



TEXAS REAL ESTATE COMMISSION

**Texas Real Estate Commission**

**Internal Audit Services**

**FY 2023**

**Annual Internal Audit Report**



**McCONNELL & JONES LLP**  
CERTIFIED PUBLIC ACCOUNTANTS



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# McConnell Jones

The Honorable Greg Abbott, Governor  
Members of the Legislative Budget Board  
Members of the Sunset Advisory Commission  
Internal Audit Coordinator, State Auditor's Office

Dear Ladies and Gentlemen:

Attached is the fiscal year 2023 Annual Internal Audit Report for the Texas Real Estate Commission (TREC). This Annual Internal Audit Report is submitted in accordance with the Texas Internal Auditing Act requirement for state agency internal auditors to prepare and distribute an annual report (Government Code, Chapter 2102).

McConnell & Jones LLP (MJ) was engaged on September 1, 2022, to provide internal audit services to the TREC in accordance with The Texas Internal Auditing Act. Pursuant to the Request for Qualifications (RFQ) issued June 1, 2022, MJ submits this Annual Internal Audit Report for fiscal year 2023 on behalf of the Texas Real Estate Commission.

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for governing boards. The purpose of the Annual Internal Audit Report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the Annual Internal Audit Report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, Sections 2102.009 and 2102.0091, the Annual Internal Audit Report for fiscal year 2023 is due November 1, 2023.

Please contact Darlene Brown at 512. 828.3218 or Ranada Williams at 512.936.0102 if you should have any questions about this Annual Internal Audit Report.

Sincerely,

Darlene Brown, CIA, CFE, CSM  
Partner

9130 Jollyville Rd.  
Suite 320  
Austin, TX 78759  
Phone: 713.968.1600

[WWW.MCCONNELLJONES.COM](http://WWW.MCCONNELLJONES.COM)



## I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015: POSTING THE AUDIT PLAN AND ANNUAL REPORT ON THE INTERNET

Texas Government Code, Section 2102.015, requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports to the agency’s internet website within 30 days of approval. Texas Government Code, Section 2102.015, also requires agencies to update the posting on the website to include a detailed summary of any weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report and include a summary of the actions taken by the agency to address the issues raised.

In accordance with requirements of Texas Government Code, Section 2102.015, McConnell & Jones LLP (MJ) will ensure the required Annual Internal Audit Plan, Annual Internal Audit Report and any other required internal audit information is provided to the Texas Real estate Commission (TREC) for posting to their website.

## II. FISCAL YEAR 2023 ANNUAL INTERNAL AUDIT PLAN STATUS

The fiscal year 2023 Annual Internal Audit Plan was prepared by McConnell & Jones LLP based on a comprehensive risk assessment and approved by TREC’s commissioners. The approved FY 2023 Annual Internal Audit Plan was executed as approved. The chart below reflects the approved audit plan status as of August 31, 2023.

**Fiscal Year 2023 Internal Audit Plan Status**

#	Description	Report Number	Report Date	Report Title	Audit Status
1	Public Funds Investment Act Compliance	23-001	January 6, 2023	Public Funds Investment Act Compliance Audit	Completed
2	Governance (Control Environment)	23-002	June 19, 2023	Governance Control Environment	Completed.
3	Human Resources	23-003	June 28, 2023	Human Resources	Completed
4	IT System Deployment	23-004	July 3, 2023	IT System Deployment	Completed
5	Follow-Up on Open Audit Findings	23-007	July 7, 2023	Report of Prior Audit Findings Follow-Up	Completed
6	Update Annual Risk Assessment & Audit Plan	N/A	N/A	N/A	Completed



#	Description	Report Number	Report Date	Report Title	Audit Status
7	Annual Audit Report	N/A	N/A	N/A	Completed
8	Audit Communications, Project Management	N/A	N/A	N/A	On-going

**Deviation from FY 2023 Internal Audit Plan:**

The approved FY 2023 Annual Internal Audit Plan was executed without deviations.

**III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED**

Internal audit did not provide advisory services during FY 2023.

**IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)**

MJ has been a member of the AICPA since 1987 and is subject to the AICPA’s peer review process every three years. Our commitment to quality is underscored by the fact that, in our four most recent peer reviews, we have consistently received an unqualified opinion in external peer review reports on the quality of our accounting and auditing practice by the AICPA. After a thorough review of our procedures and work practices, which include reviews of our nonprofit, governmental, and commercial engagements, the reviewers concluded that MJ complies with the stringent quality control standards established by the American Institute of Certified Public Accountants. We provide a copy of our most recent peer review letter below.

**Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of **McConnell & Jones, LLP**, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2020, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. **McConnell & Jones, LLP** has received a peer review rating of *pass*.

*Turner, Stone & Company, L.L.P.*

Turner, Stone & Company, L.L.P.

*Your Vision Our Focus*



**Report on the Firm's System of Quality Control**

June 18, 2021

To the Partners of  
**McConnell & Jones, LLP**  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **McConnell & Jones, LLP** (the Firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

**Firm's Responsibility**

The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

**Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review.

**Required Selections and Considerations**

Engagements selected for review included engagements performed under Government Auditing Standards, including a compliance audit under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

Turner, Stone & Company, L.L.P.  
Accountants and Consultants  
12700 Park Central Drive, Suite 1400  
Dallas, Texas 75251  
Telephone: 972-339-1660 / Facsimile: 972-339-1665  
Toll Free: 877-833-4193  
Web site: [turnerstone.com](http://turnerstone.com)



## V. INTERNAL AUDIT PLAN FISCAL YEAR 2024

MJ completed a risk assessment to prioritize the audit universe based upon high-risk functions or processes. We then consulted with management to develop this Annual Internal Audit Plan.

MJ will conduct two audits, follow-up on prior audit findings, update the risk assessment, prepare the FY 2025 Annual Internal Audit Plan and prepare the FY 2024 Annual Internal Audit Report in accordance



with the Texas Internal Auditing Act. These activities are estimated to require 255 hours for a total annual budget not to exceed \$31,482. The planned audits, timing and estimated hours are summarized in the chart below.

**Texas Real Estate Commission FY 2024 Annual Audit Plan Activities**

Audit Activity #	Description	Risk Rating	Estimated Timing	Estimated Hours
1	Communications Processes ✓ Communications Policy ✓ Review Processes <ul style="list-style-type: none"> <li>○ Internal Communications</li> <li>○ External Communications</li> <li>○ Website Updates and Monitoring</li> </ul> ✓ Social Media Monitoring	High	November 2023 - January 2024	50
2	Information Technology ✓ Cybersecurity Measures ✓ Compliance with TAC 202 ✓ Continuity of Operations Plan ✓ Vulnerability Scan	High	February 2024	155
3	Update Risk Assessment and Prepare Annual Audit Plan	Compliance	July 2024	12
4	Follow-Up on Open Audit Findings	Compliance	March 2024	25
5	Annual Audit Report	Compliance	August 2023	5
6	Audit Communications, Committee Meetings, Project Management	N/A	On-Going	8
	<b>Total Hours</b>			<b>255</b>
	<b>Total Fees</b>			<b>\$31,482</b>

**VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2023**

External audit services procured in fiscal year 2023 consisted of the internal audit function.

## VII. REPORTING SUSPECTED FRAUD AND ABUSE

The Texas Real Estate Commission includes a link to the State Auditor's Office (SAO) website for fraud reporting at the footer of the TREC's website. In addition, information on reporting suspected fraud to the State Auditor is included in the agency's policies and procedures. These actions were implemented to comply with:

- Article IX, Section 7.10, the General Appropriations Act (81st Legislature)
- Texas Government Code, Section 321.022.
- Section 7.09, page IX-37, the General Appropriations Act (86th Legislature), and
- Section 7.09, page IX-38, the General Appropriation Act (87th Legislature).

The Texas Real Estate Commission will report to the state auditor any money received from the state that TREC suspects it may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of TREC. The Texas Real Estate Commission shall report this in the form required by the state auditor to ensure compliance with Texas Government Code, Section 321.022.

## VIII. SIGNIFICANT INTERIM CHANGES

Interim changes to the annual audit plan may occur from time to time due to changes in management direction, objectives, business risks, timing of initiatives, and staff availability. In accordance with IIA Performance Standard 2020, MJ will communicate any significant changes of the audit plan to TREC's commissioners for review and approval. Notification of significant changes to the Internal Audit Plan approved by the commissioners will be submitted to the State Auditor's Office (SAO).

This annual internal audit report was provided to the Texas Real Estate Commissions' commissioners.