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TO: Commissioners

FROM: Amanda Jenami, Chief Auditor

DATE: December 4, 2017

SUBJECT: Status of Management's Implementation of Audit Recommendations

ACTION REQUESTED

Review and discuss the report on the status of management's implementation of both external and internal audit recommendations as of November 30, 2017, as attached.

BACKGROUND

The Office of Internal Audit's (OIA) procedures require the Chief Auditor, on a semi-annual basis, to submit a report to the Commission on the status of management's implementation of audit recommendations. The objective is to determine the status of the outstanding audit recommendations made by the OIA and by the State Auditor's Office (SAO) since fiscal year 2015.

We accomplished this by requesting a narrative summary of the current status of each recommendation from the individuals identified as being responsible for implementing the recommendations. Additionally, we requested and reviewed documentation supporting the actions taken. We used telephone, face-to-face, and email communication to gain a more complete understanding of the status summary or supporting documentation. Finally, if warranted, we tested the established controls to assure that the original audit issue had been resolved.

KEY ISSUES

As of November 30, 2017, and for the audits since fiscal year 2015, 76% (16 out of 21) of the SAO recommendations and 60% (76 out of 126) of those from OIA have been fully implemented. Of the 55 recommendations that are still pending, 37 (67%) are older than 21 months. OIA plans to report on the status of management's implementation of the two SAO reports, in accordance with Texas Government Code, Section 321.014. Attachment 1 shows a status summary by project. Attachment 2 provides status details by recommendation, with the exception of those for the Review of Building Access, which was issued under confidential seal.

Attachments:

c: Harvey Hilderbran

Texas Facilities Commission

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

Texas Facilities Commission (TFC)
Office of Internal Audit (OIA)
Implementation Status Of Audit Recommendations
As of November 30, 2017
December 4, 2017

Item #	Project Name, Report #, & Issue Date	Implemented		Pending		Total
External Audits (by the State Auditor’s Office (SAO))						
1.	SAO’s Review of Selected Contracts at the TFC (Report # 15-001); Issued: September 2014	15	88%	2	12%	17
2.	SAO’s TFC’s Compliance with Requirements Related to the Historically Underutilized Business (HUB) and State Use Programs (Report # 17-030); Issued: April 2017	1	25%	3	75%	4
Internal Audits (by TFC’s Office of Internal Audit (OIA))						
1.	Review of Human Resources Management (Report # 20150101) Issued: April 2015	28	76%	9	24%	37
2.	Review of Plant Operations and Building Automation (Report # 20160201) Issued: November 2015	8	36%	14	64%	22
3.	Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016	18	75%	6	25%	24
4.	Review of Building Access (Report # 20160102) Issued: March 2016	19	61%	12	39%	31
5.	Review of Contract Management (Phase Two) (Report # 20160101-2) Issued: January 2017	3	25%	9	75%	12

Attachment 2.1

**Texas Facilities Commission (TFC)
Office of Internal Audit (OIA)
Outstanding Audit Issues Tracking Matrix**

SAO's Review of Selected Contracts at the Texas Facilities Commission (TFC) Report # 15-001) - Issued September 2014			
Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.AThe Commission Did Not Verify That the Property Management Services Contractor Performed All Required Maintenance or Consistently Managed Physical Access.	(i) Ensure that the property management services contractor performs all required services and completes required reports for maintenance, security, and custodial services as required by the contract.	The Commission is formulating checklists to document and ensure that the property management services contractor is performing all required services. In addition, the Commission is reviewing the contract requirements to ensure that the documentation provided is of substance and brings the best value to the State. Target Implementation Date: 1/31/2016	Implemented
	(ii) Ensure that the Commission receives and approves all checklists as required by the contract.	The Commission is implementing procedures to monitor the receipt of checklists and to document its approval of the checklists. Target Implementation Date: 1/31/2015	Implemented
	(iii) Document site visits to serve as a record of contract management and verify that acceptable levels of service are maintained.	The Commission is developing a checklist to be used by the contract manager during site visits to document both the site visit and to verify the adequacy of the property management service contractor's performance. Target Implementation Date: 1/31/2015	Implemented
	(iv) Develop and implement written contract monitoring policies and procedures for the division that manages property management services contracts.	The Commission is developing written contract management procedures and will place an emphasis on ongoing training of contract management staff. Target Implementation Date: 8/31/2015	Implemented
	(v) Amend the Commission's property management services contract for changes in responsibility between the property management services contractor and the Commission.	The Commission will amend the property management services contract to address the changed responsibilities. Target Implementation Date: Completed	Implemented

SAO's Review of Selected Contracts at the Texas Facilities Commission (TFC) Report # 15-001) - Issued September 2014

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.A The Commission Did Not Verify That the Property Management Services Contractor Performed All Required Maintenance or Consistently Managed Physical Access. (Continued)	(vi) Establish guidelines for its property management services contractor to manage access to its buildings and verify that the property management services contractor follows those guidelines.	The Commission will establish guidelines for the property management services contractor in providing access to the building. Target Implementation Date: 1/31/2015	Pending Revised Target Implementation Date: 1/1/2018
1.B While the Commission Ensured That Billings for the Property Management Services Contract Were Valid and Supported, It Should Improve Its Processes for Change Orders and Passwords.	(i) The Commission should monitor payments to its contractor to ensure that contract payments do not exceed the contract price.	The Commission will amend the property management services contract to include funds for additional services. A delivery release will be applied to the purchase order when an additional service is required. Target Implementation Date: 1/31/2015	Implemented
	(ii) Monitor change orders to ensure compliance with contract requirements.	In addition to amending the contract to include funds for additional services, the Commission is evaluating increasing the threshold at which the need for a contract amendment is triggered. Target Implementation Date: 1/31/2015	Implemented
	(iii) Ensure password policies for accounting system comply with password configuration standards.	The password requirement for access to GFAS system will be strengthened to comply with password configuration standards. Target Implementation Date: 12/1/2014	Implemented

SAO's Review of Selected Contracts at the Texas Facilities Commission (TFC) Report # 15-001) - Issued September 2014

