



TEXAS REAL ESTATE COMMISSION

Internal Audit Services

AN INTERNAL AUDIT OF

External Communications

Report No. 24-002

March 20, 2024

This report provides management with information about the condition of risks and internal controls as a specific point in time. Future changes in environmental factors and actions by personnel may impact these risks and internal controls in ways that this report cannot anticipate.

Report Highlights

Why Was This Review Conducted?

McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Real Estate Commission (TREC) and the Texas Appraiser Licensing & Certification Board (TALCB) performed this internal audit as part of the approved FY 2024 Annual Internal Audit Plan.

Business Objectives and Scope

To design and implement management controls and processes that ensure:

- External communication strategies are meeting TREC and TALCB objectives.
- External communications are reaching the intended audience.
- External feedback towards TREC and TALCB on social media and other communications are monitored.

The audit scope period was September 1, 2022, to December 31, 2023.

Audit Focus

This audit focused on the communications processes related to TREC/TALCB:

- Communications Division’s objectives,
- processes for external communications, and
- social media monitoring.

Audit Conclusions

The TREC/TALCB Communications Division has made great strides in improving the communications strategy and objectives. Consistency has been brought to the organizations’ internal and external communications. The digital messaging, including newsletters, exceeds the industry average with regards to the number of messages opened by recipients as well as the number of recipients who click on links within the message to view additional information.

A one minor finding and few opportunities for improvement were noted; generally, however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.

1. The Communications Division Director does not have a master plan documented to reflect the essential events the Communication Division plans each year to achieve its strategic objectives.

We noted one (1) opportunity where the internal control or process is effective as designed but can be enhanced.

Internal Control Rating

Generally Effective.

What Did We Recommend?

1. Utilize a communications project log and an annual calendar to show at a high level what project the Communications Division is involved in throughout the year.

Number of Findings by Residual Risk Rating

Category	High	Medium	Low	Total
Findings	0	0	1	1
Improvement Opportunities	0	0	1	1



We wish to thank all employees for their openness and cooperation. Without this, we would not have been able to complete our review

Introduction

We performed this audit as part of the approved FY 2024 Annual Internal Audit Plan. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we

plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained accomplishes that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

Business Objective, Conclusion, and Internal Control Rating

The purpose of this audit was to assess management's controls and processes in place that ensure the internal and external communication strategy of the Communications Division is helping TREC and TALCB to meet their objectives. This includes:

- External communications reach their intended audience,
- external feedback towards TREC and TALCB is monitored on social media as well as other communication forms,
- communications with external constituents occur on a regular and timely basis, and
- information is disseminated to external stakeholders to meet the needs of the Agency.

The audit scope period was September 1, 2022, to December 31, 2023.

We noted one (1) control weakness, however, controls evaluated are adequate, appropriate, and effective, to provide reasonable assurance that risks are being managed and risks are being met.

This audit identified one finding that resulted in an overall internal control rating of **Generally Effective**. **Exhibit 1** describes the internal control rating.

