

TEXAS GENERAL LAND OFFICE & VETERANS LAND BOARD



2023 INTERNAL AUDIT ANNUAL REPORT

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

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I. Compliance with Texas Government Code 2102.015: Posting the Internal Audit Plan, Internal Audit Report, and Other Audit Information on the 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:

1. Within 30 days of approval, the following documents are posted to the GLO external and internal agency website:
 - a. Approved Internal Audit Annual Audit plan (for the fourth-coming fiscal year), as provided by the Texas Government Code, Section 2102.008.
 - b. The Internal Audit Annual Report for the prior fiscal year as required by the Texas Government Code, Section 2102.009.
2. The 2022 Annual Internal Audit Report is currently posted to the external and internal agency website, and the 2023 version of the report upon submission to the SAO. The Annual Internal Audit Report contains additional summary information prescribed by the SAO. The 2024 Internal Audit Plan and the 2023 GLO Internal Quality Assurance and Improvement Program (QAIP) report will also be posted to the external and internal agency website.



II. Internal Audit Plan for Fiscal Year 2023

FY2023 AUDIT PLAN		
Audit Title	Audit Status	Date Issued
Audit of the Administration of the Gulf of Mexico Energy Security Act (GOMESA)	Completed	August 2023
Audit of Compliance with Lease Accounting Standards (GASB) 87	Completed	July 2023
Audit of Cemetery Operations Contract Management	Completed	September 2023
Audit of Compliance with Texas Administration Code (TAC) 202	Moved to FY2024 Audit Plan	
Audit of Financial Management Processes at the Alamo	Moved to FY2024 Audit Plan	
Audit of Program Data Management in Community Development and Revitalization	Repurposed and Moved to FY2024 Audit Plan	
Audit of Reporting Compliance for the Federal Funding Accountability and Transparency Act (FFATA) Reporting	Postponed	
Audit of Ground Water Lease Compliance	Postponed	
External Projects		
Audit Title	Audit Status	Date Issued
SAO - Permanent School Fund (PSF) FY 2022 Financial Statements Audit	Completed	December 2022
Reviews conducted by Federal Entities of Community Development Block Grants for Disaster Recovery (CDBG-DR) Efforts Administered by the GLO	Ongoing	Ongoing



FY2023 FOLLOW-UP REVIEWS COMPLETED			
Audit Follow-Up Title	Division(s)	Program Area(s)	Implementation Status of Audit Recommendations
Audit of Fixed Assets Equipment Processes (2011)	Financial Management	Cash Management	Completed
Audit of Compliance with Texas Administrative Code (TAC) 202 (2016)	Information Security Information Technology Services (ITS)	Information Security ITS	Ongoing
Audit of Compliance with Texas Administrative Code (TAC) 202 (2019)	Information Security ITS	Information Security ITS	Ongoing
Audit of Program Vendor Management Temporary Housing Program (2020)	Contract Management	Contract Management	Completed
Audit of Cloud Services Management (2021)	Information Security ITS Financial Management	Information Security ITS Procurement	Ongoing
Audit of CDBG-DR Vendor Procurement (2021)	Community Development & Revitalization (CDR)	CDR	Completed
Audit of Program Contract Management Process (2021)	ITS	ITS	Ongoing
Audit of VLB- Land & Housing, Vendor Management (2021)	Veterans Land Board	Veterans Land Board Land and Housing	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
External Projects			
SAO – Audit on Hurricane Harvey Disaster Recovery Funds Administered by the GLO (2019)	Community Development & Revitalization Program	Community Development & Revitalization Program	Completed
SAO – Alamo Complex Appropriations (2021)	Financial Management	Financial Reporting	Completed
SAO-VLB TSVH Contract Functions (2021)	Veteran Land Board	Texas State Veteran Homes	Completed
Natural Resources Damage Funds, Texas Trustee Financial Audit of Deepwater Horizon Restoration (2021)	Coastal Protection	Coastal Resources	Completed



FY2023 MANAGEMENT ASSISTANCE / SPECIAL PROJECTS	
Project Title	Program Area / Division
Internal Audit Quality Assurance Reviews	Internal Audit
Annual Risk Assessment and Internal Audit Plan	Internal Audit
Annual Report on Internal Audit (SAO)	Internal Audit
Annual Report on the Internal Audit Quality Assurance and Improvement Program	Internal Audit
Internal Audit Self-Assessment and Independent Quality Assurance Peer Review	Internal Audit
Complaints/Investigations	Internal Audit
Liaison for External Audits and Oversight Entities (Federal and State)	Internal Audit
Management Assistance & Other Activities	Internal Audit