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.C The Commission Generally Monitored the CMR Contract to Verify That the Contractor Performed According to the Contract Terms.	(i) Verify that performance and payment bonds are obtained within 10 days of a fully executed guaranteed maximum price.	In general, the notice to proceed (NTP) will be withheld until approved bonds have been received. Target Implementation Date: 1/31/2015	Implemented
	(ii) Ensure that all required payment application documents are requested and obtained.	The Commission will revisit procedures and provide training to ensure that this requirement is not overlooked in the future. Target Implementation Date: 1/31/2015	Implemented
1.D The Commission Should Verify Compliance with Criminal Background Check Requirements.	(i) Ensure that contractor and subcontractor employees receive required criminal background checks prior to working on site.	For emergency and/or short duration activities where there is not sufficient time to perform a background check, law enforcement or other security trained escorts will be used to monitor workers on state property. Target Implementation Date: 1/31/2015. The Commission is implementing procedures to ensure that the property management services contractor and their subcontractor have received criminal background checks. Target Implementation Date: 1/31/2015	Implemented
	(ii) Ensure that the Commission has a list of contractor and subcontractor employees and the dates those employees began working on site for the Commission.	The Commission is implementing procedures to ensure that it has a list of all property management services contractor's employees and their subcontractor's employees including dates they began working onsite. Target Implementation Date: 1/31/2015	Implemented
	(iii) Ensure that contracts are clear about which contractor and subcontractor employees must receive criminal background checks, and that processes align with those requirements.	The Commission is implementing procedures to ensure that the requirements for criminal background checks for subcontractors is clear to the property management services contractor. Target Implementation Date: 1/31/2015	Pending Revised Target Implementation Date: 1/1/2018

SAO's Review of Selected Contracts at the Texas Facilities Commission (TFC) Report # 15-001) - Issued September 2014

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
2. The Commission Did Not Always Plan or Form the Contracts in Accordance with State and Commission Requirements.	(i) Include all required essential clauses in contracts.	The Commission has updated all contract templates to include the essential clauses. Target Implementation Date: Completed.	Implemented
	(ii) Formally document planning process for all contracts, including a completed cost estimate, needs assessment, and risk assessment.	The Commission will reinforce the importance of the documentation with the employees now responsible for those areas. Target Implementation Date: Completed.	Implemented
	(iii) Ensure that all contract managers have a documented training plan and attend the required contract manager training courses.	The Commission agrees with the need to identify which staff members are subject to the contract-manager training requirements, identify cost-effective training, and develop a plan for training the affected employees. Target Implementation Date: 3/01/2015	Implemented

Attachment 2.2

Texas Facilities Commission (TFC)
Office of Internal Audit (OIA)
Outstanding Audit Issues Tracking Matrix

SAO's TFC's Compliance with Requirements Related to the Historically Underutilized Business (HUB) and State Use Programs (Report # 17-030); Issued: April 2017			
Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
Chapter 1-B The Commission Conducted Its Procurement and Contract Monitoring Program in Compliance with Most HUB-related Statutes and Rules	The Commission should develop and implement a process to help ensure that contractors submit monthly Progress Assessment Reports as required by the Texas Administrative Code.	TFC generally complies with the requirements of Title 34, Texas Administrative Code, Section 20.285(b). TFC will seek an exception (or rule change) from the Comptroller of Public Accounts' Statewide HUB Program to allow PAR submission to match a non-monthly contract's invoicing schedule. Target Implementation Date: 8/31/2017	Pending
Chapter 2 The Commission Generally Complied with State Use Program Reporting Requirements; However It lacked a Documented Process to Report Exceptions	The Commission should: <ul style="list-style-type: none"> • Develop and implement a documented process to help ensure that its purchasers check the TIBH Industries catalog for all purchases and procurements prior to purchasing from a non-TIBH Industries vendor. • Develop and implement a process to report all exceptions to purchasing from TIBH Industries to the Comptroller's Office and the Texas Workforce Commission, as required. 	The Commission agrees to develop a more defined process of researching and documenting exception reporting. Target Implementation Date: 6/30/2017	Pending

**SAO's TFC's Compliance with Requirements Related to the Historically Underutilized
Business (HUB) and State Use Programs (Report # 17-030); Issued: April 2017**

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
Chapter 3 The Commission Should Strengthen Certain Controls Over Its Information Technology Systems	The Commission should: <ul style="list-style-type: none"> • Develop and document a comprehensive change management process that ensures appropriate segregation of duties for its financial accounting system and legal contracts database. 	The Commission agrees to develop and document a comprehensive application change management process for all in-house development (e.g. contracts database). Target Implementation Date: 9/30/2017	Implemented
	<ul style="list-style-type: none"> • Implement a process to review the data entered in its legal contracts database for completeness and accuracy. 	TFC agrees and considers the integrity and accuracy of the data within the legal contracts database to be important and will perform a cost/benefit analysis of implementing a review process or electronic edit checks within the system. Management expects to have the cost/benefit analysis completed and implemented by August 31, 2018. Target Implementation Date: 8/31/2018	Pending

**Texas Facilities Commission (TFC)
Office of Internal Audit (OIA)
Outstanding Audit Issues Tracking Matrix**

Review of Human Resources Management (Report # 20150101) Issued: April 2015			
Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.1 Operational Effectiveness: Human Resources' Staffing	(i) Hiring and retaining a seasoned credentialed Human Resources director to lead Human Resources staff in providing the agency with guidance on personnel matters.	Management agrees that the agency has lacked the continuity in leadership and staff in Human Resources over the last few years to provide the sustained level of management and oversight needed to provide adequate controls over the agency's human resources operations. The Executive Director has finished interviewing qualified finalists for the position of Director of Human Resources and a candidate has been selected. Target Implementation Date: 4/13/2015	Implemented
	(ii) Changing Human Resources' current reporting structure by having them report directly to the Executive Director.	The Director of Human Resources will report directly to the Executive Director and will be instructed to work with management to develop and implement the appropriate mission statement, formal goals, performance measures and targets for the Human Resources function as well as to adequate staffing levels are maintained to ensure the operational efficiency of the function.	Implemented
	(iii) Working with the Human Resources director, developing and implementing a mission statement, formal goals, performance measures and targets for the Human Resources function.	Target Implementation Date: 9/1/2015	Pending

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.2 Operational Effectiveness: Work Environment	(i) Changing the organizational structure to have Human Resources reporting directly to the Executive Director. This should not only empower the Human Resources director to make the changes that are needed but also assist with earning back the trust of staff.	Management agrees that having the Director of Human Resources report to the Executive Director will facilitate changes that are needed to ensure the sustained level of management and oversight needed to provide adequate controls over and increase confidence in the agency's human resources operations. Management will work with the Director of Human Resources to improve agency-wide communications, to hold agency-wide meetings as appropriate within agency operational constraints, to seek anonymous employee input on the work environment through periodic employee engagement surveys and to continue to encourage and support employee committees in their efforts for agency-wide activities such as fundraising events to provide funds for the Annual Chili Cook-Off and employee recognition events. Target Implementation Date: 4/13/2015	Implemented
	(ii) Improving communication via agency-wide meetings, and periodic emails on legislative updates and other topics of interest.		Implemented
	(iii) Improving the work environment by hosting employee appreciation and social events, including administrative professionals' day and bosses' day.		Implemented
	(iv) Seeking anonymous employee feedback on the work environment through periodic employee engagement surveys.		Pending
	(v) In consultation with the staff, finding ways to make work "fun."		Implemented
1.3 Operational Effectiveness: Succession Planning	Management should develop and implement a formal succession plan.	Management agrees that succession planning is important to ensure continuity of operations when key personnel leave the agency for whatever reason. Management will direct the Director of Human Resources to work with executive management staff and key managers in each program area to develop effective succession plans, including cross training personnel and ensuring adequate documentation of essential procedures to avoid disruption to key functions as a result of the planned or unplanned separation of agency personnel. Target Implementation Date: 11/1/2015	Pending

