

TEXAS GENERAL LAND OFFICE & VETERANS LAND BOARD



2022 INTERNAL AUDIT ANNUAL REPORT

OFFICE OF INTERNAL AUDIT
TRACEY HALL, CPA, CISA
CHIEF 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 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 entities Internet website at the time and manner prescribed by the SAO. Agencies and higher education institutions are also required to 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 2021 Annual Internal Audit Report is currently posted to the external and internal agency website, as well will the 2022 version of the report upon submission to the SAO. The Annual Internal Audit Report contains additional summary information prescribed by the SAO. The 2023 Internal Audit Plan and the 2022 GLO Internal Quality Assurance and Improvement Program (QAIP) report will be also posted to the external and internal agency website.



II. Internal Audit Plan for Fiscal Year 2022

FY2022 AUDIT PLAN		
Audit Title	Audit Status	Date Issued
Audit of Business Continuity Preparedness	Completed	October 2022
Audit of Sabine to Galveston Project Management	Completed	TBD
Audit of COVID-19 Funding Compliance <i>(Previously Titled Cares Act Funding Compliance)</i>	Completed	November 2022
Audit of Grant Compliance for CDBG-DR 2015 and 2016 Flood Programs	Completed	November 2022
Audit of The Receiver's Office Process	In Progress	TBD
*Audit of Program Contract Management Processes	Completed	May 2022
*Audit of Agency Cloud Services Management	Completed	May 2022
Audit of Grant Compliance for the CDBG-DR Economic Revitalization Program (ERP)	Postponed	
Audit of SEMP Vendor Management	Postponed	
External Projects		
Audit Title	Audit Status	Date Issued
SAO - Permanent School Fund (PSF) FY 2021 Financial Statements Audit	Completed	December 2021
Reviews conducted by Federal Entities of Community Development Block Grants for Disaster Recovery (CDBG-DR) Efforts Administered by the GLO	Ongoing	Ongoing

(*) *Audit was included in the FY2021 Audit Plan but completed during FY 2022.*



FY2022 FOLLOW-UP REVIEWS COMPLETED			
Audit Follow-Up Title	Division(s)	Program Area(s)	Implementation Status of Audit Recommendations
Audit of Fixed Assets (2011)	Financial Management	Cash Management	Ongoing
Audit of Compliance with Texas Administrative Code (TAC) 202 (2016)	Information Security Enterprise Technology Services	Integrated Services Information Security Officer	Ongoing
Audit of the PSF Externally Managed Portfolio (2017)	Investment Management	Real Assets Portfolio Management & External Funds Management	Completed
Audit of Compliance with Texas Administrative Code (TAC) 202 (2019)	Information Security Enterprise Technology Services	Integrated Services Information Security Officer	Ongoing
Audit of Program Vendor Management for FEMA Individual Assistance Programs (2020)	Community Development & Revitalization Program	Direct Assistance for Limited Home Repair Temporary Housing Program	Completed
Audit of Contract Management and Monitoring Process (2020)	Contract Management	Various	Complete
Audit of Cloud Services Management (2021)	Information Security Enterprise Technology Services	ETS Information Security	Ongoing
Audit of CDBG-DR Vendor Procurement (2021)	Community Development & Revitalization Program	Community Development Block Grants – CDBG-DR	Completed
Audit of Program Contract Management Process (2021)	Various	Various	Ongoing
Audit of VLB- Land & Housing, Vendor Management (2021)	Veterans Land Board Land and Housing	Loan Operations Enterprise	Ongoing
External Projects			
SAO – Audit on Hurricane Harvey Disaster Recovery Funds Administered by the GLO (2019)	Community Development & Revitalization Program	Various	Completed
SAO – Alamo Complex Appropriations (2021)	Financial Management	Financial Management	Ongoing
SAO-VLB TSVH Contract Functions (2021)	Veteran Land Board	Texas State Veteran Homes	Ongoing
Natural Resources Damage Funds, Texas Trustee Financial Audit of Deepwater Horizon Restoration (2021)	Coastal Protection	Coastal Resources	Ongoing



FY2022 MANAGEMENT ASSISTANCE / SPECIAL PROJECTS

Project Title	Program Area / Division
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
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

