



MEMORANDUM

TEXAS GENERAL LAND OFFICE • GEORGE P. BUSH • COMMISSIONER

Date: October 9, 2023

To: Dawn Buckingham, M.D., Commissioner

From: Tracey Hall, Chief Auditor

cc: Jennifer Jones, Deputy Land Commissioner
Mark Havens, Chief Clerk

Subject: 2023 Annual Report on the Internal Audit Quality Assurance and Improvement Program

The following report is presented in accordance with the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)* and with the U.S. Government Accountability Office's *Government Auditing Standards*, commonly referred to as generally accepted government auditing standards (GAGAS), both of which require internal audit divisions to develop and maintain a Quality Assurance and Improvement Program (QAIP) that includes both internal and external assessments of internal audit.

The objective of the internal and external assessments is to evaluate the internal audit activity's conformance with the definition of internal auditing, the *Standards*, and the IIA Code of Ethics. The *Standards* require the results of these periodic assessments to be communicated to those charged with governance at least annually.

The Office of Internal Audit for the Texas General Land Office (GLO) and Veterans Land Board (VLB) maintains an ongoing QAIP and performs continuous monitoring of the quality of internal audit activities, as well as periodic reviews conducted through self-assessment and external quality assessment reviews.

This report and the detailed results included are intended to satisfy both sets of *Standards* by demonstrating that an internal assessment was performed, listing all the relevant IIA and GAO requirements, and indicating the evidence of compliance with each requirement. The Office of Internal Audit successfully passed its external quality assessment in June 2021. The Office of Internal Audit will undergo its next external quality assessment in 2024 (*see Appendix for excerpts from the 2021 External Quality Assurance Review*).

If you have questions or comments about this report, please contact me at (512) 463-6078.

DETAILED RESULTS:

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>IIA AS 1300¹, Quality Assurance and Improvement Program</p>	<p>The chief audit executive (CAE, <i>also referred to as the Chief Auditor</i>) must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.</p>	<ul style="list-style-type: none"> ▪ The Internal Audit (IA) Policies and Procedures Manual has been developed and maintained on the IA shared drive. It is updated as needed, at least every three years, with the most recent revision conducted in July 2022. ▪ A General Audit Program comprising detailed procedures for ensuring compliance with the <i>Standards</i>, GAGAS, IA policies and procedures, and applicable legal and regulatory requirements are utilized during every audit engagement. These procedures include: <ul style="list-style-type: none"> ○ Audit Team Competencies ○ Independence Statements ○ Project Planning Summaries ○ Project Risk Assessments and ○ Fieldwork programs ▪ The Chief Auditor reviews and approves audit objectives, plans, testing programs, and reports for all audit engagements. ▪ In its <i>Annual Report on the GLO Internal Audit – QAIP</i>, IA staff reviews the <i>Standards</i> and GAGAS for any updates to ensure the department’s QAIP is current and complies with all applicable requirements.

¹ The Institute of Internal Auditors’ (IIA) *International Professional Practices Framework* (IPPF, commonly referred to as the Red Book) is the conceptual framework that organizes authoritative guidance promulgated by the IIA. Conformance with The IIA’s *International Standards for the Professional Practice of Internal Auditing (Standards)* is essential in meeting the responsibilities of internal auditors and the internal audit activity. The structure of the *Standards* is divided between Attribute and Performance Standards. Attribute Standards (AS) address the attributes of organizations and individuals performing internal auditing. The Performance Standards (PS) describes the nature of internal auditing and provides quality criteria against which the performance of the services can be measured. The Attribute and Performance Standards are provided to apply to all internal audit services.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>IIA AS 1310, Requirements of the Quality Assurance and Improvement Program</p>	<p>The quality assurance and improvement program must include both internal and external assessments.</p>	<ul style="list-style-type: none"> ▪ The IA Manager reviews all audit work papers to ensure their integrity, compliance, and satisfaction with the <i>Standards</i>, GAGAS, and audit objectives. ▪ The IA Manager and the Chief Auditor review and approve key audit plans, documents, and samples of the QC work performed. ▪ An external Quality Assurance Review (QAR)² is obtained every three years and performed by peers of the IA function. The QAR was last completed in June 2021 (<i>see Appendix for excerpts from the 2021 External Quality Assurance Review</i>). IA will undergo its next QAR in 2024.

