

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 has developed an Internal Audit Plan for Fiscal Year (FY) 2022, 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 2022.

The Chief Audit and Compliance Officer considers the resources for FY 2022 to be adequate to address the risks that warrant audit coverage.

The Internal Audit Plan for FY 2022 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 2022, 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:
Benito Ubarra
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Chief Audit and Compliance Officer

DocuSigned by:
Ma D Willis
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Executive Director

116106 September 30, 2021

Minute Date
Number Passed

Exhibit A
Internal Audit Plan for Fiscal Year 2022

Texas Department of Transportation
Internal Audit Division

This is the proposed Internal Audit Plan for fiscal year (FY) 2022. It was developed by the Chief Audit and Compliance Officer and Internal Audit Division staff. The Internal Audit Plan includes proposed internal audits to be performed, including the audit resources for FY 2022. 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 and included in the Internal Audit Plan, if approved.

Risk Assessment

The Chief Audit and Compliance Officer, along with Internal Audit Division staff, perform 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 Chief Audit and Compliance Officer will provide quarterly status reports on audit activities to the Commission and Administration and will present the results of completed audits at quarterly Audit Subcommittee meetings.

Internal Audit Plan

The Internal Audit Plan consists of 25 risk-based audit engagements. The audit engagements are divided into seven areas of focus and coverage, as follows:

- Governance and Third-Party Monitoring - Oversight and validation frameworks and activities designed to ensure quality and promote accountability.
- Program Optimization - Programs and processes designed to support strategic goals and ensure cost-effectiveness.
- Asset Management and Recovery - Oversight of agency assets designed to maintain fiscal accountability and stewardship.
- Information Technology and Cyber Security - Processes and activities designed to protect information systems and data contained within.
- Recurring – Programs, processes, and/or activities that are evaluated on a routine basis.
- Management Action Plan Follow-Up Evaluations - High-risk activities that are evaluated to determine mitigation of residual risks identified during a previously issued audit.
- Contingency - Potential areas of coverage to consider based on resource efficiencies.

This internal audit plan is aimed toward providing assurance and/or recommendations regarding the top twenty-nine percent of risks identified as a part of the annual risk assessment.

Internal Audit Plan FY 2022

Governance and Third-Party Monitoring (6)

- Construction Project Payments Review and Approval
- Title VI Goal Setting and Reporting Process
- Toll Operations - Back Office Operations
- Material Maintenance Contracts
- Maintenance Contract Change Order Scope and Classification
- Grant Management - Aviation

Program Optimization (3)

- Letting Management Effectiveness
- Professional Engineering Budget Management
- Policy Governance

Asset Management and Recovery (4)

- Equipment/Asset Make-Ready
- Materials Testing - Shared Lab Equipment
- Accounts Receivable – Damage Claims
- Facilities Management System

Information Technology and Cyber Security (3)

- Data Management: Data Retention, Privacy, Disposal, and Management of Secure Data (PII)
- Patch Management
- IT Hardware Management

Recurring (4)

- PEPS Rate Negotiations
- Inventory Management - Cycle Counts
- Public Funds Investment Act
- Toll Facilities - Federal Reporting

Management Action Plan (MAP) Follow-Ups

- Evaluation of completeness of high risk MAPs

Contingency (5)

- Governance and Third-Party Monitoring
 - Contracted Bridge Inspections Quality Assurance/Quality Control Reviews
 - Contract Administration – Closeout Phase
- Asset Management and Recovery
 - PCard Support Evaluation
- Information Technology and Cyber Security
 - Access Management – Servers and Databases
- Recurring
 - Right of Way Acquisition and Disposition

Internal Audit Resources for FY 2022

There are 38 employees allocated to Internal Audit Division for FY 2022. The expected budget for the audit function is \$2.9 million. The employees will be allocated as follows:

Internal Audit Staff	32
Internal Audit Administration Staff	6

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 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 Audit Subcommittee allows flexibility to address other risk areas that are identified during the year.