Approved 10.16.2025

Texas Facilities Commission Agency 303
Office of Internal Audit
FY25 Annual Report to the SAO

I. **Compliance with Texas Government Code, Section 2102.015: Posting on the website the Internal Audit Plan, and Internal Audit Annual Report.**

Texas Facilities Commission (TFC) Office of Internal Audit (OIA) posts the Annual Report, Internal Audit Plan, and other audit information on the internet website located at: http://www.tfc.state.tx.us/divisions/commissionadmin/prog/oia/ to comply with the provisions of Texas Government Code, Section 2102.015.

II. **Internal Audit Plan for Fiscal Year 2025 and Results**
**Notice – Audit results are only included in the Annual Report.*

A. Delegated Construction Audit Services –No material or significant reportable issues were identified.

B. Contract Management Risk Analysis Audit – In progress.

C. Information Technology (IT) Project Management Audit – IT project management practices are ad-hoc and not aligned with requirements. IT projects sampled are not managed in a coordinated way and are not based on, nor did they follow a standardized project management approach to initiate, plan, acquire, control, execute, and evaluate projects. Internal Audit recommends that TFC implement a standard project management approach and follow the State's requirements for project management.

D. Final Inspection Final Payment Audit – In progress.

III. **Consulting Services and Nonaudit Services – None.**

IV. **External Quality Assurance Review (Peer Review)**

The division completed a peer review on 04/08/2024.

We reviewed the internal quality control system and conducted tests to determine if the internal quality control system operated to provide reasonable assurance of conformance with the IIA *Standards*, the GAO *Standards*, and the Texas Internal Auditing Act. Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case but does imply adherence in most situations. Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Commission's Internal Audit Department receives a rating of: **Pass/Generally Conforms.**

Marios Parpounas, CIA, CFE, CISA, CGFM
Director of Internal Audit
Office of the Governor

V. Internal Audit Plan for Fiscal Year 2026

Estimated effort for all projects is 9,000 hours. There are currently two vacancies and an additional resource was requested and received for FY26 because of the increase in administrative overhead, complexity of activities and need for succession planning for Internal Audit.

A. Construction Audit Services - Review select construction transactions for compliance.

B. Contract Management Audits - Determine if project management and contract management comply with the State of Texas Procurement and Contract Management Guide.

C. Statutory Compliance – Determine if the agency complies with selected operational laws, rules, and regulations.

D. Artificial Intelligence (AI) – Assess the agency's AI strategies, framework, and preparedness.

E. Implementation Status of Recommendations - Report on the implementation of prior audit findings and other matters.

F. Internal Quality Assurance and Improvement Program (QAIP) Assessment - Self-evaluation of Internal Audit’s conformance with Auditing Standards.

G. Complaints, Hot Line Calls, and Investigations - As required by the Texas Internal Auditing Act.

H. Consulting Engagements and Non-Audit Services - As requested by management to address governance, risk management, and control processes.

I. Liaison Activities - Respond to external requests for information or action and perform tasks as required.

J. Risk Assessment - As required by the Texas Internal Auditing Act, provide an annual risk assessment to the Commission.

   Risk assessment tasks performed evidence the following:

   i. Changes in the organization’s business, risks, operations, programs, system, and controls;
   ii. Quantification of risk and impact; and
   iii. Communication of the resource requirements and limitations, where applicable;
   iv. Applicable information technology risks related to Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards).
   v. Benefits proportionality, and
   vi. Methods for ensuring compliance with contract processes and controls and for monitoring agency contracts, as required by Texas Government Code, Section 2102.005(b).

VI. External Audit Services Procured in Fiscal Year 2025

Construction Auditing Services were initiated in FY 2022 to manage risks associated with contract management of construction projects. TFC received a delegation of authority from SAO and the contract has been renewed until 8/31/2026.

VII. Reporting Suspected Fraud and Abuse

A. The public facing web page provides information on:

   i. How to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office (SAO);
   ii. References the SAO fraud hotline information; and
   iii. Contains a link to the SAO's website for fraud reporting located at: http://www.tfc.state.tx.us/divisions/commissionadmin/prog/oia/

B. OIA policies and procedures contain information pertaining to reporting suspected fraud and abuse with details regarding how to report to the SAO suspected fraud involving state funds.

C. Investigations will be coordinated by reporting to the SAO instances where reasonable belief exists relating to the cause of money lost, misappropriated, misused or other fraudulent or unlawful conduct that has occurred in relation to the operation of TFC. This includes reporting the reason and basis for the belief to the SAO.