² The IIA's *International Professional Practices Framework* (IPPF), the U.S. Government Accountability Office's (GAO) *Government Auditing Standards* (known as the Yellow Book), commonly referred to as generally accepted government auditing standards (GAGAS), and the Texas Internal Auditing Act (the Act) require that IA functions obtain external quality assurance reviews to assess compliance with *Standards* and the Act and to appraise the quality of their operations. GAGAS require these reviews at least every three years. A periodic external quality assurance review, or peer review, of the IA function is an essential part of a comprehensive quality assurance program. If the QAR is successfully fulfilled (passed) the Chief Auditor may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support such a statement (IIA AS 1321).

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>IIA AS 1311, Internal Assessments</p>	<p>Internal assessments must include:</p> <ul style="list-style-type: none"> ▪ Ongoing monitoring of the performance of the internal audit activity. ▪ Periodic self-assessment or assessments by other persons within the organization with sufficient knowledge of internal audit practices. 	<ul style="list-style-type: none"> ▪ The IA Manager for each audit reviews and signs off on every audit working paper to ensure completeness and compliance with the <i>Standards</i>. ▪ The Chief Auditor and IA Manager meet with each audit team weekly, based on the Agile audit process, to discuss the audit status and potential issues. ▪ Time and resources for each audit are tracked by the audit phase regarding planning the audit, assessing risk, performing fieldwork, reporting, and quality control and supervisory review. ▪ Auditors communicate to management through a project status report and with the Chief Auditor continuously throughout the audits, identifying work performed and potential audit issues. ▪ The Chief Auditor monitors the status of the Annual Internal Audit Plan and notifies the Commissioner and Chief Clerk of any deviations or recommended changes. ▪ After every project, auditors complete a post-audit analysis to communicate ongoing performance quality and any follow-up action needed to implement appropriate improvements within the audit process. ▪ The Chief Auditor and IA Manager review key documents, including the audit plan, objectives, audit program, summary memo, and draft report. ▪ The Chief Auditor and IA Manager review work for each audit to ensure the quality of the QC review function. ▪ Customer Surveys are distributed to auditee management and other employees by the Chief Auditor immediately following the issuance of each audit report. ▪ A comparison of budget-to-actual hours spent is conducted for all audits.

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<p>IIA AS 1312, External Assessments</p>	<p>External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss the following with the board:</p> <ul style="list-style-type: none"> ▪ The form and frequency of external assessment. ▪ The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. 	<ul style="list-style-type: none"> ▪ The Texas Internal Auditing Act (Act) requires internal auditors to comply with the Act and IIA and GAO Standards, including the IIA Code of Ethics. IA follows the more restrictive requirement for external peer reviews every three years. ▪ The engagement letter for the external Quality Assurance Review (QAR), signed by the Chief Clerk, addresses the qualifications and independence of the external review team members, including any potential conflicts of interest.
<p>IIA AS 1320, Reporting on the Quality Assurance and Improvement Program</p>	<p>The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:</p> <ul style="list-style-type: none"> ▪ The scope and frequency of both the internal and external assessments. ▪ The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest. ▪ Conclusions of assessors. ▪ Corrective action plans. 	<ul style="list-style-type: none"> ▪ The Chief Auditor annually prepares a report on the Quality Assurance and Improvement Program (QAIP) results and distributes it to the Commissioner and Chief Clerk. ▪ The results of the Quality Assurance and Improvement Program include the results of both internal and external assessments. ▪ An external Quality Assurance Review (QAR) is obtained every three years and performed by peers of the IA function. The QAR was last completed in June 2021 (<i>see Appendix for excerpts from the 2021 External Quality Assurance Review</i>). IA will undergo its next QAR in 2024. ▪ The final report on the external Quality Assurance Review (QAR) is communicated to the Commissioner and Chief Clerk, the reporting authority of Internal Audit. The 2021 QAR report was provided to them in June 2021.

Standard No. and Title	Requirement(s)	Evidence of Compliance
IIA AS 1321, Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”	Indicating that the internal audit activity conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> is appropriate only if supported by the results of the quality assurance and improvement program.	<ul style="list-style-type: none"> ▪ The IA activities conform with the IIA Code of Ethics and the <i>Standards</i>. ▪ The Quality Assurance and Improvement Program results include internal and external assessments (<i>see Standard No. IIA AS 1320 for details</i>).
IIA AS 1322, Disclosure of Nonconformance	When non-conformance with the Code of Ethics or the <i>Standards</i> impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.	<ul style="list-style-type: none"> ▪ The IA activities conform with the IIA Code of Ethics and the <i>Standards</i>. ▪ The Quality Assurance and Improvement Program includes the results of internal and external assessments of which any non-conformance was addressed. (<i>See Standard No. IIA AS 1320 for details</i>).
GAGAS 5.02, Quality Control and Assurance	An audit organization conducting engagements in accordance with GAGAS must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements.	<ul style="list-style-type: none"> ▪ The Chief Auditor has established a system of quality control designed to provide reasonable assurance of compliance with the <i>Standards</i> and legal and regulatory requirements (<i>see Standard No. IIA AS 1300 for details</i>). ▪ An external Quality Assurance Review (QAR) is obtained every three years and performed by peers of the IA function. The QAR was last completed in June 2021 (<i>see Appendix for excerpts from the 2021 External Quality Assurance Review</i>). IA will undergo its next QAR in 2024.

