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**TEXAS PARKS AND WILDLIFE DEPARTMENT
FISCAL YEAR (FY) 2021 INTERNAL AUDIT ANNUAL REPORT**

October 27, 2021

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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 2022 Audit Plan on the Agency's public website. We will also post the FY 2021 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 Fiscal Year 2021

Internal Audit Projects Completed During the Fiscal Year

Report No.	Report Date	Report Title	Audit Status
20-201 thru 20-225	9/1/2020-3/31/2021	Controls of Selected State Parks (19/25)	Completed
21-201 thru 21-210	9/1/2020-8/31/2021	Fiscal Controls of Selected State Parks (6/10)	Completed
20-303	12/29/2020	Audit of Selected Contracts – Close-out Process	Completed
20-701	10/19/2020	Audit of Selected Information Technology Systems and Processes - Incident Reporting System	Completed
20-702	3/11/2021	IT Security/Cybersecurity – Mobile Devices	Completed
21-302	8/14/2021	Audit of Selected Federal Grants	Completed

The Commission also received quarterly status memos and follow-up reports throughout the year.

FY 2021 Projects Carried Forward to FY 2022

Report No.	Report Date	Report Title	Audit Status As of 8/31/2021
21-201 thru 21-210		Fiscal Controls of Selected State Parks (1/10)	QA Review
21-201 thru 21-210	9/7/2021, 9/27/2021	Fiscal Controls of Selected State Parks (3/10)	Reporting
21-702	9/27/2021	Audit of the Online Registration System	Reporting
21-701		Audit of TPWD Social Media	Reporting
21-303		Audit of Selected IT Contracts	Fieldwork
21-308		Use of Force	Fieldwork

There were deviations from the FY21 internal audit plan.

Upon approval by the Chairman, two performance audits and eight fiscal control audits were removed from the FY21 plan due to the loss of an auditor and the purchase, configuration, implementation, and training on new audit software.

**Management resolved/implemented thirty-one (31) internal and external audit recommendations during FY21. Twenty-one (21) of those are shown below, as they resulted from projects completed during FY21. Sixteen (16) audit items remained outstanding at 8/31/2021. Eight (8) from prior years, and eight (8) resulting from projects completed during FY21. No recommendations were withdrawn.*

Recommendation and Implementation Status for Completed Internal Audit Projects

(September 1, 2020– August 31, 2021)

Report #	Summary Title	Concerns	Recommendations	Implementation Status As of 8/31/2021
20-201 thru 20-225 (19) AND 21-201 thru 21-210 (6)	Audit of 25 Selected State Parks Fiscal Control Processes	Main findings for the State Park Audits include: <ul style="list-style-type: none"> • Untimely deactivation of terminated employees from Park Business System (PBS) • Missing asset tags • Compliance checks and field spot checks not performed in compliance with the fiscal control handbook • Significant inventory variances without explanations • Deposits not made within three (3) business days 	Various recommendations to remediate the concerns.	Fifteen (15) audit items were remediated during FY21.
# 20-202	Audit of Big Bend Ranch State Park	The OIA learned that one of the Park’s vehicle lifts was being used by several park employees to work on their personal vehicles. Management responded that due to the remote location, sometimes staff must work on their own and visitor vehicles.	Management will work with State Parks leadership to develop a process to evaluate incidents of damaged or disabled vehicles that will provide adequate customer service and ensure visitor safety, while ensuring legal compliance and limiting department liability. Any proposed course of action will be reviewed and approved by appropriate staff in Legal and the Support Resources Safety Program prior to	In Progress

Report #	Summary Title	Concerns	Recommendations	Implementation Status As of 8/31/2021
			implementation, and properly documented for future reference.	
# 21-201	Audit of Fort Leaton State Historic Site	Petty Cash Processes were not in compliance with the fiscal control handbook.	Petty Cash Processes should be enhanced.	In Progress
# 20-216	Audit of Lake Somerville State Park – Birch Creek Unit	Concession processing issues were noted during this, as well as additional, State Park audits.	It was recommended that State Parks work with Aspira One (the PBS vendor) to fix rounding and purchase order (PO) issues in order to have assurance that concession inventory is valued accurately in PBS.	In Progress
# 20-303	A Compliance Audit of Selected Contracts	The TPWD Contract Management Guide is not in compliance with the Texas Administrative Code on the time required to submit a vendor performance report to the Vendor Performance Reporting System (VPTS).	The Contract Management Guide should be updated to specify thirty (30) days instead of forty-five (45) days from the end or termination of the contract.	Proof of Remediation was provided on 9/1/2021, prior to the release of this report
# 20-701	Audit of Selected Information Technology Systems and Processes- The Incident Reporting System (IRS)	Employees do not understand their responsibilities with respect to the IRS.	Support Resources should do the following to ensure personnel understand the responsibilities and procedures of incident reporting and how to submit an incident through IRS: <ul style="list-style-type: none"> • Place more emphasis on incident reporting and the use of the IRS at New Employee Orientation • Incorporate periodic training on and awareness of IRS into its comprehensive training and awareness strategy for the agency's Safety and Risk Management program. 	Implemented
“	“	Two IRS user roles are not periodically reviewed to ensure appropriate system access.	TPWD IT should develop a user access profiles report for the IRS user roles “HR” and “Property”. Access	Implemented