III. Consulting Engagements and Non-Audit Services Completed

FY2023 CONSULTING AND NON-AUDIT SERVICES

Project Title	Program Area/Division	Report Date(s)
Internal Audit Quality Assurance and Improvement Program	Internal Audit	September 2023
<p><u>Objective:</u> To allow Internal Audit management to monitor the quality assurance process of the division and provide agency management with the assessment results. (This is a requirement of the auditing standards.)</p> <p><u>Conclusion:</u> The Internal Audit Division maintains an ongoing Quality Assurance and Improvement Program and continuously monitors the quality of internal audit activities.</p>		

Project Title	Program Area/Division	Report Date(s)
Complaint Responses and Investigations	Internal Audit / Agency-wide	Various
<p><u>Objective:</u> To ensure that public complaints are appropriately responded to and that appropriate action is taken.</p> <p><u>Conclusion:</u> Complaints were investigated, and actions were taken as applicable to each situation.</p>		

Project Title	Program Area/Division	Report Date(s)
Liaison Activities – External Audits and Oversight Entities	Internal Audit / Agency-wide	Various
<p><u>Objective:</u> To assist agency management with effectively discharging its responsibilities related to fulfilling requests for assistance or information regarding various external or oversight projects.</p> <p><u>Conclusion:</u> In coordination with management, assistance and information were provided to complete external audits, reviews, and oversight projects.</p>		



IV. External Quality Assurance Review

State Agency Internal Audit Forum (SAIAF)
Peer Review Process

**Report on the External Quality Assurance Review of the
General Land Office
Internal Audit Department**

June 29, 2021



Performed by

**Chris Cirrito, CIA, CFE, CGAP
Director of Internal Audit
Texas Board of Criminal Justice**

**Marios Parpounas, CIA, CFE, CISA, CGFM
Internal Auditor
Office of the Governor**

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



General Land Office Internal Audit Department
External Quality Assurance Review – June 29, 2021

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the General Land Office Internal Audit Department 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 the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.


We found that the Internal Audit Department is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Internal Audit Department is well managed internally. In addition, the Department has effective relationships with the Commissioner and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency’s operations.

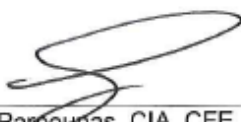
The Internal Audit Department has reviewed the results of the peer review team’s work and has accepted them to be an accurate representation of the Department’s operations.

Acknowledgements

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Commissioner, Chief Clerk, and General Counsel. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Department and its relationship with management.



Chris Cirrito, CIA, CFE, CGAP
Director of Internal Audit
Texas Board of Criminal Justice
SAIAF Peer Review Team
Leader
Date 6/29/21



Marios Pappoulias, CIA, CFE,
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Internal Auditor
Office of the Governor
SAIAF Peer Review Team Member
Date 6/29/21



General Land Office Internal Audit Department
External Quality Assurance Review – June 29, 2021

Background

The Institute of Internal Auditors (IIA) *International Professional Practices Framework*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act require that internal audit functions obtain external quality assurance reviews to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require these reviews at least every three years. A periodic external quality assurance review, or peer review, of the internal audit function is an essential part of a comprehensive quality assurance program. This quality assurance review was performed in accordance with State Agency Internal Audit Forum (SAIAF) Peer Review guidelines. No member of the review team had a conflict of interest with the General Land Office or its Internal Audit Department.

The most recent quality assurance review for the General Land Office Internal Audit Department was performed in June 2021.

Objectives, Scope, and Methodology

The primary objective of the quality assurance review was to evaluate the General Land Office Internal Audit Department's compliance with auditing standards and the Texas Internal Auditing Act. Additional objectives included identifying best practices as well as areas where improvement may be needed. The review covered all completed audit and management assistance projects performed by the General Land Office Internal Audit Department from September 2018 through May 2021.

The work performed during the review included:

- Review, verification, and evaluation of the self-assessment prepared by the Internal Audit Department according to SAIAF guidelines.
- Review and evaluation of e-mailed surveys completed by management.
- Interviews with the Internal Audit Director, Internal Audit Department staff, Commissioner, Chief Clerk, and General Counsel.
- Review and evaluation of audit working papers.
- Review of Internal Audit's policies and procedures, annual risk assessment, annual audit plan, and other relevant documents.



