



An Audit Report on

# Capital Assets at the Parks and Wildlife Department

- The Parks and Wildlife Department (Department) was able to account for select real and personal property tested, but its processes did not ensure that certain information in the State Property Accounting System (SPA) was complete and accurate.
- The Department fully or substantially implemented most of the applicable recommendations made in a prior audit report.

Lisa R. Collier, CPA, CFE, CIDA  
State Auditor

The Department was not missing any assets tested. However, it should improve processes to ensure that certain asset and disposal information in SPA, its system of record for capital assets, and related information technology (IT) systems, including the Centralized Accounting and Payroll/Personnel System (CAPPS), is complete and accurate.

The Department fully or substantially implemented most of the applicable recommendations made in a prior audit report. However, the Department should strengthen its fleet management process to ensure that vehicle asset information is recorded accurately in SPA and that all approvals are documented for vehicle expenditures.

- [Background](#) | p. 4
- [Audit Objectives](#) | p. 26

*This audit was conducted in accordance with Texas Government Code, Section 321.0132.*

## **HIGH**

### **ASSET MANAGEMENT PROCESS**

The Department was not missing any real and personal property assets tested. However, the Department's inventory and reconciliation processes did not ensure that asset information in SPA was complete and accurate.

[Chapter 1-A | p. 10](#)

## **HIGH**

### **ACCURACY AND COMPLETENESS OF SPA AND CAPPS RECORDS**

The Department's processes did not help ensure that key dates and values, location of assets, and classification codes were accurately recorded in SPA and CAPPS.

[Chapter 1-B | p. 14](#)

## **MEDIUM**

### **DISPOSALS**

The Department's disposal process ensured assets were safeguarded and accounted for; however, the Department should strengthen the disposal process to ensure certain information in SPA is accurate and supported.

[Chapter 1-C | p. 19](#)

For more information about this audit, contact Audit Manager Courtney Ambres-Wade or State Auditor Lisa Collier at 512-936-9500.

November 2022 | Report No. 23-009

**LOW****INFORMATION TECHNOLOGY**

The Department's access controls in SPA and CAPPs and application controls in the Fleet Management System were adequate.

[Chapter 2 | p. 21](#)

**MEDIUM****PRIOR AUDIT RECOMMENDATIONS**

The Department fully or substantially implemented corrective action for 3 (75 percent) of the 4 applicable recommendations in a prior audit report. Corrective action was incomplete or ongoing for the remaining recommendation.

[Chapter 3 | p. 22](#)

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## Summary of Management Response

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Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The Department agreed with the recommendations made in this report.

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## Ratings Definitions

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Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

**PRIORITY:** Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

**HIGH:** Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

**MEDIUM:** Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

**LOW:** The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on methodology for issue ratings, see [Report Ratings](#) in Appendix 1.

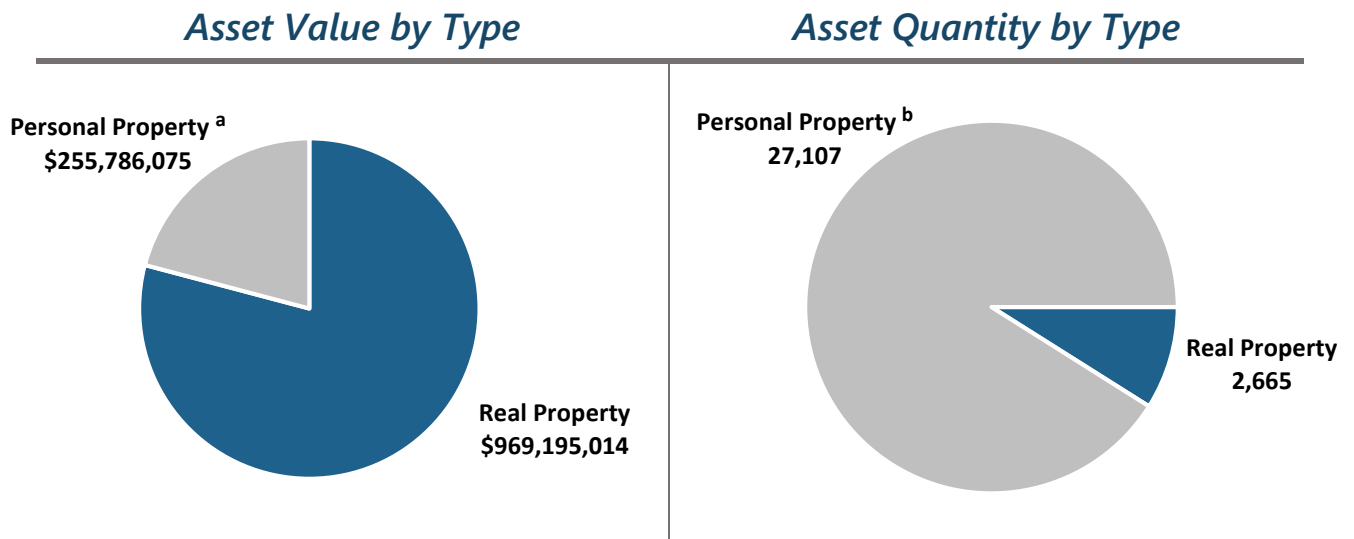
# Background Information

## Department Overview

The Parks and Wildlife Department (Department) maintained 97 state parks and 54 wildlife management areas, which means its capital assets are spread throughout the state. As of February 2022, the Department recorded 29,772 real property and personal property assets in the State Property Accounting System (SPA) with a total value of approximately \$1.2 billion (see Figure 1 for asset values and quantities; [Appendix 2](#) details the asset types).

- **Real property** includes assets such as buildings, land, facilities, and construction-in-progress (CIP) projects.
- **Personal property** includes assets such as furniture and equipment, vehicles, and a collection of various historical items.

Figure 1



<sup>a</sup> The value for personal property includes \$5.5 million of intangible personal property, such as computer software and land use rights.

<sup>b</sup> The quantity for personal property includes 98 items categorized as intangible personal property.

Source: State Property Accounting System

To track and manage these assets, the Department has implemented various processes, including performing an annual physical inventory to verify the asset information in its system of record, SPA. This inventory process also involves reconciling certain internal reports to SPA. Additionally, the Department created processes specific to its Interpretive Collection and CIP assets to help ensure that those asset types are managed. Finally, the Department developed

a process to dispose of assets when they are no longer in use. While the Department primarily used SPA and the Centralized Accounting and Payroll/Personnel System (CAPPS) to help it track and manage its assets, it also used internally developed systems, such as ePortal and its Fleet Management System, to fully meet its needs.

