Texas Facilities Commission

Internal Audit Annual Report

Fiscal Year 2015

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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 2016, 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 2016. Management has indicated that implementation of audit recommendations is progressing on schedule and that the outstanding ones will be implemented by their due date.

II. **Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

This section is not applicable. The agency is not a higher education institution.

III. **Internal Audit Plan for Fiscal Year 2015 (Revised June 2015)**

The status of the Revised Audit Plan for FY 2015 is shown in the table below.

Project	Current Status
Review of Human Resources Management	Completed. Report issued - April 2015
Review of the Federal Surplus Property Program	Completed. Report issued - June 2015
Management Consulting: Contract Management	Not Requested
Developing and implementing OIA's Audit Improvement Plan	Presented to the Commission in March 2015. Ongoing
Implementation of TeamMate®	In progress

Deviations from the original 2015 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 2015 Audit Plan. The revised plan was approved by the Commission in June 2015. The main changes in the plan were the postponement of six planned audit projects, the cancellation of one project and the addition of two administrative projects.

The revisions are detailed below:

Original Audit Plan for FY 2015	Current Status
Review of Human Resources Management	Completed. Report Issued – April 2015
Review of the Federal Surplus Property Program (FSPP)	Completed. Report issued – June 2015
Administrative and Statutory Projects	Completed – August 2015
Badging and Key Management	Carried forward to FY 2016
Property Management (PREM)	Carried forward to FY 2017
Facilities Maintenance (PREM)	Carried forward to FY 2016
Contract Management	Carried forward to FY 2016
Facilities Operations & Controls	Carried forward to FY 2016
Follow-up on SAO (3) Audits	Carried forward to FY 2016
Management of TFC Assets	Cancelled

IV.   **Consulting Services and Non-audit Services Completed**

OIA did not perform any consulting or non-audit services in FY 2015.

V.   **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 a peer review and plans to have one in the summer (2016), and has requested funding for it. OIA is updating internal audit procedures and policies following recent changes, including those brought about with the implementation of the Audit Management Software, TeamMate®.

VI.   **Internal Audit Plan for Fiscal Year 2016 (Approved: September 16, 2015)**

Project Name	Hours
Review of Contract Management	600
Review of Badging and Key Management	450
Review of Facilities Operations and Controls	400
Review of Facilities Maintenance	400
Review of Information Security	400
Review of the Ethics Program	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 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 Ethics Program 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 2016 Audit Plan:

An additional several 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 2015 Plan
Review of Property Management	Project is scheduled for FY 2017.
Review of Project Management	Project is tentatively scheduled for FY 2017.
IT - Governance	Project is tentatively scheduled for FY 2017 to avoid overstretching IT staffing resources.
Review of Risk Management	Risk Management is undergoing significant changes in both management and procedures. An audit at this time would prove disruptive to the program.

VII.   **External Audit Services Procured in Fiscal Year 2015**

During Fiscal Year 2015, OIA did not have any ongoing external audit services, nor were any services procured for the time period.

VIII.   **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.