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**TEXAS PARKS AND WILDLIFE DEPARTMENT  
FISCAL YEAR (FY) 2022 INTERNAL AUDIT ANNUAL REPORT**

**October 30, 2022**

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

- Its internal audit plan approved in accordance with Texas Government Code, Section 2102.008; and
- Its annual report required by Texas Government Code, Section 2102.009.

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

- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report; and
- A summary of the action taken by the entity 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 2023 Audit Plan on TPWD's public website. TPWD will also post the FY 2022 Annual Audit Report as required. These can be found on TPWD's home page under Publications – Doing Business – Internal Audit Plans and Annual Reports. At this time, no weaknesses or concerns have been raised by the audit plan or annual report.

## II. Internal Audit Plan for Fiscal Year 2022

### Internal Audit Projects Completed During the Fiscal Year

| Report No.   | Report Date                     | Report Title   | Audit Status |
|--|---------------------------------|--|--------------|
| 21-205<br>21-206<br>21-208<br>21-210   | September -<br>November<br>2021 | Fiscal Controls of Selected State Parks (4/10: Garner, Hill Country, Pedernales, and Martin Dies, Jr.)   | Completed    |
| 22-201<br>22-202<br>22-203<br>22-204<br>22-205<br>22-206<br>22-207<br>22-208<br>22-209<br>22-210 | March –<br>August 2022          | Fiscal Controls of Selected State Parks (10/10: Atlanta, Copper Breaks, Daingerfield, Eisenhower, Fairfield Lake, Huntsville, Mission Tejas, Mustang Island, Stephen F. Austin, and Village Creek) | Completed    |
| 22-301<br>22-303<br>22-308<br>22-310   | May – August<br>2022            | Fiscal Controls of Selected Law Enforcement Offices (4/10: Abilene, College Station, Temple, and Waco)   | Completed    |
| 21-702   | September<br>2021               | Audit of the Online Registration System  | Completed    |
| 21-701   | November<br>2021                | Audit of TPWD Social Media Sites   | Completed    |
| 21-303   | November<br>2021                | Audit of Selected Information Technology (IT) Contracts  | Completed    |
| 21-308   | December<br>2021                | Use of Force Audit   | Completed    |
| 22-311   | June 2022                       | Audit of Selected Infrastructure Contracts   | Completed    |

*The Commission also received quarterly status memos and follow-up reports for Q4 FY 2021 and Q1 FY 2022. The Q2-Q4 FY 2022 follow-up report will be issued before the end of Q1 FY 2023. Going forward, the Office of Internal Audit (OIA) will provide follow-up reports semiannually instead of quarterly.*

## FY 2022 Projects Carried Forward to FY 2023

| Report No.                           | Report Date | Report Title  | Audit Status<br>As of 8/31/2022 |
|--------------------------------------|-------------|---|---------------------------------|
| 22-305<br>22-306<br>22-307<br>22-309 |             | Fiscal Controls of Selected Law Enforcement Offices<br>(4/10: San Antonio, Victoria, Laredo, Lubbock) | Reporting                       |
| 22-302<br>22-304                     |             | Fiscal Controls of Selected Law Enforcement Offices<br>(2/10: Beaumont, and Fort Worth)               | Quality Assurance               |
| 22-312                               |             | Audit of Selected Grants  | Not Started                     |
| 22-402                               |             | Land Conservation Program (LCP) Pipeline<br>Easement Receivable Advisory                              | Not Started                     |
| 22-403                               |             | Timesheet/Leave Accounting – Approval Process<br>Advisory   | Not Started                     |
| 22-404                               |             | IT Contract Clauses Advisory  | Not Started                     |
| 22-405                               |             | Infrastructure – Change Order Process Advisory  | Not Started                     |
| 22-701                               |             | Audit of CAPPs Human Resources (HR) and<br>Financial Resources (FR)                                   | Fieldwork                       |

### **There were deviations from the FY 2022 internal audit plan.**

*Upon approval by the Chairman, the Property Advisory audit (project number 22-401) was removed from the plan to reduce duplication of effort, as the State Auditor's Office (SAO) commenced a Capital Assets Audit during FY 2022. Additionally, the OIA received approval from the Chairman to eliminate the Active Directory Audit from the plan and allow IT to hire AT&T to perform an Active Directory Review, instead of outsourcing this as an audit project.*

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

All TPWD processes concerning contract 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 TPWD's Annual Audit Plan. Risks related to contract and grant administration and 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/or grant engagements. The objectives of these engagements are to ensure that processes have been established and are operating effectively to ensure that contract and grant solicitation and award, monitoring, and/or close-out processes comply with TPWD, State, and

Federal requirements. In the past five (5) fiscal years, the OIA has performed ten (10) internal audit engagements, covering fifty-five (55) contracts and ten (10) grants. The OIA also followed up on all recommendations made in these internal audit reports (if due) and on one engagement performed by the State Auditor’s Office (SAO). Report numbers, titles, number of contracts and grants reviewed per project, and report issue months are provided below.