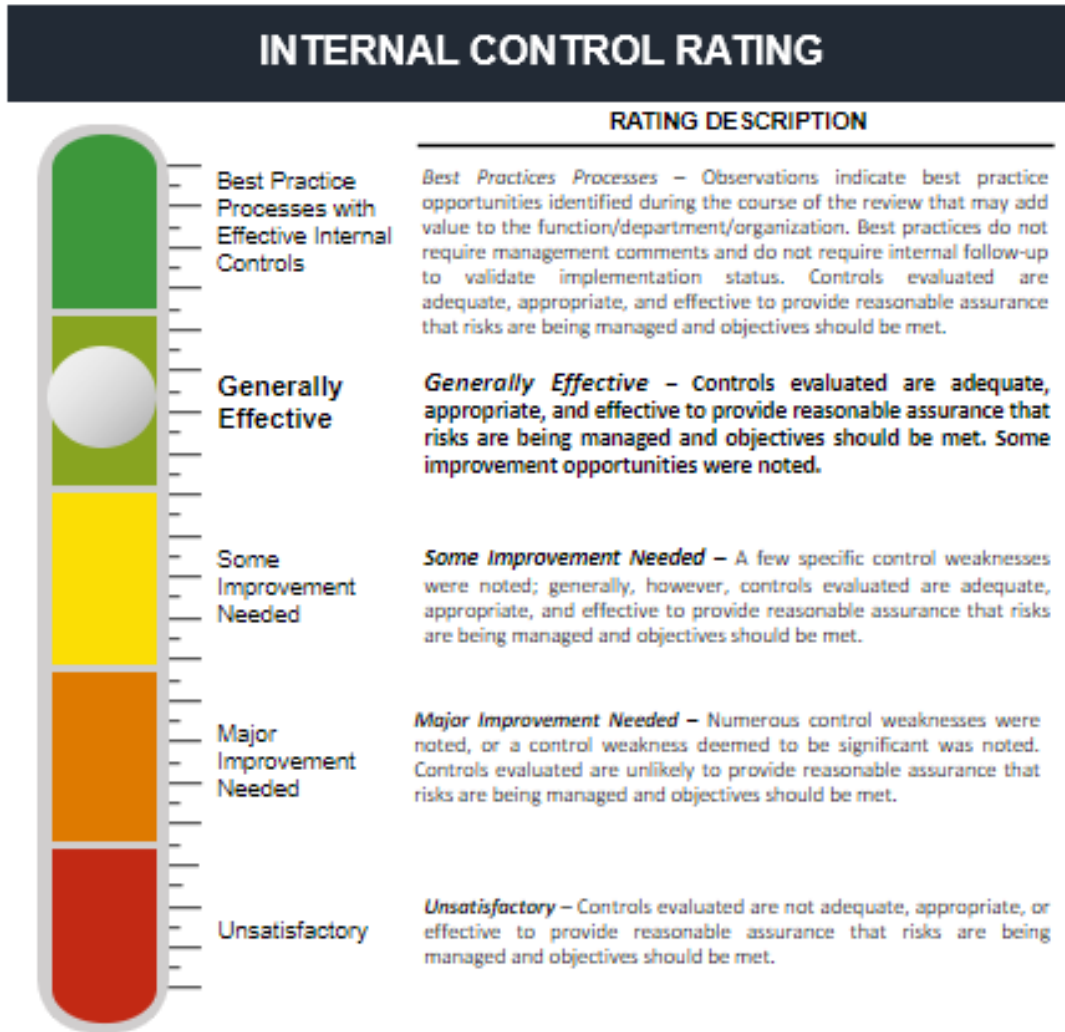


Exhibit 1: Internal control rating description.

Finding vs Improvement Opportunity

We define a finding as an internal control weakness or non-compliance with required policy, law, or regulation. We define an improvement opportunity as an area where the internal control or process is effective as designed but can be enhanced.

Findings and Risk Rating Summary

Inherent risk is the business risk associated with the respective function or process if internal controls were not in place or were not effective. Residual risk is Internal Audit’s ranking of the remaining risk or likelihood of a negative event occurring with the internal controls and processes in place. **Exhibit 2** provides a summary of our audit observations. See the findings and management response section of this report for a discussion of all issues identified recommendations and management responses.

Business Objective / Focus Area	Business Risk Ranking	Control Effectiveness	Recommendations
<p>1. To ensure the communications strategy meets TREC / TALCB objectives.</p>	<p>Inherent Risk: High Residual Risk: Low</p>	<p>Generally Effective</p> <p><u>Finding</u></p> <p>1. The Communications Division Director does not have a master plan documented to reflect the essential events the Communication Division plans each year to achieve its strategic objectives.</p> <p><u>Opportunity for Improvement</u></p> <p>A. A formal communication strategy that incorporates the agency’s mission and purpose along with tips on how to conduct business with the agency has not been completed.</p>	<p><u>Finding</u></p> <p>1. Utilize a communication projects log and annual calendar to show high level project the Communications Division is involved in throughout the year.</p> <p><u>Opportunity for Improvement</u></p> <p>A. The Communications Director should document a formal communications strategy that focuses on educating stakeholders on the agency’s mission and purpose, equip them on how to better conduct business with the agency, and how to avoid disciplinary actions.</p>
<p>2. To have processes and management controls in place that ensure emails and newsletters are reaching the intended audience.</p>	<p>Inherent Risk: High Residual Risk: Low</p>	<p>Generally Effective</p>	<p><u>Finding</u> None</p>
<p>3. To have processes and management controls in place to monitor external feedback toward TREC on social media and other communication forums.</p>	<p>Inherent Risk: High Residual Risk: Low</p>	<p>Generally Effective</p>	<p><u>Finding</u> None</p>