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.4 Operational Effectiveness: Employee Turnover and Staff Retention	(i) Performing periodic compensation surveys (against other agencies and industry).	Management agrees that employee turnover creates significant challenges for the agency and also agrees that hiring and retaining a seasoned Director of Human Resources will help the agency develop and implement an effective strategy to address this issue. Management will work with the Director of Human Resources to develop and implement procedures for performing periodic compensation surveys, including comparisons for similar job classifications in both public and private entities. Target Implementation Date: 4/13/2015	Implemented
	(ii) Providing employees with benefits and flexible work conditions comparable to those offered by other agencies, including employee assistance program, and compensatory time.	Given the nature of most agency operations and functions, it is not practical for the agency to offer options that may be available to employees of other state agencies, such as flexible work hours or the ability to work from home. Target Implementation Date: N/A	Management did not concur with the recommendation - Not Applicable
	(iii) Organizing Thanksgiving and holiday season lunches and other social activities that provide employees the opportunity to meet employees from other divisions in a relaxed atmosphere.	As stated previously, management will also work with the Director of Human Resources to continue to encourage and support employee committees in their efforts for agency-wide activities such as fundraising events to provide funds for employee activities and recognition events. Target Implementation Date: 4/13/2015	Implemented
1.5 Operational Effectiveness: Confidentiality Statements	Management should improve the confidentiality of personnel information by requiring Human Resources staff to sign confidentiality statements. Whenever other agency staff is assigned to assist Human Resources, they should sign a similar statement before accessing personnel files.	Management agrees that Human Resources staff, or any other agency staff assigned to assist in Human Resources, need to be made aware that confidentiality is inherent in their job responsibilities. Management will work with the General Counsel, Internal Auditor, and Director of Human Resources to determine the most appropriate method of addressing this issue. Target Implementation Date: 4/13/2015	Implemented

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.6 Operational Effectiveness: Written Procedures	Human Resources management should develop and implement detailed written procedures to help guide Human Resources and supervisory staff in performing its duties.	Management agrees that written procedures are necessary to ensure effective and consistent operation of the agency's Human Resources functions. Management will direct the Director of Human Resources to develop and implement any additional written procedures necessary to ensure effective and consistent operation of the agency's Human Resources functions. Target Implementation Date: 9/1/2015	Pending
2.1 Hiring Practices: Evaluation of Applicants	In consultation with hiring supervisors, Human Resources should develop a robust applicant screening tool based on pre-determined and job-related selection criteria for each position. HR should ensure each application was evaluated before the interviewing phase.	Management agrees that improvements are needed in the agency's hiring processes related to evaluation of applicants. Management will direct the new Director of Human Resources to work in consultation with hiring supervisors in developing sound applicant screening procedures and to ensure consistent and adequate documentation of the screening process related to each job posting. Target Implementation Date: 9/1/2015	Implemented
2.2 Hiring Practices: Interviewing and Selection	Management should improve interviewing procedures by requiring: (i) Supervisors to interview candidates before recommending them for hire.	Management agrees that improvements are needed in the agency's hiring processes related to the interview and selection process. Management will direct the new Director of Human Resources, in consultation with hiring supervisors, to develop and implement sound interview and selection procedures, including the use of interview panels within or across disciplines as appropriate and the development of appropriate interview questions and selection criteria; to ensure hiring supervisors are fully aware of and trained in following the requirements for the interview and evaluation of applicants; and to ensure consistent and adequate documentation of the interview and selection process related to each job posting, including signed offer letters. Target Implementation Date: 9/1/2015	Implemented
	(ii) Supervisors to interview at least three candidates, especially for managerial positions.		Implemented
	(iii) Human Resources to maintain a log of all applications received for each posting and to stamp each application "received" upon receipt.		Implemented
	(iv) Human Resources to ensure offer letters are signed.		Implemented

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
2.3 Hiring Practices: Reference and Credentials Check	Management should improve the likelihood of hiring applicants that are qualified, knowledgeable and dependable by performing reference and credential checks. The reference checks should be performed by the hiring supervisor. Human Resources should design a standard form to guide supervisors on the questions to ask during reference checks.	Management agrees that improvements are needed in the agency's hiring processes related to checking references and credentials. Management will direct the new Director of Human Resources to develop and implement practical efforts to obtain and document references whenever possible; and to further ensure consistent documentation of verification of prior employment and required credentials. Target Implementation Date: 6/1/2015	Implemented
2.4 Hiring Practices: Performance Plans and Probationary Period Evaluations	Management should improve compliance with the initial employment probationary period policy by: (i) Providing supervisors with training (and coaching) on employee performance plans and evaluations. (ii) Requiring supervisors to develop and discuss formal performance plans with new employees within 30 calendar days of hire. (iii) Requiring supervisors to provide employees with 6-month end-of-probationary period evaluations.	Management agrees that improvements are needed in the agency's hiring processes related to performance plans and end-of-probationary period evaluations. Management will direct the new Director of Human Resources to develop and implement the necessary training and procedures to ensure compliance with the initial probationary period policy. Target Implementation Date: 6/1/2015	Pending Pending Pending
2.5 Hiring Practices: Duration of Job Postings	Management should require postings to be for a minimum of 10 days, and to reserve the use of the "until filled" category for positions that are expected to take longer than 10 days to fill.	Management agrees that improvements are needed in the agency's hiring processes related to the duration of job postings. Management will direct the new Director of Human Resources to always post job openings for at least 10 working days. Target Implementation Date: 4/30/2015	Implemented
2.6 Hiring Practices: "Thank You" Letters	Human Resources staff should send "thank you" letters to all applicants interviewed.	Management agrees that improvements are needed in the agency's hiring processes related to the interview process. Management will direct the new Director of Human Resources to implement procedures to ensure letters are sent to each applicant interviewed upon completion of the interview process. Target Implementation Date: 4/30/2015	Implemented

