

AUDIT PLAN FOR FY 2018
TEXAS FACILITIES COMMISSION



Submitted by

THE OFFICE OF INTERNAL AUDIT

Amanda G. Jenami, CPA, CISA, CFE, CIA, CGAP, CCSA, MBA
M. Betsy Schwing, CPA, CFE, CGMA
Donna Steadman, CPA, CISA, CIA

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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 2018
Approved August 2017**

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 2018. 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, Texas Government Code), Government Auditing Standards, and the Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA).

OIA's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. OIA 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.

Texas Facilities Commission

Physical address: 1711 San Jacinto Blvd, Austin, Texas 78701

◆ ★ *Planning and administering facilities in service to the State of Texas* ★ ◆

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 the State Auditor’s Office (SAO), the Sunset Advisory Commission, and other external agencies.
- Coordinating 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 six years.

Chapter 2102.006 of the Texas 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

The proposed audit list is comprised of audits that ranked “high” to “medium” in the risk assessment.

(i) Review of Facilities Maintenance

Determine the extent to which agency processes ensure 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.

(ii) Review of Contract Management (Phase III)

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 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. Review of Contract Management (Phase III) will focus on Planning & Real Estate Management (PREM) contracts.

(iii) Review of Internal Architecture, Engineering and Construction (AEC) Services

Determine the extent to which Internal AEC Services' processes ensure agency goals are accomplished effectively and efficiently, and in compliance with relevant regulations, policies, and procedures. Further, determine the extent to which Internal AEC Services' processes are adequate to provide design and construction services for small interior remodeling projects that require a quick turn-around. Furthermore, determine the extent to which Internal AEC provides technical support to the Facilities Design and Construction management team and client agencies outside the Austin area. Internal AEC is made out of two programs, Minor Construction and Project Support, which together make up a design-build team.

(iv) Review of the Federal Surplus Freight Solicitation Process

Determine the extent to the Federal Surplus Freight Solicitation Process ensures that the Federal Surplus Program's goals are accomplished efficiently, effectively and in compliance with relevant regulations, policies, and procedures. Identify opportunities to streamline the freight solicitation process.

(v) Post-Construction Audits

For a sample of completed projects, determine the extent to which agency processes ensure the project meets stakeholder requirements. Further, determine the extent to which agency processes ensure the vendor complies with contractual requirements (including those regarding required project documentation and records retention, timely project completion and closeout, and warranty period provisions). Furthermore, determine the extent to which agency processes include post-project assessment and lessons learned activities.

The post-construction audits (requested by management) are not overpayment recovery audits. The Texas Comptroller of Public Accounts is statutorily required by Texas Government Code, Chapter 2115, to contract with consultants to perform overpayment recovery audits at certain state agencies (including TFC). OIA's specific scope for each of the post-construction audits will be determined in collaboration with program management.

(vi) Review of Revenue Management (Reserve Project)

Determine the extent to which revenue management processes have controls to ensure objectives are met efficiently and effectively, and in compliance with federal and state regulations, agency policies and procedures and contract requirements. Further, determine

whether agency processes ensure accounts receivables are collected timely and that financial reporting is performed in an accurate and timely manner. Furthermore, determine the extent to which revenue management processes ensure agency assets are safeguarded.

(vii) Review of the Procurement Card Program (Reserve Project)

Determine the extent to which agency processes ensure compliance with Procurement Card purchasing rules. In addition, determine the extent to which the agency's P-Card processes prevent and detect fraud and misuse.

Both the Review of Revenue Management and Review of the Procurement Card Program serve as reserve projects. They 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 OIA's reviews 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.
- 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 management consulting and advisory services 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.

Quality Assurance and Improvement Program

OIA maintains an ongoing Quality Assurance and Improvement Program (QA&IP) and performs ongoing monitoring of the quality of internal audit activities as well as periodic reviews performed through self-assessment. Both IIA's Internal Standards for the Professional Practice of Internal Auditing and GAO's Generally Accepted Government Auditing Standards (GAGAS) require the results of these periodic assessments to be communicated to the governing body at least annually. OIA has reserved some time to perform and report on the internal Quality Assurance Review.

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.

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),
- Texas Society of Certified Public Accountants (TSCPA),

- American Institute of Certified Public Accountants (AICPA),
- Association of Certified Fraud Examiners (ACFE), and
- Information Systems Audit and Control Association (ISACA).

Presented and approved on August 24, 2017

Robert D. Thomas
Chairman

Amanda G. Jenami
Internal Audit Director