



TEXAS REAL ESTATE COMMISSION

Texas Real Estate Commission
Internal Audit Services

FY 2021
Annual Internal Audit Report



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS



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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 2021 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 December 20, 2016 to provide internal audit services to the TREC in accordance with The Texas Internal Auditing Act. Pursuant to the Request for Proposals (RFP) issued October 14, 2016, MJ submits this Annual Internal Audit Report for fiscal year 2020 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 2021 is due November 1, 2021.

Please contact Odysseus Lanier at 713.968.1603 or Ranada Williams at 512.936.3590 if you should have any questions about this Annual Internal Audit Report.

Sincerely,

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

Odysseus Lanier, CPA
Partner

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 2021 ANNUAL INTERNAL AUDIT PLAN STATUS

The fiscal year 2021 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 2021 Annual Internal Audit Plan was executed as approved. The chart below reflects the approved audit plan status as of July 31, 2021.

Fiscal Year 2021 Internal Audit Plan Status

#	Description	Report Number	Report Date	Report Title	Audit Status
1	Public Funds Investment Act	21-001	October 20, 2020	Public Funds Investment Act Compliance Audit	Completed
2	Asset Management *	N/A	N/A	N/A	In-Progress, estimated to be completed in December 2021.
3	Human Resources Follow-Up	21-002	March 23, 2021	Human Resources Follow-Up	Completed
4	Follow-Up on Open Audit Findings	TREC is in process of implementing prior recommendations.			
5	Update Annual Risk Assessment & Audit Plan	N/A	N/A	N/A	Completed
6	Annual Audit Report	N/A	N/A	N/A	Completed

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

* See Deviation from FY 2021 Internal Audit Plan for Explanation

Deviation from FY 2021 Internal Audit Plan:

The planned audit of TREC’s Asset Management was started and subsequently placed on-hold until the agency completes the procedures updates and can gather more information on their physical assets. We also proposed to perform this as a consulting and advisory engagement to provide guidance on how best to proceed with managing assets in the future.

III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

Internal audit did not perform any consulting and advisory services in FY 2021.

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.



The image shows a peer review report from Turner, Stone & Company, LLP. The report is dated January 31, 2018, and is addressed to the partners of McConnell & Jones, LLP and the National Peer Review Committee. It details the review of the firm's system of quality control for the year ended June 30, 2017. The report includes sections on the firm's responsibility, the peer reviewer's responsibility, and required selections and considerations. The firm's system of quality control is noted as being suitable for engagements not subject to PCAOB permanent inspection. The report is signed by Turner, Stone & Company, LLP.

V. INTERNAL AUDIT PLAN FISCAL YEAR 2022

MJ considered the short-term and long-term pandemic impact on agency operations and strategies for our risk assessment then updated the risks accordingly. 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 2023 Annual Internal Audit Plan and prepare the FY 2022 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 \$27,494. The planned audits, timing and estimated hours are summarized in the chart below.

Contract management is not included in the FY 2022 Annual Internal Audit Plan. Asset management and finance pose higher risks to the agency currently than contract management activities.

Texas Real Estate Commission FY 2022 Annual Audit Plan Activities

Audit Activity #	Description	Risk Rating	Estimated Timing	Estimated Hours
1	Asset Management ✓ Identification ✓ Initial Recording ✓ Movement/Tracking ✓ Disposition	High	October - December 2021	106
2	Accounting & Finance ✓ Account Reconciliations ✓ Cash Forecasting	High	February 2021 – March 2021	118
3	Follow-Up on Prior Audit Findings	Compliance	March 2022	10
4	Update Risk Assessment and Prepare Annual Audit Plan	Compliance	July 2022	13
5	Annual Audit Report	Compliance	August 2022	3
6	Audit Communications, Committee Meetings, Project Management	N/A	On-Going	5
	Total Hours			257
	Total Fees			\$27,494

VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2020

External audit services procured in fiscal year 2021 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 action 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.