



TEXAS GENERAL LAND OFFICE
GEORGE P. BUSH, COMMISSIONER

OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2022 AND 2023
ANNUAL INTERNAL AUDIT PLANS
&
INTERNAL AUDIT CHARTER

RISK ASSESSMENT

The Office of Internal Audit has completed the Fiscal Year (FY) 2022 Annual Risk Assessment and forecasted audit plan for FY2023 for the agency. The risk data was obtained from management interviews regarding activities conducted and administered within their divisions and across the agency¹. Internal Audit considered management's interest based on input from the Commissioner and the Chief Clerk. This assessment also incorporates data from the agency's strategic plan, appropriated budgets, and prior audit issues.

Auditable units and identified risk from the interviews, were categorized according to nineteen risk factors and ranked based on inherent impact and 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 the identification of planned audits and the development of the compiled and forecasted internal audit plans. Identified risk were categorized according to the following risk factors:

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

¹ A separate risk assessment was conducted during FY2021 of the Community Development and Revitalization (CDR) Division activities associated with Disaster Recovery - Community Development Block Grants (CDBG-DR). The results of the risk assessment were considered and incorporated into the proposed FY2022 audit plan and forecasted audit plans for FY2023-2024.

During the risk assessment, the inherent impact, inherent risk, and the strength of existing controls were evaluated and further calculated to identify the residual risk of each risk category of each program area and their associated functions. Residual risk is the amount of risk that is not eliminated by controls and the exposure that remains after all the known risks have been considered or addressed.

Figure A below, identifies the ranking of each risk category, considered during the risk assessment, by the total risk identified, percent (%) of total risk identified during the risk assessment and the calculated average residual risk remaining after assessing existing controls for the associated risk of each program area.

Figure A: Risk Category Ranking per Residual Risk

| No. | Risk Categories | Total Risks Identified | % of Total Risks Identified | Average Residual Risk Score |
|-----|--|------------------------|-----------------------------|-----------------------------|
| 1 | *Contract Management and Monitoring | 13 | 6.3% | 3.2 |
| 2 | *Financial | 4 | 2.0% | 2.9 |
| 3 | Documentation of Policies and Procedures | 6 | 2.9% | 2.3 |
| 4 | Data Reliability | 11 | 5.4% | 1.8 |
| 5 | *Information Security | 16 | 7.8% | 2.8 |
| 6 | *Business Continuity | 7 | 3.4% | 2.1 |
| 7 | *Operational Controls | 4 | 2.0% | 2.0 |
| 8 | *Governance & Oversight | 12 | 5.9% | 3.2 |
| 9 | *Management Controls | 3 | 1.5% | 2.5 |
| 10 | *Third Party Risks | 7 | 3.4% | 2.0 |
| 11 | *Regulatory Compliance | 9 | 4.4% | 2.8 |
| 12 | Extent of Outsourcing and Contracting | 4 | 2.0% | 2.5 |
| 13 | Public Exposure/ Sensitivity | 5 | 2.4% | 2.5 |
| 14 | Supervision and Training | 4 | 2.0% | 2.3 |
| 15 | *Complexity of Operations | 20 | 9.8% | 2.6 |
| 16 | *Data Integrity | 29 | 14.1% | 2.6 |
| 17 | *Change Management | 23 | 11.2% | 2.6 |
| 18 | Appropriate Access | 9 | 4.4% | 2.3 |
| 19 | Potential for Fraud | 19 | 9.3% | 2.5 |
| | TOTALS | 205 | 100.0% | 2.7 |

**Included in FY2022-2024 Audit Plan*

Of the 19 risk categories evaluated, 12 were identified for consideration for audits included in the proposed audit plans based on the risk to the agency, current controls and remaining residual risk.

Figure B identifies the 12 risk categories and the number of associated audits developed and included in the proposed audit plans. In addition, the percent (%) of agency coverage per risk category under the audit plans is provided, as well the program areas to be reviewed per risk category.

Figure B: Audit Coverage per Risk Category and Program Area

| No. | Audit Plan Risk Category | Total Audits | Audit Plan Coverage | Program Areas Covered |
|---------------|------------------------------------|--------------|---------------------|---|
| 1 | Business Continuity | 1 | 3.6% | ETS |
| 2 | Regulatory Compliance | 9 | 32.1% | CDR Financial Management Archives and Records Investment Management Coastal Resources |
| 3 | Complexity of Operations | 1 | 3.6% | Coastal Resources |
| 4 | Information Security | 2 | 7.1% | Information Security |
| 5 | Contract Management and Monitoring | 3 | 10.7% | Energy Resources CDR Alamo |
| 6 | Third Party Risks | 3 | 10.7% | CDR |
| 7 | Data Integrity | 2 | 7.1% | Financial Management CDR |
| 8 | Financial | 2 | 7.1% | CDR |
| 9 | Management Controls | 2 | 7.1% | CDR Coastal Resources |
| 10 | Change Management | 1 | 3.6% | Human Resources |
| 11 | Governance & Oversight | 1 | 3.6% | Asset Management |
| 12 | Operational Controls | 1 | 3.6% | Asset Management |
| TOTALS | | 28 | 100.0% | |

AUDIT PLAN

The proposed audit plans are designed to maximize the coverage of overall agency risks with available internal and external (contracted) resources. Each project provides the Audit Title, Division, Program Area and Risk Category. The provided FY2022 plan also lists follow-up projects, other special projects and annual reports that are part of our internal audit activities.