Report #	Summary Title	Concerns	Recommendations	Implementation Status As of 8/31/2021
			control permissions should be periodically reviewed by Support Resources to ensure access privileges are valid and remain appropriate with their allocated roles.	
“	“	Support Resources does not require corrective action, an essential program element required by the State Office of Risk Management (SORM), to be documented in IRS.	Create a field to capture Corrective Action in the IRS.	Implemented
“	“	Data classification review is not performed on IRS data in compliance with agency policy.	Support Resources should review and update the data classification form to reflect current data ownership and the type of data in the IRS. Support Resources should also forward the updated data classification form to TPWD IT Security for review and approval. Further, the data owner should review & affirm all information classification and user rights annually.	Implemented
# 20-702	Cybersecurity-Mobile Device Management (MDM) Audit	The MDM only requires a four-digit passcode.	TPWD IT should perform integration testing in order to confirm that the MDM can properly enforce a six (6) digit passcode. If results are satisfactory, TPWD IT should adjust the compliance policy in the MDM to a minimum six (6) digit passcode to protect against potential brute force attacks.	Implemented
“	“	With the exception of Law Enforcement, the MDM does not require security wipe after a number of failed login attempts.	TPWD IT should configure the MDM to perform a security wipe for all mobile devices according to the Smart Device Security and Use Agreement.	Implemented

Report #	Summary Title	Concerns	Recommendations	Implementation Status As of 8/31/2021
“	“	TPWD does not ensure the required forms are submitted according to the “Smart Devices Request” procedures in order to provide assurance that mobile device security awareness training is conducted by employees, the proper approvals are obtained, and the mobile device meets MDM enrollment specifications.	Management responded that they would implement a new process in Intune which will force the user to agree to the user agreement the first time they enroll a device in Intune. They will not be able to proceed with enrollment until they have agreed with the Terms of Use.	In Progress
# 21-302	A Compliance Audit of Selected Federal Grants	Performance Reports were not submitted timely.	Improvement is needed in the timely submission of Performance Reports. Current process should be strengthened to ensure that Performance Reports are submitted in a timely manner.	In Progress
External - CohnReznick	Audit of Texas Trustees DWH Funds 1/1/2017 - 12/31/2019	Improper timing in recognizing labor and travel costs.	It was recommended that the current policies and procedures be revised to align with the Trustee Council Standard Operating Procedure (SOP) and to make adjusting entries.	In Progress
“	“	Record of advances rather than expended costs.	It was recommended that the current policies and procedures be revised to align with the Trustee Council SOP and to make adjusting entries.	In Progress

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 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 (5) fiscal years, the OIA has performed nine (9) internal audit engagements, covering fifty-one (51) contracts and eleven (11) federal grants. The OIA also followed up on all recommendations made in these internal audit reports (if due) and on one engagement performed by the State Auditor's Office. Report numbers, titles, number of contracts and grants reviewed per project, and issue dates are provided below.

Contract and Grant Audit Engagements <i>(Completed September 1, 2016 to August 31, 2021)</i>				
Report #	Title	Number Reviewed		Date of Report
		Contracts	Grants	
17-314	FY17 Contract Audit	12		January 2017
17-316	A Compliance Audit of Selected Federal Grant – Influence of Agricultural Production in the Texas Panhandle		1	October 2017
18-302	Audit of the Recreational Trails Program Grant – State Park Trail Renovations		1	December 2017
SAO 18-008	Contracting Processes in the Parks and Wildlife Department's Infrastructure Division			December 2017
18-303	Audit of Selected TPWD Contracts	9		April 2018
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
	Total	51	11	

Note: SAO report #21-024 graded TPWD as "Reduced monitoring warranted" for contract formation and award.

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 fiscal year 2021:
“*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

We did not perform any consulting or non-audit services during FY 2021 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.

IV. External Quality Assurance Review

An external peer review report was issued in November of 2020 (FY21) with a "PASS" rating as shown below:

Certificate Memo



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.