| <b>Contract and Grant Audit Engagements</b><br><i>(Completed September 1, 2017, to August 31, 2022)</i> |  |                 |           |                |
|---|--|-----------------|-----------|----------------|
| Report No.  | Title  | Number Reviewed |           | Date of Report |
|   |  | Contracts       | Grants    |                |
| 18-302  | Audit of the Recreational Trails Program Grant – State Park Trail Renovations        |                 | 1         | December 2017  |
| SAO 18-008  | Contracting Processes in the Parks and Wildlife Department’s Infrastructure Division |                 |           | 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      |
| 20-303  | Audit of Selected TPWD Contracts – Contract Close-out                                | 10              |           | December 2020  |
| 21-302  | Audit of Selected Federal Grants   |                 | 3         | August 2021    |
| 21-303  | Audit of Selected IT Contracts   | 8               |           | November 2021  |
| 22-302  | Audit of Selected Infrastructure Contracts   | 8               |           | June 2022      |
|   | <b>Total</b>   | <b>55</b>       | <b>10</b> |                |

Note: SAO report #22-027 graded TPWD as “Reduced monitoring warranted” for contract formation and award.

## **Independence and Objectivity**

The Institute of Internal Auditor’s *International Professional Practices Framework* Standard 1110 requires the Chief Audit Executive (CAE) to confirm to the governing board, at least annually, the organizational independence of the internal audit activity.

I hereby attest to the following for audit work performed during FY 2022:  
*“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**

The OIA did not perform any consulting or non-audit services during FY 2022, 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.

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

An external peer review report was issued in November 2020 (FY 2021) with a "PASS" rating as shown below:



Texas Parks and Wildlife  
Office of Internal Audit  
Receives a rating of  
**“Pass”**

In compliance with the Institute of Internal Auditors' International Professional Practices Framework, Government Auditing Standards, and the Texas Internal Auditing Act.

This opinion is based on a quality assessment review conducted by members of the Texas State Agency Internal Audit Forum (SAIAF) during the period of November 2020.

The review was based on the methodology developed by the Texas State Agency Internal Audit Forum.

DocuSigned by:  
*Benito Ybarra*  
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**Benito Ybarra**, CIA, CISA, CFE, CCEP  
Chief Audit and Compliance Officer  
Texas Department of Transportation

DocuSigned by:  
*Eleazar Garcia*  
-----  
**Eleazar Garcia**, CIA, CRMA  
Chief Auditor  
Texas Juvenile Justice Department

DocuSigned by:  
*Jennifer Stanush*  
-----  
**Jennifer Stanush**, CIA, CRMA, CGAP  
Internal Audit Section Manager  
Texas Department of Transportation



Texas Parks and Wildlife Department Office of Internal Audit  
External Quality Assurance Review – November 2020

**Overall Opinion**

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 Office of Internal Audit receives a rating of "Pass/Generally Conforms" and is in compliance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). 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 Office of Internal Audit 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 they audit. 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 Office of Internal Audit is well managed internally. In addition, the Office of Internal Audit has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit 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.

The Office of Internal Audit has reviewed the results of the peer review team's work and has accepted them to be an accurate representation of the office's operations.

**Acknowledgements**

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Chairman and members of the Board, the Executive Director, Chief Operating Officer, 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 Office of Internal Audit and its relationship with management.

|   |            |
|---|------------|
| DocuSigned by:<br><u>Benito Ybarra</u>    | 11/23/2020 |
| Benito Ybarra                             | Date       |
| Chief Audit and Compliance Officer        |            |
| Texas Department of Transportation        |            |
| SAIAF Peer Review Team Leader             |            |
| DocuSigned by:<br><u>Jennifer Stanush</u> | 11/24/2020 |
| Jennifer Stanush                          | Date       |
| Internal Audit Section Manager            |            |
| Texas Department of Transportation        |            |
| SAIAF Peer Review Team Member             |            |

|   |            |
|---|------------|
| DocuSigned by:<br><u>Eleazar Garcia</u> | 11/24/2020 |
| Eleazar Garcia                          | Date       |
| Internal Audit Director                 |            |
| Texas Juvenile Justice Department       |            |
| SAIAF Peer Review Team Member           |            |

## **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 (3) years as denoted in the previous section, TPWD's OIA 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 prior to report issuance;
- 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 2023**

The FY 2023 diversified and risk-based Internal Audit Plan was approved by the Commission on August 25, 2022:

