

**TEXAS DEPARTMENT OF AGRICULTURE**

# Fiscal Year 2022 Internal Audit Annual Report

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Internal Audit Division



Texas Department of Agriculture | Commissioner Sid Miller  
November 2022



TEXAS DEPARTMENT OF AGRICULTURE  
COMMISSIONER SID MILLER

November 1, 2022

The Honorable Gregg Abbott, Governor  
State Auditor's Office  
Legislative Budget Board

We are pleased to present the Texas Department of Agriculture's (TDA or Department) Internal Audit Division Annual Report for Fiscal Year (FY) 2022. This report provides information on the Internal Audit activities from the last reporting date of September 2021 thru the fiscal year end of August 2022. This report fulfills the requirements set forth in the Texas Internal Auditing Act (Texas Government Code, Chapter 2102.009 , 2102.016 and 2102.0091). As mandated in the Internal Auditing Act, the State Auditor's Office prescribes the minimum content. This report has been prepared in accordance with the State Auditor's requirements and is current through November 1, 2022.

Audit work completed during the last fiscal year focused on compliance with laws and regulations, efficiency and effectiveness, and information security and data integrity. Recommendations, when made, focused on strengthening controls, and enhancing the accountability, efficiency, and effectiveness of the agency's operations. The Internal Audit Division is committed to providing quality audit services using systematic and disciplined approach. We continue to pursue projects in Fiscal Year 2023 to assist the Department and operations by improving the risk management, control structure, and governance processes of the agency.

For further information about the contents of this report or to request copies of individual audit reports, please contact me at (512) 463-8251.

Sincerely,

Zoi Kondis, CIA, CISA, CRMA  
Director of Internal Audit

Attachment

**Texas Department of Agriculture  
Fiscal Year 2022 Internal Audit Annual Report**

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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 Website**

Section 2102.015 of the Internal Auditing Act (Act) requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports on the agency's website within 30 days of approval. Agencies are also required to update the web page to include i) a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report and ii) a summary of the actions taken to address concerns, if any, that are raised by the audit plan or annual report.

The Internal Audit Division will ensure compliance with the Act by posting the approved Fiscal Year 2022 Audit Plan and the Fiscal Year 2022 Internal Audit Annual Report to the agency's website within 30 days of their approval. These reports can be accessed by navigating from TDA's home page through About Agency, selecting TDA Divisions, and then selecting the Office of Internal Audit (<http://www.texasagriculture.gov/About/TDADivisions.aspx>).

We have provided a summary of actions taken by the agency to address any concerns that are raised by the audit plan or annual report for Fiscal Year 2022 in the attached Appendix A.

## II. Internal Audit Plan for Fiscal Year 2022

Report/ Project #	Audit Title	Area / Initial Objective(s)	Status / Report Date
	Audits		
21.05	CAPPS Role / User Access Review A/	Review of Procurement Logical Security	Reporting
21.05	Review Contract of selected Division contracts C/	Review of Division Level contracting process, monitoring and management process and controls, document retention and compliance with laws including compliance to SB20 and SB65.	Issued Sept. 2022
21.05.IT	Review Contract of selected Division IT contracts C/	Review of IT Division Level contracting process, monitoring and management process and controls, document retention and compliance with laws including compliance to SB20 and SB65.	Reporting
22.04	Audit of Completed Management Actions	Review completed actions and determined if management has sufficiently addressed the risks identified.	Fieldwork
	Cash Management	Review of TDA Grant Cash Management for compliance to program rules, efficiency, and effectiveness.	Not Started
22.06	Security Review	Review of compliance to TAC 202 for security related activities.	Fieldwork

*A/ the applicable information technology risks related to Title 1, Texas Administrative Code, Chapter 202, Information Security Standards,  
B/ benefits proportionality, expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act.  
and*

*C/ contract processes and controls for monitoring agency contracts, according to Texas Government Code, Section 2102.005(b)*

*\* All Projections based on full staffing and availability of agency resources*

### Deviations from the Fiscal Year 2022 Audit Plan

One (1) full time equivalent (FTE) was vacated in Internal Audit during the 2<sup>nd</sup> Quarter of the year resulting in the reduction of the Internal Audit Team's completion of the FY22 Audit Plan. Planned audits were either not completed or not started because of the open FTE.

### Compliance to Texas Government Code, Section 2102.005(b)

To ensure compliance with contract processes and controls for monitoring agency contracts, according to Texas Government Code, Section 2102.005(b) Internal Audit (IA) utilizes the following methodologies:

1. IA considers the risk of non-compliance associated with the contracting process and monitoring, throughout the risk assessment process.
2. For selected audits, IA adds a contract compliance component to the review.
3. In addition to the traditional audit process, IA is available to provide consulting services involving a review of controls, specific areas, or specific contracts to any of the Divisions.

