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**TEXAS PARKS AND WILDLIFE DEPARTMENT  
FISCAL YEAR (FY) 2020 INTERNAL AUDIT ANNUAL REPORT**

**October 30, 2020**

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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.*

Texas Government Code 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post certain information on their internet websites. Within 30 days of approval, an entity should post the following information on its internet website:

- The Agency's approved internal audit plan as provided by Texas Government Code, Section 2102.008;
- And the Agency's annual report required by Texas Government Code, Section 2102.009.

Texas Government Code, Section 2102.015, also requires entities to update the posting to include the following information on the website:

- "detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report."
- "summary of the action taken by the Agency to address the concerns, if any, that are raised by the audit plan or annual report."

TPWD has complied with Texas Government Code, Section 2102.015, by posting the approved FY 2019 Annual Audit Report and the approved FY 2021 Audit Plan on the Agency's public website. These can be found on TPWD's home page under General Information, Agency Reports, Plans, and Publications. We will also post the FY 2020 Annual Audit Report as required. At this time, no weaknesses or concerns have been raised by the audit plan or annual report.

## II. Internal Audit Plan for Fiscal Year 2020

### Audit Projects Completed During the Fiscal Year

Report No.	Report Date	Report Title	Audit Status
19-701	10/9/2019	Audit of Selected Information Technology Systems and Processes Outside of the IT Division	Completed
19-703	5/12/2020	Audit of Selected Information Technology Systems (Security of Field Networks, Data & Systems)	Completed
19-316	2/28/20	Audit of Selected Contracts	Completed
19-301	9/23/19	Follow-up Audit	Completed
20-302	7/3/2020	Audit of Selected Grants – Off Highway Vehicle Grants	Completed
20-201 thru 20-225	7/20/2020-8/31/2020	Fiscal Controls of Selected State Parks (6/25)	Completed
20-301, Q3	6/23/2020	Quarterly Follow-up Audit*	Completed

### FY 2020 Projects Carried Forward to FY 2021

Report No.	Report Date	Report Title	Audit Status As of 10/15/2020
20-303		Audit of Selected Contracts – Close-out Process	QA Review
20-201 thru 20-225	9/1/2020-10/15/2020	Fiscal Controls of Selected State Parks (6/25)	Completed
20-201 thru 20-225		Fiscal Controls of Selected State Parks (7/25)	QA Review
20-201 thru 20-225		Fiscal Controls of Selected State Parks (6/25)	Fieldwork
20-701		Audit of Selected Information Technology Systems and Processes - Incident Reporting System	Reporting
20/702		IT Security/Cybersecurity – Mobile Devices	QA Review
20-301, Q4	9/27/2020	Quarterly Follow-up Audit*	Completed

#### There were deviations from the FY20 internal audit plan.

Upon approval by the Commission, two audit projects were removed from the FY20 plan: #20-401 (Construction Change Order Process Advisory Service) and #20-304 (Orphan Boat Ramps Audit).

\*Management resolved 14 internal and external audit recommendations during FY20, with sixteen outstanding at 8/31/2020. No recommendations were withdrawn. Starting in Q3, FY20, the Commission is now provided a quarterly follow-up report listing all resolved and outstanding audit items.

## Recommendation and Implementation Status for Completed Internal Audit Projects

*(Issued September 1, 2019– August 31, 2020)*

Report #	Summary Title	Concerns	Recommendations	Implementation Status
19-701	Audit of Selected Information Technology Systems and Processes Outside of the IT Division (Shadow IT)	Eighty-three (83) self-reported applications currently in use by staff were not found on the IT Division list of known applications.	Improvement is Needed in the Approval and Tracking of Applications Purchased or Developed Outside of the Information Technology (IT) Division.	In-Progress
		There are no formal policies requiring the IT Division be informed of, or included in, the consideration of new systems/ applications.	Policy is Needed to Include IT Divisional Oversight of Certain Processes.	In-Progress
19-703	Audit of Selected Information Technology (IT) Systems and Processes - Security of Fields Networks, Data and Systems			All audit items (issues/ recommendations/ management's responses) were provided under separate cover in accordance with Chapter 552 of the Texas Government Code.
20-302	Audit of Selected Federal Grants-Off Highway Vehicle (OHV) Program	Audit found missing quarterly performance reports from the grant recipient as required by the OHV Grant.	Implement the new RGO 2020 system to better monitor grant deliverables.	In Progress
20-209	Fiscal Control Audit of Cleburne State Park	Untimely deactivations of terminated users from the Park Business System.	Changes to the deactivation process were required which eliminated two divisions' approval so the deactivation request could go directly from the Park to IT.	Implemented
20-216	Fiscal Control Audit of Lake Somerville Birch Creek State Park	Concession processing issues were noted on many State Park audits.	It was recommended that State Parks work with the vendor to fix rounding and PO issues in order to have assurance that concession inventory is valued accurately in PBS.	In Progress

