Texas Transportation Commission

Minute Order

ALL Counties, ALL Districts

The Texas Internal Auditing Act, Texas 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 state agency's governing board must approve the Internal Audit Plan. 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) 2027, 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 2027.

The CACO considers the resources for FY 2027 to be adequate to address the risks that warrant audit coverage.

The Internal Audit Plan for FY 2027 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 2027, as shown in Exhibit A, is hereby approved.

IT IS FURTHER ORDERED that 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:

DocuSigned by:
Parsons Townsend
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Chief Audit and Compliance Officer

Recommended by:

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Mark Williams
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Executive Director

Minute Order Number and Date Passed

117263 August 26, 2026

Exhibit A: Internal Audit Plan for Fiscal Year 2027 – The Texas Department of Transportation (department) Internal Audit Division

Introduction

This is the proposed Internal Audit Plan for fiscal year (FY) 2027. 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 2027. 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 risk assessment
- Department functions based on objective criteria and professional judgment
- Relevant state and federal legislation
- Professional/industry standards and emerging risks
- Investigative trends
- Prior audit results

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

Internal Audit Plan

The FY 2027 Internal Audit Plan consists of 20 risk-based audit engagements. The audit engagements are divided into six areas of focus and coverage. This internal audit plan is aimed toward providing assurances and/or recommendations regarding the top 33% of risks identified as a part of the annual risk assessment.

1. **Project Delivery** – processes that develop, fund, and/or execute transportation or vertical structure projects.
2. **Financial Management and Asset Recovery** – programming and oversight designed to maintain fiscal accountability and stewardship.
3. **Program Optimization** – programs and processes designed to support strategic goals and ensure cost-effectiveness.
4. **Information Technology and Cybersecurity** – processes and activities designed to support effective, innovative business practices and to protect information systems, artificial intelligence systems, and data contained within.
5. **Governance and Third-Party Monitoring** – oversight and validation frameworks and activities designed to ensure quality and promote accountability.
6. **Recurring** – programs, processes, and/or activities that are evaluated on a routine basis.

In addition, resources will be spent closing out five carryover audits that were not completed in FY 2026 and evaluating management action plans. Contingency audits are also provided as additional areas of risk coverage dependent on available resources.

- **Carryovers** – engagements from the FY 2026 audit plan not completed by fiscal year end.
- **Management Action Plan (MAP) Follow-Up Evaluations** – evaluation of Priority 1 or 2 corrective actions, as well as sustained mitigation for closed MAPs.
- **Contingency** – potential areas of coverage to consider based on resource efficiencies.

Internal Audit Plan FY 2027

1. **Project Delivery – 3**
   - Physical Security Optimization
   - Construction Engineering and Inspection Utilization and Oversight
   - Construction Project Scheduling
2. **Financial Management and Asset Recovery – 2**
   - Grant Management – Discretionary Grant Reimbursements
   - Research Program Invoicing
3. **Program Optimization – 3**
   - Foreign Domestic Materials Program - Gold Star Program
   - Post Implementation Review – AASHTOWare Project Construction and Materials (APCM) Payments
   - Facilities Oversight and Management
4. **Information Technology (IT) and Cybersecurity – 3**
   - IT Security and Data Management for department Transportation Projects
   - System Development Governance
   - Access Controls

5. **Governance and Third-Party Monitoring – 7**
   - District Audits VII, VIII, IX
   - Highway Emergency Response Operator Program
   - Ferry Operations
   - Fleet Operations – Utilization and Rentals
   - Flight Services Operations
6. **Recurring – 2**
   - Toll Facilities – Federal Reporting
   - Public Funds Investment Act
7. **Carryovers – 5**
   - Work Zone Safety – Contracted Traffic Control
   - Contract Administration: Review, Execution, Reporting
   - Grant Management – Public Transportation
   - District Audit VI
   - Information Security Plan and Cybersecurity (Texas Administrative Code 202)
8. **Management Action Plans (MAP Follow-Ups)**
   - Evaluation of Priority 1 or 2 corrective actions, as well as sustained mitigation for closed MAPs

9. **Contingency – 6**
   - Financial Management and Asset Recovery
     - Grant Management – Metropolitan Planning Organization Planning
   - Information Technology and Cybersecurity
     - Data Flow Governance
     - Third-Party Contractual Security and Data
   - Program Optimization
     - Public Notice Effectiveness
     - Post Implementation Review – APCM Materials and Testing
     - Payroll Process Timeliness and Accuracy

Internal Audit Resources for FY 2027

There are 38 employees allocated to the Internal Audit Division for FY 2027. The expected budget for the audit function is $3.9 million. The employees will be allocated as follows:

- **Internal Audit Staff** – 30
- **Internal Audit Administrative Staff** – 8

The Texas Internal Auditing Act, the Global Internal Audit Standards™, and Generally Accepted Government Auditing Standards (GAGAS) require 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.