### **III. Consulting Services and Non-Audit Services Completed**

The Internal Audit Division completed two consulting engagements during fiscal year 2022, however we cannot disclose the details due to the nature of the consulting engagements.

In addition, Internal audit performed the following administrative activities during fiscal year:

- Conducted the annual risk assessment using a risk-based methodology, which included gathering and analyzing information from questionnaires, internal control documents, and interviews.
- Developed the audit plan and prepared the Internal Audit Annual Report, as required by the Texas Internal Auditing Act.
- Tracked outstanding audit findings and recommendations and reported implementation status internally.
- Completed Annual Quality Assessment Improvement Process Review
- Consulted regarding security requirements set out in Title 1 Texas Administrative Code Part 10 Chapter 202
- Administered Internal Fraud Prevention Hotline programs.
- Acted as liaison for external audits and oversight activities.
- Other agency advisory and special projects outside of consulting projects

#### **IV. External Quality Assurance Review (Peer Review)**

An external quality assurance review was performed in June to August 2020 by Steve Goodson, a Certified Internal Auditor. The review assessed compliance with the Texas Internal Auditing Act (Tex. Gov't. Code Chapter 2102), the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*, and U.S. General Accounting Office *Government Auditing Standards*. The final report was issued on August 14, 2020 (FY20). We have provided a copy of the report executive summary in Appendix B and our next quality assurance review is planned for FY23. The following opinion was reported to Executive Management:

“The TDA Internal Audit Department receives a rating of “Pass/Generally Conforms” and is in conformance 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 Act . This opinion, the highest of 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. “

## **V. Internal Audit Plan for Fiscal Year 2023**

A risk-based methodology was used to prioritize audit coverage for fiscal year 2023 and ensure timely review of the highest risk areas.

To assess risks related to information technology (IT), we obtained a copy of the current IT asset inventories and documented key applications used by each of the Divisions and business units to better understand the application inventory, critical applications, and project plans.

Agency operations were analyzed based on multiple risk factors including operating budget, significant changes in organizational structure and agency funding, information systems complexity, prior audits and findings, executive/legislative interest, strategic priority, contract risks, potential for fraud and achievement of performance measures.

Input from key senior management regarding high-risk areas was also incorporated into the analysis. This information was then used to determine the likelihood and impact of select risk factors, and an overall risk score was developed.

Planned audit projects for fiscal year 2023 will continue to focus on the highest risk areas and selected medium and lower risk areas as identified through TDA's risk assessment process.

Each audit will also consider tests of select general and application controls in accordance with state and agency information security standards and any related contract requirements when applicable.



## Internal Audit Plan for Fiscal Year 2023

Audit Title	Area / Initial Objective(s)	Projected Hours
<b>Audits</b>		
CAPPS Role / User Access Review A/	Review of Procurement Logical Security (Carryover Audit)	300
Audit of Completed Management Actions	Review completed actions and determined if management has sufficiently addressed the risks identified (Carryover Audit)	300
Security Review	Review of compliance to TAC 202 for security related activities. (Carryover Audit)	400
Audit of Food Bank Grants Application and Awards	Application and Awards process	1,000
Audit of Food Bank Grants Monitoring	Grant Payment, Grant Monitoring and Subrecipient Monitoring for TBD and FND (Carryover to FY24)	150
<b>Consultations / Special Projects</b>		
Special Project: Teammate Upgrade		250
<b>External Quality Assurance Review (Peer Review) Self-Assessment and preparation</b>		
Perform activities as requested by the International Professional Practices Framework (IPPF) and Generally Accepted Government Audit Standards (GAGAS) in compliance with the Texas Internal Audit Act. ( <i>External Quality Assurance Review is required by Aug. 2023</i> )		450
<b>Follow-up on Prior Audits</b>		
Assess the implementation status of corrective actions taken in response to prior internal and external audit findings and recommendations.		200
<b>Risk Assessment, Audit Plan and Annual Report</b>		
Prepare Risk Assessment, Internal Audit Plan, and Internal Audit Annual Report		500
<b>Fraud Hotline Admin, Consulting Services and Special Projects</b>		
Perform activities as requested by management throughout the year, as permitted by internal audit resources and the Texas Internal Audit Act. These activities may address governance, risk management, or control issues		360
<b>External Audit Coordinator</b>		
Act as a liaison for external audit activities, providing a single point of contact for all audits of TDA by oversight entities. Internal Audit assists management in coordinating TDA and external auditor interactions to ensure both parties receive accurate and timely information and feedback.		400
<b>Total Hours</b>		<b>4,080</b>

A/ the applicable information technology risks related to Title 1, Texas Administrative Code, Chapter 202, Information Security Standards, B/ benefits proportionality, expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act. and