## Ensuring Compliance with Contract Processes and Controls for Monitoring Agency Contracts

All TPWD processes concerning contracting and grant administration are included in the Office of Internal Audit's (OIA's) annual assessment of the Agency's auditable risks. Identified risks are ranked and scored annually during the development of the Agency's Annual Audit Plan. Risks related to contract and grant monitoring have been identified as an ongoing risk to TPWD, and as a result, the Internal Audit Director allocates audit hours each fiscal year to contract and grant monitoring engagements. The objectives of these engagements are to ensure that processes have been established and are operating effectively to ensure that contract and grant administrative processes comply with Agency, State, and Federal requirements. In the past five fiscal years, the OIA has performed nine internal audit engagements, covering 41 contracts and nine federal grants that focused on the monitoring and related processes of these agreements. The OIA also followed up on all recommendations made in these internal audit reports and on one engagement performed by the State Auditor's Office. Report numbers, titles, number of contracts and grants reviewed per project, and issue dates are provided below.

<b>Contract and Grant Audit Engagements</b> <i>(Completed September 1, 2015 to August 31, 2020)</i>				
Report #	Title	Number Reviewed		Date of Report
		Contracts	Grants	
16-309	Audit of Selected Federal Grants – Target Range Development Program		1	August 2016
17-314	FY17 Contract Audit	12		January 2017
17-316	A Compliance Audit of Selected Federal Grant – Influence of Agricultural Production in the Texas Panhandle		1	October 2017
18-302	Audit of the Recreational Trails Program Grant – State Park Trail Renovations		1	December 2017
18-303	Audit of Selected TPWD Contracts	9		April 2018
19-314	A Compliance Audit of Selected Grants		2	March 2019
19-316	Audit of Selected TPWD Contracts	20		February 2020
20-302	Audit of Selected Federal Grants – Off-Highway Vehicle (OHV) Program		4	July 2020
SAO 18-008	Contracting Processes in the Parks and Wildlife Department's Infrastructure Division			December 2017
	<b>Total</b>	<b>41</b>	<b>9</b>	

Note: SAO report #20-028, entitled "Contract Monitoring at Certain State Agencies" graded TPWD as "No additional monitoring is warranted", indicating our level of contract monitoring has been adequate.

## **Independence and Objectivity**

The Institute of Internal Auditor's International Professional Practices Framework Standard 1110 requires the Chief Audit Executive to confirm to the governing board or Commission, at least annually, the organizational independence of the internal audit activity.

I hereby attest to the following for audit work performed during fiscal year 2020:

*"The internal audit activity has performed our work independently and objectively. We have had direct and unrestricted access to senior management and the Commission. We have achieved organizational independence through reporting functionally to the Commission."*

*Respectfully,*

*Brandy Meeks, Internal Audit Director, TPWD*

### **III. Consulting Services and Non-Audit Services Completed**

Consulting or non-audit services performed by internal audit during FY 2020 as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, or in the *Government Auditing Standards*, 2018 Revision, Sections 3.64-3.106, include the following:

Project #19-405 Land Conservation – Internal Audit compiled information to determine if there are adequate authority, policies, and criteria for the Land Conservation Program. This project is complete, and a report was issued to division management on 2/28/20.



#### **IV. External Quality Assurance Review**

TPWD's Office of Internal Audit is currently undergoing an external peer review which is expected to be completed in November 2020.

Prior to that, an external peer review report was issued on June 21, 2017 with a "PASS" rating as shown on the next two pages.



