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**TEXAS PARKS AND WILDLIFE DEPARTMENT  
FISCAL YEAR (FY) 2017 INTERNAL AUDIT ANNUAL REPORT**

**October 31, 2017**

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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 2018 audit plan, as provided by Texas Government Code, Section 2102.008 and the FY 2017 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 2017

Report No.	Report Date	Report Title	Audit Status
FY16 Carryover Projects			
16-308	1/23/2017	Travel Voucher Audit	Completed
16-210 16-209	1/11/2017 12/27/16	Fiscal Control Audit of Selected State Parks (Monahans & Hueco Tanks)	Completed
16-315 16-316 16-317	11/17/2016 11/9/2016 1/11/2017	Fiscal Control Audit of Selected Law Enforcement Offices (LaMarque, North Houston, South Houston)	Completed
FY2017 New Projects			
17-314	1/11/2017	Contract Audit	Completed
17-302 thru 17-313	8/16/2017	Audits of Selected Law Enforcement Offices	Completed
17-201 thru 17-232	9/12/2017	Audits of Selected State Parks	Completed
17-701		Audit of Selected Information Technology Systems (Texas License Connection)	Reporting
17-316	10/9/2017	Audit of Selected Federal Grants	Completed
17-315	8/17/2017	Audit of License Agent Requirements	Completed
17-301	9/7/2017	Follow-up Audit*	Completed

There were no deviations from the FY17 internal audit plan.

\*Report #17-301 (Follow-up of Internal and External Audit Recommendations FY17) resulted in 18 recommendations having been implemented (1 was an external finding), 16 remain in-progress (4 are external audit findings).

## Recommendation and Implementation Status for Completed Internal Audit Reports

(Issued September 1, 2016– August 31, 2017)

Report #	Summary Title	Concerns	Recommendations	Implementation Status
16-306	Property Audit	Detailed property information is not reconciled between system databases.	Develop and implement a complete, comprehensive property control framework to include reconciling.	In Progress
16-317	Fiscal Control at South Houston Law Enforcement Office	Untimely petty cash bank reconciliations. Out dated bank signature card.	Perform timely petty cash bank reconciliations and update signature card.	Implemented
16-209	Fiscal Control at Hueco Tanks State Park	Concession outages noted.	Correct concession outages.	Implemented
		Untimely supervisor compliance checks.	Improve timeliness of supervisor compliance checks.	Implemented
16-210	Fiscal Control at Monahans Sandhills State Park	Untimely supervisor compliance checks.	Improve timeliness of supervisor compliance checks.	Implemented
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.	In Progress
16-314	Fiscal Control at Laredo Law Enforcement Office	Missing initials on bank deposit slip indicating approver and courier personnel.	Improve documentation of the bank deposit process.	Implemented
17-218	Fiscal Control at Lockhart State Park	Leased Concession Revenue Ledgers were not completed for the two contracted concessionaires.	.Complete a monthly Leased Concession Revenue Ledger for the two concessionaires that have contracts with the Park.	Implemented
17-214	Fiscal Control at Pedernales Falls State Park	Untimely supervisor compliance checks.	Improve the timeliness of the supervisor weekly compliance checks.	Implemented
17-309	Fiscal Control at Kerrville Law Enforcement Office	The money tracking log was not completed accurately.	Ensure money tracking log is completed accurately.	Implemented
17-231	Fiscal Control at Mustang Island State Park	Payment Card Transaction log was not completed.	Ensure the payment card transaction log is completed for concession inventory purchases.	Implemented

<b>Report #</b>	<b>Summary Title</b>	<b>Concerns</b>	<b>Recommendations</b>	<b>Implementation Status</b>
<b>17-205</b>	Fiscal Control at Palo Duro Canyon State Park	System access was not promptly removed for departing employee.	Immediately remove system access for departing employees.	Implemented

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

(September 1, 2013 – August 31, 2016)

