



TEXAS REAL ESTATE COMMISSION

**Texas Real Estate Commission**  
**Internal Audit Services**

**FY 2024**  
**Annual Internal Audit Report**



**McConnell Jones**  
Diverse Thinking | Unique Perspectives



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# McConnell Jones

August 19, 2024

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 2024 Annual Internal Audit Report for the Texas Real Estate Commission (TREC). This report was presented to the TREC Commissioners and 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) submits this Annual Internal Audit Report for fiscal year 2024 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 2024 is due November 1, 2024.

Please contact Darlene Brown at 713.968.1600 or Ranada Williams at 512.936.0102 if you should have any questions about this Annual Internal Audit Report.

Sincerely,

Darlene Brown, CIA, CFE, CSM  
Partner

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## 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 2024 ANNUAL INTERNAL AUDIT PLAN STATUS

The fiscal year 2024 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 2024 Annual Internal Audit Plan was executed as approved. The chart below reflects the approved audit plan status as of July 12, 2024.

Fiscal Year 2024 Internal Audit Plan Status

#	Description	Report Number	Report Date	Report Title	Audit Status
1	Information Technology	24-001	June 6, 2024	Information Technology	Completed
2	Communications Processes	24-002	March 20, 2024	External Communications	Completed
3	Follow-Up on Open Audit Findings	24-003	May 30, 2024	Report on Prior Audit Findings Follow-up	Completed
4	Update Annual Risk Assessment & Audit Plan	N/A	N/A	N/A	Completed
5	Annual Audit Report	N/A	N/A	N/A	Completed
6	Audit Communications, Project Management	N/A	N/A	N/A	On-going



**Deviation from FY 2024 Internal Audit Plan:**

The approved FY 2024 Annual Internal Audit Plan was executed without deviations.

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

Internal audit did not provide any advisory / consulting services to the TREC during FY 2024.

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

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

**Opinion**

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

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

• Turner, Stone & Company, L.L.P.

*Your Vision Our Focus*

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

June 18, 2021

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

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

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

**Firm's Responsibility**

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

**Peer Reviewer's Responsibility**

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

**Required Selections and Considerations**

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

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

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## V. INTERNAL AUDIT PLAN FISCAL YEAR 2025

MJ prepared an audit plan that ensures a review is performed on the high-risk processes. Financial Services is currently the highest risk area. We will focus on the procurement within Financial Services. We will also conduct the biennial compliance with the Public Funds Investment Act (PFIA) as well as follow-up on open audit findings in FY2025.

**Texas Real Estate Commission FY 2025 Annual Audit Plan Activities**

Audit Activity #	Description	Risk Rating	Estimated Timing	Estimated Hours
1	Financial Services: Procurement ✓ Compliance with Applicable State Regulations ✓ Compliance with State Procurement and Contract Management Guide for Competitive Solicitations ✓ Competitive Solicitation Process ✓ Competitive Solicitation Evaluation Processes	High		143
2	Public Funds Investment Act Compliance ✓ Accuracy of year-end reports and financial records ✓ Required Training ✓ Investment Policy	Compliance		72
3	Follow-Up on Open Audit Findings	Compliance	On-Going	11
4	Annual Risk Assessment	Compliance	July 2025	8
5	Annual Internal Audit Report	Compliance	July 2025	3
6	Internal & External Communications (Includes Commissioner / Board Meetings)	N/A	On-Going	12
	<b>Total Hours</b>			<b>249</b>
	<b>Total Fees FY 2025</b>			<b>\$38,345</b>

**VI. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2024**

External audit services procured in fiscal year 2024 consisted of the internal audit function.

**VII. REPORTING SUSPECTED FRAUD AND ABUSE**

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

- Article IX, Section 7.10, the General Appropriations Act (81st Legislature)
- Texas Government Code, Section 321.022.



- Section 7.09, page IX-37, the General Appropriations Act (86th Legislature), and
- Section 7.09, page IX-38, the General Appropriation Act (87th Legislature).

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

## **VIII. SIGNIFICANT INTERIM CHANGES**

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

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