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The Honorable Charlie Geren, Texas House of Representatives  
Chris H. Moore, Citizen Board Member  
Rod Welch, Executive Director

June 21, 2017

Ms. Cindy Hancock  
Director of Internal Audit  
Texas Parks and Wildlife Department  
4200 Smith School Road  
Austin, TX 78744

Dear Ms. Hancock,

We have completed a peer review of the Texas Parks and Wildlife Department's Internal Audit Department for the period from September 1, 2015 - April 27, 2017 (FY 16 - 17). In conducting our review, we followed the standards and guidelines contained in the Peer Review Manual published by the State Agency Internal Audit Forum (SAIAF).

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing and Code of Ethics*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102) require that internal audit functions obtain external quality assurance reviews (peer reviews) to assess compliance with standards and the Act and to appraise the quality of their operations.

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of conformance with the IIA *Standards*, the GAO *Standards*, and the Texas Internal Auditing Act. Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Parks and Wildlife Department's Internal Audit Department receives a rating of "Pass" and is in compliance with the IIA *Standards*, the GAO *Standards*, and the Texas Internal Auditing Act. 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 Department is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas audited. 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.

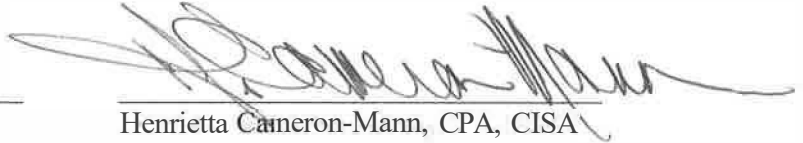
The Internal Audit Department is well managed internally. In addition, the Internal Audit Director has an effective relationship with the Commission and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers the Internal Audit Department 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.

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Audit Committee Chairman, the Executive Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Department and its relationship with management.

The Texas Parks and Wildlife Department's Internal Audit Department has reviewed the results of the work performed by the peer review team and accepted them to be an accurate representation of their operations. To the extent lawful, the Texas Parks and Wildlife Department's Internal Audit Department agrees to hold SAfAF and its officers and representatives harmless of any liability arising from the actions of the peer review team or issues resulting from the peer review.



Dale Hernandez, CIA, CGAP, CFE, CGFM  
Internal Auditor  
State Preservation Board  
SAIAF Peer Review Team Leader



Henrietta Cameron-Mann, CPA, CISA  
Internal Auditor  
General Land Office/Veterans Land Board  
SAIAF Peer Review Team Member

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### Texas Parks and Wildlife Department

Mr. Carter P. Smith, Executive Director

## **Quality Assurance and Improvement Program**

Government Auditing Standard 5.44 requires that the OIA analyze and summarize the results of its monitoring process at least annually. In addition to performing an external quality assurance review (peer review) every three years as denoted in the previous section, TPWD's Office of Internal Audit also includes the following activities as part of its quality assurance and improvement program:

- Supervisory review and sign-off on all project workpapers;
- Standard program review to ensure each project was conducted in compliance with the standards;
- CAE level review of all findings and supporting evidence;
- Selected CAE level review of project workpapers using the SAIAF Peer Review template for reviewing audit documentation;
- Surveying the divisions and programs that were audited during the year for feedback on process improvement; and
- Ensuring that all TPWD internal auditors are compliant with the continual professional education requirements of the standards and of their individual certifications and licenses.

## v. Internal Audit Plan for FY 2021

The FY21 diversified and risk based Internal Audit Plan was approved by the Commission on August 27, 2020:

### Texas Parks and Wildlife Department Fiscal Year 2021 Approved Internal Audit Plan

Projects	Budgeted Hours
<b>FY 2020 Carryover Projects</b>	1400
<b>FY 2021 New Projects</b>	
Audit of Selected IT Systems and Processes <ul style="list-style-type: none"> <li>• Social Media Sites</li> <li>• Boater/Hunter Education System</li> <li>• Employee Off-Boarding Process Involving Division Systems</li> </ul>	2000
Audit of Selected Grants	550
Audit of Selected Contracts	550
Fiscal Controls of Selected State Parks (14) and Law Enforcement Offices (4)	2200
Use of Force Compliance Audit	500
Quarterly Follow-up of Internal and External Audit Recommendations	600
Advisory Project <ul style="list-style-type: none"> <li>• FLSA Classification Advisory</li> </ul>	550
Special Projects and Investigations	450
Administrative	400
<b>Total</b>	<b>9200</b>

List of Alternative Projects

Additional State Park and Law Enforcement Office Audits  
 Procurement Card Compliance Audit  
 Purchasing Process Audit

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### Risk Assessment

Our FY 2021 diversified audit plan is based on an agency-wide risk assessment. Risk assessment, as defined by the Institute of Internal Auditors, is a “systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events.” The annual risk assessment identifies a variety of agency risks including operating, contract and grant management and administration, and information technology risks. All auditable risks and concerns that were identified and ranked as “high” on the annual risk assessment have been included in the FY 2021 audit plan.