### **Annual Physical Inventory**

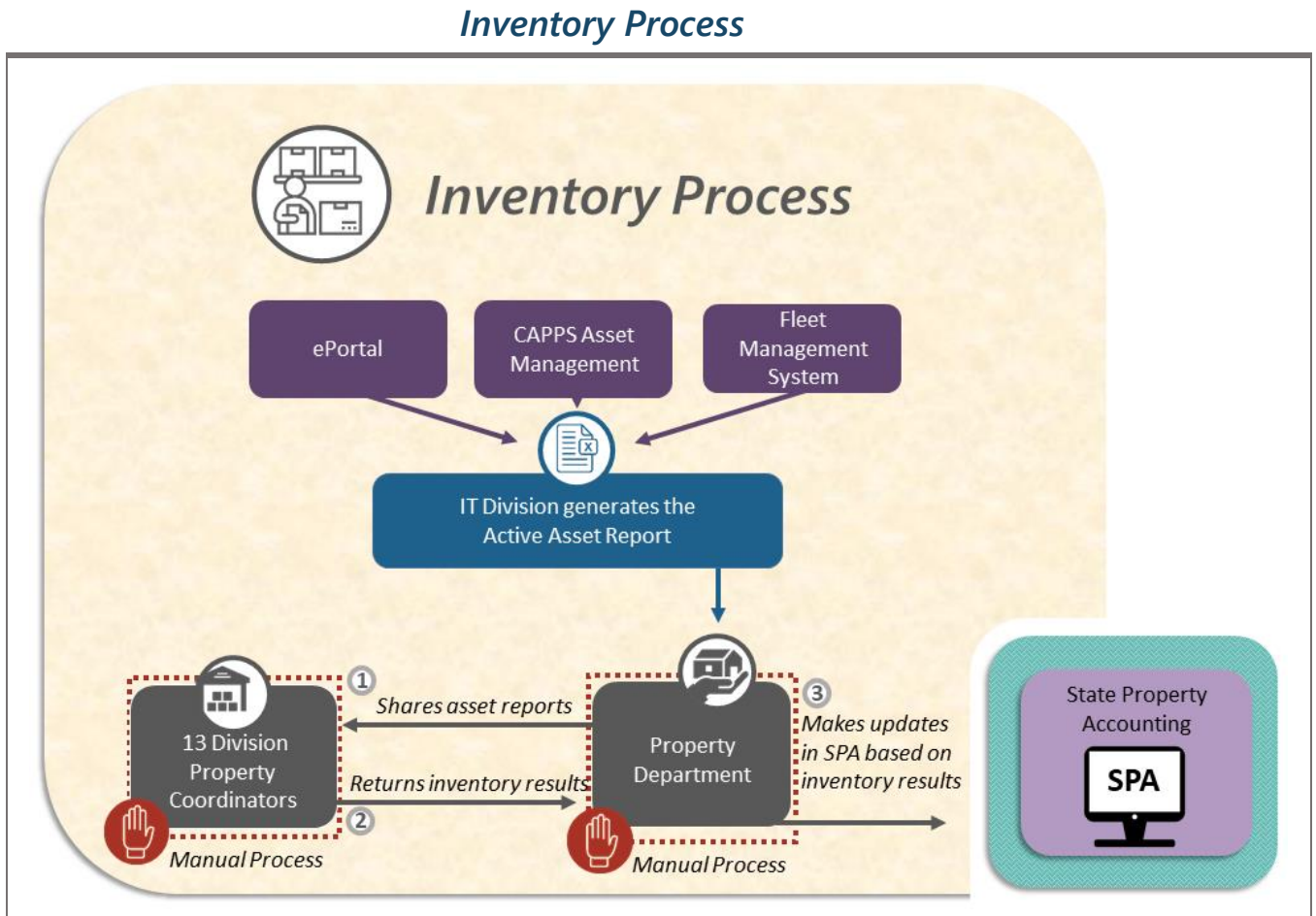
The Department's Purchasing Division initiates and processes asset purchases for real and personal property assets in CAPPS, which periodically transfers completed asset records to SPA and to ePortal. The Department transfers asset locations and custodian information within ePortal, which updates that information in CAPPS. The Department also uses its Fleet Management System to help track the locations of the vehicles in its fleet.

The Department performs an annual physical inventory of its real and personal property<sup>1</sup> assets, using the Active Asset Report generated by the Information Technology (IT) Division. The various divisions within the Department locate and verify the assets on this report and communicate any discrepancies to the Property Department, so that updates can be made to SPA. (See Figure 2 on the next page.)

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<sup>1</sup> The Department's Curatorial Services is responsible for conducting an inventory of items in the Interpretive Collection, as outlined later in this chapter.

Figure 2



Source: Based on information provided by the Department.

The Department has developed other processes to manage and track assets that require specialized procedures. Figure 3 and Figure 4 help describe processes for tracking the Department’s CIP assets and Interpretive Collection.

### Construction-in-Progress (CIP) Expenditures

The Department’s Infrastructure Division uses an internally developed system to track and approve both CIP and completed construction projects, including their related expenditures (see text box for CIP definition). Once CIP expenses are approved in the internal system, payment is processed in CAPPs.

At the end of the fiscal year, the Infrastructure Division extracts the CIP expenses incurred during

