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Texas Facilities Commission

Internal Audit Annual Report

Fiscal Year 2016

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site

The Texas Facilities Commission (TFC) has fully complied with Texas Government Code, Section 2102.015 by posting (on its Internet website) the agency’s approved annual audit plans, and annual internal audit reports in the last several years. In addition, beginning fiscal year 2017, the Office of Internal Audit (OIA) plans to post the agency’s audit implementation status reports. The individual audit reports provide information on audit findings, recommendations, and management’s responses while the audit implementation status reports provide a summary update of the action taken by management in addressing the audit issues. OIA is in the process of designing a new webpage, to include individual audit reports and audit implementation status reports to assist in streamlining access to these reports (for improved transparency).

OIA is in the process of implementing new audit follow-up procedures. OIA expects to issue its first audit implementation status report (under the new procedures) in March 2017. Management periodically reports to the Commission on the status of audit implementation. In general, these reports indicate that the implementation of audit recommendations is progressing on schedule and that the outstanding ones will be implemented by their due date.

II. Internal Audit Plan for Fiscal Year 2016 (Revised May 2016)

The status of the Revised Audit Plan for FY 2016 is shown in the table below.

Project	Current Status
Review of Facilities Operations and Controls	Completed. Report issued – November 2015
Review of Contract Management – Phase One	Completed. Report issued – February 2016
Review of Badging and Key Management	Completed. Report issued – March 2016
Review of Contract Management – Phase Two	In Progress – Fieldwork Phase

Deviations from the original 2016 Audit Plan

The turnover and resultant vacancies in OIA resulted in a significant reduction in the office’s budgeted audit hours and necessitated the revision of the FY 2016 Audit Plan. The revised plan was approved by the Commission in May 2016. The main changes in the plan were the postponement of two planned audit projects.

The revisions are detailed below:

Original Audit Plan for FY 2016	Current Status
Review of Facilities Operations and Controls	Completed. Report Issued – November 2015
Review of Contract Management – Phase One	Completed. Report issued – February 2016
Review of Badging and Key Management	Completed. Report issued – March 2016
Follow-up on SAO (3) Audits	Completed. Report issued – December 2015
Administrative and Statutory Projects	Completed – August 2016
Review of Contract Management – Phase Two	In progress – Fieldwork Phase
Review of Facilities Maintenance (PREM)	Carried forward to FY 2017
Review of Information Security	Carried forward to FY 2017

III. Consulting Services and Non-audit Services Completed

OIA performed only one advisory service project in FY 2016. It advised TFC’s Surplus Program on its proposed process and procedures for implementing House Bill 229, 84th Legislative Session. OIA did not issue a report for this project.

IV. External Quality Assurance Review (Peer Review)

Due to budget constraints, OIA had planned to participate in the State Agency Internal Audit Forum (SAIAF) Peer Review Program. However, new audit leadership (within OIA) recognizes the urgent need for an External Assurance Review and plans to have one in the summer of 2017, and has requested funding for it. OIA is updating internal audit procedures and policies following recent changes, including those brought about by the implementation of the Audit Management Software, TeamMate®.

V. **Internal Audit Plan for Fiscal Year 2017 (Approved: August 17, 2016)**

Project Name	Hours
Review of Contract Management – Phase Two	500
Review of Facilities Maintenance	600
Review of Information Security	600
Review of the Ethics Program	300
Follow-up on Prior Internal Audits	600
Review of the Budgeting Process	Reserve Project

Audits included in the above plan were primarily identified through a risk assessment process, in collaboration with Commission members, the Executive Director, Deputy Executive Directors, Division Directors, and staff. Risk assessment is a systematic process for assessing and integrating professional judgments about probable adverse conditions and events. The Institute of Internal Auditors (IIA) defines risk as “the possibility of an event occurring that will have an impact on the achievement of objectives.” The audit planning process considered both the impact and likelihood of such events occurring. The TFC’s auditable activities include organizational units, programs and agency-wide processes, each of which was risk-ranked using specific elements including relative size of the unit, potential impact on operations, regulatory compliance, public interest, work complexity, audit history, and other factors deemed relevant by OIA and Executive Management.

The *Review of the Budgeting Process* serves as a reserve project. It will be performed in the event that the hours put aside for contingencies i.e. fraud, waste, and abuse investigations and special projects are not fully expended.

The specific scope of each audit in the plan will be determined once the audit team has completed its audit planning process.

Additional High Risks Not Included in the FY 2017 Audit Plan:

Several additional processes/programs were ranked as “high risk” during the annual risk assessment due to their impact on the agency’s mission. An explanation for their exclusion is shown in the table below.

Project Name	Reason Project Was Excluded From The FY 2017 Plan
The Center for Alternative Finance and Procurement	The Center is initiating operations and is in the process of setting up policies and procedures.
Review of Property Management	Property Management is tentatively scheduled for an audit in FY 2018.
IT - Governance	IT Governance is tentatively scheduled for an audit in FY 2018 to avoid overstressing IT staffing resources.

VI. External Audit Services Procured in Fiscal Year 2016

During Fiscal Year 2016, OIA did not have any ongoing external audit services, nor were any such services procured for the time period.

VII. Reporting Suspected Fraud, Waste, and Abuse

The agency has several mechanisms for reporting fraud to the State Auditor’s Office (SAO). These mechanisms satisfy the requirements of Article IX, Section 7.09, the General Appropriations Act (83rd Legislature, Conference Committee Report), and the Texas Government Code, Section 321.022.

Fraud Reporting per Article IX, Section 7.09, the General Appropriations Act (83rd Legislature, Conference Committee Report)

TFC has a link for reporting fraud, waste, and abuse on the agency’s intranet. The link includes definitions of fraud, waste, and abuse, and provides information on how to report suspected fraud, waste, and abuse involving state resources. In addition, the agency’s website provides a direct link to SAO’s fraud, waste, and abuse webpage.

Compliance with Texas Government Code, Section 321.022

The agency’s Fraud, Waste and Abuse policy and OIA’s fraud procedures define fraud, waste, and abuse and provide staff with guidance on how to report fraud and/or suspected fraud. The policy

assigns OIA the primary responsibility for the investigation of all suspected fraudulent acts and for coordinating investigative activities. The policy also requires the Executive Administrator to report suspected fraud or unlawful conduct to the State Auditor's Office.

The agency provides all new hires with Ethics training as part of their orientation.