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**TEXAS PARKS AND WILDLIFE DEPARTMENT
FISCAL YEAR (FY) 2016 INTERNAL AUDIT ANNUAL REPORT**

October 31, 2016

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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 2017 audit plan, as provided by Texas Government Code, Section 2102.008 and the FY 2016 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 2016

Report No.	Report Date	Report Title	Audit Status
Carryover Projects			
14-701	9/29/2015	Data Integrity Audit of Selected Information Technology Systems (HRIS and TxFS)	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	6/14/2016	Audit of Selected Fuel Card Transactions	Completed
15-305	3/22/2016	Expenditure Audit of Selected Dedicated Funds	Completed
15-306	2/17/2016	Audit of Selected Local State Park Grants (CO-OP Grants)	Completed
FY2016 New Projects			
16-301 – 16-305 and 16-310 – 16-320	Various	Fiscal Control Audits of 16 Law Enforcement Offices	3 Reports Left to be Issued
16-201 – 16-214	Various	Fiscal Control Audits of 14 State Parks	2 Reports Left to be Issued
16-701	6/27/2016	Data Integrity Audit of Selected Information Systems – Boat Registration and Information System (BRITS)	Completed
16-309	8/29/2016	Audit of Selected Grants – Target Range Development Program	Completed
16-307	9/10/2016	Follow-up of Internal and External Audit Recommendations <i>Internal Report*</i>	Completed
16-308		Travel Voucher Audit	Reporting
16-306	10/11/2016	Property Audit	Completed

There were no deviations from the FY16 internal audit plan.

*Report #16-307 (Follow-up of Internal and External Audit Recommendations FY16) resulted in 40 recommendations having been implemented, 21 remain in-progress, one was withdrawn and one was not implemented.

Recommendation and Implementation Status for Completed Internal Audit Reports

(Issued September 1, 2015– August 31, 2016)

Report #	Summary Title	Concerns	Recommendations	Implementation Status
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	Implemented
		No documentation of procedures for automated interface/dependence on one key staff	Document procedures for interface process/assign and train another staff member	Implemented
		HR Training Guide has not been updated to reflect current HRIS processes	Implement procedure for periodic review and update of Training Guide	Implemented
		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	Implemented
		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	Implemented
		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	Implemented
		Untimely data entry	Establish, per procedure a reasonable timeframe and accountability process for data input	Implemented
		Personnel action forms were not date stamped according to HR procedures	Retrain staff and perform second layer review to ensure completeness	Implemented
		Unsecured key to employee records	Secure keys	Implemented

Report #	Summary Title	Concerns	Recommendations	Implementation Status
		Lack of training on TxFS and dependency on one key staff	Obtain system training and assign and train back-up staff	Implemented
		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	Implemented
		No procedures for entering disposed/surplus vehicles in TxFS	Develop and implement procedures to ensure timely disposal of vehicles	Implemented
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	Implemented
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 implemented.	In Progress
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
		Bulk fuel tank procedures have not been written.	Develop agency-wide bulk fuel tank procedures.	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
		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
16-205	Fiscal Controls at Selected State Parks	Concession inventory outages were noted.	Colorado Bend SP – Management should conduct a complete physical concession inventory count to identify the total outage and investigate possible causes for the outages.	Implemented
15-305	Audit of Selected Dedicated Funds	Decal inventory processes were lacking and decal counts were off.	The Off – Highway vehicle Program Manager needed controls over the decal inventory processes. Processes should then	In-Progress

Report #	Summary Title	Concerns	Recommendations	Implementation Status
			be documented and implemented.	
16-701	Data Integrity Audit of Selected Information Technology Systems - BRITS	Procedures to review and deactivation of TPWD and TAC user accounts no longer needed had not been developed.	Develop and implement a process to review and deactivate TPWD and TAC user accounts in BRITS for inactive and terminated employees.	In-Progress
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.	In-Progress
		Performance reports submitted to USFWS were based on unverified information.	Verify and submit accurate performance reports to USFWS.	In-Progress
		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.	In-Progress

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

(September 1, 2013 – August 31, 2015)

Report #	Summary Title	Concerns	Recommendation	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	Implemented
		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	Implemented
13-311	Fleet Safety and Drug and Alcohol Policies	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
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	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	Implemented per policy; Not Implemented-Further automation will not be pursued due to cost
		Record management was lacking	Retain records in accordance with State and Department record retention requirements to ensure safekeeping	Implemented
		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	Implemented
14-302	Federal Grant Audit	Questioned cost for uniforms	Gain USFWS approval	Implemented
		Missing grant provisions in agreements	Update agreement templates	Implemented
		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 improvement	Reconcile and monitor grant budgets to actual expenditures	Implemented

		Minor mileage expense errors	Review and validate expenditures	Withdrawn
		Indirect and cost share match was coded to only one account	Set up additional account codes to delineate match types	Implemented
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
		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	Implemented
		Three of six projects had cost over-runs	Ensure project scoping, construction cost estimating and validation processes are followed	Implemented
		All six projects exceeded projected completion timelines	Ensure project work schedules are thoroughly developed, implemented and monitored	Implemented
		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	Implemented
		Project close-out procedures were not always followed	Contract specialist should ensure all required processes are documented and followed	Implemented

III. Consulting Services and Non-Audit Services Completed

No consulting or non-audit services were performed by internal audit during FY 2016 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.

IV. 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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V. Internal Audit Plan for FY 2017

We anticipate Commission approval of the TPWD FY 2017 Internal Audit Plan on November 3, 2016 during the next Commission meeting. The TPWD FY 2017 Internal Audit Plan will be submitted to our oversight agencies on or before November 13, 2016.

A brief description of the risk assessment methodology used to develop the FY 2017 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 (127 staff surveyed with 14 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, 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 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 2016

The Department did not contract out for any external audit services to be provided during FY 2016. However, certain audit work was conducted by the following agencies or offices:

- Department of Interior, Office of Inspector General
- Texas Comptroller of Public Accounts
- State Auditor's Office – State's Position Classification Plan

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.