

TEXAS TRANSPORTATION COMMISSION

All Counties

MINUTE ORDER

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All Districts

The Texas Internal Auditing Act, Government Code, Chapter 2102, requires the internal auditor to create an annual Internal Audit Plan that is prepared using risk assessment techniques and that identifies the individual audits to be conducted during the year. The Internal Audit Plan must be approved by the state agency's governing board. In addition, the governing board must 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.

The chief audit and compliance officer (CACO) has developed an Internal Audit Plan for Fiscal Year (FY) 2026, which is set forth in exhibit A. This Internal Audit Plan includes a list of internal audits aimed at providing assurance and identification for process/program improvement statewide. This Internal Audit Plan identifies the audits to be conducted and the resources available to the Internal Audit Division for FY 2026.

The CACO considers the resources for FY 2026 to be adequate to address the risks that warrant audit coverage.

The Internal Audit Plan for FY 2026 is presented to the Texas Transportation Commission (commission) for approval and for a determination that adequate resources exist to ensure that the risks identified are adequately covered.

IT IS THEREFORE ORDERED by the commission that the Internal Audit Plan for FY 2026, as shown in exhibit A, is hereby approved.

FURTHER, the commission finds that adequate resources have been dedicated to the Internal Audit Program to ensure that the risks identified in the annual risk assessment, including fraud risks, are covered within a reasonable time.

Submitted and reviewed by:

Recommended by:

DocuSigned by:

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Chief Audit and Compliance Officer

DocuSigned by:

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Executive Director

117037 September 25, 2025

Minute	Date
Number	Passed

Exhibit A

Internal Audit Plan for Fiscal Year 2026

Texas Department of Transportation
Internal Audit Division

This is the proposed Internal Audit Plan for fiscal year (FY) 2026. It was developed by the chief audit and compliance officer (CACO). The Internal Audit Plan includes proposed internal audits to be performed, including the audit resources for FY 2026. This plan will be distributed department-wide after it is approved by the Texas Transportation Commission (commission). Continuous evaluation of the Internal Audit Plan, based on risks identified, could result in modifications being made during the year. These modifications will be proposed to the Audit Subcommittee (subcommittee) and included in the Internal Audit Plan, if approved.

Risk Assessment

The CACO performs a department-wide risk assessment to develop the Internal Audit Plan. The risk assessment process is also conducted to assign the audit resources and includes review and consideration of:

- Internal Audit Division risk assessment
- Input from members of the commission, administration, divisions, districts, and staff
- Federal Highway Administration (FHWA) risk assessment
- Department functions based on objective criteria and professional judgment
- Relevant state and federal legislation
- Professional/industry standards
- Investigative trends
- Prior audit results

The CACO will provide quarterly status reports on audit activities to the commission and administration and will present the results of completed audits at quarterly subcommittee meetings.

Internal Audit Plan

The FY 2026 Internal Audit Plan consists of 24 risk-based audit engagements. The audit engagements are divided into eight areas of focus and coverage, as follows:

- Project Delivery - processes that develop, fund, and/or execute transportation or vertical structure projects.
- Financial Management and Asset Recovery - programming and oversight designed to maintain fiscal accountability and stewardship.
- Program Optimization - programs and processes designed to support strategic goals, ensure productivity, and cost-effectiveness.
- Information Technology and Cybersecurity - processes and activities designed to support effective, innovative business practices and protect information systems and data contained within.
- Governance and Third-Party Monitoring - oversight and validation frameworks and activities designed to ensure quality and promote accountability.

- Recurring - programs, processes, and/or activities that are evaluated on a routine basis.
- Management Action Plan Follow-Up Evaluations - evaluation of Priority 1 or 2 activities and sustained mitigation for closed MAPs.
- Contingency - potential areas of coverage to consider based on resource efficiencies.

In addition, resources will be spent closing out four carryover audits that were not completed in FY 2025. This internal audit plan is aimed toward providing assurance and/or recommendations regarding the top 37% of risks identified as a part of the annual risk assessment.

Internal Audit Plan FY 2026

Project Delivery (1)

- Local Government Project Oversight

Financial Management and Asset Recovery (2)

- Grant Management – Public Transportation
- IT Asset Management

Program Optimization (3)

- Emergency Operations Center Readiness
- Contract Administration: Review, Execution, Reporting
- TxDOT Business Continuity

Information Technology and Cybersecurity (3)

- Data Validation Review – Tableau Reporting
- AI Governance and Training
- ISP and Cybersecurity (TAC 202)

Governance and Third-Party Monitoring (8)

- Construction Change Order Price Justification
- District Audit III - VI
- State Safety Oversight Program
- Work Zone Safety – Contracted Traffic Control
- Construction and Maintenance Contractor Evaluations

Recurring (2)

- Toll Facilities – Federal Reporting
- Public Funds Investment Act

Carryovers in Closing Phase (4)

- Multiple Use Agreements
- Design-Build Project Payments
- Emergency Management
- Non-Contracted Bridge Inspections

Management Action Plan (MAP) Follow-Ups

- Evaluation of Priority 1 or 2 activities and sustained mitigation for closed MAPs

Contingency (5)

- Program Optimization
 - Toll Operations – Back Office
 - CEI Utilization
- Governance and Third-Party Monitoring
 - Routine Maintenance Project Inspection
 - Construction Material Deficiency Management and Oversight
- Information Technology and Cybersecurity
 - Access Control

Internal Audit Resources for FY 2026

There are 38 employees allocated to the Internal Audit Division for FY 2026. The expected budget for the audit function is \$3.7 million. The employees will be allocated as follows:

Internal Audit staff	30
Internal Audit administration staff	8

The Texas Internal Auditing Act requires the governing board of a state agency to periodically review the resources dedicated to the internal audit program. This helps determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately addressed within a reasonable time frame.

The planned resources (i.e. employees and operating budget) are adequate and organizationally independent to complete the engagements listed in the Internal Audit Plan. The proposed projects allocate audit resources to the highest priorities and risks of the agency. A continuous risk assessment program and communication with the subcommittee allows flexibility to address other risk areas that are identified during the year.