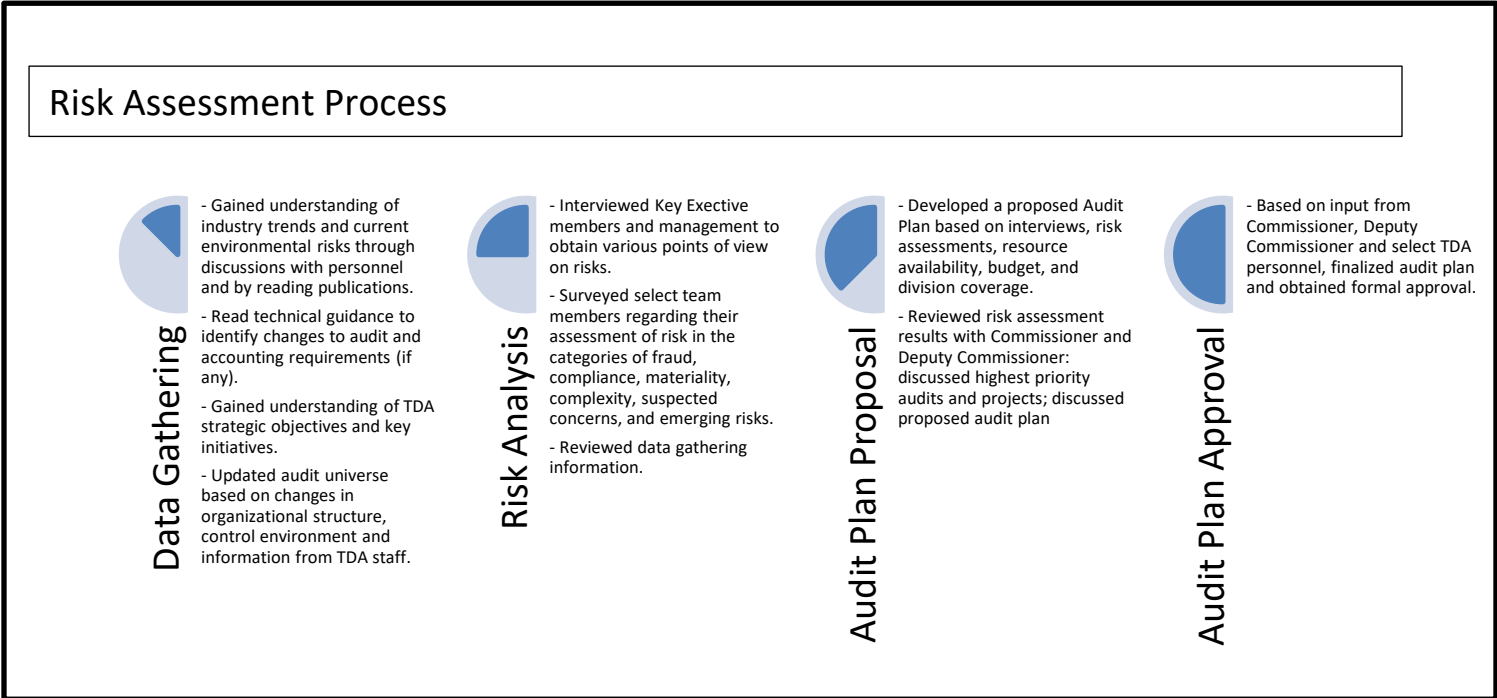
C/ contract processes and controls for monitoring agency contracts, according to Texas Government Code, Section 2102.005(b) \*\*

\* All Projections based on full staffing by Dec 2022 and availability of agency resources

\*\* An agency-wide review of contract monitoring was performed in FY22.

Additional areas that ranked high, which were not included in the fiscal year 2023 audit plan are listed below:

1. Grants administration and program monitoring
2. Financial Services, Accounting / Accounts Payable
3. Financial Services / Budget and Reporting
4. Financial Services and Grant Revenue / Cash Receipts
5. Information Technology, Systems and Applications Support
6. Information Technology, Data Center
7. Information Technology, Helpdesk Support
8. Licensing/Testing/Inspection/Develop Rules/Enforcement



## **VI. External Audit Services Procured in Fiscal Year 2022**

The Internal Audit Division did not directly procure external audit services in fiscal year 2022. The Texas Department of Agriculture did procure the following audit services during the fiscal year 2022:

- Texas Agricultural Finance Authority Annual Financial Statements

## **VII. Reporting Suspected Fraud and Abuse**

TDA has taken the following actions to implement the requirements of:

- Fraud Reporting. Texas General Appropriations Act, 86<sup>th</sup> Legislature, Article IX, Section 7.09, pp. IX-37

The TDA Fraud Prevention Program includes information about reporting to the State Auditor; money that may have been lost, misappropriated, or misused, or other fraudulent or unlawful conduct involving any money received from the state. TDA posted the following information on the Contact Us link on the home page of the agency's website:

### **Fraud Prevention Program**

The purpose of TDA Fraud Prevention Program is to establish and coordinate an agency wide program to prevent, detect and investigate fraud, illegal use, and abuse of state resources by TDA employees, vendors, or contractors.