#### Construction in Progress

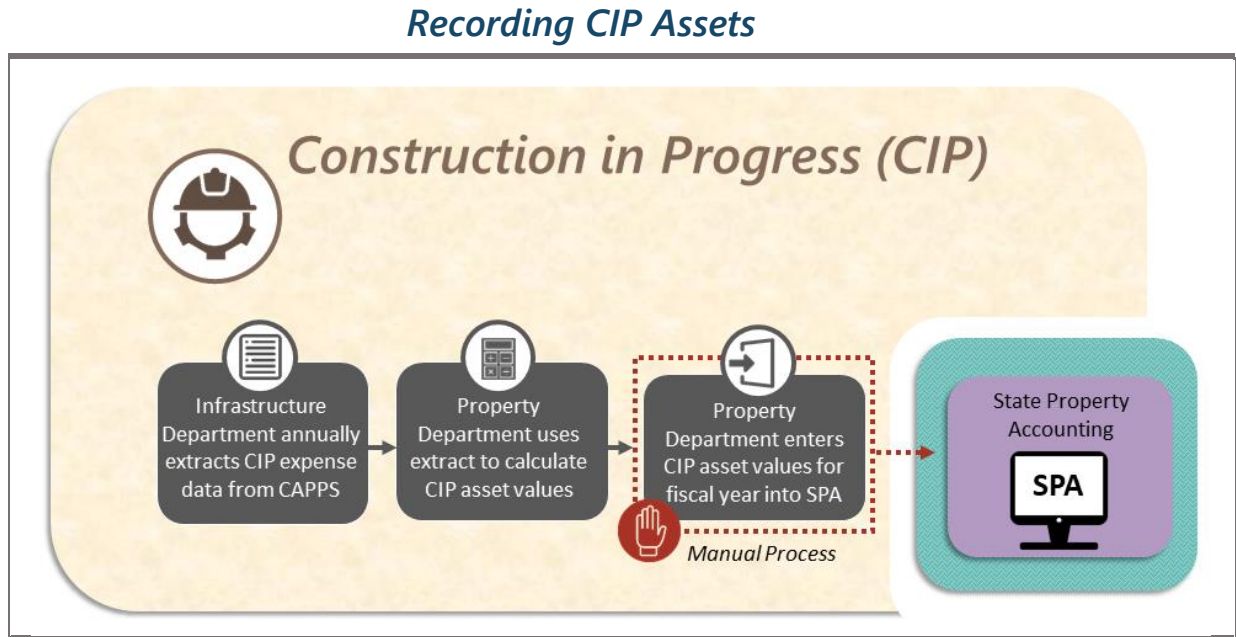
The term “construction in progress” (CIP) reflects the cost of certain projects currently underway for construction of buildings and other improvements. While construction is in progress, the construction costs are recorded in SPA as a CIP asset.

Source: SPA Process User’s Guide



that fiscal year from CAPPS. That extract is provided to the Department’s Property Department, who uses it to determine the appropriate expenses to include and to calculate the value<sup>2</sup> to record in SPA for each CIP asset for that fiscal year (see Figure 3).

Figure 3



Source: Based on information provided by the Department.

### Texas State Parks Interpretive Collection

The Department is responsible for managing the Texas State Parks Interpretive Collection. As of July 2022, this Interpretive Collection, recorded as one line item in SPA, comprised over 60,000 natural history, art, and historical items categorized as personal property. This collection includes exhibits such as fossils, battle flags, and historical paintings. As of February 2022, the value recorded in SPA was \$2.3 million.

The Department’s Curatorial Services unit is responsible for managing the Interpretive Collection. Curatorial Services keeps track of the items in the collection and their values through a third-party database, Re:discovery (database).

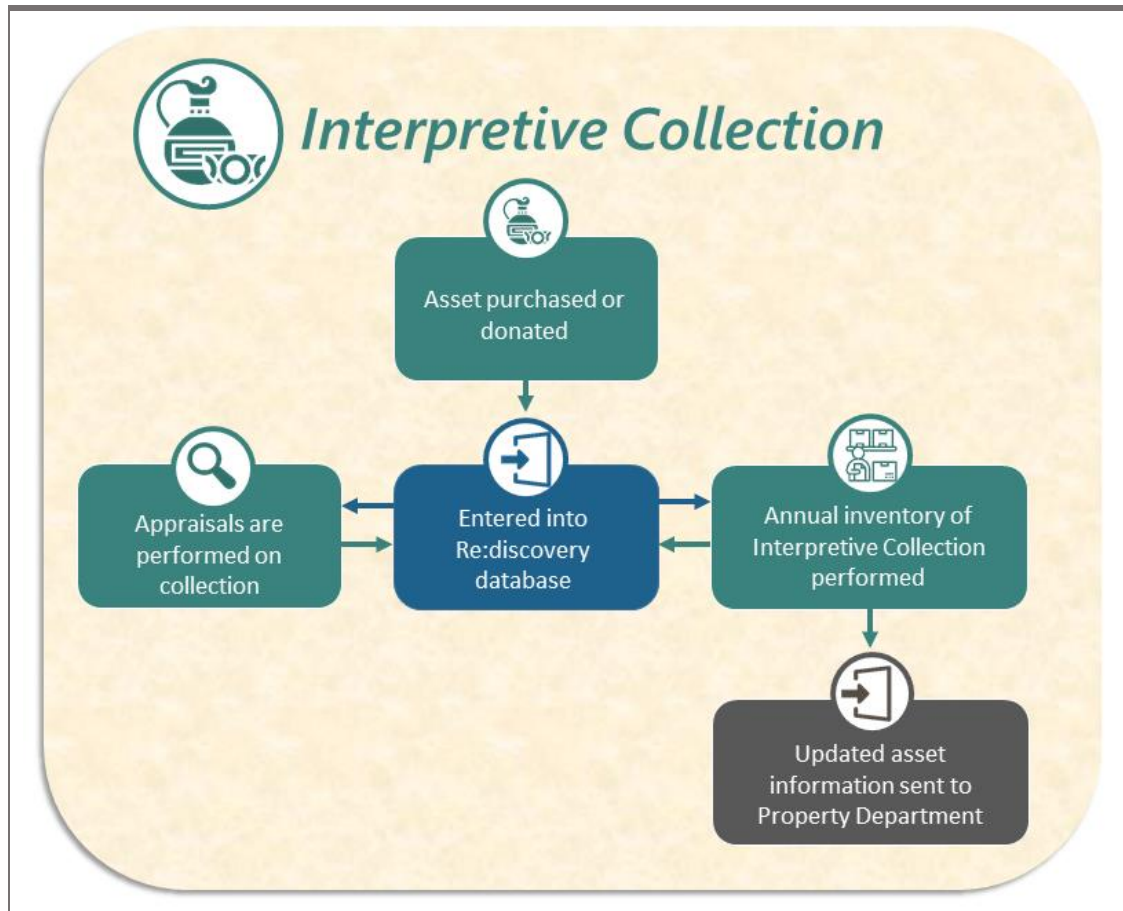
To help ensure that the database reflects an accurate and complete account of items, Curatorial Services performs an annual physical inventory of items in the

<sup>2</sup> The *SPA Process User’s Guide* has requirements for the types of expenditures to include in the value of a CIP asset.

collection, as well as other periodic inventories, and updates the database based on the inventory results. During the annual inventory, Curatorial Services notes additions to and removals from the Interpretive Collection and updates the Property Department. (See Figure 4.)

Figure 4

*Tracking the Interpretive Collection*



Source: Based on information provided by the Department.