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
3.1 Employee Training: State-required Training	Management should improve compliance with state law by providing new hires with a link to the online EEO training when they get access to the agency portal.	Management agrees that improvements are needed in the area of state-required employee training. Management will direct the new Director of Human Resources to develop and implement the necessary procedures to ensure compliance with statutory requirements by providing new hires with a link to the online EEO training once the employee has access to the agency portal; and by ensuring consistent documentation of completion of the required training by each employee within the required timeframe. Target Implementation Date: 4/30/2015	Implemented
3.2 Employee Training: Ethics Training	Management should improve employee training by providing ethics training within the first 30 days of hire and every 2 years thereafter.	Management agrees that improvements are needed in the area of ethics training for agency personnel. Management will direct the new Director of Human Resources, in consultation with the agency's General Counsel, to develop and implement the necessary procedures to ensure all agency personnel are provided with ethics training on a regular basis and to ensure consistent documentation that each employee has completed the training. Target Implementation Date: 9/1/2015	Implemented
3.3 Employee Training: New Employee Orientation	Management should improve new employee orientation by: (i) Providing new employees with orientation training within the first 30 days of hire.	Management agrees that improvements are needed in the area of consistently providing new employee orientations on a timely basis. Management will direct the new Director of Human Resources to develop and implement the necessary procedures to ensure all new hires at the agency are provided with new employee orientation on a timely basis, ideally within 30 days but not later than within 60 days of their start date, and to ensure consistent documentation that each employee has completed the training. Target Implementation Date: 9/1/2015	Implemented
	(ii) Streamlining current orientation training.		Implemented
	(iii) Considering inviting new hires to a Commission meeting within the first 60 days of hire.		Implemented

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
3.4 Employee Training: Supervisory Training Program	In consultation with supervisors, management should develop a training program for supervisors. The training should include such areas as hiring, coaching, teambuilding, performance evaluation, customer service and creating performance plans.	Management agrees that improvements are needed in the area of supervisory training for the agency personnel. Management will direct the new Director of Human Resources, in consultation with agency executive staff and agency directors, to develop and implement an effective, comprehensive, and practical training program for all agency staff with supervisory responsibilities. Target Implementation Date: 9/1/2015	Pending
4.1 Employee Separations: Regulatory Compliance	(i) Management should improve compliance with state law by not allowing terminating employees to remain on payroll while running their sick leave balances down.	Management agrees that improvements are needed in the agency's employment separation processes. Management will direct the new Director of Human Resources to ensure compliance with state law regarding proper utilization of leave balances, with appropriate documentation, and to develop and implement	Implemented
	(ii) Human Resources staff should design an elaborate consolidated process that utilizes a single checklist to ensure that all the termination steps are performed by the employee's last day in the office.	improvements to the separation process to ensure all required steps are completed, and consistently documented, by an employee's last day in the office. Target Implementation Date: 4/30/2015	Implemented
4.2 Employee Separations: Safeguarding Agency Assets	Human Resources staff should design an elaborate consolidated process that utilizes a single checklist to ensure all the termination steps are performed by the employee's last day in the office. In addition, Human Resources should work closely with IT to ensure access to information systems is removed timely.	Management agrees that improvements are needed in the agency's employment separation processes related to safeguarding agency assets. Management will direct the new Director of Human Resources to ensure all required steps are completed, and consistently documented, by an employee's last day in the office, including exit interviews and exit surveys. Target Implementation Date: Immediately (April 2015)	Implemented

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
5 Merits and Promotions	Management should require merits to be based on annual employee performance evaluation.	<p>Management agrees that improvements are needed in the agency's employment merit and promotions practices. Management will direct the new Director of Human Resources to develop and implement the necessary procedures to ensure that all employees are provided with formal performance evaluations at least once a year, with supplemental or more frequent reviews as appropriate; to ensure that all supervisory and management personnel are provided with training related to effectively conducting performance evaluations; and to ensure consistent and adequate documentation of all performance reviews, including signature by all involved parties.</p> <p>Target Implementation Date: 9/1/2015</p>	Implemented
6.1 Policies: Discontinuation of Policies and Practices	Management should consider reinstating the practice of employee performance evaluations and the nepotism data form.	<p>Management agrees that policies should not be discontinued without formal rescindment or suspension of the relevant policy. Management will direct the new Director of Human Resources to ensure that, if the determination is made to discontinue, suspend or revise any policy, all agency personnel will be provided with the appropriate notification, accompanied with properly documented acknowledgement forms signed by each employee and returned to Human Resources.</p> <p>Management further agrees that the practice of employee performance evaluations (both end-of-probationary period and annual) should be reinstated, as previously indicated in responses to 2.4 and 5 above. Management will also direct the new Director of Human Resources, in consultation with the General Counsel, to review and make recommendations concerning an appropriate nepotism policy for the agency.</p> <p>Target Implementation Date: 8/31/2015</p>	Pending

Review of Human Resources Management (Report # 20150101) Issued: April 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
6.2 Policies: Fraud, Waste and Abuse Policy	Management should consider improving agency policies/practices by developing and implementing a fraud, waste and abuse policy.	Management agrees that a policy regarding fraud, waste and abuse would help protect agency assets, resources, and interests. Management will direct General Counsel, in consultation with executive staff and others, to develop and implement such a policy. Target Implementation Date: 6/1/2015	Implemented
6.2 Veteran's Employment Preference (Follow-up Review of Human Resources Management - Issued March 2017)	Management should ensure veterans are interviewed in compliance with Texas Government Code and agency policy. Should Texas Government Code allow an exception, management should update the agency policy.	The agency's Screening Applications policy outlines the process by which the hiring authority determines which applicants qualify for interview. The process utilizes two screening phases—initial and secondary—in order to make this determination. The initial screening determines which applicants meet the minimum qualifications of the job posting. In order to further clarify these points, the Human Resources Division has updated the Screening Applications policy to reflect the distinction in the Texas Government Code. This update became effective March 15, 2017. Target Implementation Date: 3/15/2017	Implemented

