



# **TEXAS GENERAL LAND OFFICE**

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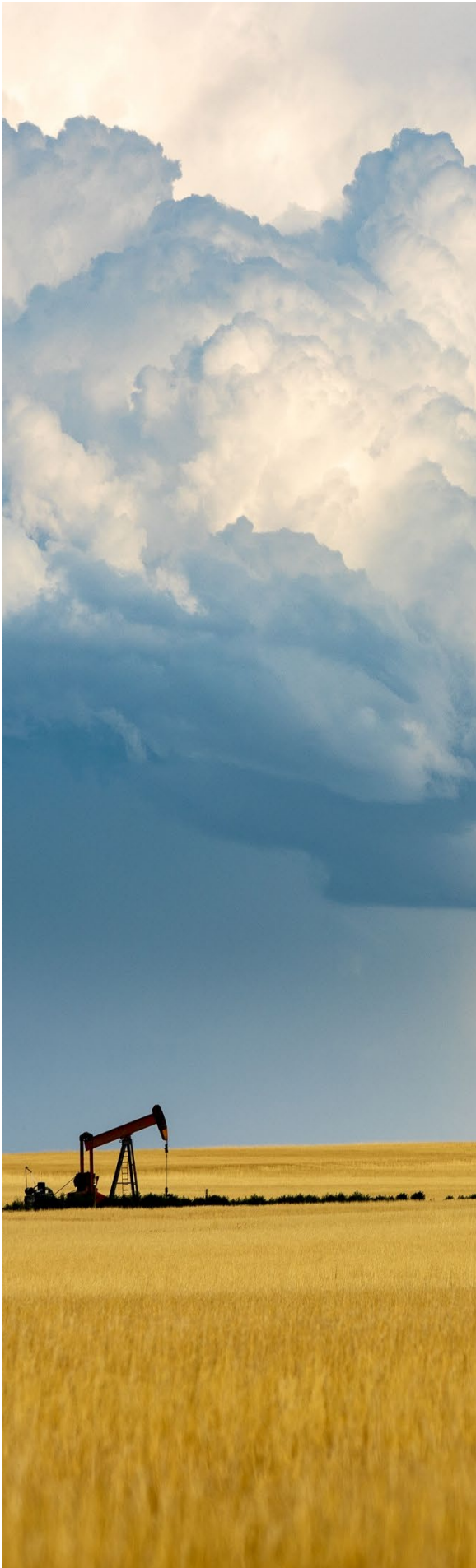
## **VETERANS LAND BOARD**

# **2024**

## **INTERNAL AUDIT ANNUAL REPORT**

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**OFFICE OF AUDIT AND COMPLIANCE  
TRACEY HALL, CPA, CISA  
CHIEF AUDITOR**



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# I. COMPLIANCE WITH POSTING REQUIREMENTS

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Compliance with Texas Government Code 2102.015: Posting the Internal Audit Plan, Internal Audit Report, and Other Audit Information on the Texas General Land Office's Internet Website.

Texas Government Code 2102.015 requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports on the entity's Internet website at the time and manner prescribed by the SAO. Agencies and higher education institutions must post any weaknesses or concerns resulting from the annual plan or annual report and a summary of actions taken to address the issues raised by the audit plan or annual report.

The Office of Internal Audit of the Texas General Land Office (GLO) and Veterans Land Board (VLB) performs the following procedures for implementation and compliance with Government Code 2102.015 regarding the Internal Audit annual audit plan and annual report:

- Within 30 days of approval, the following documents are posted to the GLO external and internal agency website:
  - Approved Internal Audit Annual Audit plan (for the fourth-coming fiscal year), as provided by the Texas Government Code, Section 2102.008.
  - The Internal Audit Annual Report for the prior fiscal year as required by the Texas Government Code, Section 2102.009.

Prior Annual Internal Audit Reports are currently posted to the external and internal agency website, and the 2024 version is upon submission to the SAO. The Annual Internal Audit Report contains additional summary information prescribed by the SAO. The 2025 Internal Audit Plan and the 2024 GLO Internal Quality Assurance and Improvement Program (QAIP) report will also be posted to the external and internal agency websites.