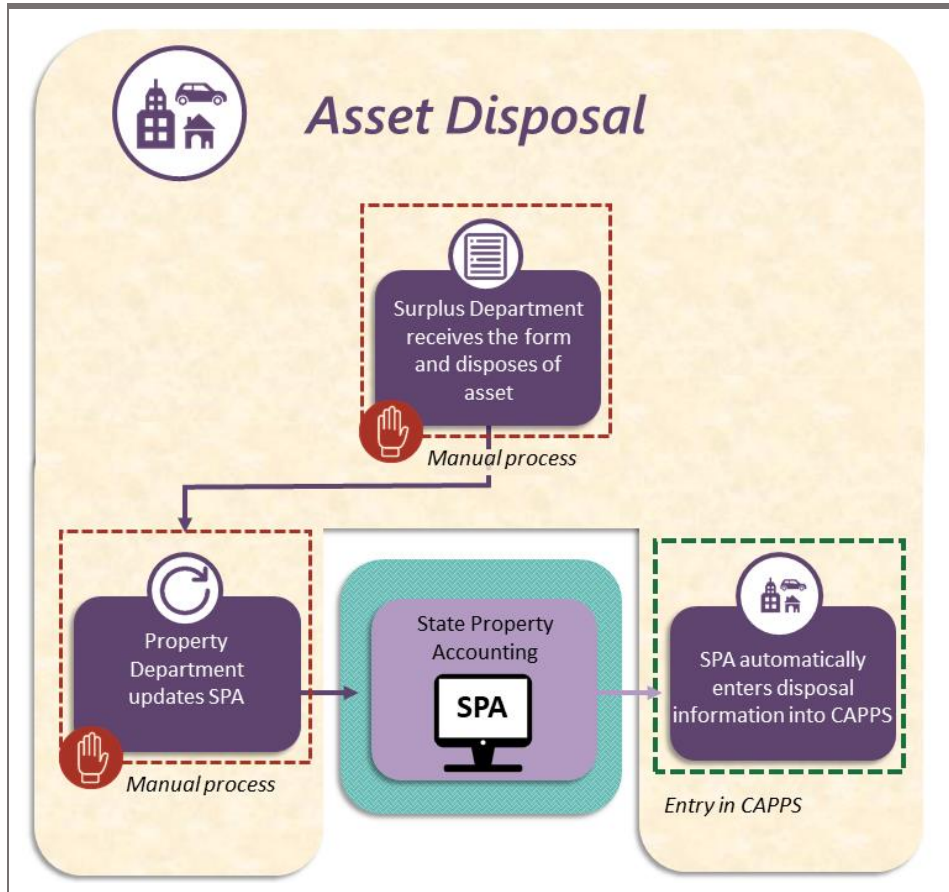
**Asset Disposals**

The Department’s procedures for asset disposal require that a disposal form or other appropriate documentation be sent to the Surplus Department, which is responsible for disposing of the asset. Throughout the disposal process, the disposal code is updated in SPA to reflect the disposal method, such as salvaged, disposal completed, or sold. SPA automatically updates disposal information in the CAPPs Asset Management module to indicate the asset’s disposal status (see Figure 5 on the next page).



Figure 5

### Asset Disposal Process



Source: Based on information provided by the Department.



**HIGH**

## Chapter 1-A Asset Management Process

The Department was not missing any items identified during testing of selected real and personal property assets; however, it had weaknesses in its processes for tracking and managing assets. Specifically, the Department did not have documentation showing that its Active Asset Report, which is used to conduct the annual physical inventory, represents a complete inventory. In addition, the Department's reconciliation between the Centralized Accounting and Payroll/Personnel System (CAPPS) and the State Property Accounting System (SPA) was incomplete.

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**The Department's inventory and reconciliation processes did not ensure that asset information in SPA was complete and accurate.**

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**Accounting for and Safeguarding Assets.** The Department was able to account for and safeguard the real and personal property tested. Specifically, the Department was able to identify and locate 25 (100 percent) of 25 real property assets and 55 (96 percent) of 57 personal property assets tested. In addition, the majority of personal property assets were tagged and had accurate identifying information in SPA. Examples of assets tested included vehicles, trailers, computers, cameras, radios, and certain facilities and building structures (see [Appendix 2](#) for asset definitions).



**Annual Physical Inventory.** The Department is responsible for reporting and maintaining complete and accurate information for its \$1.2 billion of assets in its system of record, SPA (see text box for the statutory requirement). To fulfill this responsibility, the Department conducts an annual physical inventory of these assets.

The Department performed an annual inventory for fiscal year 2021 and complied with its policies and procedures for submitting the certified annual inventory to the Office of the Comptroller of Public Accounts (Comptroller's Office). However, the inventory was submitted 84 days late, according to the timeliness requirements in the *SPA Process User's Guide*.

According to the Department, its annual inventory process begins with the Active Asset Report, which is composed of extracts from two internal systems and CAPPS (see the description of the [annual physical inventory process](#) in the Background Information section). This report is used by the various divisions as a basis for performing their annual inventory. While the Department asserts that it reconciles the Active Asset Report to SPA, for the fiscal year 2021 annual inventory it did not have documentation showing that the Active Asset Report used to perform inventory contained a complete and accurate list of assets or that the contents of this report were consistent with the inventory recorded in SPA. Since SPA is the Department's system of record, it is important to reconcile the Active Asset Report to it, to ensure that the report and SPA represent all of the Department's property, as required by the *SPA Process User's Guide*.

After receipt of each division's Active Asset Report, staff use inventory completion forms to document the results of the annual inventory. The majority of the inventory completion forms tested were appropriately completed by division staff and returned to the Property Manager.

**CAPPS to SPA Reconciliation.** The Department was unable to perform a complete reconciliation for assets recorded in CAPPS and SPA between September 2020 and February 2022 (see requirements in text box).

While the Department attempted to perform this reconciliation, it had not

#### Requirement to Maintain Accurate Records

Texas Government Code, Section 403.273 requires that the property records of a state agency must accurately reflect the property possessed by the agency at all times.

#### Asset Tracking Requirements

To help ensure that asset information in SPA is accurate and complete, Texas Administrative Code Rule 5.200(g)(3)(c) requires a reporting agency to reconcile the agency's local property accounting system—in this case, CAPPS—to the supporting financial detail in the SPA system. According to the *SPA Process User's Guide*, a reporting agency uses an internal system to track assets and periodically reports that information in SPA. In addition, Texas Administrative Code, Rule 5.200(i)(4), requires that all adjustments made during the reconciliation are documented and maintained.

established procedures to help ensure that the comparisons it performed were complete and accurate, and that any updates made as a result were documented. Additionally, in some cases the Department created queries to extract certain data from CAPPs; however, it did not maintain those queries to show that they were written appropriately.

Improvements to the annual inventory and reconciliation process can help ensure that asset information is accurate.