Attachment 2.4

**Texas Facilities Commission (TFC)
Office of Internal Audit (OIA)
Outstanding Audit Issues Tracking Matrix**

Review of Plant Operations and Building Automation (Report # 20160201) Issued: November 2015			
Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.1 Accountability Framework - Planning	(i) SMART goals to focus program activities and ensure accomplishment of the mission.	Within existing funding and staffing constraints, management will develop and implement a formalized accountability framework for this program that will enable and facilitate development and establishment of SMART goals, key performance indicators, and other tools such as periodic reports, for measuring performance and guiding management decisions for the program as well as agency-wide throughout and across programs and functions. Target Implementation Date: 8/31/2016	Pending
	(ii) A more specific and measurable energy consumption reduction goal including strategies to complement the work of the agency's Energy Work Group and OEM's Resource Conservation Committee's (RCC) efforts initiatives in energy cost- reduction.	Establishment of applicable energy conservation goals for the Plant Operations and Building Automation programs will be formalized in conjunction with overall agency energy conservation goals developed by the agency's Office of Energy Management working cooperatively with Plant Operations management and staff. Target Implementation Date: 8/31/2016	Implemented
	(iii) A set of key performance indicators and targets to assist with keeping track of accomplishment of program goals.		Pending
	(iv) Providing agency management with periodic reports showing variances between actual and target performance.		Pending

Review of Plant Operations and Building Automation (Report # 20160201) Issued: November 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.1 Accountability Framework - Planning (Continued)	(v) Formal customer satisfaction feedback from property managers to assist with meeting stakeholder expectations.	Management will develop an appropriate mechanism to obtain formal customer satisfaction from these customers that recognizes the applicable distinctions between the responsibilities of these two programs and the responsibilities of the building maintenance technicians. This differentiation will be essential to ensure that the appropriate measures are implemented by the relevant program staff. Target Implementation Date: 4/30/2016	Pending
1.2 Accountability Framework - Communication and Coordination	Improve operational efficiency by streamlining (as much as possible) the agency's organizational structure, fostering more interdivisional team cohesiveness, and implementing thematic collaborative strategic goals that bring operating units together.	Management will streamline the organizational structure of Property Management Services in conjunction with a review of the Preventative Maintenance Program which has undergone multiple organizational changes in the past 2-3 years. Target Implementation Date: 4/30/2016	Pending
1.3 Accountability Framework - Integrated Computerized Information Management System	(i) In the short-term, working closely with the agency's Information Technology (IT) division to integrate (as much as possible) current databases to reduce data redundancy.	Program and IT staff have been discussing the requirements for building of electronic interfaces that will eliminate duplicated manual data entry in the work order system (MicroMain) and the procurement system (APS), but a formal project request has not been submitted to IT. Management will ensure a formal project request is submitted to IT by November 30, 2015. Target Implementation Date: 11/30/2015 and 4/30/2016	Pending

Review of Plant Operations and Building Automation (Report # 20160201) Issued: November 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.3 Accountability Framework - Integrated Computerized Information Management System (Continued)	(ii) In the long term, implementing an integrated workplace management system.	To address the physical constraints of these disparate systems that cannot be integrated, the agency's LAR for FY2014-2015 included a funding request for an Integrated Workplace Management System (IWMS) which was not approved and the LAR for FY2016-2017 included a funding request to conduct an assessment for an IWMS which was also not approved. This request for funding both the IWMS and the assessment will be included in the agency's FY2018-2019 LAR for the Commission's consideration. Target Implementation Date: 5/31/2016	Pending
	(iii) Designing and providing management with robust dash-board type reports for periodic monitoring.	In regards to Recommendation (iii), this will be addressed as part of the initiatives addressed under Item 1.1. Target Implementation Date: 11/30/2015 and 4/30/2016	Pending

Review of Plant Operations and Building Automation (Report # 20160201) Issued: November 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.4 Accountability Framework - Human Resources	(i) Increasing staffing levels within the program. Knowledge transfer, stewardship delegation (to Team Leads) accompanied by strong accountability controls could yield much better results.	The reallocation of four existing personnel slots and funding to increase staffing for Plant Operations was approved by the Executive Director in the summer of 2015. Additional personnel slots and funding will be requested in the agency's FY2018-2019 LAR. In addition to the training discussed in the Summary of Management's Response above, management will ensure the proportionate allocation of the limited training funds currently available agency-wide and consistent with prioritized, mission-critical needs. All computers were already scheduled to be and will be replaced in conjunction with the safety-related project to relocate the Plant Operations control room within the basement of the Sam Houston Building. Within staffing constraints, the informal mentoring program will be continued. The new Operations Manager will be instructed to reinstate the regular team meetings that regularly occurred in the past. Target Implementation Date: 5/31/2016	Pending
	(ii) Developing and implementing a staff development program aimed at increasing staff's technical expertise.		Implemented
	(iii) Encouraging participation in such organizations as APPA.		Management has decided not to implement this recommendation Not Applicable
	(iv) Updating program computers to enhance operational efficiency.		Implemented
	(v) Strengthening the mentorship program by implementing controls that ensure mentors are held accountable for the needed knowledge transfer.		Implemented
	(vi) Setting and communicating performance expectations on both individuals and teams, and holding people accountable through ongoing communication and feedback.		Implemented
	(vii) Holding regular team meetings.		Pending
	(viii) Whenever possible, performing teambuilding exercises for an improved team environment.		Pending

Review of Plant Operations and Building Automation (Report # 20160201) Issued: November 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
2 Operational Effectiveness - Scheduled Preventive Maintenance Plan	Improve operational efficiency, employee safety, and energy efficiency by developing and implementing a formal scheduled preventive maintenance program.	<p>Management agrees with the need for improvements in both preventative (scheduled) and remedial (core) maintenance of plant equipment. To address these needs within current staffing and funding constraints, in the summer of 2015, program management and procurement staff began work on a solicitation for contracted services for boiler maintenance, chiller maintenance, and cooling tower maintenance. The Director of Facilities is responsible for management of the contracted vendors as well as the Plant Operations staff and, as discussed under Item 1.2, the Preventative Maintenance staff will also be placed under the management oversight of this position.</p> <p>Target Implementation Date: 3/2016</p>	Implemented
3 Operational Efficiency - Disaster Recovery Planning	Improve disaster recovery planning by bringing the disaster recovery plan up to date and clarifying roles and responsibilities.	<p>Building Automation's disaster recovery plan will be updated to reflect changes in staff's roles and responsibilities regarding database backups. Management will ensure that electronic backups of the data for HVAC, security, and fire that are currently performed will continue and that the data continues to be copied externally to a network attached storage drives located elsewhere.</p> <p>Target Implementation Dates: Disaster Recovery Update: 12/1/2015 Update of Continuity of Operations Plan: 5/31/2016</p>	Pending

Review of Plant Operations and Building Automation (Report # 20160201) Issued: November 2015

