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**TEXAS PARKS AND WILDLIFE DEPARTMENT
FISCAL YEAR (FY) 2015 INTERNAL AUDIT ANNUAL REPORT**

October 30, 2015

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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*

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 2016 audit plan, as provided by Texas Government Code, Section 2102.008 and the FY 2015 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. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions

Rider 8, page III-39, the General Appropriations Act (84th Legislature, Conference Committee Report) requires each higher education institution, excluding public community/junior colleges to conduct an internal audit of benefits proportional by fund using a methodology approved by the State Auditor's Office (SAO). The Texas Parks and Wildlife Department is not a higher education institution. This section is not applicable to our entity.

III. Internal Audit Plan for FY 2015

Report No.	Report Date	Report Title	Audit Status
12-301	2/9/2015	An Audit of Financial and Budgeting Controls in BIS	Completed
14-302	4/29/2015	Compliance Audit of Selected Federal Grants	Completed
14-303	3/13/2015	Compliance Audit of Procurement Card Transactions	Completed
14-305	6/11/2015	Audit of Selected Infrastructure Projects	Completed
14-306	9/28/2015	Data Integrity Audit of Selected Information Technology Systems	Completed
15-301	9/3/2015	Audit of Travel Advance Account	Completed
15-302	9/30/2015	Audit of State Owned Housing Charges	Completed
15-303	9/10/2015	Follow-up of Internal and External Audit Recommendations <i>Internal Report*</i>	Completed
15-304		Audit of Selected Fuel Card Transactions	Fieldwork
15-305		Expenditure Audit of Selected Dedicated Funds	Fieldwork
15-306		Audit of Selected Local State Park Grants	Fieldwork

There were no deviations from the FY15 internal audit plan.

**Report #15-303 (Follow-up of Internal and External Audit Recommendations FY15) resulted in 34 recommendations having been implemented, 38 remain in-progress, and one was withdrawn.*

Recommendation and Implementation Status for Completed Internal Audit Reports

(September 1, 2014 – October 31, 2015)

Report #	Summary Title	Concerns	Recommendations	Implementation Status
12-301	Business Information System Audit	Deficiencies found in the general information system controls	Perform a risk assessment for general controls; develop and implement mitigating controls to address areas identified as high risk	In Progress
		Deficiencies found in the business process application controls.	Perform an application risk assessment for each module; develop and implement mitigating controls to address areas identified as high risk	In Progress
14-301	Public Hunt Revenue	Standardized fiscal control policies and procedures for field sites have not been developed	Develop and implement fiscal control policies and procedures; Report unauthorized change fund to Administrative Resources Divisions and obtain instructions for proper application	In Progress; Implemented
		Late deposits and un-swept funds were noted	Prepare and deposit funds timely; reconcile deposits and sweeps; consider automated field site/paper permitting process	In Progress
		Record management was lacking	Retain records in accordance with State and Department record retention requirements to ensure safekeeping	In Progress
		Field sites are not consistently following proper policies/procedures in determining accurate reporting of Public Hunt statistics to program management; paper permit sales revenue could not be traced to the accounting system	Ensure the accuracy of public hunt statistical reporting by all sites that conduct hunts; ensure accuracy of public hunt revenue reporting by all sites that conduct hunts	In Progress
14-302	Federal Grant Audit	Questioned cost for uniforms	Gain USFWS approval	Implemented
		Missing grant provisions in agreements	Update agreement templates	In Progress
		Grant accounts are not closed at the end of grant period	Obtain formal authority from Executive Mgmt. to close grants	In Progress
		Monitoring activity needs improvement	Develop risk assessment framework for core grant monitoring responsibilities	In Progress
		Monitoring grant budgets needs	Reconcile and monitor grant budgets to actual	In Progress

