

AUDIT PLAN FOR FISCAL YEAR 2017
TEXAS FACILITIES COMMISSION



Submitted by

THE OFFICE OF INTERNAL AUDIT

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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 2017. 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), Generally Accepted Government Auditing Standards issued by the U.S. Government Accountability Office and the Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA).

The 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 by 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

Audits included in this plan were 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 the OIA and executive management.

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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.
- Consulting with the 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 of Texas 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 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 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 Budgeting, the proposed audit list is comprised of audits that not only ranked "high" in the risk assessment but were also brought forward from Fiscal Year 2016, as follows:

(i) 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.

(ii) 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

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attained. Information security includes the integrity, security, and reliability of administrative information systems.

(iii) Review of the Ethics Program

Examine and assess TFC's 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.

(iv) Review of Budgeting (Reserve Project)

Determine the extent to which the agency's budgeting process has adequate controls to ensure the budget is established efficiently, effectively and in compliance with state regulations and guidelines. In addition, determine the extent to which reporting processes ensure the accuracy, reliability, and timeliness of budget information.

This 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 fully expended.

The specific scope of each individual audit in the plan will be determined in collaboration with relevant program management, as part of the preliminary project planning process. This is followed by a comprehensive assessment 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.

In addition to performing audit engagements, the OIA is responsible for other internal audit activities including the following:

Follow-up on Management's Implementation of Prior Audits

The IIA professional standards require the OIA to follow-up on audit recommendations to ensure implementation. The 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 Internal Audit Report distributed to the SAO; the Governor's Office of Budget, Planning, and Policy; the Legislative Budget Board, and the Sunset Advisory Commission.

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Consulting Services and Contingencies

The internal audit profession considers management consulting and advisory services an integral part of its mission. The OIA provides advice and suggestions on management issues, concerns, and draft policies and procedures. In addition, to ensure the 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.

Preparation for Peer Review

Professional auditing standards require periodic external assessments (peer reviews) designed to evaluate the internal audit activity. The OIA will prepare for and undergo a comprehensive, self-assessment that will be used by the peer review team.

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 the OIA activities of the previous year.

Coordination with External Audit Groups

The OIA coordinates audit activities with external groups, including the 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, the 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, the OIA actively participates in professional organizations including:

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

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