Exhibit 2: Summary of Internal Audit Findings and Recommendations.

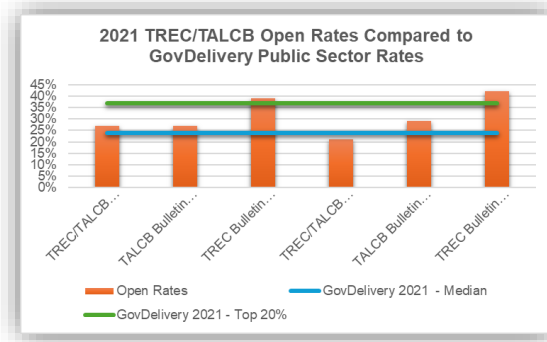
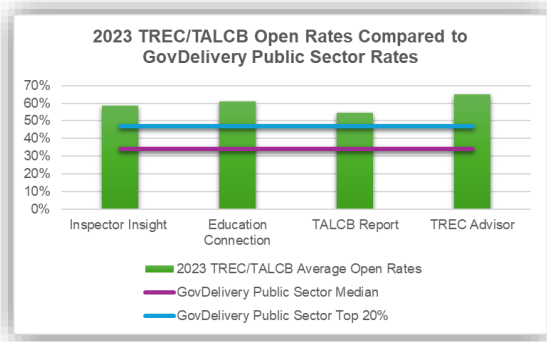
Background

The Communications Division is responsible for the internal and external communications for both TREC and TALCB. Although these responsibilities may be perceived as limited activities, they actually entail a large number of activities including, but not limited to, developing, maintaining, and monitoring the Agency’s:

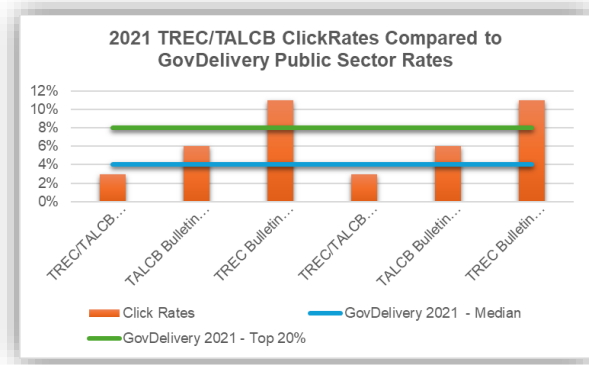
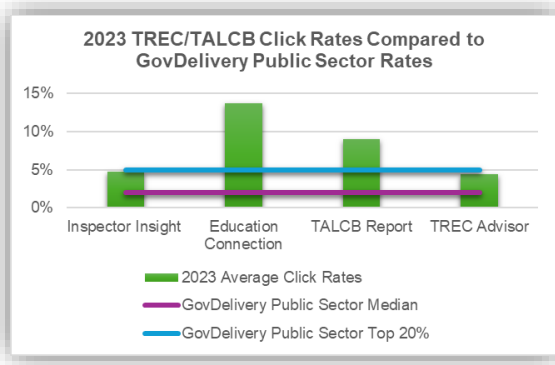
- consistency of branding such as templates, key messages, style guides, media request responses;
- securing media placement through press releases;
- identification of target audiences;
- communication channels for feedback;
- tracking legislation, assign where appropriate in Agency, and following thru to implementation;
- assist executives prepare for presentations and town hall meetings;
- assist directors with policies and procedures writing;
- involved with website redesign and updates;
- attend Advisory Committee, Commission, and Board meetings; and
- produce digital communications and social media.

