

Texas Facilities Commission Agency 303
Office of Internal Audit
FY23 Annual Report

I. Compliance with Texas Government Code, Section 2102.015: Posting on the website the Internal Audit Plan, and Internal Audit Annual Report.

Texas Facilities Commission (TFC) Office of Internal Audit (OIA) posts the Annual Report, Internal Audit Plan, and other audit information on the internet website located at: <http://www.tfc.state.tx.us/divisions/commissionadmin/prog/oia/> to comply with the provisions of Texas Government Code, Section 2102.015.

II. Internal Audit Plan for Fiscal Year 2023 and Results

**Notice – Audit results are only included in the Annual Report.*

- A. IT Governance Audit – September 2022. Carry-over from FY 22. Confidential report.
- B. Follow Up on Comptroller’s Findings – December 2022. The agency has implemented corrective actions to address specific aspects of prior Comptroller audit findings. Additional work needs to be performed to complete full implementation.
- C. State Property Audit – January 2023. The Texas Facilities Commission (TFC) had significant control weaknesses in its processes for protecting and tracking assets. The Commission could not account for a portion of assets tested and did not consistently ensure assets were properly transferred or disposed of, including retaining disposal documentation. Limited processes are in place to ensure assets are accurately and completely recorded in the State Property Accounting System (SPA). Auditors identified missing assets and inaccurate information in SPA and found that there is no process in place to request investigations for assets that could not be found. A review of roles and responsibilities to conduct and account for annual inventory and current SPA system access indicated a lack of segregation of duties.
- D. Building Controls Network (BCN) Audit – June 2023. Confidential report.
- E. Contract Management Audit – July 2023. Confidential report.
- F. Fleet Management Audit – in progress as of August 31, 2023. Carry forward to FY24.
- G. Consulting Engagements and Other Non-Audit Services – See Section III, below.

III. Consulting Services and Nonaudit Services Completed

Research and Analysis Engagement – Ongoing. No report issued. Objective: Provide ongoing research and analysis based on requests from Directors and TFC Leadership. No recommendations were made by Internal Audit.

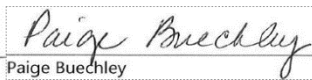
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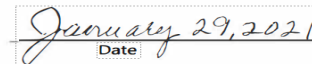
IV. External Quality Assurance Review (Peer Review)

The division completed a peer review on 01/29/2021.

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Facilities Commission (TFC) 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.


Paige Buechley


Date

Chief Audit Executive
Texas Department of Information Resources
SAIAF Peer Review Team Leader

V. Internal Audit Plan for Fiscal Year 2024 (Approved July 20, 2023)

Estimated effort for all projects is 9,000 hours. Additional resources have been requested for FY24 and can meet this effort, assuming FTEs requested are approved, funded by Budget, posted by HR to hire employees and on-boarded in FY24. Succession planning was identified as high-risk and is not included in the audit plan. However, executive management is currently performing tasks and activities to address this risk.

- A. Construction Audit Services – Review select construction transactions for compliance.
- B. Audit of Charge Cards – Determine if commercial charge cards and transactions comply with the Texas Comptroller requirements.
- C. Contract Management Audit – Determine if select contracts comply with the State of Texas Procurement and Contract Management Guide.
- D. TAC §202 Audit - Evaluate TFC's compliance with Texas Administrative Code Information Security Standards.
- E. Centralized Accounting and Payroll/Personnel System (CAPPS) Conversion – Determine if CAPPS controls are designed and implemented for high-risk processes.
- F. Border Wall Program – Conduct a risks and controls assessment.

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- G. Quarterly Reporting of Prior Audit Findings – Obtain TFC Directors’ self-reported implementation of prior audit findings and report status to the Commission.
- H. External Quality Assurance and Improvement Program (QAIP) Assessment – Independent evaluation of Internal Audit’s conformance with Auditing Standards.
- I. Complaints, Hot Line Calls, and Investigations – As required by the Texas Internal Auditing Act.
- J. Consulting Engagements and Non-Audit Services – As requested by management to address governance, risk management, and control processes.
- K. Liaison Activities – Respond to external requests for information or action and perform tasks as required.
- L. Risk Assessment – As required by the Texas Internal Auditing Act, provide an annual risk assessment to the Commission.

Risk assessment tasks performed evidence the following:

- i. Changes in the organization’s business, risks, operations, programs, system, and controls;
- ii. Quantification of risk and impact; and
- iii. Communication of the resource requirements and limitations, if applicable.

Risk mitigation efforts related to information technology include Information Technology (IT) management’s assertion of completion of an external Cybersecurity Maturity Review every two years through DIR’s shared services technology contract. In addition, the current audit plan contains a TAC §202 compliance audit, an IT Governance Review was completed September 2022, and an audit of the Building Controls Network (BCN) was completed July 2023. A TFC IT Chief Information Security Officer (CISO) was hired in April, 2023, and an IT Audit Manager position was requested for FY24.

VI. External Audit Services Procured in Fiscal Year 2023

Construction Auditing Services were initiated in FY 2022 to manage risks associated with contract management of construction projects. TFC received a delegation of authority from SAO in April 2022 to obtain these services. The RFQ was released in May 2022 and contract awarded August 2022. TFC received a delegation of authority from SAO in April 2023 to continue these services through March 2024.

VII. Reporting Suspected Fraud and Abuse

- A. The public facing web page provides information on:

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- i. How to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office (SAO);
 - ii. References the SAO fraud hotline information; and
 - iii. Contains a link to the SAO's website for fraud reporting located at:
<http://www.tfc.state.tx.us/divisions/commissionadmin/prog/oia/>
- B. OIA policies and procedures contain information pertaining to reporting suspected fraud and abuse with details regarding how to report to the SAO suspected fraud involving state funds.
- C. Investigations will be coordinated by reporting to the SAO instances where reasonable belief exists relating to the cause of money lost, misappropriated, misused or other fraudulent or unlawful conduct that has occurred in relation to the operation of TFC. This includes reporting the reason and basis for the belief to the SAO.

VIII. Contract Audit Reports for Selected State Entities

In accordance with Texas Government Code, Section 2261.258, the State Auditor's Office (SAO) assigned contract monitoring ratings of *additional monitoring warranted*, *no additional monitoring warranted*, or *reduced monitoring warranted* to each of the twenty-five largest state agencies. TFC received a rating of *no additional monitoring warranted* in their May 2023 report.

The SAO requires the following information which is the list of internal audits of contracts, contract processes, and controls conducted in the last five years:

- A. FY 23: Construction Audit Services – Delegation of Authority Review.
- B. FY 23: Quarterly Status of Audit Recommendations – Includes verification of TFC Directors' self-reported implementation status.
- C. FY 23: Contract Management Audit
- D. FY 22: Construction Contract Audit of Selected TFC Construction Contract; Follow Up on Prior Audit Findings
- E. FY 21: Audit of the Contract Negotiation Process
- F. FY 20: Contract Compliance Audit
- G. FY 19: Report of Selected Construction Contracts for Deferred Maintenance; Recovery Audit of the North Austin Complex