Standard No. & Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.04, System of Quality Control</p>	<p>An audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent to which the audit organization complies with its quality control policies and procedures.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual includes sections on: <ul style="list-style-type: none"> ✓ Rules and Regulations that IA is required to follow ✓ Internal Auditing Standards (IIA and GAO, including the IIA Code of Ethics) ✓ Working Paper Standards ✓ Principles and Rules of Conduct ✓ Independence and Objectivity ✓ Conflict of Interest ✓ Confidentiality ▪ IA completes an annual assessment of its Quality Assurance and Improvement Program (QAIP). The resulting report is provided to Executive Management. ▪ All internal auditors must complete annual independence statements that include any possible impairment to their independence regarding any auditable program of the agency. ▪ Each audit requires all assigned audit team members to complete an independence statement assessing and reporting on any actual and potential independence issues. ▪ Signoffs and coaching notes document all evidence of quality control reviews within the audit in the TeamMate auditing software. ▪ The IA Policies and Procedures Manual requires all working papers for audits and other projects to be retained per the State of Texas Records Retention Schedule for seven fiscal years after the final report is issued.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.05, Leadership Responsibilities for Quality within the Audit Organization</p>	<p>The audit organization should establish policies and procedures on leadership responsibilities for quality within the audit organization that include designating responsibility for quality of engagements conducted in accordance with GAGAS and communicating policies and procedures relating to quality.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual provides detailed information about performing and documenting audit planning, fieldwork, and reporting. ▪ The IA shared drive and TeamMate Team Store contains many forms and templates for internal auditors to use to help ensure engagements are performed in accordance with the <i>Standards</i> and legal and regulatory requirements.
<p>GAGAS 5.06, Leadership Responsibilities for Quality within the Audit Organization</p>	<p>The audit organization should establish policies and procedures designed to provide reasonable assurance that those assigned operational responsibility for the audit organization’s system of quality control have sufficient and appropriate experience and ability, and the necessary authority to assume that responsibility.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual states that all Internal audit members are expected to maintain an appropriate certification, such as Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE) or Certified Government Auditing Professional (CGAP). ▪ All IA members have relevant experience, degrees, and professional certifications. ▪ The IA Policies and Procedures Manual includes requirements from the <i>Texas Internal Auditing Act (Texas Government Code 2102.006(b))</i> that the Chief Audit Executive must be a Certified Public Accountant or Certified Internal Auditor and have at least three years of auditing experience.
<p>GAGAS 5.08, Independence, Legal, and Ethical Requirements</p>	<p>The audit organization should establish policies and procedures on independence and legal and ethical requirements designed to provide reasonable assurance that the organization and its personnel maintain independence and comply with applicable legal and ethical requirements.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual section on the IA Quality Assurance and Improvement Program details many components that help ensure auditors perform quality work and specifies that the IA Manager and the Chief Auditor monitor the quality of their work. ▪ All internal auditors are required to complete annual independence statements that include any possible impairment to their independence regarding any auditable program of the agency. ▪ The Chief Auditor considers any potential conflicts of interest in determining audit assignments.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.09, Independence, Legal, and Ethical Requirements</p>	<p>At least annually, the audit organization should obtain written affirmation of compliance with its policies and procedures on independence from all of its personnel required to be independent.</p>	<ul style="list-style-type: none"> ▪ All internal auditors are required to complete annual independence statements that include any possible impairment to their independence regarding any auditable program of the agency. ▪ Each audit requires all assigned audit team members to complete an independence statement to assess and report on any actual and potential independence issues. ▪ The Chief Auditor considers any potential conflicts of interest in determining audit assignments. The Chief Auditor will determine the appropriate actions to maintain independence in conducting internal audit work. Possible activities include but are not limited to assigning the auditor only to projects where independence is not an issue, reassigning the auditor to another project or other tasks within the project, or increased supervision. The Chief Auditor must document these actions.
<p>GAGAS 5.12, Initiation, Acceptance, and Continuance of Engagements</p>	<p>The audit organization should establish policies and procedures for the initiation, acceptance, and continuance of engagements that are designed to provide reasonable assurance that the organization will undertake engagements only if it:</p> <ol style="list-style-type: none"> a. complies with professional standards, applicable legal and regulatory requirements, and ethical principles; b. acts within its legal mandate or authority; and c. has the capabilities, including time and resources, to do so. 	<ul style="list-style-type: none"> ▪ IA ensures current policies and procedures for the initiation, acceptance, and continuance of audits are designed to provide reasonable assurance that the IA function will continually conduct only audits in which it can ensure compliance with professional standards, legal requirements, and ethical principles and that it is acting within the legal mandate or authority of the audit organization. ▪ The IA function performs an extensive risk assessment process of the agency programs annually to select relevant audits that add value to the agency having been identified by areas of potential risk. An annual audit plan is developed from the risk assessment, which considers the available audit resources. IA has developed and maintained an IA Policies and Procedures Manual. All IA members have relevant experience degrees and professional certifications. ▪ Time budgets are established during the scoping phase of the audit, and budget-to-actual-hours reports are completed during all audits.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.15, Human Resources</p>	<p>The audit organization should establish policies and procedures for human resources designed to provide the organization with reasonable assurance that it has personnel with the competence to conduct GAGAS engagements in accordance with professional standards and applicable legal and regulatory requirements.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual states that all Internal audit members are expected to maintain an appropriate certification, such as Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE) or Certified Government Auditing Professional (CGAP). ▪ All IA members have relevant experience, degrees, and professional certifications.
<p>GAGAS 5.16, Human Resources</p>	<p>The audit organization should establish policies and procedures to provide reasonable assurance that auditors who are performing work in accordance with GAGAS meet the continuing professional education (CPE) requirements, including maintaining documentation of the CPE completed and any exemptions granted. <i>(Due to COVID-19 pandemic GAGAS issued a CPE exception alert.)</i>³</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Training Policy requires auditors to complete 80 hours of continuing professional education (CPE) within two years, with at least 40 hours completed each year. Of the eighty hours required for two years, twenty-four hours should be in government-related subjects and two hours of Ethics. ▪ All Internal Auditors track CPE hours utilizing the Training Tracking Sheet to ensure each employee completes the required hours of CPE each year.
<p>GAGAS 5.22, Engagement Performance</p>	<p>The audit organization should establish policies and procedures for engagement performance, documentation, and reporting that are designed to provide the audit organization with reasonable assurance that engagements are conducted, and reports are issued in accordance with professional standards and applicable legal and regulatory requirements.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual includes detailed requirements for work papers, documentation, and reporting to be in conformance with the <i>Standards</i> and GAGAS. ▪ Audits are reviewed at each stage of the audit, and the audit report is approved by the Chief Auditor prior to issuance.