The Communications Division is comprised of the Communications Division Director and one staff member.

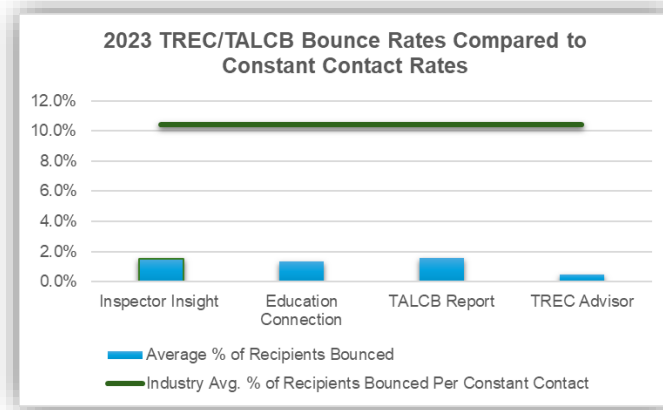
The current director has been with TREC / TALBC for two years. During that time, she has brought consistency to the Agency’s internal and external communications. The digital messaging including newsletters, exceed the industry average in the number of messages opened by recipients as well as the number of recipients who click on links within the message to view additional information. Open rates reflect the number of participants who opened an email compared to the number who received it. TREC/ TALCB open rates exceed the median open rates for the public sector per GovDelivery. The 2023 open rates also show a large improvement over the 2021 open rates. The charts below show these comparisons.



Click rates reflect the number of participants who clicked on a link within an email compared to the total number who received the email. TREC/ TALCB click rates exceed the median click rates for the public sector per GovDelivery. The charts below show these comparisons.



Bounce rates measure the number of emails sent compared to the number of emails delivered, the lower the percentage the more emails are being delivered to the correct email addresses. The communications team is far below Constant Contact Rates. The chart below shows these comparisons.



Communications Division staff has made commendable improvements to the internal and external communications over the past two years. To continue their progress, they should now focus on developing their strategy to focus on how their communications can assist TREC and TALCB in addressing the strengths, weaknesses, opportunities, and threats of each. Additionally, due to the volume of activities the Communications Division is involved in, it would be of benefit to utilize an annual calendar to track the timing of their activities.

Detailed Findings and Management Response



This section of the report provides a detailed discussion of opportunities we noted during the audit along with recommendations to improve internal controls or the business process.

Business Objective #1: Governance

Business Risk Rating (Inherent): High

Business Risk Rating (Residual): Low

Business Objective: To have processes and management controls in place to ensure a communication strategy is in place to assist TREC / TALCB in meeting the Agency’s objectives.

Control Rating: Generally effective.

Governance refers to actions that an Agency’s Board and executive leadership to establish the management controls and culture. This is accomplished through setting expectations and communicating these in written policies. Governance is responsible for allocating resources to ensure appropriate organization structures are in place so that activities are carried out effectively, responsibly, and in alignment with the organization’s mission and objectives. Governance also encompasses the systems and practices that guide decision-making, risk management, and overall accountability within an organization. Sound governance practices are crucial for maintaining transparency, integrity, and ethical behavior.

Finding Narrative:

A communication strategy creates a high-level view of what the organization wants to achieve when communicating both internally and externally. The primary goal of the Communications Division is to help the Agency effectively communicate and engage with its key audiences. It should incorporate ways the Agency is addressing their strengths, weaknesses, opportunities, and threats for successful outcomes.