V. Internal Audit Plan for Fiscal Year 2024

FY2024 AUDIT PLAN					
No.	Audit Title	Risk Category	Division(s)	Program Area(s)	Budgeted Hours
1	Audit of Compliance with Texas Administration Code (TAC) 202	Information Security	Information Technology Services (ITS) Information Security	ITS Information Security	1000
2	Audit of Travel Compliance	Regulatory Compliance	Financial Management	Cash & Data Management	1000
3	Audit of Fixed Asset Inventory	Financial	Financial Management	Cash & Data Management	1000
4	Audit of CDR Planning Studies Management	Contract Management and Monitoring	Community Development & Revitalization (CDR)	CDR	1000
5	Audit of Financial Operations at the Alamo Complex	Operational Controls	Heritage Financial Management	Alamo Trust Inc.	1000
6	Audit of VLB Bond Funds Management	Governance and Oversight	Veterans Land Board (VLB)	VLB Bonds Funds Management	Contracted
7	Audit of the Texas Integrated Grant Reporting (TIGR) System	Management Controls	CDR	CDR	Contracted
8	Audit of the Operations of the Gulf Coast Protection District (GCPD)	Management Controls	Coastal Protection	Coastal Field Operations	1000
9	Audit of the State-Run Housing Assistance Program (HAP)	Management Controls	CDR	CDR	Contracted



PLANNED FY 2024 FOLLOW-UP REVIEWS		
Audit Follow-Up Title	Division(s)	Program Area(s)
Audit of Compliance with Texas Administrative Code (TAC) 202 (2016)	Information Security Information Technology Services (ITS)	Integrated Security ITS
Audit of Compliance with Texas Administrative Code (TAC) 202 (2019)	Information Security ITS	Information Security ITS
Audit of Vendor Management (2021)	Veterans Land Board (VLB)	Land and Housing
Audit of Agency Cloud Services Management (2021)	Information Security ITS Financial Management	Information Security ITS Procurement
Audit of Program Contract Management Process (2021)	ITS	ITS
Audit of Grant Compliance for CDBG-DR 2015/2016 Flood Programs (2022)	Community Development & Revitalization (CDR)	Grant Management City of Houston / Harris County
Audit of COVID-19 Funding Compliance (2022)	Financial Management VLB	Federal Finance Texas State Veteran Homes
Audit of Business Continuity Preparedness (2022)	ITS Human Resources	ITS Human Resources
Audit of the Administration of the Gulf of Mexico Energy Security Act (GOMESA) (2023)	Coastal Protection	Coastal Protection
Audit of Texas State Veterans Cemeteries Operations Contract Management (2023)	VLB	Texas State Veterans Cemeteries
External Projects		
SAO – Alamo Complex Appropriations (2021)	Alamo Complex	Alamo Complex



FY 2024 MANAGEMENT ASSISTANCE / SPECIAL PROJECTS	
Project Title	Division/Program Area
Internal Audit Quality Assurance Review (2024)	Internal Audit
Annual Risk Assessment and Internal Audit Plan	Internal Audit
Annual Report on Internal Audit (SAO)	Internal Audit
Annual Report on the Internal Audit Quality Assurance and Improvement Program	Internal Audit
Special Projects/Investigations	Internal Audit
Liaison for External Audits and Oversight Entities (Federal and State)	Internal Audit
Management Assistance & Other Activities	Internal Audit



FY2024 RISK ASSESSMENT METHODOLOGY

The Office of Internal Audit completed the Fiscal Year (FY) 2024 Risk Assessment of the agency. The risk assessment is based upon a compilation of operational, financial, regulatory, internal, and external data.

The identified risks were ranked based on the inherent impact, likelihood, and strength of the known existing control. The resulting risk library is grouped into the following categories, which were used to define the types of audit coverage:

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

This information and the agency's auditable units were used to identify the possible audit projects. Of the 21 risk categories evaluated, nine were identified for consideration for audits included in the audit plan based on the risk to the agency, current controls, and remaining residual risk.



VI. External Audit Services Procured in Fiscal Year 2023

FY2023 EXTERNAL AUDIT SERVICES	
Service Provider	Scope of Work
State Auditor's Office <i>(CliftonLarsonAllen)</i>	Statewide Federal Single Audit



VII. Reporting Suspected Fraud and Abuse

FRAUD AND ABUSE

In efforts to implement the fraud-related requirements of the General Appropriations Act and the Texas Government Code, the following has occurred:

The GLO requires all staff to complete mandatory training on preventing fraud, waste, and abuse.

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.

The agency's website is currently under revision; when the changes are completed, it is planned that the SAO hotline number and a link to its website for reporting fraud will be included.

The agency maintains a fraud hotline and posts information throughout the agency, intranet, and field offices about methods of reporting fraud, waste, or abuse.

Suggestion boxes are located outside Internal Audit and Human Resources to allow employees to submit information anonymously.

The GLO requires all staff to complete mandatory ethics training.

Internal audit has written procedures for investigations that include coordinating with the SAO and Federal oversight entities.

- 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.

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, allowing individuals to report fraud, waste, and abuse instances.