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## Recommendations

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The Department should:

- Develop and implement processes to ensure that the annual inventory certification is submitted on time and update policies and procedures to reflect the Comptroller's Office's deadlines.
- Ensure the Active Asset Report, used to perform the annual inventory, is complete and accurate by reconciling it to SPA and retaining documentation of the reconciliation.
- Develop and implement processes for reconciling CAPPs to SPA.

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## Management's Response

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Management agrees. The agency will update its processes beginning with the Fiscal Year 23 Physical Inventory process to ensure that the active asset report is reconciled to information contained in SPA and that the inventory certification is submitted by the required deadline. The agency implemented CAPPs as its internal accounting system beginning with Fiscal Year 2021 and has been working with the Comptroller's office in developing and refining reports and queries that will facilitate reconciliations between SPA and CAPPs.

Action Plan: Develop and implement processes to ensure the annual inventory certification is submitted on time and update policies and procedures to reflect the Comptroller's Office's deadlines.

Responsible Party: Division Director, Financial Resources

Estimated Completion Date: February 1, 2023

**Action Plan:** Ensure the Active Asset Report, used to perform the annual inventory, is complete and accurate by reconciling it to SPA and retaining documentation of the reconciliation.

**Responsible Party:** Division Director, Financial Resources

**Estimated Completion Date:** February 1, 2023

**Action Plan:** Develop and implement processes for reconciling CAPPS to SPA.

**Responsible Party:** Division Director, Financial Resources

**Estimated Completion Date:** August 31, 2023

## Chapter 1-B

**HIGH****Accuracy and Completeness of SPA and CAPPs Records**

While the Department has implemented processes to help ensure that its assets are accurately reflected in SPA and CAPPs, those processes did not always effectively prevent inaccuracies in the Department's records.

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### The Department's records contained inaccuracies in both SPA and CAPPs.

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- Key dates and values.** The Department did not consistently retain documentation to verify the accuracy of the receipt dates and values for certain assets tested as recorded in SPA. (See text box for retention requirements.) For example, the Department did not have documentation, such as receiving reports, to support the receipt date for any of the real property or personal property assets tested. A similar issue for receipt dates and in-service dates was identified during the follow-up of recommendations in *An Audit Report on Vehicle Fleet Management at Selected State Entities* (SAO Report No. 19-006, October 2018). (See [Chapter 3](#) for more information).

#### Retention Requirements

The *SPA Process User's Guide* requires property records to be maintained for the life of the asset and for a period of not less than three fiscal years after disposal of the property.

Also, while the Department did not have documentation to verify the accuracy of the value as recorded in SPA for any of the 24 real property assets tested, it did have documentation for 40 (77 percent) of the 52 personal property assets tested. A similar issue was identified for construction-in-progress (CIP) projects; CIP items are addressed later in this chapter.

- Location.** The Department stated that it updates ePortal, its internal tracking system, as assets are transferred throughout the Department to their assigned custodians and locations. ePortal sends automatic updates to CAPPs to reflect the current location and custodian information associated with those assets. (See the description of the



[annual physical inventory process](#) in the Background Information section.) However, the asset location was not always accurately reflected in CAPPs<sup>3</sup>, according to information provided by the Department. The location was inaccurate for 13 (23 percent) of 57 personal property assets and 3 (13 percent) of 24 real property assets tested.

- **Class code information.** For 57 personal property assets and 24 real property assets tested, the Department generally assigned accurate class codes. The class code is necessary to ensure that assets are accurately categorized in the Department’s financial and fleet reports.

However, the Department did not always assign accurate class code information (used to identify asset type) when initially entering vehicle assets in CAPPs. As detailed in [Chapter 3](#), data analysis specific to vehicle records showed that the Department misclassified 70 (18 percent) of 389 vehicle assets recorded in SPA between September 2020 and February 2022. This issue was previously reported in *An Audit Report on Vehicle Fleet Management at Selected State Entities* (SAO Report No. 19-006, October 2018).

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## Processes for tracking construction assets should be strengthened to increase accuracy of recorded expenditures and project status.

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The Department determines and records CIP assets and their values in SPA. However, the Department did not have an effective process in place to ensure that the CIP information in SPA is accurate (see text box for CIP requirements). Specifically:

- The *SPA Process User’s Guide* has specific requirements for the types of expenditures to

### CIP Process

While construction is in progress, the construction costs are recorded in SPA as a CIP asset.

When construction is completed, the asset should transition from a CIP project to a permanent asset. Specifically, the *SPA Process User’s Guide* requires CIP assets to be reclassified to their appropriate capital asset category when one of these milestones is reached: “substantial completion” contract documents are executed, the facility is occupied, or the asset is otherwise placed into service. The guide indicates that these steps should then be followed:

1. Remove the CIP from SPA.
2. In CAPPs, reclassify the asset to its appropriate capital asset category, such as a building.

Source: *SPA Process User’s Guide*

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<sup>3</sup> As a reporting agency, the Department is not required to and does not report the locations in SPA.

include in the cost of a CIP asset in SPA. However, the Department did not have a process to identify the relevant types of expenditures to include for its CIP costs in SPA. In addition, the Department was not able to provide a detailed listing of expenditures or supporting documentation, such as invoices for those expenditures, that comprised the total CIP cost for 11 (42 percent) of 26 CIP assets tested.

- For **newly initiated and ongoing construction**, the Department was entering CIP assets in SPA annually, instead of quarterly as required by the *SPA Process User's Guide* (see the [CIP process description](#) in the Background Information section). As a result, CIP assets were underreported in SPA when compared to CAPPS. CAPPS contained 13 new assets associated with 8 construction projects with expenditures of \$2.5 million that were not recorded in SPA as CIP assets as of February 2022.
- For **completed construction** (see text box on previous page), the Department did not have a process for:
  - Removing the CIP asset from SPA.
  - Updating CAPPS to add the newly completed asset to the correct category, which would automatically populate in SPA as a new asset.

As of February 2022, 27 **completed** CIP assets, out of 167 CIP assets recorded in SPA, were still classified as CIP. Those completed assets should have been removed from SPA, and the corresponding new assets should have been recorded in the appropriate capital asset category.

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## The Department cannot provide documentation of the value assigned to the Interpretive Collection.

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**Value of the Interpretive Collection.** The Department did not have a process to update SPA so that it reflected the accurate value (referred to in SPA as the “acquisition cost”) of the Department’s Interpretive Collection. Specifically:

- The Department did not retain any documentation supporting the value recorded in SPA for its Interpretive Collection<sup>4</sup> (\$2.3 million as of February 2022) or indicating how that amount was determined.
- The Department had not updated the \$2.3 million value of its Interpretive Collection in SPA since 2001, despite the addition and removal of items from the collection during the normal course of business and also during inventory performed by its Curatorial Services unit. Curatorial Services has determined the appraisal value of approximately half of the items in the collection, to be \$2.8 million as of May 2022. (See the description of the [Interpretive Collection process](#) in the Background Information section.)