Criteria	<ul style="list-style-type: none"> ➤ Five Components of a successful Strategic Commissions Plan, Forbes Communication Council Post, June 22, 2021. ➤ Internal vs. External Communications, How Do You Optimize Each, Samantha Finley, Brafton Digital Marketing Company. ➤ Communication plan, approach, examples, and best practices, Awware Digital Marketing Company, March 17,2021.
Effect/Risk/Impact	<ul style="list-style-type: none"> ➤ A lack of a communication strategy may impact the Agency’s ability to successfully communicate with its target audience(s) its strengths, weaknesses, opportunities, and threats and how it is addressing each of these for successful outcomes.
Control Tests	<ul style="list-style-type: none"> ➤ Researched best practices. ➤ Reviewed TREC/TALCB communications policies and procedures. ➤ Met with Communications Director to understand current objectives, activities, and plans. ➤ Reviewed Communication Director’s listing current activities.
Management Controls in Place	<ul style="list-style-type: none"> ➤ Communications Division objectives provide direction on outcomes the department wants to achieve. ➤ Branding has been implemented to improve consistency of messaging. ➤ Target audiences and communications channels have been identified to communicate with the Agency’ stakeholders.
Findings / Opportunities	<u>Findings:</u>

	<p>The Communications Division Director does not have a master plan documented to reflect the essential events the communication division plans each year to achieve its strategic objectives.</p> <p><u>Opportunities for Improvement:</u></p> <p>A. A formal communication strategy the incorporates the agency’s mission and purpose along with tips on how to conduct business with the agency has not been completed</p>
<p>Root Cause</p>	<p>➔ The Communications Division has been focused on the building of the objectives, branding, e-newsletter communications, target audience and communications channels to improve its ability to reach key stakeholders over the past two years.</p>

Recommended Actions:

1. Utilize project log and annual calendar to show at a high level what projects the Communications Division is involved in throughout the year. See Appendix A for examples of project logs and a communications calendar.

Opportunities for Improvement:

- A. The Communications Director should document a formal communications strategy that focuses on educating stakeholders on the agency’s mission and purpose, equip them on how to better conduct business with the agency, and how to avoid disciplinary actions.

Management Response:

The Communications Department developed a strategic communications plan to ensure agency objectives are executed and achieved. Communications projects within the plan focus on providing transparent, clear explanations of rules, laws, and practices to equip license holders, consumers, and other stakeholders.

Business Objective #2: Operations & Technology

Business Risk Rating (Inherent): High

Business Risk Rating (Residual): Low

Business Objective: To have processes and management controls in place to ensure emails and newsletters are reaching the intended audience(s).

Control Rating: Generally Effective

Operations are the processes, controls, and technology in place to ensure that the respective department or function executes its responsibilities in an effective and efficient manner.

Finding Narrative:

The industry standards for measuring the success of digital messaging are open, click and bounce rates.

Open rates reflect the number of recipients who opened an email compared to the number who received it. Click rates reflect the number of recipients who clicked on a link within an email compared to the total number who received the email. A high number in this metric is good. Bounce rate measures the number of emails sent compared to the number of emails delivered. A low bounce rate number is good.

Criteria	<ul style="list-style-type: none"> ➤ Granicus 2023 Public Sector Digital Communications Benchmark Report ➤ Average Industry rates for email as of November 2023, Constant Contact
Effect/Risk/Impact	<ul style="list-style-type: none"> ➤ Low Open and Click rates may indicate the Agency’s digital messages are not engaging to the target audience. High bounce rates may indicate that the distribution list(s) contain(s) a high number of stale or inactive email addresses. Thus, a large number of the intended audience may not be receiving the messages.
Control Tests	<ul style="list-style-type: none"> ➤ Compared open, click and bounce rates for the Inspector Insights Reports, Education Connections, TALCB Reports, and TREC Advisor Report for calendar 2023 to the industry averages and top 20 percent. ➤ Compared open, click and bounce rates for the TREC/TALCB Bulletin Reports, TALCB Bulletin Reports and the TREC Bulletin Reports for October and November 2021 to the industry averages.
Management Controls in Place	<ul style="list-style-type: none"> ➤ Communications Division staff monitors GovDelivery metrics on messaging to assess the success of digital messaging. ➤ Communications Division staff utilize unique distribution lists for each of their regular digital messaging to ensure the emails reached their targeted audiences.
Findings / Opportunities	<ol style="list-style-type: none"> 1. The open rates for 2023 consistently exceed the industry average and the top 20 percent. 2. The click rates for 2023 typically exceed the industry average and top 20% percent for Inspector Insights, Education Connection and TALCB reports. TREC Advisor reports have equaled or are slightly greater than the industry average and less than the top 20 percent. 3. Bounce rates for the reports range between 0 to 2 percent and exceed the industry average of 10.40 percent. Lower bounce rate numbers are better than high numbers for this metric.
Root Cause	<ul style="list-style-type: none"> ➤ Individuals who are signing up for emails are not entering or updating the addresses correctly.

