

TEXAS FACILITIES COMMISSION OFFICE OF INTERNAL AUDIT

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Fiscal Year 2015 Annual Audit Plan For Approval by TFC Commission

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November 19, 2014

Office of Internal Audit, PO Box 13047

Austin, TX 78711-3047

Audit Report

Fiscal Year 2015 Annual Audit Plan

Internal Audit Director

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Judy Shao, MAcy

For additional copies, please request,
"Fiscal Year 2015 Annual Audit Plan"

Chair
Betty Reinbeck

Commissioners
William D. Darby
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**Texas Facilities Commission
Office of Internal Audit
Audit Plan for Fiscal Year 2015**

Statutory and Professional Standards Requirement

The Texas Internal Auditing Act (Texas Government Code, §2102.005) requires state agencies to conduct a program of internal auditing. The *International Standards for the Professional Practice of Internal Auditing (IA Standards)* define Internal Auditing as an “independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The Texas Government Code and *the IA Standards* require internal auditors to develop an annual audit plan, using risk assessment techniques, that identifies individual audits to be conducted during the year. The Code requires that the plan be approved by the state agency's governing board or by its administrator, if the agency has no governing board.

The program of internal auditing at Texas Facilities Commission is carried out by the Office of Internal Audit (OIA) which serves at the direction of the Commission. The OIA has prepared this audit plan for consideration and approval by the Commission.

Development of the Annual Audit Plan

The Fiscal Year 2015 plan is designed to cover areas of highest risk to the State and the agency. However, it does not cover all risks. TFC management should utilize internal controls and other appropriate methodologies to mitigate residual risks not covered by the audit plan.

The annual audit plan was developed using a risk based methodology which included:

- Obtaining management's and the Commission's perspectives through questionnaires, surveys, and interviews.
- Reviewing external audits and reviews of TFC conducted by SAO, Sunset, and other external agencies.
- Consulting with the State Auditor's Office and other oversight bodies.
- Reviewing prior TFC meeting minutes, audit report findings and recommendations, and budgetary information.
- Evaluating information about key agency business areas, processes, and systems.
- Considering input from internal audit staff.

- Utilizing a matrix whereby identified auditable units were ranked according to standard risk factors.

Projects for Fiscal Year 2015 Annual Audit Plan

We have identified the following projects for inclusion in the 2015 Annual Audit Plan. Also included below is a brief description of functions to be reviewed, along with a table which describes the topic, potential risks to be covered by the audit, preliminary audit objectives, and resource allocation related to each project.

New Audit Projects:

Management of TFC Assets

- Tracking of SPA assets and assets below the SPA threshold
- Potential theft of items
- Financial accounting for the assets
- ADA and other access/security issues
- Use of AssetWorks System

Badging and Key management

- Coordination with DPS and client agencies
- Follow-up on issues identified in SAO audit *14-041 - An Audit Report on Physical Controls at Selected State Agency Data Centers*

Follow-up on SAO Audits (Contracts, Security, Performance Measures)

- Verify that corrective action has been reported to SAO
- Verify that corrective action has been implemented
- Evaluate whether further internal control adjustments are needed to address findings

Property Management

- Monitoring of Tarantino contract
- Reconciliations of vendor invoices
- Overhead charges for HB 3042 buildings
- Lack of policies and procedures

Carry Over Projects

Facilities Operations and Controls including Deferred Maintenance (FDC)

- Proper use of bond money
- Follow up on Sunset Report Recommendations.
- Assessment of the physical condition of buildings

"Fiscal Year 2015 Annual Audit Plan"

October 2014

- Plan to protect and maintain building condition

Facilities Maintenance (PREM)

- Service to client agencies
- Follow up on Sunset Report Recommendations.
- Coordination of activities
- Accounting for HB 3042/ General Revenue/ Inter-Agency Agreements
- HVAC, Repairs, Plumbing, Elevators, Building Automation, etc.

FY2014 Audits In Progress

Contract Management

- All required documents and certificates may not be obtained or kept in the files
- Follow up on Sunset Report Recommendations.
- Communication between the programs and the Legal Division may not specify all required contractual elements
- Programs may not adequately monitor vendor performance after award of the contracts
- Certificate of Insurance for all Contracts may not cover TFC's liabilities and possible cost to the state
- Use of "requirements" or service contracts

Federal Surplus Property Program

- Annual Audit required by state plan
- Inventory Control
- Date and Time of Property Receipt, to record correctly in accounting system
- Compliance with OMB circulars including the newly issued omni-circular
- Donation Documentation

Administrative and Statutory Projects:

- 1) Annual Audit Plan and reporting
- 2) Annual tracking of the implementation status of prior audit recommendations
- 3) Participation in the State Agency Internal Audit Forum (SAIAF) peer review process. This will include earning the remainder of required points by having a TFC OIA staff member work on a peer review at another agency, and in turn having internal audit staff from other agencies review TFC's audit processes.
- 4) Professional Development

Annual Audit Plan – Fiscal Year 2015 Audits, Consulting, and Other Projects			
Project Topic	Potential Risks/Concerns	Preliminary Objectives	Percentage of Available Project Hours
AUDITS			64%
Facilities Operations and Controls including Deferred Maintenance Carried-over from FY2014	Proper use of bond money.	Evaluate process by which projects are developed and completed using bond funding.	12%
	Follow up on Sunset Report Recommendations.	Evaluate progress in responding to Sunset recommendations for this program.	
Facilities Maintenance (PREM) Carried-over from FY2014	Plan to maintain and protect building condition.	Evaluate plan for assessing and determining building conditions. Determine how bond money for deferred maintenance projects is distributed.	10%
		Evaluate plan for maintaining building conditions including heating and safety priorities. Evaluate Program Policies and Procedures.	
		Evaluate Program Policies and Procedures.	
Facilities Maintenance (PREM) Carried-over from FY2014	Service to client agencies	Evaluate customer satisfaction	10%
	Coordination of activities	Evaluate scheduling of activities	
	Accounting for HB 3042/ General Revenue/ Inter-Agency Agreements	Test accounting for services/ charges to client agencies	
	HVAC, Repairs, etc.	Evaluate Program Policies and Procedures.	

