



TEXAS REAL ESTATE COMMISSION

Texas Real Estate Commission

Internal Audit Services

FY 2022

Annual Internal Audit Report



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS



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Internal Use



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 2022 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 2022 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 2022 is due November 1, 2021.

Please contact Darlene Brown at 713.968.1600 or Ranada Williams at 512.936.3590 if you should have any questions about this Annual Internal Audit Report.

Sincerely,

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Phone: 713.968.1600

Darlene Brown, CIA, CFE, CSM
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 2022 ANNUAL INTERNAL AUDIT PLAN STATUS

The fiscal year 2022 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 2022 Annual Internal Audit Plan was executed as approved. The chart below reflects the approved audit plan status as of August 31, 2022.

Fiscal Year 2022 Internal Audit Plan Status

#	Description	Report Number	Report Date	Report Title	Audit Status
1	Asset Management	22-001	February 7, 2022	Information Technology Asset Management	Completed
2	Accounting & Finance	22-002	May 12, 2022	Accounting and Finance Services	Completed.
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

Deviation from FY 2022 Internal Audit Plan:

The approved FY 2022 Annual Internal Audit Plan was executed without deviations.

III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

Internal audit provided advisory services to the Finance Department to review asset management processes in the following areas. Details of this advisory service scope and recommendations is included in report #22-002 Information Technology Asset Management.

- Review of Information Technology (IT) Asset Management policies and procedures to identify potential gaps.
- Review of IT asset management data collected to determine if it is sufficient to meet the Agency’s needs including identification and tracking.
- Worked with the Information Technology Department to assess their role and responsibilities in IT asset management processes going forward.
- Review the updated physical inventory.

Internal Audit provided a total of seven recommendations in the areas reviewed. These included:

1. Update the SOP to address the missing controls of Government Code 403 Subchapter L.
2. Update the SOP to address the missing controls of TAC Title 34§5.200.
3. Update the TREC SPA Accounting Procedures to match current processes.
4. Update Appendix C: Receiving Process to include the IT Department (ITD) and any new processes that are now occurring. Whenever ITD is involved in the asset management process there should be procedures or Service Level Agreements (SLAs) created to indicate how long they have to complete data entry/notification to property management personnel. These should be very clear and concise. Work with ITD to determine the dollar limit for consumable IT equipment. This will ensure the correct assets are tracked in Snipe-IT. Create a well-defined process for leased item tracking in Snipe-IT.
5. Work with Texas Facilities Commission, building security, and the agency mailroom personnel to determine the best way for high value assets to be delivered.
6. Complete the 2022 Inventory and update Snipe-IT with current information.
7. Require staff to bring their Agency assets used to work remotely to the office so that asset management personnel can perform a true physical inventory of equipment.




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.

V. INTERNAL AUDIT PLAN FISCAL YEAR 2023 AND FISCAL YEAR 2024

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 and the Audit Committee to develop this two-year audit plan.

Texas Real Estate Commission FY 2023 and FY 2024 Annual Audit Plan Activities

Audit Activity #	Description	Risk Rating	FY 2023	FY 2024
1	Public Funds Investment Act Compliance Accuracy of year-end reports and financial records Required Training Investment Policy	Compliance		
2	Governance (Control Environment) Commissioner and TALCB Board Member Compliance with Respective Regulations Information provided to Commissioners and TALCB Board Open Meetings Compliance Strategic Planning Process	High		
3	Human Resources Benefits Processing FMLA Processes On-Boarding Processes Separation Process Compliance with TREC/TALCB Policies	High		



Audit Activity #	Description	Risk Rating	FY 2023	FY 2024
4	Information Technology System Deployment Customer Service Pre-System Implementation Planning and Project Plan	High	✔	
5	Information Technology Cybersecurity Measures Compliance with TAC 202 Continuity of Operations Plan Vulnerability Scan	High	✔	✔
6	Communications Processes Communications Policy Review Processes Internal Communications External Communications Website Updates and Monitoring Social Media Monitoring	High		✔
7	Follow-Up on Open Audit Findings	Compliance	✔	✔
8	Update Risk Assessment and Prepare Annual Audit Plan	Compliance		✔
9	Annual Audit Report	Compliance	✔	✔
10	Audit Communications, Committee Meetings, Project Management	N/A	✔	✔
	Total Hours		320	255
	Total Fees		\$39,507	\$31,482

VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2020

External audit services procured in fiscal year 2022 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.