of Artists Compensated for TCA Texas Touring Roster Performances
- Outcome: Number of Texas Cities in Which Organizations Received TCA Grants
- Output: Number of Grants that Promote Cultural Tourism

The report that accompanies this letter summarizes our comments and observations. We appreciate the courtesy and cooperation the management of the commission showed during the course of the engagement.

Monday Rufus & Co., P.C.

May 9, 2023
Austin, Texas

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Executive Summary

Performance Measures are an essential part of the State's Strategic Planning and Performance Budgeting System, which combines strategic planning, performance budgeting, and performance monitoring into the appropriations process which are used as a resource in making state funding decisions based on whether state agencies are accomplishing expected results.

The Internal Auditor is assessing the accuracy and related internal controls of the following reported performance measures so that the Governor, Legislature and TCA's Governing Body can determine to what extent they can rely on reported performance when making decisions:

- Outcome: Percentage of Grants Funded for Arts Education
- Outcome: Number of Artists Compensated for TCA Texas Touring Roster Performances
- Outcome: Number of Texas Cities in Which Organizations Received TCA Grants
- Output: Number of Grants that Promote Cultural Tourism

Using the Guide to Performance Measure Management (2012 Edition) published by the State Auditor's Office, we performed audit tests to determine the accuracy of the reported performance measure results and controls in place over the collection and reporting of the aforementioned measures. Each measure audited falls into one of the following categories.

- **Certified.** Reported performance is accurate within +/-5 percent, and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.
- **Certified with Qualifications.** Reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but the deviation caused less than +/-5 percent difference between the number reported to ABEST and the correct performance measure result.
- **Inaccurate.** Reported actual performance is +/-5 percent or greater than the reported performance, or when there is a +/-5 percent or greater error rate in the sample of documentation tested. A measure is also inaccurate if the agency's calculation deviated from the measure definition and caused a +/-5 percent or greater difference between the number reported to ABEST and the correct performance measure result.
- **Factors Prevent Certification.** If documentation is unavailable and controls are not adequate to ensure accuracy. This designation is also used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result.

Summary of Internal Audit Results

Outcome: Percentage of Grants Funded for Arts Education

The result is **Certified**. The reported performance measure is accurate within +/-5 percent and the agency has adequate controls in place to ensure the accuracy for the collection and reporting of the performance measure data.

Outcome: Number of Artists Compensated for TCA Texas Touring Roster Performances

The result is **Certified**. The reported performance measure is accurate within +/-5 percent and the agency has adequate controls in place to ensure the accuracy for the collection and reporting of the performance measure data.

Outcome: Number of Texas Cities in Which Organizations Received TCA Grants

The result is **Certified**. The reported performance measure is accurate within +/-5 percent and the agency has adequate controls in place to ensure the accuracy for the collection and reporting of the performance measure data.

Output: Number of Grants that Promote Cultural Tourism

The result is **Certified**. The reported performance measure is accurate within +/-5 percent and the agency has adequate controls in place to ensure the accuracy for the collection and reporting of the performance measure data.

Detailed Observations

Outcome: Percentage of Grants Funded for Arts Education

The TCA had adequate controls in place over the input, processing, and review of performance data, and those controls were operating effectively to ensure the TCA calculated and reported the performance measure data accurately.

Results Reported in the Automated Budget and Evaluation System of Texas (ABEST): The Percentage of Grants Funded for Arts Education was 13.22% which was reported in ABEST accurately within +/-5 percent.

Results: Certified
Reported performance is accurate within plus or minus 5 percent of actual performance and it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

Based on the auditor's tests of supporting documentation and recalculations of the performance data the performance measure result reported is accurate within +/- 5 percent. Controls appear to be in place to ensure accuracy for collecting, calculating, and reporting performance data. As a result, this measure is **Certified**.

Outcome: Number of Artists Compensated for TCA Texas Touring Roster Performances

The TCA had adequate controls in place over the input, processing, and review of performance data, and those controls were operating effectively to ensure the TCA calculated and reported the performance measure accurately.

Results Reported in the Automated Budget and Evaluation System of Texas (ABEST): Number of Artists Compensated for TCA Texas Touring Roster Performances was 659 which was reported accurately within +/-5 percent.

Results: Certified
Reported performance is accurate within plus or minus 5 percent of actual performance and it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

Based on the auditor's tests of supporting documentation and recalculations of the performance data the performance measure result reported is accurate within +/- 5 percent. Controls appear to be in place to ensure accuracy for collecting, calculating, and reporting performance data. As a result, this measure is **Certified**.

Outcome: Number of Texas Cities in Which Organizations Received TCA Grants

The TCA had adequate controls in place over the input, processing, and review of performance data, and those controls were operating effectively to ensure the TCA calculated and reported the performance measure accurately.

Results Reported in the Automated Budget and Evaluation System of Texas (ABEST): The Number of Texas Cities in which Organizations Received TCA Grants reported in ABEST totaled 143 which were reported in ABEST accurately within +/-5 percent.

Results: Certified

Reported performance is accurate within plus or minus 5 percent of actual performance and it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

Based on the auditor’s tests of supporting documentation and recalculations of the performance data the performance measure result reported is accurate within +/- 5 percent. Controls appear to be in place to ensure accuracy for collecting, calculating, and reporting performance data. As a result, this measure is **Certified**.

