

**Texas Facilities Commission Agency 303**  
**Office of Internal Audit**  
**FY24 Annual Report to the SAO**

**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 2024 and Results**

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

- A. Construction Audit Services - Carry over to FY25. The following engagements are in progress as part of an approved delegation of authority: Design Build Construction Contract and CMR Construction Contracts.
- B. P-Card Audit - Report Number 41 dated September 2024. TFC Procurement should implement controls to ensure compliance with the TFC Payment Card Manual; TFC Procurement should implement effective accountability measures for P-Card use and designate someone within TFC operations for monitoring accountability; TFC Procurement should implement a reporting mechanism to provide the results of P-Card monitoring activities, accountability measures, and deficiencies to an appropriate level of management with actual authority to ensure compliance; and TFC Accounting should implement a process to ensure accuracy in reporting the TIN number on payment information in compliance with the Comptroller's requirements.
- C. Contract Management Audits - Audit of Uniform General Conditions (UGCs) - Report Number 40 dated August 2024. FDC should review and update the UGCs to ensure compliance with Texas Government Code § 2166 and to support Texas Education Code § 44.035.
- D. TAC § 202 Audit and Assessment of Prior Recommendations - Report Number 31 dated April 2024. Confidential report.
- E. Cybersecurity Training Audit - Report Number 34 dated June 2024. A security coordinator should be assigned to manage external partner users. The security coordinator should be accountable for: adding external partners to the Learning Management System; documenting the exemption status; obtaining and uploading attestation of other agency training; or requiring TFC cybersecurity training. A procedure for Training Coordinators to monitor the completion of the training within the required timeline of four weeks for external partners should be developed and disseminated and to escalate any non-compliance for new users of TFC systems.
- F. CAPPS Conversion User Access Audit - Report Number 38 dated August 2024. A process to define CAPPS roles and permissions by job positions or responsibilities

**Texas Facilities Commission Agency 303**  
**Office of Internal Audit**  
**FY24 Annual Report to the SAO**

should be documented for assigning access to users of FIN and HCM modules while utilizing the concepts of least privilege and appropriate segregation of duties; Periodic, documented monitoring of users' actions in the CAPPs application is recommended.

G. Border Wall Program - *Carry-over from FY23. Not started.*

H. 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.

Process and Training Forum July 11, 2024. Training - Contracting risks and controls.

Best Practices in Construction Cost Control August 23 and August 30. Training.


**IV. External Audit Services Procured in Fiscal Year 2024**

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 February 2024 to continue these services through February 2025.

**V. External Quality Assurance Review (Peer Review)**

The division completed a peer review on April 8, 2024.

We reviewed the internal quality control system and conducted tests to determine if the internal quality control system operated to provide reasonable assurance of conformance with the IIA *Standards*, the GAO *Standards*, and the Texas Internal Auditing Act. Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case but does imply adherence in most situations. Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Commission's Internal Audit Department receives a rating of: **Pass/Generally Conforms**.

  
Marios Pappounas, CIA, CFE, CISA, CGFM  
Director of Internal Audit  
Office of the Governor

**Texas Facilities Commission Agency 303**  
**Office of Internal Audit**  
**FY24 Annual Report to the SAO**

**VI. Internal Audit Plan for Fiscal Year 2025 (Approved June 2024)**

Estimated effort for all projects is 9,000 hours. Additional resources have been requested for FY25 because of the increase in administrative overhead, complexity of activities and need for succession planning for Internal Audit.

- A. Construction Audit Services - Review select construction transactions for compliance.
- B. Procurements and Contract Management Audits - Determine if selected procurements and contracts comply with the State of Texas Procurement and Contract Management Guide.
- C. Information Technology Reviews - Determine if project management standards and methodologies are utilized to control and secure the implementation of software and hardware solutions and associated data.
- D. Business Process Audit - Determine if business systems and processes have controls in place to measure and manage support for TFC functions and operations.
- E. Border Wall Program - *Carry-over from FY24.*
- F. Implementation Status of Recommendations - Report on the implementation of prior audit findings and other matters.
- G. Internal Quality Assurance and Improvement Program (QAIP) Assessment - Self-evaluation of Internal Audit's conformance with Auditing Standards.
- H. Complaints, Hot Line Calls, and Investigations - As required by the Texas Internal Auditing Act.
- I. Consulting Engagements and Non-Audit Services - As requested by management to address governance, risk management, and control processes.
- J. Liaison Activities - Respond to external requests for information or action and perform tasks as required.
- K. 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

**Texas Facilities Commission Agency 303**  
**Office of Internal Audit**  
**FY24 Annual Report to the SAO**

- iii. Communication of the resource requirements and limitations, if applicable.

Significant work was performed on information technology risks in FY24 including compliance with Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards), Cybersecurity Training, and the consolidation of prior findings and recommendations. TFC IT's corrective actions will be verified and validated, based on risk, to determine implementation status as part of the FY25 audit plan.

Methods for ensuring compliance with contract processes and controls and for monitoring agency contracts, as required by Texas Government Code Section 2102.005(b) are covered in the list of projects approved for the FY25 Audit Plan.

**VII. Reporting Suspected Fraud and Abuse**

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