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**TEXAS PARKS AND WILDLIFE DEPARTMENT
FISCAL YEAR (FY) 2023 INTERNAL AUDIT ANNUAL REPORT**

October 30, 2023

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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 30 days of approval, an entity should post the following information on its internet website:

- The agency's internal audit plan approved in accordance with 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:

- 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 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 2024 Audit Plan on the Agency's public website. TPWD will also post the FY 2023 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 FY 2023

Internal Audit Projects Completed During the Fiscal Year

Report No.	Report Date	Report Title	Audit Status
22-305 22-306 22-307 22-309 22-302 22-304	October, 2022	Fiscal Controls of Selected Law Enforcement Offices (6/10: San Antonio, Victoria, Laredo, Lubbock, Beaumont, Fort Worth)	Completed
23-202 23-204 23-206 23-207 23-208	December, 2022 – June, 2023	Fiscal Controls of Selected State Parks (5/8: Lyndon B. Johnson, Lake Whitney, Dinosaur Valley, Ray Roberts Lake Johnson Unit, Ray Roberts Lake Isle du Bois Unit	Completed
23-302 23-304 23-305 23-306 23-307 23-309	January – August, 2023	Fiscal Controls of Selected Law Enforcement Offices (6/10: Lufkin, Rockport, Rusk, La Marque, El Paso, Kerrville)	Complete
22-404	May, 2023	IT Contract Clauses Advisory	Completed
22-701	January, 2023	Audit of CAPPs Human Resources (HR) and Financial Resources (FR)	Completed

During FY 2023, the Texas Parks and Wildlife Commission (Commission) also received follow-up report: 23-501(a) - Q2 FY 2022 through Q2 FY 2023.

FY 2022 and FY 2023 Projects Carried Forward to FY 2024

Report No.	Report Date	Report Title	Audit Status As of 8/31/2023
23-201 23-205	- October, 2023	Fiscal Controls of Selected State Parks (2/8: Guadalupe River, Palo Duro Canyon)	Fieldwork
23-203	October, 2023	Fiscal Controls of Selected State Parks (1/8: Lake Brownwood)	Reporting
23-310	October, 2023	Fiscal Controls of Selected Law Enforcement Offices (1/10: Wichita Falls)	Fieldwork
23-301 23-303 23-308	October, 2023	Fiscal Controls of Selected Law Enforcement Offices (3/10: Garland, Mount Pleasant, Brownwood)	Reporting
22-312		Audit of Recreation Grants	Not Started
23-401		Sea Center Point of Sale (POS) Inventory Advisory	Not Started
22-402	October, 2023	Land Conservation Program (LCP) Easement Receivable Advisory	Reporting
22-405		Infrastructure – Change Order Process Advisory	Not Started
23-701		Texas Administrative Code (TAC) Title 1, Ch. 202 Cybersecurity Audit	Fieldwork
23-702		Audit of TPWD Patch Management Processes	Reporting

There were deviations from the FY 2023 internal audit plan.

Upon approval by the Chairman, the Timesheet/Leave Accounting – Approval Process Advisory (Project number 22-403) was removed from the audit plan. The impetus for this project was COVID and the resultant amount of telework. The risk has decreased due to employees returning to the office, according to an approved agency telework policy.

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 the agency'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 agency, state, and federal requirements. In the past five fiscal years, the OIA has performed eight internal audit engagements, covering 56 contracts and nine grants. The OIA also followed up on all recommendations made in these internal audit projects (if due), as well as one engagement performed by the State Auditor's Office (SAO). Report numbers, titles, number of contracts and grants reviewed per project, and report issue dates are provided below.

Contract and Grant Engagements <i>(Completed September 1, 2018, to August 31, 2023)</i>				
Report #	Title	Number Reviewed		Date of Report
		Contracts	Grants	
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 Information Technology (IT) Contracts	8		November 2021
22-311	Audit of Selected Infrastructure (INF) Contracts	8		June 2022
22-404	IT Contract Clauses Advisory	<u>10</u>		May 2023
	Total	<u>56</u>	9	

Note: SAO report #23-028 graded TPWD as "No Additional Monitoring Warranted."

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 or Commission, at least annually, the organizational independence of the internal audit activity.