Recommended Actions: None.

Management Response: No management response is necessary.

Business Objective #3: Compliance and Monitoring

Business Risk Rating (Inherent): High

Business Risk Rating (Residual): Low

Business Objective: To have processes and management controls in place that monitor external feedback toward TREC on social media and other communication forums.

Control Rating: Generally Effective.

Compliance

Compliance is the processes and controls in place to ensure that the organization complies with applicable policies, regulations, or laws.

Monitoring

Monitoring is the ongoing evaluations, separate evaluations, or some combination of the two used to determine whether the internal controls are present and functioning.

Finding Narrative:

Social media has become the “go-to” medium for individuals to post their satisfaction, dissatisfaction, or questions of the organizations. Monitoring social media for these comments helps to understand stakeholders’ perception of the organization. This information can be used to tailor future messages to address these perceptions.

Criteria	<ul style="list-style-type: none"> ➤ Social Listening_Definition, Tools, Coursera Staff, March 5, 2024. ➤ The Importance of Social Media Monitoring, The Social Journal, August 17, 2023.
Effect/Risk/Impact	➤ Without good social media monitoring in place, TREC/TALCB may miss discussions about how they are perceived in the industry and adjust their communications to address these perceptions.
Control Tests	➤ Inquired how TREC/TALCB monitors social media for conversations about the organizations, their brand, and their industry.
Management Controls in Place	<ul style="list-style-type: none"> ➤ The Agency utilizes monitoring services from LinkedIn, Meta (Facebook and Instagram), X (formerly known as Twitter) and Google Alerts. ➤ Communications Division staff monitors Reddit. ➤ TREC/TALCB utilizes a private Facebook Group for social listening to identify opportunities for future communications. ➤ For videos posted on YouTube and Facebook, the comments features are disabled. ➤ General Counsel reviews content that relates to laws and regulations.
Findings / Opportunities	1. Controls are in place to monitor social media and take advantage of the feedback, suggestions, and complaints posted.
Root Cause	Not applicable

Recommended Actions: None.

Management Response: No management response necessary.

APPENDIX A: EXAMPLES.

Exhibit A.1 reflects examples of internal and external project logs to track project the Communications Division team will focus on over the year.

Internal Communications Projects Log

Deliverable Description	Purpose	Timing	Status
Presentation Prep			
Staff highlights			
Town Halls			
Small Group Meetings			
Assist with Policies & Procedures			

External Communications Projects Log

Deliverable/Description	Purpose	Timing	Status
Website redesign			
New database			
Press Releases / PR		Ad hoc / as needed	
Broker Responsibility Course manual			
Advertising rules refresh			
From the Case Files video series			
Broker Succession Rule changes			
Website new function on status language			
E - Newsletters			
Advisory Committee Meetings			
Commissioners Meetings			

Figure Exhibit A.1 Examples of internal and external projects logs.

Exhibit A.2 is an example of a communications calendar. This can be used to reflect a high-level view of all the communications activities that will be occurring during a specific month. The calendar could also go down to a weekly level versus monthly to provide additional insights. Stakeholders could use this calendar to see where communications are focused and when projects are projected to start and be completed.

Example of a Communications Calendar

Deliverable/Description	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Comments
Website redesign													
New database													
Press Releases / PR													Ad Hoc
Broker Responsibility Course Manual													
Advertising rules refresh													
From the Case Files video series													
Broker Succession Rule changes													
Website new function on status language													
TREC Advisor e - Newsletters													
Inspector Insight e - Newsletters													
Education Connection													
TALCB Bulletin													
Advisory Committee Meetings													
TREC Commissioners Meetings													
TALCB Commissioners Meetings													

Exhibit A.2 Example of a Communications Calendar