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
4 Operational Efficiency - Control Room Processes	(i) Streamlining control room and field technician routines.	Control room and field technician routines will be reviewed and streamlined within existing physical constraints of aged equipment, staffing levels, and funding. Target Implementation Date: 3/1/2016	Pending
	(ii) Automating the collection and recording of temperature (and other) data with the use of hand-held digital scanners would free up time which would allow the operators to focus on the more critical task of monitoring and responding to alarms.	Management agrees that the procurement of digital equipment to automate the collection and recording of data would be beneficial and will determine whether such a system can be purchased and implemented within current budgetary constraints or will need to be included in the agency's FY2018-2019 LAR. Target Implementation Date: 3/1/2016	Pending
5 Regulatory Compliance	(i) Performing an inventory of the agency's boilers and update boiler records.	Boiler records will be updated to ensure all lists are complete. Additionally, the Texas Department of Licensing and Regulation (TDLR) is the official repository of all boiler records and these records are all available on the TDLR website. Target Implementation Date: 12/1/2015	Implemented
	(ii) Maintaining City of Austin's boiler backflow prevention assembly testing reports for at least 3 years.		Implemented

**Texas Facilities Commission (TFC)
Office of Internal Audit (OIA)
Outstanding Audit Issues Tracking Matrix**

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016			
Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.1 Regulatory Compliance – State Required Contract Manager Training	Improve compliance with state required training by: (i) Identifying the employees that serve as contract managers for the agency.	Recommendation (i): Management agrees that the agency’s compliance with state-required training can be improved and, even prior to this audit, had been taking steps to address this issue. Executive management continues to be in communication with the CPA’s office regarding this matter and is frequently monitoring the CPA’s automated Class Registration and Class Schedule so that as classes become available, TFC can register staff. Target Implementation Date: 2/2016	Implemented
	(ii) Developing a formal plan for providing all contract managers with CTCM training.	The list of TFC staff identified for the required training is incorporated into a form that constitutes the formal plan for providing the CTCM training and the plan has been provided to the Director of Human Resources. In consultation with the program areas, the Human Resources Division will maintain an updated list and plan based on staffing changes and the availability of classes. Target Implementation Date: 2/2016	Implemented
	(iii) After providing them with training, requiring contract managers to obtain the CTCM designation, as part of their performance plans.	In addition, the Human Resources Division will work with agency managers to ensure that the employee performance plan of all TFC staff that are required to obtain a CTCM certification includes a provision for this required certification as well as for the relevant continuing education requirements to maintain such certification. Target Implementation Date: 6/2016	Implemented

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.2 Regulatory Compliance – Posting Procedures on Agency Website	Improve regulatory compliance by posting the TFC Contract Management Manual on the agency web site.	<p>At this time, staff has placed a copy of the required TFC procurement documents on the TFC website and has submitted such documents to the Comptroller's office, as also required by Section 2261.256. In addition, staff has been working on the "enhanced contract monitoring" rule and associated procedures to be presented to the Commission in March 2016. Once each of these items is finalized, the procedures and the rule will also both be placed on the agency website. With the addition of the rule and associated procedures, these documents should collectively meet the requirements of Texas Government Code Section 2261.256. As for the TFC Contract Manual, if it is the direction of the Commission to publish this document on the TFC website, then staff will comply.</p> <p>Target Implementation Date: 5/18/2016</p>	Implemented

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.3 Regulatory Compliance – HUB Utilization and Reporting	<p>Improve regulatory compliance and operational effectiveness of the HUB program by:</p> <p>(i) Developing and implementing agency-specific HUB goals, and a formal (written) plan on how the agency is going to accomplish its HUB goals.</p>	<p>Recommendation (i): HUB staff is in the process of collating and obtaining accurate data from past reporting periods in order to develop and implement agency-specific HUB utilization goals. After accurate trend data is verified, staff will propose a plan with agency-specific HUB goals, with an effective date for the goals beginning FY2017 (9/1/2016).</p> <p>Target Implementation Date: 8/31/2016</p>	<p>Implemented</p>
	<p>(ii) Developing and implementing a formal (documented) HUB outreach program, including vendor sign-in sheets at events, evaluations and documented follow-up contacts.</p>	<p>The HUB Coordinator will formally document all outreach activities, including copies of sign-in sheets for vendors and summaries of meetings and follow-up contacts.</p> <p>Target Implementation Date: 8/31/2016</p>	<p>Implemented</p>
	<p>(iii) Developing formal (written) procedures for the program.</p>	<p>The HUB Coordinator is in the process of formally documenting program policies and procedures in writing.</p> <p>Target Implementation Date: 8/31/2016</p>	<p>Implemented</p>
	<p>(iv) Addressing the data integrity issues with the current HUB database.</p>	<p>Staff is currently reviewing alternative solutions to record and track HUB prime and subcontracting utilization with greater efficiency and documentation. One alternative under consideration is implementation of a new software system that would enable the agency's vendors to input their own subcontracting data which would then be reviewed by HUB staff; the other alternative is to refine the agency's current system.</p> <p>Target Implementation Date: 8/31/2016</p>	<p>Implemented</p>

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.3 Regulatory Compliance – HUB Utilization and Reporting (Continued)	(v) Providing senior management with monthly reports, analyzing the agency’s expenditures on HUBs (per progress assessment reports) against HUB subcontracting plans.	Recommendation (v): The HUB Coordinator began issuing monthly reports to management on the status of the agency’s HUB utilization in December 2015. Target Implementation Date: 12/2016	Implemented
	(vi) Merging the completed HUB Subcontracting Plan with the official contract file.	Recommendation (vi): The HUB Coordinator will work with Legal Services to incorporate the initially-approved HUB Subcontracting Plan (HSP) into the official contract file. Target Implementation Date: 8/31/2016	Pending
1.4 Regulatory Compliance – Need/Risk Assessment	Improve regulatory compliance by requiring a review of both the need and risk assessment before the project is submitted for Commission approval, to ensure the contracting team plans for the correct contracting objective.	Management agrees that regulatory compliance can be improved in this area; however, TFC procurement procedures currently require that a needs and risk assessment be completed prior to developing a statement of work for a contract. Procurement staff has been working with the program areas on the needs and risk assessment process and will require that a needs and risk assessment for all contracts be submitted with the initial requisition when it is entered into the Automated Procurement System (APS) in order to ensure appropriate review and documentation within APS. Target Implementation: 2/2016	Implemented

