

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 Audit Plan that is prepared using risk assessment techniques and that identifies the individual audits to be conducted during the year. The 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 Audit Plan for Fiscal Year (FY) 2017, which is set forth in Exhibit A. This Audit Plan was prepared by completing a risk assessment of the Texas Department of Transportation's (department's) functions and obtaining input from the Compliance Division, the Federal Highway Administration, members of the department's administration and management team, and the Texas Transportation Commission (commission). This Audit Plan identifies the audits to be conducted and the resources available to the Internal Audit Division for FY 2017. The Chief Audit and Compliance Officer considers the resources for FY 2017 to be adequate to address the risks that warrant audit coverage.

The Audit Plan for FY 2017 is being presented to the commission for approval and a determination that adequate resources exist to ensure that the risks identified are adequately covered.

IT IS THEREFORE ORDERED by the commission that the Audit Plan for FY 2017, as shown in Exhibit A, is hereby approved.

FURTHER, the commission finds that adequate resources have been dedicated to the internal audit program in order to ensure that the risks identified in the annual risk assessment are covered within a reasonable time.

Submitted and reviewed by:



Chief Audit and Compliance Officer

Recommended by:



Executive Director

114689 Aug 25 '16
Minute Date
Number Passed

Exhibit A

Audit Plan for Fiscal Year 2017

Texas Department of Transportation Internal Audit Division

This is the proposed Audit Plan (the Plan) for FY 2017. It was developed by the Chief Audit and Compliance Officer and audit staff. The Plan includes proposed internal audits to be performed, including the audit resources for FY 2017. The Plan will be distributed department-wide after it is approved by the Texas Transportation Commission (Commission). Continuous evaluation of the 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 Plan, if approved.

Risk Assessment

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

- Input from members of the Commission, Administration, Divisions, Districts, and staff
- Department functions, based on objective criteria and professional judgment
- Federal Highway Administration (FHWA) Risk Assessment
- Compliance Division Risk Assessment
- 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.

Audit Plan

The Plan consists of 73 risk-based audit engagements. The audit engagements (including FY2016 audits carried over) are divided into eight areas of focus and coverage, as follows:

- Governance/Program Management - provide assurance that business activities of the organization are optimized toward achievement of objectives with appropriate oversight
- Contracting/Third Party - provide assurance of reporting and operational reliability to stakeholders
- District Operations - provide assurance and insight of distributed activities
- Financial - provide assurance that principles of financial accounting, stewardship, accountability, and reporting are effective and efficient
- Information Technology - focus on the integrity and security of information assets
- Carry-over Audits - engagements not completed in FY16 which remain important to cover
- Management Action Plan (MAP) Follow Up - determine remediation and risk management regarding previously identified organizational risks
- Contingency - additional area of risk that could be audited as time/resources permit

Audit Plan FY 2017

Governance/Program Management (6)

• Real Estate Management Program
• Grant Management and Monitoring
• Performance Measurement and Programming
• Design-Build Project Oversight
• Civil Rights Reporting Program
• NEPA Environmental Process

Contracting/Third Party (3)

• Construction Contract Management
• Environmental Contract Management
• PEPs Contractor Qualification Program

District Operations (4)

• Local Government Project Monitoring
• Construction Inspections Program
• Physical Security Design
• County Assistance Program

Financial (4)

• Public Funds Investment Act
• Purchasing Process Efficiency
• Public Transportation Grants Indirect and Direct Cost Monitoring
• Tolling Facilities - Federal Reporting

Information Technology (4)

• Server Management
• Firewall/Intrusion Detection System Management
• Oracle Patch Management
• Telework Program Standards

Carry-over Audits (3)

• NEPA Public Involvement Process
• Non-MES Equipment / Consumables Management
• SH 183 Managed Lanes Project

Management Action Plan Follow-ups (44)

• Engagements performed to determine mitigation of risks previously communicated
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Contingency (5)

• Information Technology Governance
• Subcontractor Qualification Program
• District Safety Coordinator Review
• E-Grants Application Controls
• SSAE16 Program Management

Audit Resources for FY 2017

There are 39 employees allocated to the Office of Internal Audit for FY 2017. The expected budget for the audit function is \$3.7 million. The employees will be allocated as follows:

Internal Audit	33
Audit Administration	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 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.