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## II. FISCAL YEAR 2024 INTERNAL AUDIT PLAN

FY2024 INTERNAL AUDIT PLAN		
Audit Title	Audit Status	Date Issued
Audit of Compliance with Texas Administration Code (TAC) 202	Completed	June 2024
Audit of the Operations of the Gulf Coast Protection District (GCPD)	Completed	October 2024
Audit of Alamo Complex Operations	Completed	October 2024
Audit of Fixed Asset Inventory	Moved to FY2025 Audit Plan	
Audit of Travel Compliance	Postponed	
Audit of CDR Planning Studies Management	Postponed	
Potential Contracted Projects		
Audit Title	Audit Status	Date Issued
Audit of the State-Run Housing Assistance Program (HAP) - Contracted by EY	Moved to FY2025 Audit Plan	
Audit of the Texas Integrated Grant Reporting (TIGR) System	Moved to FY2025 Audit Plan	
Audit of VLB Bond Funds Management	Postponed	



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FY2024 FOLLOW-UP REVIEWS COMPLETED			
Audit Title	Division(s)	Program Area(s)	Implementation Status
Audit of Compliance with Texas Administrative Code (TAC) 202 (2016)	Info Security (OIS) Info-Tech Services (ITS)	OIS ITS	Ongoing
Audit of Compliance with Texas Administrative Code (TAC) 202 (2019)	OIS ITS	OIS ITS	Ongoing
Audit of Cloud Services Management (2021)	OIS ITS Financial Management	OIS ITS Procurement	Ongoing
Audit of Program Contract Management Process (2021)	ITS	ITS	Ongoing
Grant Compliance for CDBG-DR 2015/2016 Flood Programs (2022)	CDR	CDR	Ongoing
Business Continuity Preparedness (2022)	ITS Human Resources	ITS Human Resources	Ongoing
COVID-19 Funding Compliance (2022)	Financial Management	Federal Finance	Ongoing
Special Project - CDBG-DR Affordable Rental (2023)	CDR	CDR	Completed



### III. CONSULTING AND NON-AUDIT SERVICES

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**CONSULTING SERVICES:** The Institute of Internal Auditors (IIA) defines consulting services as advisory services in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client.

Consulting services generally involve two parties:

1. Internal Audit - the group offering the service, and
2. Engagement Client – the group seeking and receiving the service.

Internal Audit maintains objectivity when performing consulting services and does not assume management responsibility.

*During Fiscal Year 2024, the Internal Audit did not conduct any Consulting Service engagements.*

#### **NON-AUDIT SERVICES:**

1. Complaint Responses and Investigations
  - Objective: To ensure that public complaints are appropriately received and responded to and appropriate action is taken.
  - Conclusion: Complaints were investigated based on the information provided, and actions were taken as applicable to each situation.
2. Liaison Activities (*External Audits performed by non-contracted external and oversight entities*)
  - Objective: To assist agency management with effectively discharging its responsibilities related to fulfilling requests for assistance or information regarding various projects or reviews conducted by external or oversight entities (i.e., Federal oversight agencies).



### IV. EXTERNAL ADUIT SERVICES PROCURED

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External audit services that were either procured or are ongoing during FY2024:

1. Master Audit Services Contract
  - a. Summary: The TXGLO executed contract agreements with multiple Certified Public Accounting and Auditing Firms to establish a qualified and readily available list of firms to provide internal audit services as needed. The services will include outsourced and co-sourced audits as well as advisory services. The contract terms are for 3 years.
  - b. SAO Audit Delegation No. 305-2023-001
2. (Project No. 25-04) Audit of State-Run Housing Assistance Program (HAP)
  - a. Summary: External contracted audit services were procured during FY2024 to conduct the audit engagement, which is included in the FY2025 Internal Audit Plan.
  - b. SAO Audit Delegation No. 305-2023-002



## V. EXTERNAL QUALITY ASSURANCE REVIEW

**Report on the External Quality Assurance Review of the  
Texas General Land Office**

**Office of Internal Audit**

***August 2024***



**Performed by**

**R. Eric Ramos, CIA, CFE**

**Chief Auditor**

**Texas State Preservation Board**

**Adam Koppi, CFE**

**Senior Internal Audit Analyst**

**Texas Department of Public Safety**

***Performed in Accordance with the  
State Agency Internal Audit Forum  
Peer Review Policies and Procedures***





Texas General Land Office– Office of Internal Audit  
External Quality Assurance Review – August 2024

### Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas General Land Office (GLO) Office of Internal Audit receives a rating of:

#### **“Pass/Generally Conforms”**

and is in compliance 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).