As a result, the Department cannot verify that SPA reflects an accurate value for the collection.

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## Recommendations

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The Department should:

- Develop and implement processes to ensure that property records are maintained for the life of the asset and for the required period of time specified by applicable retention schedules.
- Develop and implement processes and provide training to staff to ensure that locations and classification codes are recorded accurately in SPA and CAPPs.
- Develop and implement processes to ensure that current CIP assets and newly completed construction assets are recorded accurately and within required timeframes in SPA.
- Develop and implement processes to ensure that the value of the Interpretive Collection is updated in SPA as items are added or deleted and as appraisals are performed for all assets.

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<sup>4</sup> As of July 2022, the Interpretive Collection consisted of over 60,000 history, art, and natural history items that are displayed at various state parks and at the Battleship Texas.

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## Management's Response

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Management agrees with and will implement all recommendations. Regarding the 24 real property assets lacking supporting documentation, the majority of these items were purchased prior to Fiscal Year 2012. More recent projects are handled electronically via the eBuilder application. The agency has also begun taking action on updating SPA based on the results of the State auditor's fieldwork. The agency has also required that the new Property Accountant attend all available CAPPS and SPA training offered by the Comptroller.

**Action Plan:** Develop and implement processes to ensure property records are maintained for the life of the asset and for the required period of time specified by applicable retention schedules.

**Responsible Party:** Division Director Financial Resources, ADM/FIN-Branch Manager Infrastructure

**Estimated Completion Date:** August 31, 2023

**Action Plan:** Develop and implement processes and provide training to staff to ensure locations and classification codes are recorded accurately in SPA and CAPPS.

**Responsible Party:** Division Director, Financial Resources

**Estimated Completion Date:** August 31, 2023

**Action Plan:** Develop and implement processes to ensure current CIP assets and newly completed construction assets are recorded accurately and within required timeframes in SPA.

**Responsible Party:** Division Director Financial Resources, ADM/FIN-Branch Manager Infrastructure

**Estimated Completion Date:** August 31, 2023

**Action Plan:** Develop and implement processes to ensure the value of the Interpretive Collection is updated in SPA as items are added or deleted and as appraisals are performed for all assets.

**Responsible Party:** Division Director Financial Resources, Chief Curator State Parks

**Estimated Completion Date:** August 31, 2023

**MEDIUM**

## Chapter I-C Disposals



The Department's disposal process helped safeguard and account for assets. For example, the Department had documentation to support certain identifying information in SPA, such as the property number, serial number, and description of the asset, for all 25 pending disposals and all 25 completed disposals tested.

However, the Department should strengthen its disposal process to ensure that the asset conditions and disposal methods are accurately reported in SPA.

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### The Department did not always accurately report disposal information in SPA.

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**Asset Condition.** The Department did not have documentation to support the condition of 18 (72 percent) of 25 pending disposals and 13 (68 percent) of 19<sup>5</sup> completed disposals. In addition, for those items whose disposal forms were retained, the condition recorded in SPA did not match the condition indicated on the form for 2 (29 percent) of the 7 pending disposals and for 4 (67 percent) of the 6 completed disposals.

**Disposal Method.** The Department did not accurately record the disposal method in SPA for 5 (20 percent) of 25 completed disposals tested. These items were traded in; however, the disposal code recorded in SPA indicated that they were dismantled for parts or salvaged.

Properly accounting for disposals in SPA helps the Department ensure that assets are represented accurately in its system of record and that assets are disposed of appropriately.

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<sup>5</sup> Of the 25 completed disposals tested, 6 did not require a form.

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## Recommendation

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The Department should ensure that asset condition and method of disposals are accurate in SPA and that documentation is retained.

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## Management's Response

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Management agrees.

**Action Plan:** The Agency will update its policies and procedures to ensure that the asset condition and disposal methods are consistently and accurately applied.

**Responsible Party:** Division Director Financial Resources

**Estimated Completion Date:** February 1, 2023



**LOW**

## Chapter 2 Information Technology

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### The Department established adequate access controls in CAPPS Financials and in SPA.

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**Access Controls in SPA.** The Department's access controls in SPA operated effectively. All users were current employees and had reasonable access based on their job responsibilities.

**Access Controls in CAPPS.** For certain levels of access reviewed, the Department's access controls in CAPPS generally operated effectively. The Department took appropriate steps to correct certain issues identified. Details related to these issues were communicated to the Department separately in writing.

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### The Department established adequate application controls in the Fleet Management System (FMS).

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**Application Controls in FMS.** Automated controls in FMS for entering and approving vehicle expenditures were adequately designed and operating effectively. Details related to less significant issues were communicated to the Department separately in writing.

**MEDIUM**

## Chapter 3 Prior Audit Recommendations

The Department fully or substantially implemented most of the applicable recommendations made in a prior audit report.

The Department fully or substantially implemented corrective action for 3 (75 percent) of the 4 applicable recommendations<sup>6</sup> related to fleet management in [An Audit Report on Vehicle Fleet Management at Selected State Entities](#) (SAO Report No. 19-006, October 2018). Corrective action for the remaining recommendation was incomplete or ongoing.

The Department reported that it had fully implemented all recommendations from the prior audit report. Figure 6 on the next page shows the implementation status determined by auditors for each of the recommendations related to that report.

### Definition of Implementation Status

Each implementation status is defined as follows:



**Fully Implemented:** Successful development and use of a process, system, or policy to implement a recommendation.



**Substantially Implemented:** Successful development but inconsistent use of a process, system, or policy to implement a recommendation.



**Incomplete or Ongoing:** Ongoing development of a process, system, or policy to address a recommendation.



**Not Implemented:** Lack of a formal process, system, or policy to address a recommendation.



**Not Applicable:** N/A signifies that the recommendation is no longer applicable.

Source: State Auditor’s Office instructions to state agencies and higher education institutions for reporting the implementation status of recommendations; auditor determination.

<sup>6</sup> The prior SAO report included seven recommendations; however, because of changes to Texas Government Code requirements, three recommendations were determined to be no longer applicable.