In conducting our annual risk assessment, the Office of Internal Audit received input from TPWD Commissioners, executive management, division directors, and middle management. The OIA identified the audit universe of auditable activities primarily as those activities conducted to meet the agency's mission and strategic objectives. Since our divisions exist to carry out the mission and meet the strategic objectives of the agency, the OIA first considered division level risk factors in order to obtain a division level risk score. Risk factors used were budget, contract dollars, outstanding audit items, time since last audit, number of employees, and recent turnover.

Next, we interviewed all division directors and selected management to learn the major activities performed by the agency to meet TPWD's strategic objectives. For each major activity, we brain stormed with management to identify risks that might prevent, deter, or undermine those activities from working efficiently and effectively. We also considered our audit knowledge and past audit reports. We not only discussed risks within each manager's respective division, but any other threats or concerns outside of their division as well. We also asked questions of each division to identify the IT systems and applications used and any issues or concerns they might be experiencing with these systems and applications.

For all the risks identified during this process, we discussed and scored the probability of occurrence and the financial, compliance, public exposure, and IT system impact to our agency. We input this information into a risk matrix to ensure consistent evaluation among all identified risks. Lastly, using the division level risk scores and the impact scores of all identified risks, we were able to rank and identify the top risks/threats to the agency.

From this risk ranking, we then identified specific audit projects to address the high-risk areas (if auditable). We then met with executive management to discuss the risk assessment results and potential audit projects, and to determine which of those projects should be included in the proposed audit plan for FY2021. The OIA then presented the proposed audit plan to the Commission for feedback. The Commission approved the proposed audit plan on August 27, 2020.

The OIA will continue to update the risk assessment as additional information is obtained throughout the coming fiscal year. Our continuous evaluation of agency risks will ensure the most efficient use of audit resources. The risk assessment process included review of the project areas by the Internal Audit Director to ensure adequate coverage of risk and to avoid duplication of coverage. Alternative projects are additional areas that we believe could benefit from the use of audit resources but did not rise to the top of the list of potential audit areas. We have received approval to use them as alternative projects in circumstances where additional or substitute projects are required. The OIA will consult with the Commission and executive management as needed based on priorities, management requests, workloads, changes in operations, and availability of audit resources to determine if the approved audit plan should be adjusted.

## **VI. External Audit Services Procured in FY 2020**

The Department did not contract out for any external audit services to be provided during FY 2020. However, certain audit work was conducted by the following agencies or offices:

- Texas Comptroller of Public Accounts – Post Payment Audit
- CliftonLarsonAllen LLP – Statewide Single Audit (Federal Portion)

## VII. Reporting Suspected Fraud and Abuse

In order to implement the requirements for fraud reporting included in the General Appropriations Act (84th Legislature), Article IX-39, Section 7.09, and Texas Government Code, Section 321.022, the Texas Parks and Wildlife Department made the following information accessible on its web site:

- A link (“Report Fraud”) on the TPWD public web site (<http://tpwd.texas.gov/site/fraud/>) directs the user to a page describing the process for reporting allegations of fraud, waste, or abuse related to the agency to TPWD Internal Affairs and to the Texas State Auditor’s Office (SAO). In addition, the SAO’s fraud web page, (<http://sao.fraud.state.tx.us/hotline.aspx>), includes the SAO mailing address, SAO hotline number and a Report Fraud link which directs the user to a SAO fraud reporting form.
- Office of Internal Audit’s intranet page links to the SAO’s Fraud, Waste, or Abuse Hotline and provides the 1-800-TX-AUDIT telephone number.
- Coordination of Investigations involves the Executive Director notifying SAO of suspected losses, misappropriations, misuse, or other fraudulent or unlawful conduct. At times, SAO notifies TPWD Internal Affairs Office of reported complaints. SAO may investigate the report or may monitor any investigation conducted by the agency.



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