Report #	Summary Title	Concerns	Recommendation	Implementation Status
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.	Implemented
14-301	Fiscal Controls at Public Hunting Sites	Manual processes noted.	Management should consider automating field site processes.	Implemented
14-302	Federal Grant Audit	Grant accounts are not closed at the end of grant period.	Obtain formal authority from Executive Mgmt. to close grants.	Implemented
		Monitoring activity needs improvement.	Develop risk assessment framework for core grant monitoring responsibilities.	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
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.	Implemented
		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
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 be documented and implemented.	Implemented
16-701	Data Integrity	Procedures to review and deactivation of TPWD and TAC	Develop and implement a process to review and deactivate TPWD	Implemented

	Audit of Selected Information Technology Systems - BRITS	user accounts no longer needed had not been developed.	and TAC user accounts in BRITS for inactive and terminated employees.	
<b>16-309</b>	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



### **III. Consulting Services and Non-Audit Services Completed**

No consulting or non-audit services were performed by internal audit during FY 2017 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 June 2017 with a "PASS" rating.



#### STATE PRESERVATION BOARD

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The Honorable Joe Straus, Speaker of the House, Co-Vice Chairman  
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The Honorable Charlie Geren, Texas House of Representatives  
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.

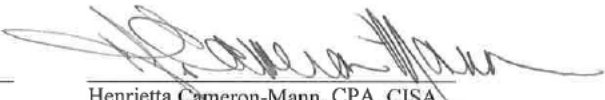
We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Audit Committee Chairman, the Executive Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the 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 SAIAP 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.



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Dale Hernandez, CIA, CGAP, CFE, CGFM  
Internal Auditor  
State Preservation Board  
SAIAP Peer Review Team Leader



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Henrietta Cameron-Mann, CPA, CISA  
Internal Auditor  
General Land Office/Veterans Land Board  
SAIAP Peer Review Team Member

#### **REPORT DISTRIBUTION LIST**

##### Commission Members

The Honorable T. Dan Friedkin, Chairman  
The Honorable Ralph H. Duggins, Vice-Chairman  
The Honorable Anna B. Galo  
The Honorable Bill Jones, Audit Committee Chairman  
The Honorable Jeanne W. Latimer  
The Honorable James H. Lee  
The Honorable S. Reed Morian  
The Honorable Dick Scott  
The Honorable Kelcy L. Warren  
The Honorable Lee M. Bass, Chairman-Emeritus

##### Texas Parks and Wildlife Department

Mr. Carter P. Smith, Executive Director

**V. Internal Audit Plan for FY 2018**

Commission approval of the TPWD FY 2018 Internal Audit Plan occurred on August 24, 2017 during the Commission meeting.

**Approved TPWD FY18 Internal Audit Plan**

<b>FY18 New Projects</b>	<b>Budgeted Hours</b>
Fiscal Control Audit of Selected State Parks	2610
Audit of Selected Contracts*	400
Audit of Sea Center	200
Audit of Texas Freshwater Fisheries Center	200
Fiscal Control Audit of Selected Wildlife Management Areas	500
Audit of Selected Information Technology Systems	800
Audit of the Sand & Gravel Program	400
Audit of Selected Federal Grants	300
Information Technology Governance Audit**	400
Follow-up of Internal and External Audit Recommendations	400
Special Projects/Advisories	120
<b>Total</b>	<b>6330</b>

Alternative Project

Fiscal Control Audit of Selected Law Enforcement Offices

Special Projects/Advisories will include the following:

- Ethics Review
- Reconciliation issues of TX.GOV
- County Unpaid Citations

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 The TPWD FY18 Internal Audit Plan included 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 2018 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 2017**

The Department did not contract out for any external audit services to be provided during FY 2017. However, certain audit work was conducted by the following agencies or offices:

- Department of Interior, Office of Inspector General – Federal Grant Audit
- Texas Workforce Commission – EEO and Human Resource Policy Compliance Audit
- State Auditor’s Office – Infrastructure Contract Audit
- Texas Department of Emergency Management
  - Ernst & Young – Ike Compliance
  - Horne LP – Ike Recovery
  - FEMA – Harvey Requests
  - CohnReznick LLP – 2015/2016 Floods
- KPMG – Microsoft Licensing Audit
- State Office of Risk Management (SORM) – On-site Consultation Report

## 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.