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**TEXAS PARKS AND WILDLIFE DEPARTMENT
FISCAL YEAR (FY) 2019 INTERNAL AUDIT ANNUAL REPORT**

October 31, 2019

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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 2020 audit plan, as provided by Texas Government Code, Section 2102.008 and the FY 2019 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 2019

| Report No. | Report Date | Report Title | Audit Status |
|--------------------|----------------------|-----------------------------------------------------------------------------------------------|--------------|
| FY2019 Projects | | | |
| 19-701 | 10/9/2019 | Audit of Selected Information Technology Systems and Processes Outside of the IT Division | Completed |
| 19-702 | 4/2/2019 | Audit of Selected Information Technology Systems (TWIMS) | Completed |
| 19-703 | | Audit of Selected Information Technology Systems (Security of Field Networks, Data & Systems) | Fieldwork |
| 19-314 | 3/25/2019 | Audit of Selected Grants | Completed |
| 19-316 | | Audit of Selected Contracts | Fieldwork |
| 19-302 thru 19-313 | 12/13/2018-7/10/2019 | Fiscal Controls of Selected Law Enforcement Offices (12) | Completed |
| 19-315 | 7/16/19 | Fiscal Controls of Selected Wildlife Management Areas (6) * | Completed |
| 19-301 | 9/23/19 | Follow-up Audit* | Completed |

There were deviations from the FY19 internal audit plan.

* Note that during the Fiscal Controls of Selected Wildlife Management Areas (WMA) Audit, only three WMAs were audited because the other WMAs had changed their processes and no longer accepted cash payments.

*Report #19-301 (Follow-up of Internal and External Audit Recommendations FY19) resulted in 35 recommendations having been implemented 19 remain in-progress (14 are external audit findings). Two recommendations were withdrawn (one external audit issue and one internal audit issue).

Recommendation and Implementation Status for Completed Internal Audit Reports

(Issued September 1, 2018– August 31, 2019)

| Report # | Summary Title | Concerns | Recommendations | Implementation Status |
|---------------|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 19-702 | Audit of Selected Information Technology Systems - The Texas Wildlife Information System (TWIMS) | The number of unsuccessful log-on attempts before the user is locked-out does not align to TPWD IT password policy. User access is not routinely reviewed or removed timely when users are terminated, transferred or accounts are no longer needed. | IT Division configures the lock-out feature in TWIMS in accordance with TPWD password policy. Review user access to ensure access remains relevant and appropriate and determine if access needs to be modified or disabled. | Implemented |
| | | TWIMS does not have audit logging capability to establish accountability for changes that might affect confidential information. In addition, TWIMS does not track user log-in activity to ensure access remains relevant and least privilege is applied. | TWIMS management requests that the IT Division develops additional audit logging features in TWIMS to conform to DIR Security Control Standard AU-2 and AU-3. | Implemented |
| | | Reconciliation of TWIMS revenue is not being performed by wildlife program staff or financial resources staff. | Develop a reconciliation process of TWIMS revenue in accordance with financial resources. | Implemented |
| 19-305 | Fiscal Control Audit of the Ft. Worth Law Enforcement Office | Decals were shredded and missing. Decal Distribution Log is recorded as issued but is still available for issuance. Decal Distribution Log is recorded as available, but decal was issued. | Ensure proper procedures are carried out and corrections are made for errors noted. Ensure office staff receive training or instructions from the TPWD Boat Section manager for safeguarding and accounting for decals, as well as handling decal errors in order to help prevent future problems. | Implemented |
| 19-309 | Fiscal Control Audit of the College Station Law Enforcement Office | Surprise spot audits of each cash drawer were not conducted and documented according to Law Enforcement General Orders. | Perform unannounced spot verifications no less than once every six months as required by General Orders, Chapter 10.110, Policy 3.3.5. for each cash drawer. | Implemented |