FY2022 CONSULTING AND NON-AUDIT SERVICES

Project Title	Program Area/Division	Report Date(s)
Internal Audit Quality Assurance and Improvement Program	Internal Audit	November 2022
<p><u>Objective:</u> To allow Internal Audit management to perform on-going monitoring of the quality assurance process of the division and provide agency management the results of the assessment. (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 performs continuous monitoring of 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 properly responded to, and that appropriate action is taken.</p> <p><u>Conclusion:</u> Complaints were investigated and actions were taken as were 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 the effective discharge of its responsibilities related to fulfilling requests for assistance or information regarding various external or oversight projects.</p> <p><u>Conclusion:</u> Assistance and information were provided, in coordination with management, 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	Marios Pappoulias, CIA, CFE,
Director of Internal Audit	CISA, CGFM
Texas Board of Criminal Justice	Internal Auditor
SAIAF Peer Review Team	Office of the Governor
Leader	SAIAF Peer Review Team Member
6/29/21	6/29/21
Date	Date



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 2022

		FY2023 AUDIT PLAN			
No.	Audit Title	Risk Category	Division(s)	Program Area(s)	Budgeted Hours
1	Audit of Financial Management Process at the Alamo	Operational Controls	Financial Management	Financial Reporting and Accounting /Alamo Trust	1000
2	Audit of Administration of the Gulf of Mexico Energy Security Act (GOMESA)	Regulatory Compliance	Coastal Protection	Coastal Resources	1000
3	Audit of Ground Water Lease Compliance	Contract Management and Monitoring	Asset Management	Energy Resources/Water Resources	1000
4	Audit of Program Data Management in Community Development and Revitalization	Data Reliability	Community Development & Revitalization	Community Development & Revitalization	1000
5	Audit of Compliance with Lease Accounting Standards (GASB) 87	Regulatory Compliance	Financial Management	Financial Reporting and Accounting	1000
6	Audit of Compliance with Texas Administration Code (TAC) 202	Information Security	ETS/Information Security	ETS/Information Security	1000
7	Audit of Cemetery Operations Contract Management	Contract Management and Monitoring	Veterans Land Board/Financial Management	Veterans Cemeteries/VLB Accounting	1000
8	Audit of Reporting Compliance for the Federal Funding Accountability and Transparency Act (FFATA) Reporting	Regulatory Compliance	Financial Management	Federal Finance	1000



PLANNED FY 2023 FOLLOW-UP REVIEWS		
Audit Follow-Up Title	Division(s)	Program Area(s)
Audit of Fixed Assets (2011)	Financial Management	Property Accounting
Audit of Compliance with Texas Administrative Code (TAC) 202 (2016)	Office of Information Security Enterprise Technology Services	Integrated Services Information Security Officer
Audit of Compliance with Texas Administrative Code (TAC) 202 (2019)	Office of Information Security Enterprise Technology Services	Integrated Services Information Security Officer
Audit of Vendor Management, VLB-Land & Housing (2021)	Veterans Land Board, Land & Housing	Loan Operations Enterprise
Audit of Agency Cloud Services Management (2021)	Office of Information Security Enterprise Technology Services Financial Management	Office of Information Security Enterprise Technology Services Procurement
Audit of Program Contract Management Process (2021)	Enterprise Technology Services	Enterprise Technology Services

External Projects		
SAO – Alamo Complex Appropriations (2021)	Alamo Complex	Alamo Complex
SAO – Audit of VLB Texas State Veterans Homes Contract Functions (2022)	Veterans Land Board	Texas State Veterans Homes
Texas Trustee Financial Audit of Deepwater Horizon restoration Natural Resources Damage Funds (2021)	Coastal Protection	Coastal Resources



FY 2023 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



FY2023 RISK ASSESSMENT METHODOLOGY

The Office of Internal Audit completed the Fiscal Year (FY) 2023 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 and likelihood, and the 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. Potential for Fraud
12. Management Controls
13. Documentation of Policies and Procedures
14. Appropriate Access
15. Supervision and Training
16. Business Continuity
17. Complexity of Operations
18. Data Reliability

This information, combined with the agency's auditable units, were used to identify the possible audit projects. Of the 18 risk categories evaluated, 7 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 2022

FY2022 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 the prevention of fraud, waste, and abuse.
- The Fraud Prevention Policy is maintained on-line 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. (It had been posted previously.)
- The agency maintains a fraud hotline and posts the access 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 the opportunity to submit information anonymously.
- The GLO requires all staff to complete mandatory ethics training.
- Internal audit has written procedures for investigations which require that any fraud or abuse is reported to the SAO as well as any applicable 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 which 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 that allows individuals to report instances of fraud, waste, and abuse.