[Fraud@TexasAgriculture.gov](mailto:Fraud@TexasAgriculture.gov)

(512) 475-3423 or 1-866-5-FRAUD-4 (1-866-537-2834)

### **Report suspected fraud involving state funds to:**

[State Auditor's Office Website for Fraud Reporting](#)

Telephone hotline: 1-800-TX-AUDIT

TDA's employee handbook contains a section dedicated to the Fraud Prevention Program along with the TDA Ethics Policy. The Fraud Prevention Program includes the Commissioner's Letter, the Fraud Prevention Charter ("Charter"), and the Fraud Prevention Program details. Each Fraud Prevention document, including the Charter, states "it is the responsibility of every TDA employee to prevent, detect and report all instances of fraud, abuse of state resources, or illegal activities." In addition, TDA's Ethics Policy mandates "all TDA employees must report any possible unethical or illegal act or violation of any ethical or legal regulation or policy to the Ethics Officer and/or the General Counsel."

- Reporting Requirements. TEX. GOV'T. CODE, Section 321.022

TDA Fraud Prevention Program includes the requirements of this section. The Ethics Officer

and Internal Audit, when necessary, are responsible for investigating all reported incidents of suspected or actual fraud, and illegal use or abuse of state resources. If an investigation concludes there is reasonable cause to believe inappropriate actions have occurred, a report is issued to the Deputy Commissioner and the SAO is notified, as appropriate.

The Deputy General Counsel/Ethics Officer and Internal Audit coordinate to ensure all State Auditor's Office (SAO) fraud website or hotline referrals are handled appropriately. The Deputy General Counsel/Ethics Officer or Internal Audit provides the results of the investigation to SAO and works to resolve any issues.

Appendix A: Summary of Fiscal Year 2022 Audit Recommendations Implementation Status

<b>Audit Report and Issue Date</b>	<b>Report Description</b>	<b>Total Findings *</b>	<b>Management Actions Open ***</b>	<b>Total Fully Implemented</b>
IT GOV 16.07 Audit of IT Governance - Executive Oversight Issued March 2018 MAP Follow up issued December 2019	Review processes in place to ensure IT supports the strategies and objectives of TDA to determine compliance with applicable rules and regulations, governance effectiveness, and IT performance and development frameworks.	7	4	3
HR IT 17.04.2 Audit of Human Resources Information Technology Issued October 2019	Assess the effectiveness of system access controls, and controls for changes to the employee master file for Human Resources applications.	17	1	16
Met Lab 19.01 Audit of the Metrology Lab Issued March 2020	Review of Metrology Lab high risk area processes and controls for compliance with agency, state and federal rules and regulations and best practices.	22	7	15
Procurement and Contracting Process Compliance 21.04 Issued September 2021	Review Contracting process, monitoring and management process and controls, document retention and compliance with laws including compliance to SB20 and SB65.	25	7	18
Audit of Contract Monitoring 21.06 Issued September 2022	Review of Division Level contracting process, monitoring and management process and controls, document retention and compliance with laws including compliance to SB20 and SB65.	23	20	3

\* The Implementation Statuses above were according to Management as of Sept 1, 2022.

\*\*\* Open represents all actions not Fully Implemented

The definitions of the Implementation Statuses are as follows:

- **Fully Implemented:** Successful development and use of a process, system, or policy to implement a prior recommendation
- **Substantially Implemented:** Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation
- **In Progress / Ongoing:** Ongoing development of a process, system, or policy to address a prior recommendation
- **Not Implemented:** Lack of a formal process, system, or policy to address a prior recommendation

**Texas Department of Agriculture  
Fiscal Year 2022 Internal Audit Annual Report**

Appendix B: External Quality Assurance Review Certification

Dear Ms. Kondis:

Attached for your information is the report of the External Quality Assurance Review of the Internal Audit function of the Texas Department of Agriculture.

Congratulations on receiving a rating of “**Pass/Generally Conforms**” and being in conformance 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).

Thank you for the courtesy and assistance you, TDA management and the Internal Audit staff extended to me during the review. Please let me know if I can be of additional assistance.

Sincerely,

A handwritten signature in black ink that reads "Steve Goodson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steve Goodson, CIA, CISA, CGAP, CCSA, CRMA, CLEA  
Quality Assurance Reviewer