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INTERNAL AUDITOR

RAILROAD COMMISSION OF TEXAS

Internal Audit Division

Internal Audit Division Annual Report – Fiscal Year (FY) 2026

Date: October 16, 2026

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1. Compliance with Texas Government Code, Section 2102.015

Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the Internet Web site

Texas Government Code 2102.015 requires state agencies and higher education institutions, as defined in the statute, to post certain information on their internet websites.

Within 30 days of approval, an entity should post the following information on its internet website:

A. The Agency's approved internal audit plan as provided by *Texas Government Code, Section 2102.008*; and,

B. The Agency's annual report required by *Texas Government Code, Section 2102.009*.

Texas Government Code, Section 2102.015, also requires entities to update the posting to include the following information on the website:

A. "detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report."

B. "summary of the action taken by the Agency to address the concerns, if any, that are raised by the audit plan or annual report."

The RRC has complied with *Texas Government Code, Section 2102.015*, by posting the approved *FY 2025 Annual Audit Report* and the *Annual Risk Assessment and FY 2026 Audit Plans* on the RRC public website as required. The *FY 2026 Annual Audit Report* is being posted to the Agency's public website concurrently with its distribution to the SAO. The FY 2027 Audit Plan will be presented for approval at the Commissioners Conference scheduled for November 17, 2026. Upon approval by the Commission, the plan will be submitted to the SAO and posted on the RRC website as required.

At this time, no weaknesses or concerns have been raised by the audit plan or annual report.

2 Internal Audit Plan for FY 2026

Audit Projects Completed During the Fiscal Year

Alternative Fuels Safety – Training Report Date – March 30, 2026

FY 2026 Projects Carried over to FY 2027

Fuel & Maintenance Credit Card Follow-up

Critical Infrastructure Division Follow-up (SAO audit 25-037)

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3. Consulting Services and Other Activities

The Internal Audit Division did not conduct any consulting engagements or other non-audit activities during FY 2026.

4. External Audit Services

During FY 2026 McConnell Jones, on behalf of the SAO, was performing the Railroad Commission of Texas Efficiency Audit. A draft report was issued September 15, 2026. Management responses are pending.

No other external audit services were procured by or for the RRC.

5. External Quality Assurance Review (Peer Review)

In March 2026, the incumbent Internal Auditor for the RRC retired. He was unable to secure an external quality assurance review prior to his retirement. As a result, the most recent peer review for the RRC's Internal Audit Department is date December 15, 2021, and a rating of "pass" was received.

6. Audit Plan FY 2027

The FY 2027 Audit Plan will be presented for approval at the Commissioners Conference scheduled for November 17, 2026. Upon approval by the Commission, the plan will be submitted to the SAO, the Governors Office, and the Legislative Budget Board. The approved plan will also be posted to the RRC website.

7. Reporting Suspected Fraud and Abuse

The Internal Audit page of the RRC intranet contains links for employees to report suspected fraud, waste, or abuse by email to fraudhotline@rrc.texas.gov or by calling the SAO hotline. The agency public website also contains a link to the SAO fraud reporting web page for the public to report suspected instances of fraud, waste, or abuse.

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