Report #	Summary Title	Concerns	Recommendations	Implementation Status
		improvement	expenditures	
		Minor mileage expense errors	Review and validate expenditures	In Progress
		Indirect and cost share match was coded to only one account	Set up additional account codes to delineate match types	In Progress
14-303	Payment Card Program	Missing state policy and procedure provisions	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
		Various cardholder purchasing non-compliance	Additional internal controls should be built into the process	In Progress
14-305	Infrastructure Audit	Capital construction prioritized list did not have approval signature	Obtain approval signature of senior level management	Implemented
		Some project expenses were not properly approved and others were paid untimely	Review payment order process to determine efficiencies that will ensure approval and prompt payment	In Progress
		Three of six projects had cost over-runs	Ensure project scoping, construction cost estimating and validation processes are followed	In Progress
		All six projects exceeded projected completion timelines	Ensure project work schedules are thoroughly developed, implemented and monitored	In Progress
		Two of six projects were not capitalized in the State Property Accounting (SPA) System	Establish procedure to ensure all construction projects are properly capitalized in SPA	In Progress
		Project close-out procedures were not always followed	Contract specialist should ensure all required processes are documented and followed	In Progress
14-701	Data Integrity Audit of the Human Resource Information System and Texas Fleet System (HRIS and TxFS)	No formal review or approval for regulatory reports	Define and implement verification process of agency data for all regulatory reports	In Progress
		No documentation of procedures for automated interface/dependence on one key staff	Document procedures for interface process/assign and train another staff member	In Progress

Report #	Summary Title	Concerns	Recommendations	Implementation Status
		HR Training Guide has not been updated to reflect current HRIS processes	Implement procedure for periodic review and update of Training guide	In Progress
		No system policy or procedure to establish accountability or to control user access rights to HRIS	Develop and implement system policy/procedures to control user access rights to HRIS	In Progress
		Found a generic user ID in HRIS	Delete/deactivate generic user ID in HRIS	Implemented
		No user account management policy for HRIS	Develop and implement system policy/procedures to manage user accounts	Implemented
		Audit procedures of personnel action forms are not executed properly	Formally document audit procedures to include a separate review	In Progress
		Source document data did not agree to system data due to inadequate audit procedures	Formally document audit procedures to ensure data accuracy audits from source documents	In Progress
		Untimely data entry	Establish, per procedure a reasonable timeframe and accountability process for data input	In Progress
		Personnel action forms were not date stamped according to HR procedures	Retrain staff and perform second layer review to ensure completeness	In Progress
		Unsecured key to employee records	Secure keys	Implemented
		Lack of training on TxFS and dependency on one key staff	Obtain system training and assign and train back-up staff	In Progress
		Data errors, untimely entry, reconciliation differences between agency's accounting system and TxFS	Develop, document and enforce process to ensure timely input, reconciliation, completeness and supervisory review	In Progress
		No procedures for entering disposed/surplus vehicles in TxFS	Develop and implement procedures to ensure timely disposal of vehicles	In Progress
15-301	Travel Advance Audit	Administrator does not consistently follow policy and procedures. Travelers do not consistently follow policy or procedures	Consider using Corporate Travel Cards with set limits/restrictions and require monthly supervisor reconciliation/approval	In Progress
15-302	State Owned Housing Audit	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	In Progress

Report #	Summary Title	Concerns	Recommendations	Implementation Status
			implemented.	

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

(September 1, 2013 – August 31, 2014)