Output: Number of Grants that Promote Cultural Tourism

The TCA had adequate controls in place over the input, processing, and review of performance data, and those controls were operating effectively to ensure the TCA calculated and reported the performance measure accurately.

Results Reported in the Automated Budget and Evaluation System of Texas (ABEST): The Number of Grants that Promote Cultural Tourism reported in ABEST were 136, 2, 6, and 2, for first quarter, second quarter, third quarter, and fourth quarter, respectively, were reported in ABEST accurately within +/- 5 percent.

Results: Certified

Reported performance is accurate within plus or minus 5 percent of actual performance and it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

Based on the auditor’s tests of supporting documentation and recalculations of the performance data the performance measure result reported is accurate within +/- 5 percent. As a result, this measure is **Certified**.

Appendix 1

Objective and Scope

Objective

The objectives of this 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

Our audit scope included four key performance measures the TCA reported for fiscal year 2021.

- (1) Outcome: Percentage of Grants Funded for Arts Education
- (2) Outcome: Number of Artists Compensated for TCA Texas Touring Roster Performances
- (3) Outcome: Number of Texas Cities in Which Organizations Received TCA Grants
- (4) Output: Number of Grants that Promote Cultural Tourism

We also reviewed each measure to determine if the TCA is reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST) and has adequate controls (manual and/or electronic, as appropriate) in place over the collection, calculation, and reporting of its performance measures. Our procedures included interviews with the appropriate staff, review of the TCA's Performance Measures policies and procedures, reviewing and using the Guide to Performance Measurement (March 2012 Edition) published by the State Auditor's Office, review of agency's operating policies and procedures, laws, and regulations, and testing of compliance with these operating policies and procedures, laws, and regulations.

Methodology

The audit methodology consisted of auditing reported results for accuracy and adherence to performance measure definitions, evaluating controls over the TCA's performance measure calculation processes and related information systems, testing of original source documentation, and assessing the reliability of the data obtained from the TCA's information systems that support the performance measure data.

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 by TCA in generating summary data for all four key performance measures and other measures. We also reviewed results of Service Organization's Systems (SOC1 and SOC2) reports issued by external professional bodies, evaluated the controls and performed procedures deemed necessary to determine reliability and integrity of data. We selected and tested a random sample of transactions and traced them to supporting documentation.

Information collected and reviewed included the following:

- Performance measure data stored in the TCA's information systems, performance measure worksheets and supporting documentation.
- Supporting documentation retained in hard copy for all four key performance measures tested.
- Information technology system quarterly and annual performance measures reports.
- TCA written policies and procedures for the collection, calculation, review, approval, and reporting of performance measures.
- Quarterly and annual performance measures reports and supporting documentation reviewed and approved by designated department heads and approved by executive management.
- SOC 1 and 2 Reports (2019 & 2022)
- External Network Penetration Test Report (2022)
- Responses to auditors' questionnaire
- TCA Website (<https://arts.texas.gov>)
- TCA Annual Financial Report for Fiscal Year Ended August 31, 2021
- Agency Overview
- Data Back-up test
- Overview of TCA's database management system
- Agency's Approved Budget for Fiscal Years 2022 and 2023

- Agency's Strategic Plan for Fiscal Years 2023-2027

Procedures and tests conducted included the following:

- Obtained an understanding of the processes for collecting, processing, and reporting data into the ABEST.
- Researched the State Auditor's Office report system for any TCA audit reports related to Performance Measures Reporting within the last three years for any audit findings.
- Review of the Guide to Performance Measure Management (2012 Edition) published by the State Auditor's Office.
- Interviewing TCA's staff to gain an understanding of the processes used to document, calculate, and report performance measures.
- Selected Performance Measures as per Risk Assessment and Audit Plan for fiscal year 2023.
- Selected the TCA's four key performance measures listed in the 2020-2021 Legislative Appropriations Act.
- Interviewing information technology staff to gain an understanding of the information systems the TCA used to collect and calculate its performance measures.
- Evaluating the sufficiency of the TCA's policies and procedures to determine whether they were adequate to help ensure the correct calculation of the performance measures.
- Auditing performance measure calculations for accuracy and to determine whether calculations were consistent with the methodology agreed by the TCA, Legislative Budget Board, and Governor's Office of Budget, Planning, and Policy.
- Testing supporting documentation (using the SAO Performance Measure Guideline, 2012 Edition) to verify the accuracy of reported performance measures and effectiveness of controls.
- Tested for supervisory and executive management review of information that supports the performance measures data.
- Assessing performance measure results in one of four categories:
 - 1) Certified
 - 2) Certified with Qualifications
 - 3) Inaccurate, and
 - 4) Factors Prevent Certification

Criteria Used included the following:

- *Guide to Performance Measures Management, 2012 Edition.*
- ABEST performance measure definitions

Other Information

Our internal audit was conducted in accordance with *generally accepted government auditing standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our internal audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions 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 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.

For fiscal years 2022 and 2023 the General Appropriations Act authorized a budget of \$11,504,338 and \$11,504,338, 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.

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 departments reporting directly to the Executive Director: Finance and Programs and Technology.

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

Appendix 3

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.texas.us

State Auditor's Office

Attn: Internal Audit Coordinator

Phone: (512) 936-9500

iacoordinator@sao.texas.gov

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