

AUDIT PLAN FOR FY 2016
TEXAS FACILITIES COMMISSION



Submitted by

THE OFFICE OF INTERNAL AUDIT

Amanda G. Jenami, CPA, CISA, CFE, CIA, CGAP, CCSA, MBA
Gerard Edimo, MBA
Jennifer Wu

**Texas Facilities Commission
Audit Plan for FY 2016
Approved September 2015**

TABLE OF CONTENTS

Introduction	1
The Risk Assessment Process	1
Proposed Audits	2
Follow-up on Management Implementation of Prior Audits.....	4
Consulting Services and Contingencies	4
Implementation of Audit Management System	4
Annual Internal Audit Report	4
Coordination with External Audit Groups	4
Periodic Reporting to the Commission and Executive Management	5
Involvement with Professional Organizations.....	5

Chair
Betty Reinbeck

Commissioners
William D. Darby
Virginia Hermosa
Brant C. Ince
Mike Novak
Jack W. Perry
Alvin Shaw



Executive Director
Harvey Hilderbran

Mailing address:
P. O. Box 13047
Austin, TX 78711-3047
(512) 463-3446
www.tfc.state.tx.us

**Texas Facilities Commission
Office of Internal Audit
Audit Plan for Fiscal Year 2016
Approved September 2015**

Introduction

The purpose of the Audit Plan is to outline audits and other activities the Office of Internal Audit (OIA) will conduct during fiscal year 2016. The Plan is developed to satisfy responsibilities established by the Texas Facilities Commission's (TFC) Internal Audit Charter, Texas Internal Auditing Act (Chapter 2102, Title 10, Government Code), Government Auditing Standards, and the Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA).

OIA is an independent, objective assurance and consulting function designed to add value to the operations of TFC. It assists TFC in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through providing objective reports, recommendations, counsel, and information on the adequacy and effectiveness of TFC's system of internal controls and the quality of performance.

THE RISK ASSESSMENT PROCESS & PROPOSED AUDITS

The Risk Assessment Process

Audits included in this Plan were primarily identified through a risk assessment process, in collaboration with Commission members, agency leadership, division directors, and staff. Risk assessment is a systematic process for assessing and integrating professional judgements 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. TFC's auditable activities include both organizational units and agency-wide processes, each of which was risk-ranked using specific elements including relative magnitude, potential impact on operations, public interest, regulatory requirements, work complexity, audit history, the internal control environment, and other factors deemed relevant by OIA and executive management.

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.

Texas Facilities Commission
Audit Plan for FY 2016
Approved September 2015

- Reviewing external audits and reviews of TFC conducted by the State Auditor’s Office (SAO), the Sunset Advisory Commission, and other external agencies.
- Consulting with SAO and other oversight bodies.
- Reviewing prior audit report findings and recommendations, and budgetary information.
- Evaluating information about key agency business areas, processes, and systems.

The 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 result of the annual risk assessment is an informed perspective on the current risk environment, including a prioritization of risks that are scalable to available resources. The proposed audit list was determined to ensure that the risks identified in the annual risk assessment are adequately covered within a “reasonable time frame,” as required by the Government Code, Section 2102.006. To meet this “reasonable time frame” requirement, this audit plan is part of a strategic plan to review all core auditable units within five years.

Chapter 2102.006 of the Government Code requires an agency’s governing board to “periodically review the resources dedicated to the internal audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame.”

Proposed Audits

Apart from the reserve project, Review of the Ethics Program, the proposed audit is mostly comprised of audits that not only ranked “high” in the risk assessment but were also brought forward from fiscal year 2015, as follows:

(i) Review of Contract Management

Determine the extent to which TFC contract management processes ensure that agency goals are accomplished efficiently and effectively, and in compliance with relevant regulations, policies and procedures. Further, determine the extent to which contract management activities (including contract planning, contract procurement, contract formation and contract oversight) are performed in line with the *State of Texas Contract Management Guide*. Furthermore, determine the extent to which contract management processes include adequate vendor performance monitoring procedures to ensure deliverables are met in a timely manner.