Report #	Summary Title	Concerns	Recommendation	Implementation Status
13-310	Agency Retirement Payout	Errors in payout amounts indicate inadequate supervisory review and approval of final retirement documents	HR should offer supervisory training for processing retirement documentation and document process to manage overtime hours and associated payments	Implemented
13-311	Fleet Safety and Drug and Alcohol Policies	Disparities found between Fleet Safety policy and actual practices	Perform gap analysis between staff responsibilities, best practices and state plan – update plan; identify vehicles requiring CDL and submit to Safety Office, HR, and Drug Testing Coordinator; analyze fleet accident statistics and develop metrics to measure effectiveness of fleet safety	Implemented
		Volunteer and Safety policy contain different information than Fleet Safety policy	Determine proper guidance and ensure congruency among all policy; provide list to Drug Testing Coordinator, Safety Officer and Regional Directors of known tours requiring CDL drivers	In-Progress
		Instances where employees filed incomplete or late accident reports	Determine proper guidance, report late submissions to Division management and develop standard operating procedures for the Accident Review Board	Implemented
		Driver history records may not be maintained consistently and according to policy	Develop standardized procedures for privacy and security of records and establish oversight and monitoring for these records	Implemented
		Disparities found between Drug and Alcohol Testing policy/procedures and actual practices	Establish roles and responsibilities; enhance employee training and identifying CDL required positions; communicate policy changes and begin random drug/alcohol testing	Implemented
		Personal Identification (PI) numbers are not redacted from invoices prior to paying	Obtain pay information without revealing PI information on invoice	Implemented
		Drug and Alcohol Policy needs additional provisions	Revise and update policy to include necessary provisions and determine if any other safety-sensitive jobs can be identified	Implemented
		13-312	Customer Service Center Audit	Internal controls over reconciliations, transaction accountability, verification, and authorization are needed to strengthen business processes
		Payment Card Industry (PCI) guidelines have not been adopted	Implement a PCI “clean desk policy”	Implemented
		There were separation of duties issues regarding issuance and control of Off Highway Vehicle	Segregate duties between issuance and control processes	Implemented

		decals (OHV)		
13-313	Safety and Risk Management Program Audit	Not all staff has complied with or fully implemented requirements of the Safety Program Manual	Safety Officer should follow-up and track compliance with reported issues; emphasize priority concerns; consider hiring a site inspector to enhance compliance	Implemented
		State Office of Risk Management (SORM) inspection issues remain open; agency may not be effectively allocating resources to reduce risks	Safety Officer should develop tracking mechanism for SORM issues; follow-up and report to Executive management; work with Executive management to determine proper allocation of the Program's resources.	Implemented
		State Fire Marshal Office inspection issues remain open	Safety Officer should develop tracking mechanism for open issues; follow-up and report to Executive management	Implemented

IV. Consulting Services and Non-Audit Services Completed

No consulting or non-audit services were performed by internal audit during FY 2015 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.

V. External Quality Assurance Review

An External Peer Review was performed and the Report was issued December 2014.

TPWD INTERNAL AUDIT DEPARTMENT
EXTERNAL QUALITY ASSURANCE REVIEW – November 2014

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 Internal Audit Department receives a rating of "pass" and is in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and *Code of Ethics*, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit 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 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 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 Internal Audit Department is well managed internally. In addition, the Department has effective relationships with management and is well respected by them. The Department has the support of the Commission. Surveys and interviews conducted during the quality assurance review indicated 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.

ACKNOWLEDGEMENTS

We appreciate the courtesy and cooperation extended to us by the Director of Internal Audit, Internal Audit staff, the Commission, 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.

		
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Date 12/15/14	Date 12/15/14	

VI. Internal Audit Plan for FY 2016

We anticipate Commission approval of the TPWD FY 2016 Internal Audit Plan on November 5, 2015 during the next Commission meeting. The TPWD FY 2016 Internal Audit Plan will be submitted to our oversight agencies on or before November 13, 2015.

A brief description of the risk assessment methodology used to develop the FY 2016 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 risk workbook, questionnaire, and a value system, executive and senior management (129 staff surveyed with 25 staff responding) 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 Deputy Executive Directors and Executive Director for priority scoring. The draft plan was also reviewed by the Commissioners to obtain their input and comments.

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 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.

VII. External Audit Services Procured in FY 2015

The Department did not contract out for any external audit services to be provided during FY 2015. However, certain audit work was conducted by the following agencies or offices:

- State Auditor's Office
- Ernst & Young contracted by Texas Department of Public Safety, Homeland Security, Division of Emergency Management
- Department of Interior, Office of Inspector General
- U.S. Fish and Wildlife Department, Region 2, Federal Land Division
- Texas Workforce Commission, Civil Rights Division

VIII. Reporting Suspected Fraud and Abuse

In order to implement the requirements for fraud reporting included in the General Appropriations Act (83rd Legislature), Article IX, 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://www.tpwd.state.tx.us/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/>), 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 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 by letter of suspected losses, misappropriations, misuse, or other fraudulent or unlawful conduct. SAO may investigate the report or may monitor any investigation conducted by the agency.