**Annual Audit Plan – Fiscal Year 2015
Audits, Consulting, and Other Projects**

Project Topic	Potential Risks/Concerns	Preliminary Objectives	Percentage of Available Project Hours
Management of TFC Assets	<p>Tracking of SPA assets and assets below the SPA threshold</p> <p>Potential theft of items</p> <p>Financial accounting for the assets</p> <p>ADA, access, & security</p> <p>Use of Asset-Works System</p>	<p>Verify that assets on hand and per books reconcile</p> <p>Test purchases and inventory</p> <p>Test expensing and capitalization of assets</p> <p>Evaluate functionality of asset – works.</p>	7%
Badging and Key management	<p>Coordination with DPS and client agencies</p> <p>Follow-up on issues identified in SAO audit 14-041 - <i>An Audit Report on Physical Controls at Selected State Agency Data Centers</i></p>	<p>Test for over-lap of functions; or of function that may “fall between the cracks” and not be accomplished</p> <p>Verify that reported corrective actions have been implemented.</p>	9%
Follow-up on SAO Audits (Contracts, Security, Performance Measures)	<p>Verify that corrective action has been reported to SAO</p> <p>Verify that corrective action has been implemented</p> <p>Evaluate whether further internal control adjustments are needed to address findings</p>	<p>Test implementation status related to SAO recommendations.</p>	7%
Property Management	<p>Monitoring of Tarantino contract</p> <p>Reconciliations of vendor</p>	<p>Ensure that all contract deliverables are received and reviewed</p>	9%

**Annual Audit Plan – Fiscal Year 2015
Audits, Consulting, and Other Projects**

Project Topic	Potential Risks/Concerns	Preliminary Objectives	Percentage of Available Project Hours
	<p>invoices</p> <p>Overhead charges for HB 3042 buildings</p> <p>Potential lack of policies and procedures</p>	<p>Test accounting for HB3042 expenditures</p> <p>Review policies and procedures</p>	
Fiscal Year 2014 Audits In Progress			
Contract Management	<p>Follow up on Sunset Report Recommendations.</p> <p>All required documents and certificates may not be obtained or kept in the files. Communication between the programs and the Legal Division may not specify all required contractual elements</p> <p>Programs may not adequately monitor vendor performance after award of the contracts.</p> <p>Certificate of Insurance for all Contracts not covering TFC's liabilities and possible cost to the state.</p>	<p>Evaluate progress in responding to Sunset recommendations for this program</p> <p>Evaluate procedures for ensuring retention of required documentation</p> <p>Evaluate information sharing between programs and Legal staff.</p> <p>Evaluate procedures for contract monitoring.</p> <p>Evaluate Certificate of Insurance (COI) and determine if TFC liabilities are covered by insurance.</p> <p>Evaluate Program Policies and Procedures.</p>	5%
Federal Surplus Property Program	<p>Annual audit required by state plan.</p> <p>Inventory Control.</p> <p>Date and Time of Property</p>	<p>Evaluate Compliance with Federal regulations.</p> <p>Evaluate Accuracy of Inventory Control and year-end counts.</p>	5%

Annual Audit Plan – Fiscal Year 2015 Audits, Consulting, and Other Projects			
Project Topic	Potential Risks/Concerns	Preliminary Objectives	Percentage of Available Project Hours
	Receipt Donation Documentation. Compliance with OMB Circulars including new “omni-circular”	Evaluate Program Policies and Procedures. Evaluate awareness of and compliance with the OMB Circulars	
Management Assistance, Consulting, and Other Projects			14%
Public Private Partnerships		Review Public Private Partnership (P-3) projects – as required per legislative mandate, if such projects are implemented	2%
Management and Commission Requests		As needed	12%
REQUIRED ADMINISTRATIVE PROJECTS			22%
Participation in Peer Review Process	IIA and professional standards.	Ongoing quality assurance process	5%
Internal Audit Annual Risk Assessment and Annual Plan	Noncompliance with IIA standards and Internal Audit Act	Statutory Requirement	5%
Internal Audit Annual Report	Noncompliance with IIA standards and Internal Audit Act	Statutory Requirement	3%

**Annual Audit Plan – Fiscal Year 2015
Audits, Consulting, and Other Projects**

Project Topic	Potential Risks/Concerns	Preliminary Objectives	Percentage of Available Project Hours
Follow-up of Management Corrective Action of Prior Findings	IIA and professional standards.	Conform to Standards regarding audit follow up; Evaluate effectiveness of actions taken in response to audit recommendations	5%
Report of Outstanding Issues to the State Auditor's Office	Additional oversight by external auditors Performance Measure Audit Contract Management Audit (Per the SAO, follow-up status on: <i>14-041 - An Audit Report on Physical Controls at Selected State Agency Data Centers</i> is not to be reported on the SAO web portal, for I.T. security reasons.)	Statutory Requirement Follow up on Status of Recommendations	1%
External Audit Coordination	Additional oversight by external auditors	Statutory Requirement	3%



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 Director, Internal Audit

Date: 11/19/2014