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.5 Regulatory Compliance – Cost Estimate	Improve regulatory compliance by requiring a review of both the cost estimate before the project is submitted for Commission approval.	<p>Management agrees that regulatory compliance in terms of documenting cost estimates can be improved. TFC's customary contracting practices always include development of a cost estimate although the procedures followed will vary depending on the nature of the contract and/or the solicitation process. In order to ensure consistent documentation of cost estimates, Procurement staff will require submission of a cost estimate for all contracts be submitted with the initial requisition when it is entered into the Automated Procurement System (APS) in order to ensure appropriate review and documentation within APS. This requirement will be effective immediately. The proper time for management review of the cost estimate is during requisition approval routing in the APS. This occurs prior to the contract development and posting of the solicitation, long before a project is submitted for Commission approval. TFC management recognizes the importance of adequately documenting the cost estimates prepared for each contract and will be diligent in ensuring this review of the required documentation during the automated requisition approval process.</p> <p>Target Implementation: 2/2016</p>	Implemented
1.6 Regulatory Compliance – Vendor Disclosure of Interested Parties	Improve regulatory compliance by requiring the vendor to submit a vendor disclosure of interested parties before the Executive Director signs the contract.	<p>Staff has implemented this new requirement which applies not only to contracts over \$1 million, but to all contracts that are required to be approved by an agency's governing board. In addition, Legal Services staff has been contacting all contractors that currently contract with the agency and that have contracts approved by the Commission that may be amended/extended/renewed by TFC so these contractors can complete this requirement in advance in order not to hold up any work in the future.</p> <p>Target Implementation Date: 2/2016</p>	Implemented

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.7 Regulatory Compliance – Procedures for Identifying Contracts Requiring Enhanced Monitoring	Improve regulatory compliance by: (i) Developing and implementing the required rule (to outline procedures to identify contracts that require enhanced monitoring, in compliance with accordance with recent legislation).	Management agrees that the required rule has not yet been established. Legal and Procurement staff have been working together on the required rule and have been seeking advice from other agencies, including the Comptroller of Public Accounts and the Office of the Attorney General, regarding appropriate wording and implementation. Target Implementation Date: 3/2016	Implemented
	(ii) Procedures on notifying the Commission of serious issues or risk identified with respect to any of the contracts under enhanced monitoring.	These rules would then be accompanied by detailed risk assessment procedures that can be reviewed and amended easily outside the formal rulemaking process, as necessary, and as the process further develops. Target Implementation Date: 5/2016	
2.1 Operational Efficiency – Contract Clauses and Provisions	Improve contract effectiveness by adopting more specific language on discounts, rebates and refunds. Seek the advice of legal counsel, if deemed necessary.	Management agrees with this recommendation. Legal Services will work with the Facilities Design and Construction Division to enhance the contract provision involving discounts, rebates and refunds, using language similar to that found in contracts of the University of Texas System contracts. The revised language for this enhanced provision will be used in all future contracts. Target Implementation Date: 2/2016	Implemented
2.2 Operational Efficiency – Unintegrated Information Systems	Improve operational efficiency by implementing the following short-term solutions: (i) Merging the purple folder process with APS.	Management agrees with the recommendation to merge the current manual contract request form (CRF) process with the agency's Automated Procurement System (APS). This work will be accomplished in coordination with IS staff who will develop the programming needed to implement this merger. Target Implementation Date: 8/2016	Pending

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
2.2 Operational Efficiency – Unintegrated Information Systems (Continued)	(ii) Creating a mechanism to seamlessly merge data from IMPACT into APS.	Management agrees with the recommendation to pursue any practicable short-term solutions that will further integrate data between existing systems used by the agency and will continue to formally request specific data integration projects within the limited current capital budget authority provided to TFC in the FY2016-2017 General Appropriations Act. With Commission approval, TFC will again request funding in the agency's FY2018-2019 Legislative Appropriations Request (LAR) for a comprehensive Integrated Workplace Management System and will also request funding for other Enterprise Resource Planning technology systems that contain robust contract performance measure and construction project management capabilities to achieve full integration of agency systems. Target Implementation Date: 8/2016	Pending
	(iii) Creating a mechanism to seamlessly merge data from APS into GFAS. For the long term, continue to include the agency's system integration initiative in the agency's Legislative Appropriations Request.	Recommendation (iii): Management will continue to make progress internally to advance additional data integration including, but not limited to, an automated HUB compliance, monitoring, and reporting system. Target Implementation Date: Ongoing	Pending
2.3 Operational Efficiency – Timeliness of Processes	Improve operational efficiency by: (i) Eliminating the purple folder.	Management agrees with the recommendation to merge the current manual contract request form (CRF) process with the agency's Automated Procurement System (APS). This work will be accomplished in coordination with IS staff who will develop the programming needed to implement this project. Target Implementation Date: 9/2016	Pending

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Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
2.3 Operational Efficiency – Timeliness of Processes (Continued)	(ii) Working closely with the vendor’s attorney during the period after solicitation and before contract execution to minimize delays.	Management agrees that working with the vendor to finalize a contract after solicitation adds additional time to the process and staff does its best to be as responsive as possible. Staff will continue to encourage vendors to submit any questions and/or comments earlier in the process to preclude delay after the award of a contract. Target Implementation Date: No Target Date Given	Implemented
3.1 Robust Reporting (to the Commissioners)	Improve operational efficiency and the effectiveness of the Commissioners’ oversight role by enhancing the monthly contract reports (for commissioners).	Historically, staff has provided information in the form requested by the Commission. This is the basis for the memorandums, charts, and reports currently provided to the Commission and is also the basis for the level of detail currently included in those documents. It is Management’s recommendation that staff work with the Commission Policy Work Group to review the current information provided to the Commission in terms of monthly contract reporting and make recommendations to the full Commission on any necessary changes to the current forms, level of detail, and process. Target Implementation Date: 5/2016	Implemented

Review of Contract Management (Phase One) (Report # 20160101) Issued: February 2016

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
3.2 Communication and Collaboration	Improve operational efficiency by: (i) Improving multi-disciplinary communication and professionalism.	Management agrees there is always room for improvement in interdisciplinary communication and coordination. Management will continue to work to strengthen effective communication across agency divisions and disciplines. Target Implementation Date: Ongoing	Implemented
	(ii) Implementing a contract specialist position within FDC.	Management agrees with the recommendation to implement a new contract specialist position in FDC as described below. Management hopes to identify the needed resources within the agency's current funding and FTE count limits to authorize this position for FDC in the near future. Target Implementation Date: 7/2016	Pending