³ COVID-19: GAGAS CPE Alert effective February 29, 2020: <https://www.gao.gov/yellowbook/overview>

The GAO provides three exceptions to the GAGAS CPE requirements for circumstances related to the COVID-19 pandemic and clarification of an existing exemption: (1) For 2-year CPE periods that end February 29, 2020 through December 31, 2020, auditors who have not completed the 80-hour or the 24-hour CPE requirements for the 2-year period may have up to 6 months immediately following the 2-year period to make up the deficiency; (2) Auditors are not required to complete at least 20-hours of CPE for a 1-year CPE period that ends February 29, 2020 through December 31, 2020; and (3) From the audit organization’s 2-year period in effect on February 29, 2020, auditors may carry over up to 40 hours of CPE, in excess of the 80-hour requirement, to the next CPE measurement period. For 2-year CPE measurement periods ending after December 31, 2020, only CPE hours earned through December 31, 2020 may be carried over. Clarification of Existing GAGAS CPE Exemption: If the auditor is working, including teleworking, audit organizations and auditors may not use the exemption outlined in paragraph 4.29.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.23, Engagement Performance</p>	<p>If auditors change the engagement objectives during the engagement, they should document the revised engagement objectives and the reasons for the changes.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual includes procedures on determining audit objectives, staffing requirements, scheduling, time budgets, areas to be covered, detailed tests to be performed, and the extent to which a thorough examination is to be conducted during the initial planning phase. Each audit requires an Audit Plan which identifies the objectives and scope of the engagement. ▪ If there is a change in audit scope or objectives, the Chief Audit Executive will issue a “memo to file” to Executive Management and the program area being audited. The memo will provide justification for any changes in scope or objective. Any changes to an audit objective detailed in the Annual Internal Audit Plan require approval from the Commissioner.
<p>GAGAS 5.24, Engagement Performance</p>	<p>The audit organization should establish policies and procedures designed to provide it with reasonable assurance that:</p> <ol style="list-style-type: none"> a. appropriate consultation takes place on difficult or contentious issues that arise among engagement team members in the course of conducting a GAGAS engagement; b. both the individual seeking consultation and the individual consulted document and agree upon the nature and scope of such consultations; and c. the conclusions resulting from consultations are documented, understood by both the individual seeking consultation and the individual consulted, and implemented. 	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual contains procedures for conducting consulting, management assistance, and special project engagements. The Chief Auditor will obtain approval from the Chief Clerk for projects that may require a significant number of hours to impact the projects in the Annual Audit Plan. If a report is applicable to the particular project or consultation engagement, the Chief Auditor will provide the requestor a report detailing the information gathered or observations made and will provide the report to executive management as appropriate.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.25, Engagement Performance</p>	<p>If an engagement is terminated before it is completed and an audit report is not issued, auditors should document the results of the work to the date of termination and why the engagement was terminated.</p>	<ul style="list-style-type: none"> ▪ If an engagement is terminated before it is completed and an audit report is not issued, the Chief Audit Executive will issue a “memo to file” to Executive Management and the program area being audited. The memo will provide justification for terminating the engagement. Any changes to an audit objective detailed in the Annual Internal Audit Plan must be approved by the Commissioner.