Figure 6

*Implementation Status of State Auditor’s Office Recommendations to the Department in An Audit Report on Vehicle Fleet Management at Selected State Entities, Chapter 2 (SAO Report No. 19-006, October 2018)*

Recommendations	Implementation Status Determined by Auditors
1: Strengthen controls over the preparation of fleet assessment reports to ensure that all required information is documented to demonstrate compliance with State Fleet Plan requirements.	
2: Develop and implement a documented process for reviewing and approving vehicle maintenance and repairs to verify that the repairs and costs are appropriate.	
<p><b>Auditor Comments:</b></p> <p>2: The Department updated its policies and procedures for approving vehicle expenditures to require certain approvals for vehicle expenditures <b>under</b> \$8,000 and additional approvals for vehicle expenditures <b>over</b> \$8,000. The Department obtained appropriate approval for vehicle expenditures <b>under</b> \$8,000; however, none of the 12 vehicle expenditures <b>over</b> \$8,000 tested had the additional required approvals.</p>	
<p>The Agency should comply with State Fleet Plan requirements by:</p>	
3: Reviewing and updating its processes for extracting vehicle-related data from its accounting system to ensure that it reports complete and accurate data to Texas Fleet System.	
4: Establishing and following (1) a process to track and report accurate vehicle information to Texas Fleet System and (2) a consistent disposal reporting process to Texas Fleet System.	
5: Periodically monitoring the accuracy of data as presented in Texas Fleet System to ensure that processes are working as intended.	
<p><b>Auditor Comments:</b></p> <p>3-5: During the scope of the prior audit, the Department had been required by Texas Government Code, Section 2171.101, to report vehicle information in the Texas Fleet System. However, due to a change in reporting requirements of Texas Government Code, Section 2171.101 (effective June 18, 2021), the Department is no longer required to record information in the Texas Fleet System. Therefore, auditors determined the recommendations from this chapter are no longer applicable.</p>	
6: Establish and follow a process to communicate all required information to accurately report vehicle information to SPA.	

Recommendations	Implementation Status Determined by Auditors
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**Auditor Comments:**

6: When the Department implemented CAPPs in fiscal year 2021, procurement information was automatically populated in SPA from CAPPs. All three vehicles tested had the correct information in SPA for certain fields. However, the Department did not retain documentation, as required by retention policies outlined in the *SPA Process User’s Guide*, to support the receipt and in-service dates of the three vehicle assets entered into SPA. Therefore, the accuracy of those dates cannot be confirmed.

7: Establish a process to ensure that asset classifications used are appropriate for the type of asset purchased.



**Auditor Comments:**

7: The Department has a process in place to enter and review classifications when an asset is purchased. However, that review process is not always effective; analysis of the records for vehicles received between September 1, 2020, and February 28, 2022, identified incorrect asset classifications in CAPPs, which automatically populates SPA. Of the 389 vehicles in SPA that auditors analyzed, 70 (18 percent) were classified using an incorrect class code. Specifically:

- Forty-two all-terrain vehicles (ATVs) were incorrectly classified as motorcycles because the Department established an incorrect definition for a classification code in CAPPs. The *SPA Process User’s Guide* requires that ATVs be classified as “Other Equipment.”
- Eight trucks were misclassified because inaccurate Gross Vehicle Weight Rating classifications were used.
- Twenty records incorrectly used the sedan classification code for non-sedan vehicles.

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## Recommendations

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The Department should:

- Ensure that appropriate approvals are obtained and documented for vehicle expenditures over \$8,000.
- Retain documentation to support the asset information in SPA, including the receipt and in-service dates for vehicles.
- Develop and implement processes to ensure that vehicle assets are accurately classified in CAPPs and SPA, including appropriately

associating the asset's description with the correct asset classification code in CAPPs.

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## Management's Response

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Management agrees with and will implement all recommendations. The TPWD Fleet Management Manual will be revised signifying Division Director approval and input by the fleet manager for any individual repair that is in excess of \$15,000

**Action Plan:** Ensure appropriate approvals are obtained and documented for vehicle expenditures.

**Responsible Party:** Fleet Manager Support Resources

**Estimated Completion Date:** December 31, 2022

**Action Plan:** Retain documentation to support the asset information in SPA, including the receipt and in-service dates for vehicles

**Responsible Party:** Division Director Financial Resources

**Estimated Completion Date:** September 1, 2023

**Action Plan:** Develop and implement processes to ensure vehicle assets are accurately classified in CAPPs and SPA, including appropriately associating the asset's description with the correct asset classification in CAPPs.

**Responsible Party:** Division Director Financial Resources.

**Estimated Completion Date:** February 1, 2023



## Appendix 1

# Objectives, Scope, and Methodology

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### Objectives

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The objectives of this audit were to:

- Determine whether the Parks and Wildlife Department (Department) has processes and controls to help ensure that selected capital assets are appropriately accounted for, safeguarded, and reported accurately to the State Property Accounting System (SPA) and the Department's related systems.
- Determine whether the Department has implemented corrective action on recommendations related to asset management in *An Audit Report on Vehicle Fleet Management at Selected State Entities* (SAO Report No. 19-006, October 2018).

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### Scope

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The scope of this audit included capital assets recorded in SPA and the Department's related systems from September 1, 2020, to February 28, 2022, and information related to the implementation of recommendations in

**The following members of the State Auditor's staff performed the audit:**



- Rachel Lynne Goldman CPA, CFE (Project Manager)
- Evan Cresap, CPA (Assistant Project Manager)
- Erica Chapa
- Brandy Corbin
- Thanh Le, MBA
- Michelle Rodriguez, CFE
- Stacey Williams, CGAP
- Ann E. Karnes, CPA (Quality Control Reviewer)
- Courtney Ambres-Wade, CFE, CGAP (Audit Manager)



*An Audit Report on Vehicle Fleet Management at Selected State Entities* (SAO Report No. 19-006, October 2018). The scope also included a review of significant internal control components related to the Department's asset management processes.

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## Methodology

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We conducted this performance audit from November 2021 through October 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Department management for consideration.

### Addressing the Audit Objectives

During the audit, we performed the following:

- Determined whether the Department has processes and controls to help ensure that selected capital assets are accounted for, safeguarded, and reported accurately to SPA and related systems by:
  - Interviewing staff to gain an understanding of asset management processes.
  - Testing personal property, real property, and construction-in-progress (CIP) assets to determine whether information recorded in SPA was supported and accurately reported in accordance with the *SPA Process User's Guide* and Texas Government Code, Chapter 403, including testing the samples described below in Figure 7.
  - Reviewing the Department's annual inventory and reconciliation process between the Centralized Accounting and Payroll/Personnel System (CAPPS) and SPA to ensure they were conducted in accordance with requirements in the *SPA Process User's Guide* and Texas Government Code, Chapter 403, including testing the inventory verifier completion forms sample described below in Figure 7.