(ii) Review of Badging and Key Management

Determine the extent to which badging and key management processes ensure TFC’s and client agencies’ goals are accomplished in an efficient and effective manner, and in compliance with relevant laws, policies and procedures. Determine the extent to which management has

Texas Facilities Commission
Audit Plan for FY 2016
Approved September 2015

implemented recommendations from SAO's *Report of Physical Controls at Selected State Agency Data Centers*.

(iii) Review of Facilities Operations and Controls

Determine the extent to which agency processes ensure agency plant operations' goals are accomplished efficiently and effectively, in compliance with relevant regulations, inter-agency agreements and procedures, and in a manner that provides a comfortable, safe and healthy environment. In addition, determine the extent to which management has implemented relevant recommendations from the Sunset Commission Report.

(iv) Review of Facilities Maintenance

Determine the extent to which agency processes ensure the agency's facilities maintenance goals are accomplished efficiently and effectively, in compliance with relevant regulations, inter-agency agreements and procedures, and in a manner that provides a comfortable, safe and healthy environment.

(v) Review of Information Security

Review the processes and controls over information security to determine whether the agency's network infrastructure and automated information systems are adequately safeguarded, information security resources are used efficiently and effectively and in compliance with relevant laws, policies, and procedures. Further, determine the extent to which the agency's information security risks are identified and appropriately managed. Furthermore, determine the extent to which the availability, integrity, and confidentiality of agency information is attained. Information security includes the integrity, security and reliability of administrative information systems.

(vi) Review of TFC's Ethics Program (Reserve Project)

Examine and assess TFCs ethics program to determine if there are processes in place to encourage employees to report ethical misconduct, promote learning about ethics, and establish and maintain an acceptable agency-wide culture.

The audit 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 full expended.

The specific scope of each audit in the plan will be determined in collaboration with relevant program management, as part of the preliminary individual project planning process. This is followed by an audit planning process which includes consideration of the risk management, control, and governance processes that provide reasonable assurance that:

- Risks are appropriately identified and managed.
- Information is accurate, reliable, and timely.

**Texas Facilities Commission
Audit Plan for FY 2016
Approved September 2015**

- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Operations are efficient and effective.
- Resources are acquired economically, used efficiently, and adequately protected.
- Accountability systems are in place to make sure organizational and program missions, goals, plans, and objectives are achieved.

OTHER PROPOSED INTERNAL AUDIT ACTIVITIES

Follow-up on Management's Implementation of Prior audits

IIA professional standards require OIA to follow-up on audit recommendations to ensure implementation. OIA plans to report on the status of implementation of management action plans from both internal and external audit reports on a semi-annual basis. In addition, the OIA provides an update on the status of audit recommendations in its Annual Report that is distributed to SAO; Governor's Office; Legislative Budget Board, and the Sunset Advisory Commission.

Consulting Services and Contingencies

The internal auditing profession considers consulting and advisory services to management an integral part of its mission. OIA provides advice and suggestions on management issues, concerns, and draft policies and procedures. In addition, to ensure OIA has the flexibility to meet changing needs of TFC and address high priority issues as they arise, time is allocated for unplanned special projects, investigations, and other projects as needed.

Implementation of Audit Management System

The implementation of an audit management system (Teammate® AM) will help streamline the audit documentation and quality assurance processes. In addition, it will provide mechanisms for tracking outstanding audit issues and project time budgets.

Annual Internal Audit Report

The Texas Internal Auditing Act requires state agencies to file an annual internal audit report by November 1. The report summarizes OIA activities of the previous year.

Coordination with External Audit Groups

OIA coordinates the audit activities of external groups, including SAO.

**Texas Facilities Commission
Audit Plan for FY 2016
Approved September 2015**

Periodic Reporting to the Commission and Executive Management

The Chief Auditor reports on status of audit activities to the seven-member Commission and executive management on a regular basis. In addition, OIA provides consultative information to the TFC Executive Director, management, and staff.

Involvement with Professional Organizations

In an effort to keep abreast of changes in the internal audit profession and best practices in auditing, fraud, state government and information security management issues, OIA actively participates in professional auditing organizations including:

- Institute of Internal Auditors (IIA),
- Texas State Agency Internal Audit Forum (SAIAF),
- Association of Certified Fraud Examiners (ACFE), and
- Information Systems Audit and Control Association (ISACA).

Presented and approved on September 16, 2015