| Report # | Summary Title | Concerns | Recommendations | Implementation Status |
|----------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| 18-702 | Audit of Selected Information Technology Systems-The Public Hunt System (PHS) | PHS system is not designed to prevent duplication of required personal identifying numeric information. | Require the vendor to meet the functional requirements outlined in the executed contract to prompt the agent/clerk that a customer may already exist when certain key fields match other records. | In Progress |
| 18-306 | Audit of the Sand and Gravel Permit Program | TPWD personnel do not request or receive permit holders' monthly sales reports or Recap of Sales to verify that sales, which serve as the basis for royalties, are reported accurately. In addition, TPWD does not have personnel assigned with the responsibility of calculating amounts due and notifying permit holders when payments or reports are late. | Develop a process and assign the responsibility to request and obtain permit holder's monthly sales reports, reconcile total sales and tonnage. In addition, a process should be developed and responsibility assigned to perform calculations and notifications of penalties and interest resulting from underpayments, late payments and submission of untimely dredging reports and supporting documentation from entities. | Implemented |
| | | Additional sections need to be included in the Sand and Gravel Permitting Process Checklist. | Add the following sections to the Sand and Gravel Process Checklist: Application Payment, Criteria considerations Past performance, and Monitoring. | Implemented |
| 18-305 | Audit of the Sea Center Texas | Inventory purchases were not recorded into the concession inventory records. | Process all inventory purchases immediately and conduct a complete physical inventory, hire a gift shop manager, cross train other TPWD staff, and purchase an integrated point-of-sale and inventory management system. | Implemented |
| | | Improvement is needed regarding cash handling internal controls. | Contact Financial Resources in order to document the existence of \$650 change fund in the agency's accounting records. | Implemented |

| Report # | Summary Title | Concerns | Recommendations | Implementation Status |
|----------|------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| | | | <p>Ensure all logs are completed accurately and management verifications are documented. Ensure all logs are handwritten on an appropriate form so entry corrections can be tracked and approved.</p> <p>Ensure all donation funds collected, both bills and coins, are documented, reported and deposited daily in totality.</p> <p>Fish Feeder Money is to be deposited in the treasury bank account or added to the official over/short fund. A maximum limit for the over/short fund should be set and money over the limit should be deposited.</p> <p>Ensure all revenue collected from the Fish Feeder machine is periodically collected and counted by two people and documented on a form. The revenue should be accounted for in the daily sales and deposited in the treasury bank account.</p> <p>Create an operational procedure guide for staff and volunteers to follow emphasizing proper cash handling and appropriate internal controls to enhance accountability and eliminate co-mingling of volunteer funds and state funds.</p> <p>Conduct periodic training of volunteers to ensure proper operational procedures are followed and to help reduce the number of daily outages and errors.</p> | |

| Report # | Summary Title | Concerns | Recommendations | Implementation Status |
|----------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| | | | Implement a documented, periodic management monitoring process. | |
| 18-307 | Fiscal Control Audit of Selected Wildlife Management Area - Chaparral | Cash is received for donations for programs, but staff does not notify the Revenue Control Department and does not deposit the cash into the site's Treasury bank account as required by TPWD's procedures, BF-99-101. | Chaparral WMA staff should familiarize themselves with TPWD's Donations and Employee Fundraising Policy and Procedures for Donations and Employee Fundraising Activities. | Implemented |
| 18-307 | Fiscal Control Audit of Selected Wildlife Management Area - J.D. Murphree | Missing inventory control log, which is used for manually tracking and accounting for sequentially numbered paper hunting permits. | Return all paper permits held at the J.D. Murphree WMA to Austin Headquarters (HQ) Program Staff, provide written notification to HQ Program Staff of the missing permit and lack of paper permit inventory control log, and request and retain documentation from HQ Program Staff that all paper permits have been received by HQ and are accounted for. | Implemented |

