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**TEXAS PARKS AND WILDLIFE DEPARTMENT
FISCAL YEAR (FY) 2018 INTERNAL AUDIT ANNUAL REPORT**

October 31, 2018

Table of Contents

I.	Compliance with Texas Government Code, Section 2102.015: <i>Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on internet Web site.</i> ..	3
II.	Internal Audit Plan for Fiscal Year 2018.....	4
III.	Consulting Services and Non-Audit Service Completed.....	7
IV.	External Quality Assurance Review (Peer Review).....	8
V.	Internal Audit Plan for Fiscal Year 2019.....	10
VI.	External Audit Services Procured in Fiscal Year 2018.....	11
VII.	Reporting Suspected Fraud and Abuse.....	12

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*

Within 30 days of approval, Texas Parks and Wildlife Department (TPWD) will post the following information on its Internet Web site:

- On TPWD's home page under the General Section, a link to a web page which contains the approved FY 2019 audit plan, as provided by Texas Government Code, Section 2102.008 and the FY 2018 internal audit annual report, as required by Texas Government Code, Section 2102.009.
- Per Texas Government Code, Section 2102.015 updates to both the audit plan and internal audit annual report will be conducted annually, or as necessary, within 30 days of approval. Summaries outlining weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report, as well as summaries of the action taken by the agency to address concerns applicable to the agency's audit plan are included in the annual report.

The audit plan is considered to be approved if it is approved by the TPWD Commission. The internal audit annual report is considered to be approved if it is reviewed by the TPWD Commission and Executive Director.

II. Internal Audit Plan for FY 2018

Report No.	Report Date	Report Title	Audit Status
FY2018 Projects			
18-303	4/25/2018	Audit of Selected Contracts	Completed
18-201 thru 18-229	10/30/2017 – 4/24/2018	Fiscal Control Audits of Selected of Selected State Parks (29)	Completed
18-305		Audits of Sea Center	Reporting
18-304	8/29/2018	Audit of Texas Freshwater Fisheries Center	Completed
18-702	9/5/2018	Audit of Selected Information Technology Systems (Public Hunt System)	Completed
18-302	12/20/2018	Audit of Selected Federal Grants	Completed
18-307	8/30/2018 (2) 9/6/2018 (2)	Fiscal Control Audit of Selected Wildlife Management Areas (4)	Completed
18-701	3/15/2018	Information Technology Governance Audit	Completed
18-306		Audit of the Sand & Gravel Program	Reporting
18-301	9/17/2018	Follow-up Audit*	Completed

There were no deviations from the FY18 internal audit plan.

*Report #18-301 (Follow-up of Internal and External Audit Recommendations FY18) resulted in 15 recommendations having been implemented 28 remain in-progress (15 are external audit findings).

Recommendation and Implementation Status for Completed Internal Audit Reports

(Issued September 1, 2017– August 31, 2018)

Report #	Summary Title	Concerns	Recommendations	Implementation Status
17-315	Audit of Selected Information Technology System – The Texas License Connection	Contract requirements for certain PII to be masked or hidden.	Perform analysis of PII to determine which PII should be masked or hidden and have vendor comply.	In Progress
		Duplicate records were found.	Have vendor meet contract requirements to prevent duplicate records.	In Progress
		Retainage acknowledgement of security statutes and non-disclosure form. Deactivation of users upon termination and job changes	Retain acknowledgement of security statutes and non-disclosure form. Deactivate users upon termination and job changes.	In Progress
		Affidavit PWD-1083 were not routinely sent to License Manager	Create instructions for Retail Agents to send PWD-1083 & create prompt in system as a reminder.	In Progress
		Inconsistent language regarding record retention of retail agent records	Provide consistent language regarding retention of agent records.	In Progress
		Classification assessment document was not completed and submitted to IT Security Officer	Complete and submit data classification assessment document.	Implemented
18-215	Fiscal Control Compliance Audit of Wyler Aerial Tramway	Concession inventory outages.	Conduct complete inventory count and seek help for more effective methods to secure park store inventory.	Implemented
18-701	IT Governance Audit	IT does not report key performance measures to Technology Governance Committee	As COBIT and NIST controls are deployed, IT should report to Technology Governance Committee	In Progress
18-304	Audit of the Texas Freshwater Fisheries Center	Undocumented processes have led to mistakes.	Establish written standard operating procedures for the gift shop, store inventory and other revenue operations.	In Progress

Recommendation and Implementation Status Update Summary for Completed Internal Audit Reports Previously Issued

(September 1, 2013 – August 31, 2017)