Following is the proposed FY2022 Audit Plan, including follow-up and special projects:

| FY2022 AUDIT PLAN | | | | |
|-------------------|---|------------------------------------|---|-----------------------|
| No. | Audit Title | Risk Category | Division(s) | Program Area(s) |
| 1 | Audit of Grant Compliance for the CDBG-DR 2015 and 2016 Flood Programs | Regulatory Compliance | Community Development & Revitalization | Various |
| 2 | Audit of Business Continuity Preparedness | Business Continuity Planning | Enterprise Technology Services (ETS) Human Resources | ETS Safety Officer |
| 3 | Audit of Sabine to Galveston Project Management | Complexity of Operations | Coastal | Coastal Resources |
| 4 | Audit of Grant Compliance for the CDBG-DR Economic Revitalization Program (ERP) | Regulatory Compliance | Community Development & Revitalization | Various |
| 5 | Audit of Cares Act Funding Compliance | Regulatory Compliance | Financial Management | Federal Finance |
| 6 | Audit of The Receiver's Office Processes | Governance and Oversight | Financial Management | Cash Management |
| 7 | Audit of SEMP Vendor Management | Contract Management and Monitoring | Asset Enhancement | Energy Resources |


| FY2022 PLANNED FOLLOW-UP REVIEWS | | |
|--|---|--|
| Audit Follow-Up Title | Division(s) | Program Area(s) |
| Audit of Fixed Assets (2011) | Financial Management | Cash Management |
| Audit of Compliance with Texas Administrative Code (TAC) 202 (2016) | Office of Information Security Enterprise Technology Services (ETS) | Information Security Integrated Services |
| Audit of Compliance with Texas Administrative Code (TAC) 202 (2019) | Office of Information Security Enterprise Technology Services (ETS) | Information Security Integrated Services |
| Audit of Program Vendor Management (2020) | Community Development & Revitalization Contract Management | Direct Assistance for Limited Home Repair Temporary Housing Programs |
| Audit of Agency Contract Management and Monitoring (2020) | Contract Management | Contract Management |
| Audit of Vendor Procurement (2021) | Financial Management | Procurement Federal Finance |
| Audit of Vendor Management (2021) | Veterans' Land Board | Land and Housing |
| External Projects | | |
| SAO – Audit on Hurricane Harvey Disaster Recovery Funds Administered by the GLO (2019) | Community Development & Revitalization | Various |
| SAO – Audit of GLO Use of Alamo Complex Appropriations (2021) | Financial Management | The Alamo Complex |
| SAO – Audit of VLB Texas State Veterans Homes Contract Functions (2021) | Veterans Land Board Financial Management Contract Management Division Office of Information Security | Veterans Homes Procurement Contract Management Information Security |

| FY2022 MANAGEMENT ASSISTANCE / SPECIAL PROJECTS | |
|---|------------------------------|
| Project Title | Division/Program Area |
| Internal Audit Quality Assurance Review | 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 |

Proposed Forecasted FY2023 Audit Plan (the following audits are provisional and may change due to arising risk, agency activities and resources):

| FORCASTED FY2023 AUDIT PLAN | | | | |
|------------------------------------|---|-----------------------|----------------------|------------------------|
| No. | Audit Title | Risk Category | Division(s) | Program Area(s) |
| 1 | Audit of CDBG-DR Third Party Compliance | Regulatory Compliance | CDR | Various |
| 2 | Audit of the Administration of the Gulf of Mexico Energy Security Act (GOMESA) | Regulatory Compliance | Coastal | Coastal Resources |
| 3 | Audit of the Administration of the CDBG-DR Mitigation Program | Regulatory Compliance | CDR | Various |
| 4 | Audit of Compliance with Texas Administration Code (TAC) 202 | Regulatory Compliance | ETS/OIS | ETS/OIS |
| 5 | Audit of Reporting Compliance for the Federal Funding Accountability and Transparency Act (FFATA) Reporting | Regulatory Compliance | Financial Management | Federal Finance |
| 6 | Audit of CDBG-DR Homeowner Assistance Program (HAP) Closeout | Regulatory Compliance | CDR | Various |
| 7 | Audit of Compliance with Governmental Accounting Standards Board (GASB) 87 | Regulatory Compliance | Financial Management | Financial Reporting |


Presented by:

DocuSigned by:

CAF8A2B1288B47C...
Tracey Hall
Chief Auditor

10/12/2021


Date

Approval confirms my understanding that resources are adequate for the risks identified in the annual risk assessment to be covered in a reasonable time.

