

**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) 2024, 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 2024.

The Chief Audit and Compliance Officer considers the resources for FY 2024 to be adequate to address the risks that warrant audit coverage.

The Internal Audit Plan for FY 2024 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 2024, 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:  
*Man D Williams*  
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Executive Director

116560 September 28, 2023

Minute Date  
Number Passed

Exhibit A  
**Internal Audit Plan for Fiscal Year 2024**

Texas Department of Transportation  
Internal Audit Division

This is the proposed Internal Audit Plan for fiscal year (FY) 2024. It was developed by the Chief Audit and Compliance Officer. The Internal Audit Plan includes proposed internal audits to be performed, including the audit resources for FY 2024. 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 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 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 FY 2024 Internal Audit Plan consists of 24 risk-based audit engagements. The audit engagements are divided into nine 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 - Oversight designed to maintain fiscal accountability and stewardship.
- Program Optimization - Programs and processes designed to support strategic goals and ensure cost-effectiveness.
- Information Technology and Cyber Security - Processes and activities designed to 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 - Priority 1 or 2 activities that are evaluated to determine mitigation of risks identified during a previously issued audit.
- Contingency - Potential areas of coverage to consider based on resource efficiencies.

In addition, resources will be spent closing out nine carryover audits that were not completed in FY2023. This internal audit plan is aimed toward providing assurance and/or recommendations regarding the top twenty-three percent of risks identified as a part of the annual risk assessment.

## Internal Audit Plan FY 2024

### Project Delivery (4)

- Construction Project Development - Engineers Estimate
- Letting Process Continuity
- Material Maintenance Contracts - Item 10
- Facilities Construction Project Management

### Financial Management and Asset Recovery (3)

- Grant Management - Electric Vehicle
- Management of Fund Allocation for Port Improvements
- Federal Grant Management - Notification and Tracking

### Program Optimization (4)

- TxDOT Hiring Process
- Fleet Preventative Maintenance
- Real Estate Acquisitions
- Regional Distribution Center - Inventory Management

### Information Technology and Cyber Security (3)

- Data Management and Security Controls (Enterprise Data Platform)
- User Access - Non-Active Directory Access
- TAC 202 - Key Controls

### Governance and Third-Party Monitoring (4)

- Construction Project Management - Inspector Development
- Third-Party Consultant Management
- Construction Project Management - Pre-Qualification
- TxRAMP - Cloud Service Compliance Program

### Recurring (2)

- Public Funds Investment Act
- Toll Facilities - Federal Reporting

### Carryovers in Closing Phase (9)

- Work Zone Safety - Contracted Traffic Control
- Title VI Goal Setting and Reporting Process
- CEI Expenditure Assessment
- Management and Oversight of Utility Accounts and Payments
- PCard Support Evaluation
- Construction Contractor Performance Monitoring
- Campus Consolidation IV - Surplus Property
- Procurement of IT Infrastructure and Applications
- Website Development and Management

### Management Action Plan (MAP) Follow-Ups

- Evaluation of Priority 1 or 2 activities to determine mitigation of risks.

### Contingency (4)

- Project Delivery
  - PEPS Consultant Selection and Utilization
  - Change Orders - Federal Funding
- Financial Management and Asset Recovery
  - Grant Management - Traffic Safety
- Program Optimization
  - Construction Project Audits

### **Internal Audit Resources for FY 2024**

There are 38 employees allocated to Internal Audit Division for FY 2024. The expected budget for the audit function is \$3.2 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 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.