



TEXAS GENERAL LAND OFFICE  
GEORGE P. BUSH, COMMISSIONER

OFFICE OF INTERNAL AUDIT  
FISCAL YEAR 2023 AND 2024  
ANNUAL INTERNAL AUDIT PLANS  
&  
INTERNAL AUDIT CHARTER

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## RISK ASSESSMENT

The Office of Internal Audit has completed the Fiscal Year (FY) 2023 Annual Risk Assessment, the FY2023 internal audit plan, and the forecasted FY2024 internal audit plan. The risk data was obtained from interviews with management personnel regarding activities within their divisions and across the agency<sup>1</sup>. Internal Audit considered management's interest based on input from the Commissioner and the Chief Clerk. The assessment also incorporates data from the agency's strategic plan, appropriated budgets, and prior audit issues.

Identified risks were categorized according to eighteen 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. The factors are as follows:

- |   |  |
|---|--|
| 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. Complexity of Operations                 |
| 8. Operational Controls                   | 18. Data Reliability                         |
| 9. Public Exposure & Sensitivity          |  |
| 10. Extent of Outsourcing and Contracting |  |

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<sup>1</sup> 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 FY2023 audit plan and forecasted audit plans for FY2024.

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 each risk category considered during the risk assessment, ranked by the total risk identified, percent (%) of total risk identified 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	20	10.1%	2.9
2	Financial	8	4.0%	2.8
3	Documentation of Policies and Procedures	3	1.5%	3.1
4	*Data Reliability	9	4.5%	2.8
5	*Information Security	15	7.6%	2.8
6	Business Continuity	30	15.2%	2.6
7	*Operational Controls	18	9.1%	2.6
8	*Governance & Oversight	21	10.6%	2.4
9	*Management Controls	5	2.5%	2.5
10	*Regulatory Compliance	20	10.1%	2.4
11	Extent of Outsourcing and Contracting	3	1.5%	2.5
12	Public Exposure/ Sensitivity	5	2.5%	2.3
13	Supervision and Training	7	3.5%	2.2
14	Complexity of Operations	4	2.0%	2.7
15	Data Integrity	8	4.0%	2.2
16	Change Management	9	4.5%	2.0
17	Appropriate Access	2	1.0%	2.1
18	Potential for Fraud	11	5.6%	1.8
<b>TOTALS</b>		<b>198</b>	<b>100.0%</b>	<b>2.5</b>

*\*Included in FY202232024 Audit Plan*

Of the 18 risk categories evaluated, 7 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 7 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	Division(s) Covered
1	Contract Management and Monitoring	3	23.1%	Asset Enhancement Veterans Land Board/ Financial Management
2	Regulatory Compliance	4	30.8%	Coastal Financial Management
3	Data Reliability	1	7.7%	CDR
4	Information Security	1	7.7%	ETS/ Information Security
5	Operational Controls	2	15.4%	Financial Management/Executive
6	Governance & Oversight	1	7.7%	Financial Management
7	Management Controls	1	7.7%	Coastal Resources
	<b>TOTALS</b>	<b>13</b>	<b>100.0%</b>	

## 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 FY 2023 plan also lists follow-up projects, other special projects and annual reports that are part of our internal audit activities.

**Following is the proposed FY2023 Audit Plan, including follow-up and special projects:**

FY2023 AUDIT PLAN				
No.	Audit Title	Risk Category	Division(s)	Program Area(s)
1	Audit of Financial Management Processes at the Alamo	Operational Controls	Financial Management/Executive	Financial Reporting and Accounting/ Alamo Trust
2	Audit of the Administration of the Gulf of Mexico Energy Security Act (GOMESA)	Regulatory Compliance	Coastal	Coastal Resources
3	Audit of Ground Water Lease Compliance	Contract Management and Monitoring	Asset Enhancement	Energy Resources/ Water Resources
4	Audit of Program Data Management in Community Development and Revitalization	Data Reliability	CDR	CDR
5	Audit of Compliance with Lease Accounting Standards (GASB) 87	Regulatory Compliance	Financial Management	Financial Reporting and Accounting
6	Audit of Compliance with Texas Administration Code (TAC) 202	Information Security	ETS/ Information Security	ETS/ Information Security
7	Audit of Cemetery Operations Contract Management	Contract Management and Monitoring	Veterans Land Board/ Financial Management	Veterans Cemeteries/ VLB Accounting
8	Audit of Reporting Compliance for the Federal Funding Accountability and Transparency Act (FFATA) Reporting	Regulatory Compliance	Financial Management	Federal finance

<b>FY2023 PLANNED FOLLOW-UP REVIEWS</b>		
<b>Audit Follow-Up Title</b>	<b>Division(s)</b>	<b>Program Area(s)</b>
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	Information Security Integrated Services
Audit of Compliance with Texas Administrative Code (TAC) 202 (2019)	Office of Information Security Enterprise Technology Services	Information Security Integrated Services
Audit of Vendor Management (2021)	Veterans' Land Board	Land and Housing
Audit of Agency Cloud Services Management (2021)	Office of Information Security Enterprise Technology Services Procurement	Office of Information Security Enterprise Technology Services Procurement
Audit of Program Contract Management Processes (2021)	Enterprise Technology Services	Enterprise Technology Services
Texas Trustee Financial Audit of Deepwater Horizon Restoration Natural Resources Damage Funds (2021)	Coastal	Coastal Resources
<b>External Projects</b>		
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


FY2023 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

**Proposed Forecasted FY2024 Audit Plan** (the following audits are provisional and may change due to arising risk, agency activities and resources):

FORCASTED FY2024 AUDIT PLAN				
No.	Audit Title	Risk Category	Division(s)	Program Area(s)
1	Audit of Fixed Asset Inventory Management	Operational Controls	Financial Management	Cash and Data Management
2	Audit of Controls Over VLB Bond Management	Operational Controls	Financial Management	VLB Bond Funds Management
3	Audit of the Administration of the CDBG-DR Mitigation Program	Regulatory Compliance	CDR	Various
4	Audit of Coastal Resilience Master Plan	Governance and Oversight	Coastal	Coastal Resources
5	Audit of Lease Payment Processing	Operational Controls	Asset Enhancement	Asset Management
6	Audit of CDBG-DR Subrecipient Expenditure Management	Regulatory Compliance	CDR	Various

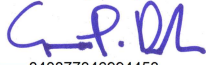
The forecasted audits presented are subject to change prior to the development of the FY2024 Internal Audit Plan.

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Tracey Hall  
Chief Auditor

9/8/2022  
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*Approval confirms my understanding that resources are adequate for the risks identified in the annual risk assessment to be covered in a reasonable time.*

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George P. Bush  
Texas Land Commissioner

9/8/2022  
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Mark Havens  
Chief Clerk & Deputy Land Commissioner

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## **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.

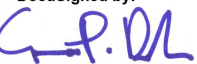
*The Internal Audit activity must be free from interference in determining the scope, performing work, and communicating results of internal auditing.*

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Tracey Hall  
Chief Auditor

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George P. Bush  
Texas Land Commissioner

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Mark Havens  
Chief Clerk & Deputy Land Commissioner

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Date

**Certificate Of Completion**

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Envelope Stamping: Enabled	Tracey Hall
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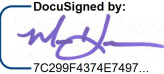
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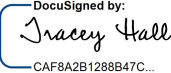
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 Commissioner  
 Texas General Land Office  
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