DocuSigned by:

393703C757F0417...
George P. Bush
Texas Land Commissioner

10/16/2021

Date

DocuSigned by:

7C299F4374E7407...
Mark Havens
Chief Clerk & Deputy Land Commissioner

10/13/2021

Date

INTERNAL AUDIT CHARTER

INTERNAL AUDIT'S PURPOSE AND AUTHORITY

Authority for Internal Audit activities is established by the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing; the United States Government Accountability Office (GAO) Generally Accepted Government Auditing Standards (GAGAS); and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). IIA Standards require Internal Audit to adhere to the definition of internal auditing, the Code of Ethics, Core Principles for the Practice of Internal Auditing, and the Standards contained in the International Professional Practices Framework. The definition follows:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

MISSION

The mission of Internal Audit is “To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”

ORGANIZATIONAL REPORTING

Internal Audit reports to the Commissioner and to the Chief Clerk. This reporting relationship provides independence, promotes comprehensive audit coverage, and helps ensure timely and adequate consideration of audit recommendations. The Chief Auditor of Internal Audit serves at the will of the Commissioner and is therefore subject to appointment or removal by the Commissioner.

ASSURANCE AND CONSULTING SERVICES

The work performed by Internal Audit includes assurance and consulting services. For assurance services, Internal Audit determines the nature and scope of the engagement in which it provides an independent opinion or conclusions regarding a process, system, or other subject matter. For consulting or non-audit services, the client generally requests the work and determines its nature and scope, which is typically advisory in nature.

AUTHORITY AND CONFIDENTIALITY

Internal Audit is a staff function with no authority over the daily operations of the agency and no responsibility for making management decisions for the agency. Internal auditors follow strict safekeeping and confidentiality procedures and are granted full, free, and unrestricted access to all agency activities, records, property, and employees.

REPORTING AND RESPONSIBILITY

Internal Audit is free from interference in determining its audit scope, performing its work, and communicating its results. Internal Audit distributes its audit reports to the Commissioner, Chief Clerk, General Counsel and to the appropriate board members and members of General Land Office management. As required by the Texas Internal Auditing Act, internal audit reports are also distributed to the Governor’s Office, State Auditor’s Office, Legislative Budget Board, and Sunset Commission. New audit plans are submitted at least annually and are revised as needed. The act also requires that Internal Audit submit an annual report of its activities to the above entities as prescribed by the State Auditor.

The scope of Internal Audit's responsibilities includes oversight of all activities conducted by the General Land Office, both programmatic and financial. This includes programs that are conducted by the GLO in the capacity of grantee, or pass-through agency for any federal or state grant funds. The scope may also include audits of subrecipients, designated public agencies, and local governments who are recipients or administrators of the associated funds.

Internal Audit is responsible for performing risk-based assessments of the various functions, control systems, and governance processes in the agency and advising management about their condition. The activities involved in performing this role include, but are not limited to:

- Assessing the reliability and integrity of financial and operating information.
- Evaluating compliance with agency plans, policies, and procedures and with applicable laws and regulations.
- Determining the adequacy of controls for safeguarding agency assets.
- Evaluating the effectiveness and efficiency of the agency's use of resources.
- Reviewing the accomplishment of program goals and objectives and assessing their consistency with the agency's strategic plan.
- Using technology-based audit techniques to identify and evaluate key information technology risks and controls.
- Assessing whether the agency's governance process promotes appropriate ethics and values, ensures effective performance management and accountability, and communicates risk and control information to appropriate areas of the organization.
- Assisting in the deterrence, detection, and investigation of fraud.
- Assisting in improving operations by providing services requested by management, such as information, analysis, advice, facilitation, and training.
- Performing other special reviews requested by agency management.

CONTRACTING

If based on the risk assessment, Internal Audit determines that specific areas of risk cannot be addressed by the audit staff, either due to a lack of staff availability, or insufficiency of expertise in the subject matter, the Chief Auditor may contract with an outside audit firm to complete the audit. The contract will be contingent upon the approval of sufficient funding by the Land Commissioner.

CONSULTING SERVICES


If asked to perform consulting services, Internal Audit considers the objective and scope of the services to determine whether performing the work would impair the auditors' independence for conducting future audits in the program area. If an issue or concern arises during a non-audit project, the issue will be brought to program management's attention. Any issue that may be significant to the agency will be communicated to executive management. Concerns or issues identified during the project may be included in a risk assessment of the program area and considered in future audit plans.

QUALITY ASSURANCE AND IMPROVEMENT

Internal Audit maintains a quality assurance improvement program that involves internal and external monitoring of performance. The program is intended to ensure the activities performed add value and help improve the agency's operations, and to provide assurance that work is performed in accordance with Standards, the Code of Ethics, and the Texas Internal Auditing Act.

The Internal Audit activity must be free from interference in determining the scope, performing work, and communicating results of internal auditing.

Presented by:


DocuSigned by:

CAF8A2B4288B47C...

Tracey Hall
Chief Auditor

10/12/2021

Date


Approved and Accepted by:

DocuSigned by:

393709C757F6417...

George P. Bush
Texas Land Commissioner

10/16/2021

Date

DocuSigned by:

7C299E4374E7497...

Mark Havens
Chief Clerk & Deputy Land Commissioner

10/13/2021

Date