This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to adhere to required professional standards and Texas Internal Auditing Act, including those for ensuring the independence, objectivity, and proficiency of the internal audit function.

While no matters of compliance came to our attention, we did note opportunities for the GLO Office of Internal Audit to enhance current practices. These recommendations are detailed later in our report. The Office of Internal Audit has reviewed the results of the peer review team’s work and has accepted them to be an accurate representation of their operations.

### Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Chief Auditor, Office of Internal Audit staff, the Texas Land Commissioner, and the senior managers who participated in the peer review process. We would also like to thank each person who completed the survey for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the effectiveness of operations of the Office of Internal Audit and its relationship with management.



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Texas General Land Office– Office of Internal Audit  
External Quality Assurance Review – August 2024

### Detailed Results

The results of the quality assurance review for the GLO Office of Internal Audit (OIA) are presented in the order of the *Standards for the Professional Practice of Internal Auditing*. No significant weaknesses were identified during the review that would prevent the OIA from fulfilling its responsibilities.

The GLO OIA complies in all material respects to the requirements found under 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 *Government Auditing Standards (GAGAS)*, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102).

The detailed results include the identification of best practices as well as some opportunities for enhancement that the Office of Internal Audit may wish to consider.

### Ethics

The Office of Internal Audit complied with the Ethics requirements.

### Purpose, Authority, and Responsibility

The Office of Internal Audit complied with professional standards defining the purpose, authority, and responsibility of the internal audit function.

### Independence and Objectivity

IIA AS 1100: The Office of Internal Audit was independent, and the internal auditors were objective in performing their work.

GAGAS 3.02: In all matters relating to the audit work, the Office of Internal Audit and the individual auditors were independent.

### Proficiency and Due Professional Care

IIA AS 1200: Engagements were performed with proficiency and due professional care.

GAGAS 3.60: Professional judgment was used in planning and performing audits and in reporting the results.

GAGAS 3.69: Staff assigned to perform the audit collectively possessed adequate professional competence for the tasks required.



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Texas General Land Office– Office of Internal Audit  
External Quality Assurance Review – August 2024

### Quality Assurance and Improvement Program

IIA AS 1300: The Chief Auditor developed and maintained a quality assurance and improvement program that covered all aspects of the internal audit activity and assessed the efficiency and effectiveness and identified opportunities for improvement.

GAGAS 3.82: When performing audits or attestation engagements in accordance with GAGAS, the Office of Internal Audit established and maintained a system of quality control designed to provide reasonable assurance that the organization and its personnel complied with professional standards and applicable legal and regulatory requirements; and obtained an external peer review at least 3 years ago.

### Managing the Internal Audit Activity

IIA PS 2000: The chief audit executive effectively managed the internal audit activity to ensure it added value to the organization.

### Nature of Work

IIA PS 2100: The Office of Internal Audit evaluated and contributed to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.

### Monitoring Progress

IIA PS 2500: The Chief Auditor established and maintained a system to monitor the disposition of results communicated to management.

### Communicating the Acceptance of Risks

IIA PS 2600: During the quality assurance review, no instances were identified in which the chief audit executive concluded that management had accepted a level of risk that may be unacceptable to the organization.



# VI. FISCAL YEAR 2025 INTERNAL AUDIT PLAN

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## A. Internal Audit Plan Risk Assessment & Methodology

The FY2025 Internal Audit Plan risk data was obtained from management interviews regarding activities conducted and administered in their divisions and across the agency. Internal Audit considered management's interest based on input from the Commissioner, Chief Clerk, and Senior Agency Leadership. This assessment also incorporates data from the agency's strategic plan, appropriated budgets, and prior audits.