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

(September 1, 2013 – August 31, 2018)

| 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. | Implemented |
| | | 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 |
| 15-304 | 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. | 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. | Implemented |
| | | 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. | Withdrawn |
| 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 |
| 16-308 | 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 |
| 18-304 | Audit of Texas Freshwater Fisheries Center | Documented procedures/controls to manage daily business processes were lacking. | Establish written standard operating procedures for the gift shop, store inventory and other revenue operations. | Implemented |
| 18-701 | IT Governance Audit | Specific performance metrics have not been identified to | Assignment of responsible individuals for each COBIT and NIST control implemented; identification of key | Implemented |

| | | | | |
|---------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| | | evaluate and report on IT governance processes. | performance measures to access processes; communication of status of IT controls and performance to Executive Director and IT Governance Committee. | |
| 17-701 | Audit of Selected Information Technology System - The Texas License Connection (TLC) | Lack of reasonable security for Personal Identifying Information (PII) stored in the TLC system. | Performance of an analysis of the PII in the TLC to determine which PII should be masked or hidden to eliminate the ability to identify individuals in the system and meet contract requirements. | In Progress |
| | | Duplication of records was permissible. | Design the TLC to meet the functional requirements of the executed contract by including an alert or prompt to prevent the creation of duplicate records. | In Progress |
| | | User awareness of the importance of non-disclosure of confidential data. Deactivation of user accounts upon termination and review of current user accounts for appropriateness based on job responsibilities. | Require users of GDI who access TLC to sign non-disclosure agreements. Ensure that user access is appropriate for job responsibilities, provide IT security training and deactivate user accounts upon termination. | Implemented |
| | | Affidavit Claiming No Social Security Number (PWD-1083) was not routinely provided to customers claiming to not have a social security number. In addition, completed PWD-1083 forms were not collected. | Create instructions for Retail Agents regarding the use of the PWD-1083 form and a system prompt as a reminder to collect the completed form for forwarding to the TPWD License Office. | Implemented |
| | | Inconsistent language regarding record retention requirements of retail agent records. | Provide clear, specific and consistent language regarding the retention of retail agent records. | Implemented |

III. Consulting Services and Non-Audit Services Completed

Consulting or non-audit services performed by internal audit during FY 2019 as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, or in the *Government Auditing Standards*, 2018 Revision, Sections 3.64-3.106, include the following:

FEMA Coordination – Internal audit provided assistance and guidance for the Support Resource Division, specifically as it pertains to the FEMA process. Completed.

ADA Coordinator– Internal Audit assisted and recommended methods to achieve federal compliance in several areas for the new office. Completed.

Encumbrance Monitoring – Internal Audit determine if TPWD monitors outstanding year-end encumbrances to ensure they are closed out or are unencumbered in a timely manner so funds can be used for other needs. There are TPWD processes in place for encumbrance monitoring. Completed.

Land Conservation – Internal Audit compiled information to determine if there are adequate authority, policies, and criteria for the Land Conservation Program. 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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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.

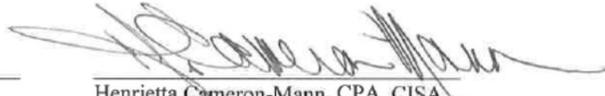
The Internal Audit Department is well managed internally. In addition, the Internal Audit Director has an effective relationship with the Commission and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers 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 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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Texas Parks and Wildlife Department

Mr. Carter P. Smith, Executive Director

V. Internal Audit Plan for FY 2020

We anticipate Commission approval of the TPWD FY 2020 Internal Audit Plan on November 7, 2019 during the next Commission meeting. The TPWD FY 2020 Internal Audit Plan will be submitted to our oversight agencies on or before November 18, 2019.

A brief description of the risk assessment methodology used to develop the FY 2020 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.

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 2019

The Department did not contract out for any external audit services to be provided during FY 2019. However, certain audit work was conducted by the following agencies or offices:

- Federal Emergency Management Agency – Port Security Grant Program Desk Review
- Texas Comptroller of Public Accounts – Post Payment Audit
- Texas Comptroller of Public Accounts – Promotional Items Desk Review
- State Auditor’s Office – IT Job Classifications Audit
- State Auditor’s Office – Vendor Performance Tracking
- State Auditor’s Office – Fleet Management
- CliftonLarsonAllen LLP – Statewide Single Audit (Federal Portion)
- Federal Bureau of Investigation – Criminal Justice Information Security Policy Audit

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 SAO’s fraud web page, (<http://sao.fraud.state.tx.us/hotline.aspx>), includes the SAO mailing address, SAO hotline number and a Report Fraud link which directs the user to a SAO fraud reporting form.
- 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.