I hereby attest to the following for audit work performed during FY 2023:

"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

During FY 2023, OIA completed project 22-404 – IT Contract Clauses Advisory. This is a consulting or non-audit service as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, and 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 of 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:
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Chief Audit and Compliance Officer
Texas Department of Transportation

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Eleazar Garcia
Eleazar Garcia, CIA, CRMA
Chief Auditor
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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: <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: <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: <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 years as denoted in the previous section, TPWD's OIA also includes the following activities as part of its quality assurance and improvement program:

- Review and sign-off on all project workpapers;
- Use of the State Agency Internal Audit Forum's Standard Compliance Review Program to ensure each project was conducted in compliance with the standards;
- CAE level review of all findings and supporting evidence prior to report issuance;
- Multiple levels of Report Review (prior to issuance), including the audit team, the CAE, the auditee, executive management, Legal, and the Commission Audit Subcommittee.
- 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 2024

The FY 2024 risk-based Internal Audit Plan was approved by the Commission on August 24, 2023:

Texas Parks and Wildlife Department Fiscal Year 2024 Internal Audit Plan

Projects	Budgeted Hours
FY 2022 and FY 2023 Carryover Projects	
Law Enforcement Offices Fiscal Control Audits (2)	100
Sea Center and TFFC POS Inventory Advisory	450
Infrastructure Change Order Process Advisory	450
Audit of Selected Local Recreation Grants	450
Audit of Selected IT Systems and Processes	
• TAC 202 Cybersecurity Audit	200
• Audit of TPWD Patch Management Processes	50
	1700
FY 2024 New Projects	
Cloud Computing Cybersecurity Audit	500
Audit of External/Public Safety Program(s)	450
Fiscal Controls of Selected State Parks (5)	750
Fiscal Controls of Selected Law Enforcement Offices (9)	850
Follow-up of Internal and External Audit Recommendations	800
TPWD Internal Audit Peer Review	300
Special Projects, Investigations, Liaison Activities (BRITS rewrite)	350
Research and Beta Testing State Park Continuous Monitoring Activities	300
Administrative	500
	4800
Total Hours	6500

List of Alternative Projects

- 1) Audit of TPWD's Surplus Process
- 2) Audit of TPWD's Minor Repair/Facilities Maintenance Process (INF)
- 3) Audit of TPWD Friends Group Oversight Processes
- 4) TPWD Records Retention Compliance Audit

Risk Assessment Methodology

TPWD OIA's FY 2024 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 2024 internal audit plan. High risks that weren't included on the plan were communicated to the Commission Audit Subcommittee.

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 TPWD 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, 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, 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 they might be experiencing with these systems and applications.

For all the risks identified during this process, 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, OIA was able to rank and identify what it perceived as the top risks/threats to the agency.

From this risk ranking, 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 2024. The OIA then presented the proposed audit plan to the Commission Audit Subcommittee and the full Commission for feedback. The Commission approved the proposed FY 2024 Internal Audit Plan on August 24, 2023.

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 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 evaluate risks as additional information is obtained throughout the coming fiscal year. Its continuous evaluation will ensure the most efficient use of audit resources.

VI. External Audit Services Procured in FY 2023

No external audit services were procured during FY 2023. However, certain audit work was conducted by the following external agencies or offices during FY 2023:

- Comptroller of Public Accounts (CliftonLarsonAllen LLP) – Statewide Single Audit (Federal Portion)
- Comptroller of Public Accounts – Dual Employment Audit
- U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Audit
- Department of Public Safety - Criminal Justice Information System (CJIS) Audit
- State Auditor’s Office - Audit of Capital Assets
- State Auditor’s Office – Classification Compliance Review
- Department of Homeland Security – Federal Emergency Management Agency (FEMA) – Desk Review of Port Security Grants with Law Enforcement
- Office of the Governor - Coronavirus State and Local Fiscal Recovery Fund – ongoing at year-end.
- Texas Workforce Commission - 6-year Personnel Policy and Procedure System (PPPS) Review – ongoing at year-end.
- Comptroller of Public Accounts – Post Payment Audit – ongoing at year-end.

VII. Reporting Suspected Fraud and Abuse

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

- A link (“Report Fraud”) on the TPWD public website (<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 SAO. In addition, the SAO’s fraud web page, (<https://sao.fraud.texas.gov>), includes the SAO mailing address, SAO hotline number, and a Report Fraud link which 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 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.

Report Distribution

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