- Testing access controls for SPA and CAPPs Financials, including reviewing access for all users for certain access roles, to ensure access was restricted appropriately in compliance with the Texas Department of Information Resources' *Security Controls Catalog*, Version 2.0.
- Determined if the recommendations to the Department in *An Audit Report on Vehicle Fleet Management at Selected State Entities* (SAO Report No. 19-006, October 2018), Chapter 2, were implemented, by:
  - Interviewing staff to gain an understanding of implementation status for recommendations.
  - Testing vehicle maintenance and repair expenditures and other vehicle information for appropriate approvals, accurate location, value, and acquisition date in SPA to determine if it complied with the *SPA Process User's Guide* and the Department's policies and procedures.
  - Performing data analysis procedures on vehicle information to verify asset classification codes were in compliance with the *SPA Process User's Guide*.

Figure 7 on the next page indicates whether the samples were representative.

Figure 7

***Populations and Samples Selected  
for Testing the Department's Capital Assets***

Description	Population	Sample Size	Sampling Methodology	Representative Determination
<b>Assets Recorded in SPA as of February 28, 2022</b>				
Real Property	2,500	25	Nonstatistical, Random <sup>a</sup>	Representative
Personal Property	27,007	60	Directed/ Risk-Based <sup>b</sup>	Not Representative
CIP	167	26	Nonstatistical, Random	Representative
Disposals – Pending	701	25	Nonstatistical, Random	Representative
Disposals – Completed	3,146	25	Nonstatistical, Random	Representative
<b>Annual Inventory Fiscal Year 2021 Documentation</b>				
Inventory Verifier Completion Forms	2,547	25	Nonstatistical, Random	Representative
<sup>a</sup> A nonstatistical random sample is representative. This sample design was chosen so the sample could be evaluated in the context of the population. It would be appropriate to project those test results to the population, but the accuracy of the projection cannot be measured.				
<sup>b</sup> A directed/risk-based sample was selected to ensure various asset types were included. A directed/risk-based sample is not representative, and it would not be appropriate to project those test results to the population.				

### Data Reliability and Completeness

Auditors (1) observed the Department staff extract requested data populations, (2) reviewed data queries and report parameters, and (3) analyzed the populations, including reviewing key fields for validity, reasonableness, and completeness. Auditors determined that the following populations were sufficiently reliable and complete for purposes of this audit:

- Population of active real and personal property in CAPPS Asset Management module as of February 28, 2022.

- Populations of vehicle maintenance and repair expenditures and list of approvers in Fleet Management System between September 1, 2020, and February 28, 2022.

As discussed in this report, the following data sets in SPA were not always reliable due to inaccurate asset data. However, this data was the most complete information available, and the auditors used the data for the purposes of this audit:

- Populations of active real property, active personal property, and CIP in SPA as of February 28, 2022.
- Population of asset disposals in SPA between September 1, 2020, and February 28, 2022.

### Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

## Appendix 2

### Summary of Assets by Category

As of February 28, 2022, the Department recorded 29,772 real and personal property assets in the State Property Accounting System (SPA) with a total value of approximately \$1.2 billion. See Figure 8 for information on the asset categories recorded.

Figure 8

#### *Active Capital Assets Recorded in SPA by the Department as of February 28, 2022*

Asset Category	Asset Category Definitions	Number of Assets	Asset Value
Buildings and Building Improvements	Additions or improvements to maintain building structures, i.e., picnic areas, park storage facilities, and other park amenities.	1,342	\$222,399,862
Facilities and Other Improvements	Elements built, installed, or established to enhance the quality or facilitate the use of land for a particular purpose, i.e., boat ramps, boardwalks, parking areas, paths and trails, septic systems, fountains, fencing, and gates.	496	\$88,292,847
Land and Land Improvements	Site preparation and site improvements (other than buildings) that ready the land for use.	310	\$340,316,328
Infrastructure, Depreciable	Assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets, such as canals, bridges, roads, dams, signage, etc.	350	\$161,677,281
Construction in Progress (CIP)	Expenditures related to ongoing construction projects, such as buildings, infrastructure, and facilities.	167	\$156,508,697
<b>Total Real Property</b>		<b>2,665</b>	<b>\$969,195,015</b>

Asset Category	Asset Category Definitions	Number of Assets	Asset Value
Furniture and Equipment	Examples include cameras, TVs, musical instruments, chairs, desks, tools, and computer hardware.	21,667	\$85,673,365
Vehicle	Examples include trucks, cars, buses, and motorcycles.	3,211	\$82,615,028
Boat	Examples include boats, ferries, canoes, and boat motors.	1,931	\$30,540,887
Aircraft	Examples include jets, single and multi-propeller planes, helicopters, and unmanned aerial vehicles.	108	\$6,363,035
Other Vehicle Equipment	Examples include all-terrain vehicles (ATV) truck chassis, engines, motor graders, loaders, and towed roadway equipment.	75	\$1,593,711
Other Assets	Examples include works of art, historical treasures, library books, and livestock.	17 <sup>a</sup>	\$43,472,189
<b>Total Tangible Personal Property</b>		<b>27,009</b>	<b>\$250,258,215</b>
Computer Software	Includes purchased and internally generated computer software	29	\$4,599,502
Land Use Rights	Represents ownership of the real property tangible asset, including but not limited to easements, mineral rights, timber rights, development rights, and water rights. Land use rights should not be reported as separate intangible capital assets once the agency owns the real property capital asset.	69	\$928,357
<b>Total Intangible Personal Property<sup>b</sup></b>		<b>98</b>	<b>\$5,527,859</b>
<b>Total Capital Assets</b>		<b>29,772</b>	<b>\$1,224,981,089</b>

<sup>a</sup> One of the 17 items in the Other Assets category is a consolidated line item for an Interpretive Collection consisting of over 60,000 history, art, and natural history items displayed at various state parks and at the Battleship Texas.

<sup>b</sup> Intangible assets are included in the table for reference; however, they were not reviewed during this audit.

Sources: SPA and the Office of the Comptroller of Public Accounts' Reporting Requirements for the Annual Financial Reports of State Agencies and Universities

## Appendix 3

### Related State Auditor's Office Report

Report Number	Report Name	Release Date
<a href="#">19-006</a>	<i>An Audit Report on Vehicle Fleet Management at Selected State Entities</i>	October 2018



Copies of this report have been distributed to the following:

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The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

## **Office of the Governor**

The Honorable Greg Abbott, Governor

## **Parks and Wildlife Department**

Members of the Texas Parks and Wildlife Commission

Dr. David Yoskowitz, Ph.D., Executive Director





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