<p>GAGAS 5.36, Engagement Performance Supervision</p>	<p>The audit organization should establish policies and procedures that require engagement team members with appropriate levels of skill and proficiency in auditing to supervise engagements and review work performed by other engagement team members.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual contains detailed Quality Control Review procedures required for each audit and establishes criteria for acceptable working papers. ▪ The IA Manager performs an internal review of and sign off on all work papers for every engagement to ensure adherence to the <i>Standards</i> and applicable legal and regulatory requirements. ▪ The Chief Auditor, along with the IA Manager, reviews and signs off on key working papers, including, but not limited to, the audit plan, audit program, and referenced draft report. ▪ All IA members have relevant experience, degrees, and professional certifications. ▪ IA’s standard audit program in TeamMate includes a planning step in which management and the Chief Auditor selects audit team members based on an evaluation of team competencies and qualifications required to perform assigned roles for each project.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.37, Engagement Performance Supervision</p>	<p>The audit organization should assign responsibility for each engagement to an engagement partner or director with authority designated by the audit organization to assume that responsibility and should establish policies and procedures requiring the organization to:</p> <ul style="list-style-type: none"> a. communicate the identity and role of the engagement partner or director to management and those charged with governance of the audited entity and b. clearly define the responsibilities of the engagement partner or director and communicate them to that individual. 	<ul style="list-style-type: none"> ▪ The Chief Auditor is assigned responsibility for each engagement and reviews and signs off on key working papers, including, but not limited to, the audit plan, audit program, and referenced draft report. The Chief Auditor reviews and approves the final report and management responses to corrective actions. ▪ The Chief Auditor and IA Manager meets with each audit team weekly to discuss the audit status and potential issues.
<p>GAGAS 5.42, Monitoring of Quality</p>	<p>The audit organization should establish policies and procedures for monitoring its quality control system.</p>	<ul style="list-style-type: none"> ▪ The IA function has policies and procedures that ensure the continued monitoring of quality within the work performed by the IA function. ▪ This annual QAIP report constitutes the results of the annual internal quality assessment.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.43, Monitoring of Quality</p>	<p>The audit organization should perform monitoring procedures that enable it to assess compliance with professional standards and quality control policies and procedures for GAGAS engagements. Individuals performing monitoring should have sufficient expertise and authority within the audit organization.</p>	<ul style="list-style-type: none"> ▪ The IA function has policies and procedures that ensure the continued monitoring of quality within the work performed by the IA function. ▪ This annual QAIP report constitutes the results of the annual internal quality assessment. ▪ An external Quality Assurance Review (QAR) is obtained every three years and performed by peers of the IA function. The QAR was last completed in June 2021 (<i>see Appendix for excerpts from the 2021 External Quality Assurance Review</i>). IA will undergo its next QAR in 2024. ▪ The IA Policies and Procedures Manual states that all Internal audit members are expected to maintain an appropriate certification, such as Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE) or Certified Government Auditing Professional (CGAP). ▪ All IA members have relevant experience, degrees, and professional certifications.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.44, Monitoring of Quality</p>	<p>The audit organization should analyze and summarize the results of its monitoring process at least annually, with the identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to the relevant engagement partner or director and other appropriate personnel any deficiencies noted during the monitoring process and recommend appropriate remedial action. This communication should be sufficient to enable the audit organization and appropriate personnel to take prompt corrective action related to deficiencies, when necessary, in accordance with their defined roles and responsibilities. Information communicated should include the following:</p> <ol style="list-style-type: none"> a. a description of the monitoring procedures performed; b. the conclusions reached from the monitoring procedures; and c. when relevant, a description of systemic, repetitive, or other deficiencies and of the actions taken to resolve those deficiencies. 	<ul style="list-style-type: none"> ▪ The IA function has policies and procedures that ensure the continued monitoring of quality within the work performed by the IA function. ▪ This annual QAIP report constitutes the results of the annual internal quality assessment. Process improvement recommendations noted in the QAIP report will be considered during the next update of the IA Policies and Procedures Manual.