Designed by
Benito Ybarra

Benito Ybarra, CIA, CISA, CFE, CCEP
Chief Audit and Compliance Officer
Texas Department of Transportation

Designed by
Eleazar Garcia

Eleazar Garcia, CIA, CRMA
Chief Auditor
Texas Juvenile Justice Department

Designed by
Jennifer Stanush

Jennifer Stanush, CIA, CRMA, CGAP
Internal Audit Section Manager
Texas Department of Transportation

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: <i>Benito Ybarra</i>	11/23/2020
Benito Ybarra	Date
Chief Audit and Compliance Officer	
Texas Department of Transportation	
SAIAF Peer Review Team Leader	
DocuSigned by: <i>Jennifer Stanush</i>	11/24/2020
Jennifer Stanush	Date
Internal Audit Section Manager	
Texas Department of Transportation	
SAIAF Peer Review Team Member	

DocuSigned by: <i>Eleazar Garcia</i>	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 Office of Internal Audit also includes the following activities as part of its quality assurance and improvement program:

- Supervisory review and sign-off on all project workpapers;
- Standard program review to ensure each project was conducted in compliance with the standards;
- CAE level review of all findings and supporting evidence prior to report dissemination;
- Surveying the divisions and programs that were audited during the year for feedback on process improvement; and
- 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 2022

The FY22 diversified and risk based Internal Audit Plan was approved by the Commission on August 26, 2021:

**Texas Parks and Wildlife Department
Fiscal Year 2022 Approved Internal Audit Plan**

Projects	Budgeted Hours
FY 2021 Carryover Projects	250
FY 2022 New Projects	
Audit of Selected IT Systems and Processes <ul style="list-style-type: none"> • CAPPS HR (Human Resources) and FR (Financial Resources) - IT Cybersecurity Audit 	1000
Audit of Selected Grants	400
Audit of Selected Contracts	450
Fiscal Controls of Selected State Parks (10) and Law Enforcement Offices (10)	2000
Quarterly Follow-up of Internal and External Audit Recommendations, and Sunset Advisory Commission Recommendations	600
Advisory Projects	
<ul style="list-style-type: none"> • Property Advisory 	400
<ul style="list-style-type: none"> • Land Conservation Program (LCP) Pipeline Easement Receivable Advisory 	250
<ul style="list-style-type: none"> • Timesheet Approval Processes Advisory 	250
<ul style="list-style-type: none"> • Infrastructure Change Order Process Advisory 	450
<ul style="list-style-type: none"> • IT Contracts – Required Clauses Advisory 	250
Special Projects and Investigations	500
Peer Review Participant	200
Administrative	350
Total	7360

Outsourced Audit (funding yet to be identified): IT Cybersecurity Audit – Active Directory

List of Alternative Projects

Fair Labor Standards Act (FLSA) Classification Advisory – State Parks
 Sea Center Texas and Texas Freshwater Fisheries Center Point-of-Sale Inventory System Advisory
 Follow-up on External Deepwater Horizon Audit – Process Advisory
 Additional State Park and Law Enforcement Office Audits

Risk Assessment Methodology

Our FY 2022 diversified 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 2022 internal audit plan.

In conducting our annual risk assessment, the Office of Internal Audit 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 our 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, we 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, we brainstormed with management to identify risks that might prevent, deter, or undermine those activities from working as designed or planned. We also considered our audit knowledge and past audit reports. We not only discussed risks within each manager’s respective division, but any other threats or concerns outside of their division as well. We 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, we discussed and scored the probability of occurrence and the financial, compliance, public exposure, and IT system impact to our agency. We 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, we were able to rank and identify the top risks/threats to the agency.

From this risk ranking, we then identified specific audit projects to address the high-risk areas (if auditable). We 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 FY2022. The OIA then presented the proposed audit plan to the Audit Committee and Commission for feedback. The Commission approved the proposed FY22 Internal Audit Plan on August 26, 2021.

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 we believe could benefit from the use of audit resources but did not rise to the top of the list of potential audit areas. We have 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 update the risk assessment as additional information is obtained throughout the coming fiscal year. Our continuous evaluation of agency risks will ensure the most efficient use of audit resources.

VI. External Audit Services Procured in FY 2021

The Texas Trustees, comprised of the Texas Parks and Wildlife Department, the Texas Commission on Environmental Quality, and the General Land Office, contracted CohnReznick to audit the Deepwater Horizon Restoration Natural Resource Damage (NRD) Funds for the period from January 1, 2017 through December 31, 2019.

Additionally, certain audit work was conducted by the following agencies or offices during FY21:

- Texas Comptroller of Public Accounts – “*State of Texas Overpayment Recovery Audit, Report to the 87th Legislature*”
- CliftonLarsonAllen LLP – Statewide Single Audit (Federal Portion)
- Department of Homeland Security Civil Rights Evaluation
- Grant monitoring desk review conducted by the Federal Emergency Management Agency (FEMA), Region 6 Grants Management Division from January 18 - February 16, 2021.
- United States Coast Guard Boating Safety Division (CG-BSX-2) conducted a desk review of the Texas State Recreational Boating Safety (RBS) Program.
- U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Audit - ongoing as of August 31, 2021

VII. Reporting Suspected Fraud and Abuse

In order to implement the requirements for fraud reporting included in the General Appropriations Act (86th Legislature), Article IX-37, 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 Texas State Auditor’s Office (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.
- 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 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

Internal Distribution

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The Honorable Anna B. Galo, Commissioner
The Honorable Jeffery D. Hildebrand, Commissioner
The Honorable Travis B. "Blake" Rowling, Commissioner
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Texas Parks and Wildlife Department

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