



TEXAS GENERAL LAND OFFICE

VETERANS LAND BOARD

2025

INTERNAL AUDIT ANNUAL REPORT

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

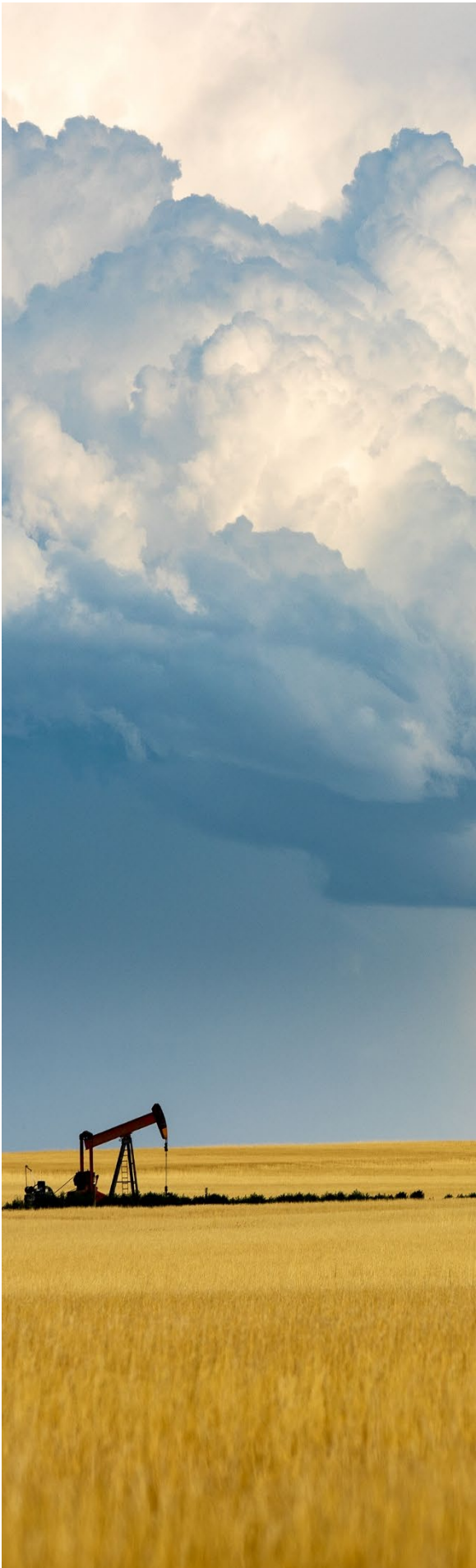


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I. COMPLIANCE WITH POSTING REQUIREMENTS

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 forthcoming 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 2025 version is upon submission to the SAO. The Annual Internal Audit Report contains additional summary information prescribed by the SAO. The 2026 Internal Audit Plan and the 2025 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 2025 INTERNAL AUDIT PLAN

FY2025 INTERNAL AUDIT PLAN			
No.	Audit Title	Audit Status	Date Issued
1	Audit of Grant Management Processes	Completed	August 2025
2	Audit of Fixed Asset Inventory	Moved to FY2026 Audit Plan	
3	Audit of VLB Loan Processing	In Progress	TBD
4	Audit of the Texas Coastal Resilience Master Plan – Vendor Management	N/A (Postponed)	
5	Audit of Cash Management Processes – Centralized Accounting and Payroll/Personnel System (CAPPS) Financial Module	N/A (Postponed)	
6	<u>Management Assistance:</u> Audit of Agency Contract Management Processes	Completed	July 2025
Contracted Projects			
7	Audit of the State-Run Housing Assistance Program (HAP)	Completed	April 2025



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FY2025 FOLLOW-UP REVIEWS COMPLETED			
Audit Title	Department(s)	Division(s)	Implementation Status
Audit of Compliance with Texas Administrative Code (TAC) 202 (2016)	Info Security (OIS) Info-Tech Services (ITS)	OIS ITS	Completed
Audit of Compliance with Texas Administrative Code (TAC) 202 (2019)	OIS	OIS	Ongoing
Audit of Cloud Services Management (2021)	OIS ITS	OIS ITS	Ongoing
Audit of Program Contract Management Process (2021)	ITS	ITS	Completed
Grant Compliance for CDBG-DR 2015/2016 Flood Programs (2022)	CDR	CDR	Ongoing
Business Continuity Preparedness (2022)	OIS ITS Human Resources	OIS ITS Human Resources	Ongoing
COVID-19 Funding Compliance (2022)	Financial Management	Federal Finance	Completed
Audit of Alamo Complex Operations (2024)	Heritage	Alamo	Completed
Audit of the Operations of the Gulf Coast Protection District (GCPD) (2024)	Financial Management	Federal Finance	Ongoing
Audit of Compliance with TAC 202 (2024)	ITS	ITS	Ongoing



III. CONSULTING AND OTHER SERVICES

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 advice, and
2. Engagement Client – the group seeking and receiving the advice.

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

During Fiscal Year 2025, the Internal Audit did not conduct any Consulting Service engagements.

OTHER 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 AUDIT SERVICES

External audit services that were ongoing during FY2025:

1. Master Audit Services Contract (*Procured in FY2023*)
 - 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 a period of three years.
 - b. SAO Audit Delegation No. 305-2023-001
2. (Project No. 25-04) Audit of State-Run Housing Assistance Program (HAP) (*Procured in FY2023*)
 - 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

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Texas State Preservation Board

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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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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 2026 INTERNAL AUDIT PLAN

A. Internal Audit Plan Risk Assessment & Methodology

Internal Audit has completed the Fiscal Year (FY) 2026 Annual Risk Assessment. Risk data was obtained from management interviews regarding activities in their departments 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 ten (10) risk categories and ranked based on inherent impact, inherent likelihood, and the calculated inherent risk. The strength of existing controls was further calculated to identify a final residual risk score, which was considered in determining planned audits and developing the internal audit plan. 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
2. Contract Management and Monitoring
3. Financial
4. Regulatory Compliance
5. Information Security
6. Data Integrity and Reliability
7. Public Exposure & Sensitivity
8. Business Continuity
9. Organizational Changes
10. Potential for Fraud, Waste, and Abuse



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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 FY2026 plan also lists follow-up projects, other special projects, and annual reports that are part of our internal audit activities.

FY2026 INTERNAL AUDIT PLAN				
No.	Audit Title	Department(s)	Division(s)	Budgeted Hours
1	Audit of Community Development & Revitalization (CDR) – Data Governance & Management	CDR	CDR	1200
2	Audit of the Veterans Land Board (VLB) – Texas State Veterans Homes (TSVH) Vendor Management Processes	VLB	TSVH	1200
3	Audit of Fixed Asset Inventory	Financial Management	Cash & Data Management	1200
4	Audit of the Texas Integrated Grant Reporting (TIGR) System	CDR	Program Integration	Contracted Audit
5	<u>Management Assistance:</u> CDR Grant Management Processes Time Study	CDR	Grant Management Houston / Harris County Grant Management	800
6	<u>Management Assistance:</u> Coastal Beach User Fee Analysis	Coastal Protection	Resource Management Beach Access & Dune Protection Program	800
7	<u>Management Assistance:</u> Texas Administrative Code, Chapter 202 (TAC 202) – Information Security Risk Assessment Review	Information Security	Information Security	800



VII. REPORTING SUSPECTED 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) 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, which can be accessed directly by calling anonymously at 1-888-GLO-FWOA (1-888-456-3962) or by emailing 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. The hotline allows individuals to report instances of fraud, waste, and abuse.