Report #	Summary Title	Concerns	Recommendation	Implementation Status
14-303	Payment Card Program	Missing state provisions in policy and procedure.	Include missing state requirements in policy and procedures.	In Progress
		Monitoring cardholder training requirements is unassigned.	Formally address the responsibility and authority for monitoring, tracking, and response to non-compliance with training.	In Progress
15-302	State Owned Housing Audit	Various cardholder purchasing non-compliance.	Additional internal controls should be built into the process.	In Progress
		Noncompliance with federal, state, and internal policies and procedures.	Assign responsibility and authority for verification, oversight and monitoring of reported information and process compliance. Ensure policy and procedures are revised, approved and implemented.	Implemented
15-304	Audit of Selected Fuel Card Transactions	Premium fuel was purchased without authorization.	Develop process to review Voyager fuel card invoice data to determine the extent of premium fuel purchase.	In Progress
		Analysis of miles per gallon usage could not be performed for many vehicles.	Review Voyager invoices to help determine trends for patterns that need to be addressed, especially miles per gallon rates.	In-Progress
16-306	Property Audit	Fuel receipts were not retained. Errors found and missing entries on vehicle mileage logs.	Notify cardholders to retain fuel receipts and spot check vehicle mileage logs.	In-Progress
		Detailed property information is not reconciled between system databases	Develop and implement a complete, comprehensive property control framework to include reconciling.	In Progress
16-308	Travel Voucher Audit	Numerous instances of travel voucher noncompliance	Implement mandatory travel voucher training, retain receipts, and perform mandatory reviews of voucher prior to submitting to AP staff	Implemented
16-309	Audit of Selected Federal Grants – Target Range Development Program	Missing grant selection records.	Locate missing grant records regarding selection process. Review recently closed and open grant files for compliance issues. Implement new developed SOPs for record retention and security purposes.	Implemented
		Performance reports submitted to USFWS were based on unverified information.	Verify and submit accurate performance reports to USFWS.	Implemented
		Grant agreements were lacking financial and performance reporting; risk assessment and monitoring activities were lacking.	Address the requirements for financial and performance reporting in grant agreement; perform risk assessments, determine and document monitoring activities.	Implemented

III. Consulting Services and Non-Audit Services Completed

Consulting or non-audit services performed by internal audit during FY 2018 as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, or in the *Government Auditing Standards*, 2011 Revision, Sections 3.33-3.58, include the following:

County Unpaid Citations – auditor compiled information from the Law Enforcement Citation System to determine the number of counties and total fines that counties owe the Agency. Information was provided to Revenue Control staff and Law Enforcement staff so collection efforts could be enhanced in those counties. Completed.

Ethics Review – Every 3 to 5 years, internal audit conducts an ethics review of agency policies, procedures, and case files to measure the ethical climate of the agency based on an ethical climate maturity model. In progress.

TX.GOV Reconciliations – Internal audit is reviewing financial reports coming from TX.GOV portal to determine if adequate information is provided to reconcile accounts. In progress.

IV. External Quality Assurance Review

An External Peer Review was performed and the Report was issued June 2017 with a "PASS" rating.



STATE PRESERVATION BOARD

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Iris H. Moore, Citizen Board Member
Rod Welsh, 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 SAIAF 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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The Honorable Lee M. Bass, Chairman-Emeritus

Texas Parks and Wildlife Department

Mr. Carter P. Smith, Executive Director

V. Internal Audit Plan for FY 2019

The Commission approval for the TPWD FY 2019 Internal Audit Plan is set for November 7, 2018 during the Commission meeting. The approved plan will be submitted November 12, 2018.

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The TPWD FY19 Internal Audit Plan includes projects to address:  
*Risk associated with Contract Management*  
*Risk associated with TAC 202*  
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A brief description of the risk assessment methodology used to develop the FY 2019 Internal Audit Plan is as follows:

In compliance with Texas Government Code Section 2102.013, Internal Audit conducted a formal annual risk assessment consisting of an executive management review of the agency functions, activities, and processes. Using a questionnaire, and a value system, executive and senior management ranked the likely effect or impact of financial, managerial, and compliance risks as well as the probability of occurrence (*Values: high (3), medium (2), low (1)*) in four key areas:

- 1) Within the Respective Division(s)
- 2) Agency-Wide
- 3) External to the Agency
- 4) Information Technology

Consideration of areas subject to fraud, waste, and abuse, prior audits, key performance measures, revenues, budgets, expenditures, and other department information are also used by executive management during the risk assessment process. Internal Audit assimilated the questionnaire results into a hierarchy (*Probability of Occurrence Value * (Financial Impact value + Managerial Impact Value + Compliance Impact Value)*) of priority concerns and submitted the draft project list to the Chief Operating Officer, Executive Director and Audit Committee for priority scoring.

The annual internal audit plan is derived by combining the assessment of these risks and concerns across the agency with the projection of available audit resources to determine the most effective schedule of audit activities for the year. The Commission reviews and approves the final internal audit plan for the current fiscal year. The annual risk assessment is designed to identify audit projects for the annual internal audit plan, not to identify, prioritize, and manage risks directly for the agency. This plan may be updated at various frequencies, with Commission approval, and submitted to oversight agencies for their records.

VI. External Audit Services Procured in FY 2018

The Department did not contract out for any external audit services to be provided during FY 2018. However, certain audit work was conducted by the following agencies or offices:

- U.S. Fish and Wildlife, Civil Rights Division – Desk Review
- Texas Comptroller of Public Accounts – Post Payment Audit
- State Auditor’s Office – Fleet Audit
- State Auditor’s Office – Infrastructure Contract Audit
- Office of the Governor – Grant Desk Review
- U.S. Coast Guard – Grant Desk Review
- Texas Workforce Commission – Civil Rights Audit
- Office of the Governor – Grant Audit
- State Office of Risk Management – On-Site Consultation Report
- Texas Department of Emergency Management – FEMA reviews

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 Report Fraud link contains the link to the SAO’s fraud web page (<http://sao.fraud.state.tx.us/hotline.aspx>), a link to the SAO fraud reporting form, mailing address for the SAO, and the SAO hotline number. The Report Fraud link also includes a link to a copy of the June 25, 2009 correspondence from the Texas State Auditor’s Office to the agency related to fraud reporting requirements.
- TPWD Employee Ethics Policy (HR-08-01) links to the SAO website. 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.