

REVISED AUDIT PLAN FOR FY 2016
TEXAS FACILITIES COMMISSION



Submitted by

THE OFFICE OF INTERNAL AUDIT

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**Texas Facilities Commission
Revised Audit Plan for FY 2016
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Office of Internal Audit
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Revised May 2016**

Introduction

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

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

THE RISK ASSESSMENT PROCESS & PROPOSED AUDITS

The Risk Assessment Process

Audits included in this Plan were primarily identified through a risk assessment process, in collaboration with Commission members, agency leadership, division directors, and staff. Risk assessment is a systematic process for assessing and integrating professional judgements about probable adverse conditions and events. The IIA defines risk as "the possibility of an event occurring that will have an impact on the achievement of objectives." The audit planning process considered both the impact and likelihood of such events occurring. TFC's auditable activities include both organizational units and agency-wide processes, each of which was risk-ranked using specific elements including relative magnitude, potential impact on operations, public interest, regulatory requirements, work complexity, audit history, the internal control environment, and other factors deemed relevant by OIA and executive management.

The annual audit plan was developed using a risk based methodology which included:

- Obtaining management's and the Commission's perspectives through questionnaires, surveys, and interviews.

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

The plan is designed to cover areas of highest risk to the State and the agency. However, it does not cover all risks. TFC management should utilize internal controls and other appropriate methodologies to mitigate residual risks not covered by the audit plan.

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

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

Audits Originally Planned for Fiscal Year 2016

(i) Review of Facilities Operations and Controls (Completed)

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

(ii) Follow-up Review of TFC’s Implementation of SAO’s prior audits (Completed)

Determine the extent to which the agency has implemented recommendations from SAO’s Report # 15-001: *Audit Report on Selected Contracts at the TFC*.

(iii) Review of Contract Management – Phase One (Completed)

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

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which contract management processes include adequate vendor performance monitoring procedures to ensure deliverables are met in a timely manner.

(iv) Review of Badging and Key Management (Completed)

Determine the extent to which badging and key management processes ensure TFC's and client agencies' goals are accomplished in an efficient and effective manner, and in compliance with relevant laws, policies and procedures. Determine the extent to which management has implemented recommendations from SAO's *Report of Physical Controls at Selected State Agency Data Centers*.

(v) Review of Facilities Maintenance (Carry Forward to FY 2017)

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.

(vi) Review of Information Security (Carry Forward to FY 2017)

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

(vii) Review of TFC's Ethics Program (Reserve Project) (Carry Forward to FY 2017)

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.

This audit was originally proposed to serve as a reserve project to be performed in the event that additional audit resources became available.

Revised Project List for Fiscal Year 2016

- (i) Review of Facilities Operations and Controls
- (ii) Review of Contract Management – Phase One
- (iii) Review of Badging and Key Management
- (iv) Review of Contract Management – Phase Two

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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 originally planned on reporting on the implementation of the SAO's *Report on Selected Contracts at the TFC*, issued in September 2014, and OIA's Review of Human Resources, issued in April 2015. OIA followed-up on SAO's *Report on Selected Contracts at the TFC*, as reported at the Commission's January 2016 meeting. With the Revised Audit Plan, OIA is proposing to delay the follow-up of its *Review of Human Resources* until FY 2017. This will allow staff more time to complete implementation. In addition, OIA provides an update on the status of audit recommendations in its Annual Report that is distributed to the SAO; Governor's Office; Legislative Budget Board, and the Sunset Advisory Commission.

Consulting Services and Contingencies

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

Implementation of Audit Management System

The implementation of an audit management system (Teammate® AM) will help streamline the audit documentation and quality assurance processes. In addition, it will provide mechanisms for tracking outstanding audit issues and project time budgets. OIA plans to implement the last module, TeamRisk, in July/ August 2016.

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.

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Periodic Reporting to the Commission and Executive Management

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

Involvement with Professional Organizations

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

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

Presented and approved on May 18, 2016

Chairman

Director of Internal Audit