Standard No. and Title	Requirement(s)	Evidence of Compliance
<p>GAGAS 5.45, Monitoring of Quality</p>	<p>The audit organization should evaluate the effects of deficiencies noted during monitoring of the audit organization’s system of quality control to determine and implement appropriate actions to address the deficiencies. This evaluation should include assessments to determine if the deficiencies noted indicate that the audit organization’s system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements and that, accordingly, the reports that the audit organization issues are not appropriate in the circumstances.</p>	<ul style="list-style-type: none"> ▪ During its annual Quality Assurance and Improvement Program assessment, IA evaluates existing policies, procedures, and processes to note deficiencies and review compliance with professional standards and applicable legal and regulatory requirements. Process improvement recommendations noted in the QAIP report will be considered during the next update of the IA Policies and Procedures Manual. ▪ The IA function has policies and procedures that ensure the continued monitoring of quality within the work performed by the IA function. ▪ An external Quality Assurance Review (QAR) is obtained every three years and performed by peers of the IA function. The QAR was last completed in June 2021 (<i>see Appendix for excerpts from the 2021 External Quality Assurance Review</i>). IA will undergo its next QAR in 2024.
<p>GAGAS 5.46, Monitoring of Quality</p>	<p>The audit organization should establish policies and procedures that require retention of engagement documentation for a period of time sufficient to permit those performing monitoring procedures and peer review of the organization to evaluate its compliance with its quality control system or for a longer period if required by law or regulation.</p>	<ul style="list-style-type: none"> ▪ The IA Policies and Procedures Manual requires all working papers for audits and other projects to be retained in accordance with the State of Texas Records Retention Schedule for a period of seven fiscal years after the final report is issued.


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<p>GAGAS 5.60, External Peer Review</p>	<p>Each audit organization conducting engagements in accordance with GAAS must obtain an external peer review conducted by reviewers independent of the audit organization being reviewed. The peer review should be sufficient in scope to provide a reasonable basis for determining whether, for the period under review, (1) the reviewed audit organization’s system of quality control was suitably designed and (2) the organization is complying with its quality control system so that it has reasonable assurance that it is performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects.</p>	<ul style="list-style-type: none"> ▪ An external Quality Assurance Review (QAR) is obtained every three years and performed by peers of the IA function. The QAR was last completed in June 2021 (<i>see Appendix for excerpts from the 2021 External Quality Assurance Review</i>). IA will undergo its next QAR in 2024.

APPENDIX:

Excerpts of the 2021 External Quality Assurance Review of the Texas General Land Office, Office of Internal Audit

**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 Parpounas, CIA, CFE, CISA, CGFM Internal Auditor Office of the Governor SAIAF Peer Review Team Member	Date 6/29/21
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Certificate Memo



Internal Audit Department of the
General Land Office
receives a rating of
“Pass”

In compliance with the Institute of Internal Auditors' International Professional Practices Framework, Government Auditing Standards, and the Texas Internal Auditing Act.

This opinion is based on a quality assessment review conducted by members of the Texas State Agency Internal Audit Forum (SAIAF) during the period of June 2021.

The review was based on the methodology developed by the Texas State Agency Internal Audit Forum.

A handwritten signature in blue ink that reads "CCirrito 6/29/21".

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

A handwritten signature in blue ink that reads "Marios Barpounas".

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