**Texas Parks and Wildlife Department  
FY 2023 Approved Internal Audit Plan**

| Projects   | Budgeted Hours |
|--|----------------|
| <b>FY 2022 Carryover Projects</b>  |                |
| CAPPS HR/ FR - IT Cybersecurity Audit  | 100            |
| Law Enforcement Offices Fiscal Control Audits (3)  | 150            |
| LCP Pipeline Easement Receivable Advisory  | 250            |
| Leave Accounting Advisory  | 250            |
| Infrastructure Change Order Process Advisory   | 450            |
| IT Contracts – Required Clauses Advisory   | 200            |
| Audit of Selected Local Recreation Grants  | 450            |
|  | <b>1850</b>    |
| <b>FY 2023 New Projects</b>  |                |
| Audit of Selected IT Systems and Processes   |                |
| • 1 Texas Administrative Code (TAC) Ch. 202<br>Cybersecurity Audit                             | 450            |
| • Audit of TPWD Patch Management Processes   | 450            |
| Sea Center and Texas Freshwater Fisheries Center (TFFC) Point of Sale (POS) Inventory Advisory | 200            |
| Fiscal Controls of Selected State Parks (8)  | 1000           |
| Fiscal Controls of Selected Law Enforcement Offices (10)                                       | 750            |
| Follow-up of Internal and External Audit Recommendations                                       | 800            |
| Special Projects, Investigations, Liaison Activities (TBD)                                     | 650            |
| Research State Park Continuous Monitoring Activities   | 600            |
| Administrative   | 500            |
|  | <b>5400</b>    |
| <b>Total Hours</b>   | <b>7250</b>    |

**List of Alternative Projects**

State Park Friends Group Audit  
Additional State Park and Law Enforcement Office Audits

## **Risk Assessment Methodology**

TPWD's FY 2023 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. Most auditable risks and concerns that were identified and ranked as "high" on the annual risk assessment have been included in the FY 2023 internal audit plan. High risks that weren't included on the plan were communicated to TPWD's informal audit subcommittee for feedback.

In conducting its annual risk assessment, the OIA received input from TPWD Commissioners, executive management, division directors, and selected 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 the 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/unremediated audit items, time since last audit, number of employees, and recent turnover.

Next, the OIA 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, the OIA brainstormed with management to identify risks that might prevent, deter, or undermine those activities from working as designed or planned. The OIA also considered its audit knowledge and past audit reports. The OIA not only discussed risks within each manager's respective division, but any other threats or concerns outside of their division as well. The OIA also asked questions of each division to identify the IT systems and applications used and any issues or concerns it might be experiencing with these systems and applications.

For all the risks identified during this process, the OIA discussed and scored the probability of occurrence and the financial, compliance, public exposure, and IT system impact to the agency. The OIA 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, the OIA was able to rank and identify the top risks and threats to the agency.

From this risk ranking, the OIA then identified specific audit projects to address the high-risk areas (if auditable). The OIA 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 FY 2023. The OIA then presented the proposed audit plan to the informal audit subcommittee for feedback. The entire Commission approved the proposed FY 2023 Internal Audit Plan on August 25, 2022.

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 the OIA believes could benefit from the use of audit resources but did not rise to the top of the list of potential audit areas. The OIA has 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.

The OIA will continue to update the risk assessment as additional information is obtained throughout the coming fiscal year. Its continuous evaluation of agency risks will ensure the most efficient use of audit resources.

## **VI. External Audit Services Procured in FY 2022**

No external audit services were procured during FY 2022. However, certain audit work was conducted by the following external agencies or offices during FY 2022:

- CliftonLarsonAllen LLP – Statewide Single Audit (Federal Portion)
- Department of Homeland Security Civil Rights Evaluation
- U.S. Fish and Wildlife Service Civil Rights Review
- U.S. Coast Guard Boating Safety Division (CG-BSX-2) conducted a desk review of the Texas State Recreational Boating Safety (RBS) Program.
- Comptroller of Public Accounts – Dual Employment Audit – ongoing as of August 31, 2022.
- U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Audit – ongoing as of August 31, 2022.
- Criminal Justice Information System (CJIS) Audit – ongoing as of August 31, 2022.

## VII. Reporting Suspected Fraud and Abuse

In order to implement the requirements for fraud reporting included in the General Appropriations Act (87th Legislature), Section 7.09, pages IX-38-39, and Texas Government Code, Section 321.022, TPWD made the following information accessible on its website:

- A link (“Report Fraud”) on the TPWD public website (<https://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 the TPWD Internal Affairs Office and to the Texas SAO. In addition, the SAO’s fraud webpage (<https://sao.fraud.texas.gov>) includes the SAO mailing address, SAO hotline number and a Report Fraud link that directs the user to a SAO fraud reporting form.
- OIA’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 with SAO involves the TPWD Executive Director notifying SAO of suspected losses, misappropriations, misuse, or other fraudulent or unlawful conduct. At times, SAO notifies the TPWD Internal Affairs Office of reported complaints. SAO may investigate the report or may monitor any investigation conducted by the agency.

## **Report Distribution**

### **Internal Distribution**

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The Honorable Paul L. Foster, Commissioner  
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