**Texas Facilities Commission (TFC)
Office of Internal Audit (OIA)
Outstanding Audit Issues Tracking Matrix**

Review of Contract Management (Phase Two) (Report # 20160101-2) Issued: January 2017			
Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.1 Protecting State Funds	Management should improve construction contract management processes by developing a framework to monitor vendor charges on projects and their compliance with the rebates, refunds, and discounts provision by: (i) Developing a risk model for use in determining the SOV items on which to perform desktop reviews.	FDC Management will collaborate with TFC's Fiscal division to develop a risk assessment model to yield an achievable level of desk reviews of Construction Manager-at-Risk costs that present the highest potential for recoverable savings. Additionally, desk review procedures and training will be developed and implemented. The performance and prospective frequency of these reviews shall reflect a justifiable business case for the additional staffing hours required either from current staff or potentially unidentified additional staff.	Pending
	(ii) Developing desktop review procedures, including a checklist for use by staff.		Pending
	(iii) Providing staff with the necessary training.	FDC will collaborate with executive management, Legal Division, Internal Audit and Procurement to develop a procurement method for Recovery Audit services either through A/E professional service contracts or Interagency Cooperation Contracts with SAO or the Comptroller while also ensuring compliance with the General Appropriations Act Article IX Sec. 6.20 Use of Appropriations to Contract for Audits. Target Implementation Date: 4/1/2017	Pending
	(iv) Exercising the agency's "right to audit" by using the above risk model and performing recovery audits on some of the projects.		Pending

Review of Contract Management (Phase Two) (Report # 20160101-2) Issued: January 2017

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.2 Communication Processes	Improve communication processes by: (i) Monitoring vendor compliance with the daily activity log requirement, and holding them accountable when they do not comply.	Management will update project manager desk procedures to include an updated invoice review checklist coordinated with the new construction contract templates. Regular contractor reporting obligations will specifically be added to this tool as a gate for invoice approval. Target Implementation Date: 4/1/2017	Implemented
	(ii) Requiring project managers to not only visit project sites but also maintain documentation of such visits in the project files.	While project managers, as a matter of process, are expected to complete site observation reports following every site visit, the A/E's meeting minutes serve as a backup to evidence of the project manager's presence on site. Target Implementation Date: 4/1/2017	Implemented
	(iii) Requiring the project team, as part of the debriefing process, to formally document and discuss "lessons learned" and best practices.	Legislative reporting on construction contract completion within schedule and within construction budget as a key performance measure provides a logical milestone for FDC management to conduct a debriefing for lessons learned and best practices. FDC management will incorporate this activity into the project process as well as	Pending
	(iv) Sharing the "lessons learned" and best practices with the rest of FDC's project management staff.	regular reports/training sessions with project management staff to disseminate these findings. On December 5, 2016, training was conducted on use of the "Lessons Learned" tab of the Project Execution Plan while conveying the requirement to utilize this tab through the course of every project. Target Implementation Date: 4/1/2017	Pending

Review of Contract Management (Phase Two) (Report # 20160101-2) Issued: January 2017

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
1.2 Communication Processes (Continued)	(v) In collaboration with FDC, developing, documenting and communicating formal criteria indicating when amendments are necessary.	<p>The competitive sealed proposal contract template for lump sum construction has been revised to include criteria describing when amendments are required relative to changes in value of the contract. This is also the case for Construction Manager-at-Risk contracts.</p> <p>What remains to be further defined is what comprises a “significant change in scope” described in the contract manual as requiring a formal amendment. Significant change in scope means additional scopes of work that are funded from related but different legislative funding strategies such as a subsequent biennium’s funding. These additional scopes are reconciled with the scope description for the original construction procurement.</p> <p>Target Implementation Date: 4/1/2017</p>	Pending

Review of Contract Management (Phase Two) (Report # 20160101-2) Issued: January 2017

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
2.1 Unintegrated Information Systems	<p>Agency management should continue to pursue practicable short-term solutions to integrate data between existing systems utilized by the agency. In addition, management should continue to seek funding for data integration projects within the General Appropriations Act and funding for a comprehensive Integrated Workplace Management System and other Enterprise Resource Planning technology systems (that contain robust contract performance measure and project management capabilities to achieve full integration of agency systems, as part of the agency's Legislative Appropriations Request (LAR)).</p> <p>FDC leadership should revisit its expectations for the contract administration files to ensure they are appropriate. After making warranted revisions (if any), the expectations should be formally documented and communicated to FDC employees. The file structure should be organized in a logical manner, standardized and should be followed consistently by all relevant agency employees and contractors.</p> <p>FDC leadership should perform periodic reviews of the project manager's use of the desired structure to ensure documentation is available, accessible, and maintained according to the prescribed file structure.</p> <p>Management should include project data accuracy as part of individual project manager performance plans.</p>	<p>An improved file structure for Impact has been developed and rolled out with training for the project managers. FDC management will develop a desk procedure and document/transaction checklist that will be implemented at key milestones in each project, i.e., first A/E payment approval, first contractor payment approval, payment of contract balance and final payment/release of retainage. Proper documentation in proper locations will be required for approval of invoices at specific milestones. The milestone checkups for project documentation will allow management to measure project manager performance in this area and facilitate inclusion in their performance reviews.</p> <p>The agency has requested an IWMS in its FY 2018-19 LAR, and the LAR request to initiate implementation of the statewide CAPPs ERP system was delayed until FY 2020-21 at the request of the CPA.</p> <p>Target Implementation Date: 4/1/2017</p>	<p>Implemented</p>

Review of Contract Management (Phase Two) (Report # 20160101-2) Issued: January 2017

Audit Issue Report Reference	Audit Recommendations	Management's Response (at the time of the report)	Implementation Status November 2017
2.2 Timely Completion and Closeout	FDC leadership should hold the contractors accountable by including timely project delivery as one of the key considerations in the vendor performance evaluation.	FDC will collaborate with the procurement division to devise an internal reporting mechanism for vendor performance on complex and uniquely scoped services supporting capital improvements that, for the short term, will translate to the existing CPA system and for the long term, help formulate a better statewide system. Timely completion of construction will be a key measure of performance. Target Implementation Date: 4/1/2017	Pending
3.1 Vendor Performance Reporting	<p>The Procurement Division, in collaboration with FDC management, should improve the current process for collecting vendor performance information at the end of each construction project as required. This could include revising the TFC form (currently used to capture performance information on the other agency contracts) so that it is better suited for construction projects.</p> <p>Once the process improvements are in place, FDC management should provide project managers with training on meeting the requirements.</p> <p>The Procurement Division, or a delegated program designee, should report vendor performance to the CPA, as required.</p>	FDC will collaborate with the procurement division to devise an internal reporting mechanism for vendor performance on complex and uniquely scoped services supporting capital improvements that, for the short term, will translate to the existing CPA system and for the long term, help formulate a better statewide system. Timely completion of construction will be a key measure of performance. FDC management will implement training on the performance reporting system and ensure final payment approval is a milestone for this documentation. Target Implementation Date: 4/1/2017	Pending