



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

**REPORT ON THE AUDIT OF THE  
ALAMO ACCOUNTING PROCESSES**

MAY 2018

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**OVERALL CONCLUSION**

GLO should reconsider the structure and funding model it uses for operating the Alamo. A contractor performs the daily operations, but it uses state resources to do this, as it does not have its own funds or other assets. This is an unusual situation that has created complexity and a lack of clarity regarding the nature and the use of the funds used for Alamo operations. It is also the root cause of several of the observations in this report.

We determined that the financial formation and accounting of the Alamo Complex fund did not comply with state requirements. Also, not all contract requirements of the agreement to operate the Alamo are being met. In addition, controls over budgeting, expenditures, contracting, and reconciliations should be strengthened.

The following recommendations were made to address these issues.

- Reconsider the Structure and Funding Model for Alamo Operations
- Comply with Rules for Cash Held Outside the Treasury
- Account for and Report Cash Outside the Treasury in Accordance with Comptroller Requirements
- Improve Oversight and Compliance with the Contract for Operating the Alamo
- Ensure That Expenses are Supported, Reasonable, and Comply with State Requirements
- Monitor and Assist the Alamo operator to Improve its Procurement Processes
- Ensure That the Alamo's Operating Budget is Complete
- Ensure that Conflict of Interest Reviews are Performed Before Contract Execution
- Require Improved Audit Trails for Payroll Expenses in Replenishment Requests
- Ensure the Timely Resolution of Outstanding items on Reconciliations

**MANAGEMENT'S SUMMARY RESPONSE**

Management concurs with the recommendations.

The "Detailed Results" section of this report contains management's response to each observation.

## ACKNOWLEDGEMENTS

We appreciate the assistance and cooperation provided to us by the management and staff of the Financial Management Division and the Alamo Complex Management during this audit. For questions about this report, please contact Henrietta Cameron-Mann at (512)463-5103 or Tracey Hall at (512)463-6078.



May 30, 2018

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Tracey Hall, CPA, CISA  
Chief Auditor  
Office of Internal Audit

## OBJECTIVES

The objectives of the audit were as follows:

1. Determine if procedures are in place to provide reasonable oversight of the contractor's use of state funds to operate the Alamo.
2. Determine if procedures are in place to ensure adequate oversight and monitoring of the contract to operate the Alamo.
3. Provide recommendations about the presentation of the Alamo operator's financial activities in the GLO's Annual Financial Report.

## SCOPE & METHODOLOGY

The scope of the audit consisted of reviewing and evaluating information and documents involved in the oversight of the operations of the Alamo. The audit addressed activity performed from July 2015 through December 31, 2016.

The methodology included observing processes, interviewing employees, collecting information, performing tests, and analyzing and evaluating the information.

The audit was conducted in accordance with *Government Auditing Standards* and *International Standards for the Professional Practice of Internal Auditing*. 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 audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## BACKGROUND INFORMATION

GLO is responsible for the preservation, maintenance, and restoration of the Alamo complex and its contents. When it assumed this responsibility, GLO contracted with the Daughters of the Republic of Texas to conduct daily operations. In July 2015, these operations were transferred to Alamo Complex Management, which is the subcontractor of the Alamo Endowment.

### Alamo Endowment (AE):

The Alamo Endowment, a non-profit Texas Corporation, was organized to promote and support the preservation, management, education, maintenance, and restoration of the Alamo Complex. The organization provides for the education of the historical significance of the Alamo Complex and its contents. The Land Commissioner is the Chairman of AE's Board of Directors and the AE bylaws indicate that the remaining board members were to be nominated by GLO.

Alamo Complex Management (ACM):

Alamo Complex Management, a non-profit Texas corporation, was organized to carry out and support the AE. ACM, which has approximately 95 employees, carries out the daily operations of the Alamo as AE's subcontractor. A private company operates the gift shop, which is the Alamo's main source of income, but ACM performs all other operations. ACM does not have assets of its own. It uses state funds, buildings, and equipment to carry out its duties. The Land Commissioner serves as a board member and nominates the remaining board members.

ACM uses local bank accounts to manage Alamo revenues and expenses. Revenue is deposited into bank accounts and electronically transferred into the state treasury. ACM pays bills from the operating bank account and GLO replenishes it based on requests submitted by ACM. In this sense, the operating account operates as a revolving fund.

Alamo operations are funded by state funds. Texas Natural Resource Code Section 31.451 (c) exempts these funds from state purchasing laws, but not from other laws governing the use of state funds.

Alamo Trust, Incorporated (ATI)

ACM was renamed as Alamo Trust, Incorporated (ATI) in 2017.