Auditable units and identified risks from the interviews were categorized according to twenty-one (21) risk factors and ranked based on inherent impact, likelihood, and calculated risk. The strength of existing controls was further calculated to identify a final residual risk score. Residual risk is the amount of risk not eliminated by controls and the exposure that remains after all the known risks have been considered or addressed. Identified risks were categorized according to the following risk factors:

- |   |  |
|---|--|
| 1. Governance and Oversight               | 12. Potential for Fraud, Waste, and Abuse    |
| 2. Contract Management and Monitoring     | 13. Management Controls                      |
| 3. Financial                              | 14. Documentation of Policies and Procedures |
| 4. Regulatory Compliance                  | 15. Appropriate Access                       |
| 5. Information Security                   | 16. Supervision and Training                 |
| 6. Data Integrity                         | 17. Business Continuity                      |
| 7. Change Management                      | 18. Complexity of Operations                 |
| 8. Operational Controls                   | 19. Data Reliability                         |
| 9. Public Exposure & Sensitivity          | 20. Information Systems                      |
| 10. Extent of Outsourcing and Contracting | 21. Organizational Changes                   |
| 11. Third-Party Risks                     |  |



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#### B. Annual Internal Audit Plan

The audit plan is designed to maximize the coverage of overall agency risks with available internal and external (contracted) resources. Each project provides the Audit Title, Division, and Program Area. The provided FY2025 plan also lists follow-up projects, other special projects, and annual reports that are part of our internal audit activities.

FY2025 INTERNAL AUDIT PLAN				
No.	Audit Title	Division(s)	Program Area(s)	Budgeted Hours
1	Audit of Grant Management Processes	CDR	CDR Grant Management	1,000
2	Audit of Cash Management Processes – Centralized Accounting and Payroll/Personnel System (CAPPS) Financial Module	Financial Management	Cash Management & Operations	1,000
3	Audit of Fixed Asset Inventory	Financial Management	Cash & Data Management	1,000
4	Audit of VLB Loan Processing	VLB	Land and Housing	1,000
5	Audit of the Texas Coastal Resilience Master Plan – Vendor Management	Coastal Resources	Grant Programs	1,000
6	Audit of Agency Contract Management Processes	Various	Various	1,000
7	Audit of the Texas Integrated Grant Reporting (TIGR) System	CDR	CDR	Contracted Audit
8	Audit of the State-Run Housing Assistance Program (HAP)	CDR	CDR	Contracted Audit



# VII. REPORTING SUSPECTED FRAUD, WASTE, AND ABUSE

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## FRAUD, WASTE, AND ABUSE

In efforts to comply with fraud reporting requirements of Section 7.09 of the General Appropriations Act and investigation coordination requirements of the Texas Government Code, Section 321.022, the Texas General Land Office, and Veterans Land Board have implemented the following:

1. Requires all staff to complete mandatory training on ethics, the prevention, and reporting of fraud, waste, and abuse.
2. The Fraud Prevention Policy is maintained online in the agency's Employee Handbook, which includes how, when, and where to report possible fraud and abuse.
3. The agency's website ([glo.texas.gov](https://glo.texas.gov)) includes a section where the public and employees may report complaints or report suspected fraud, waste, or abuse involving state resources. This includes links to the SAO Fraud Hotline, directly to the GLO by calling anonymously at 1-888-GLO-FWOA (1-888-456-3962), or by emailing [reportfraud@glo.texas.gov](mailto:reportfraud@glo.texas.gov).
4. The agency maintains a fraud hotline and email and posts information throughout the agency, intranet, and field offices about methods of reporting fraud, waste, or abuse.
5. Suggestion boxes are located outside Internal Audit and Human Resources to allow employees to submit information anonymously.
6. Internal audit has written investigation procedures, including coordinating with the SAO and Federal oversight entities.
  - a. In accordance with the Texas Government Code, Section 321.022, the Internal Audit Procedures Manual references this requirement and includes a section on Investigations that provides guidance for coordinating with the SAO.
7. The GLO established a fraud hotline and reporting mechanism for the State's disaster recovery efforts, available online at the agency's [recovery.texas.gov website](https://recovery.texas.gov). The hotline allows individuals to report fraud, waste, and abuse.

