

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held on December 11, 2023, at 125 E. 11<sup>th</sup> Street, Austin, Texas 78701. The meeting convened at 2:00 p.m. with the following members present:

**Texas Transportation Commission Audit Subcommittee:**

Robert Vaughn                    Commissioner, Audit Subcommittee Chair  
Alex Meade                        Commissioner, Audit Subcommittee Member

**Administration Staff:**

Jeff Graham                        General Counsel – Interim Chief Audit and Compliance Officer  
Marc Williams, P.E.                Executive Director  
Rich McMonagle                    Chief Administrative Officer  
Mary Anne Griss                    Chief of Staff  
Anh Selissen                        Chief Information Officer  
Lance Simmons, P.E.                Chief Engineer  
Jessica Buter, P.E.                 Director of Engineering and Safety Operations  
Alejandro Garcia                    Director of Communications and Public Affairs  
Darran Anderson                    Director of Strategy and Innovation

A public notice of this meeting containing all items on the proposed agenda was filed in the Office of the Secretary of State at 11:42 a.m. on December 1, 2023, as required by Government Code, Chapter 551, referred to as “The Open Meetings Act.”

**Item 1. Safety Briefing**

The meeting began with the General Counsel (Interim Chief Audit and Compliance Officer) Jeff Graham providing instruction and guidance on procedures for the meeting.

**Item 2. Consider approval of the Minutes of the September 27, 2023, Audit Subcommittee meeting**

This item was presented by Robert Vaughn, Audit Subcommittee Chair. Commissioner Alex Meade made a motion to approve, Chair Vaughn seconded the motion. The audit subcommittee approved the minutes of the September 27, 2023, Audit Subcommittee meeting by a vote of 2 – 0.

**Item 3. Internal Audit Division Update**

**a. Management Action Plan (MAP) Follow-up Status**

This item was presented by Craig Otto, Director of the internal audit division. Director Otto began the discussion explaining the process for Management Action Plans (MAPs). The MAPs are the remediation plans for audit findings that contain both the action and date for the responsible business area to complete. Since the last meeting, there has been one new priority 1 MAP, and five less priority 2 MAPs that are past-due. The priority 1 MAP is past due because the procurement of a grant management software is taking longer than anticipated but is estimated to be closed around July 2024. In the interim, the aviation division is implementing more manual processes until the software is fully procured and implemented to ensure they are compliant with any applicable grants. The commissioners had no questions.

**b.1. Internal Audit Report: PCard Support Evaluation**

This item was presented by Craig Otto, Director of the internal audit division. Director Otto presented the Purchase Card (PCard) Support Evaluation audit rated at program-level priority 2. On average, the agency spends \$33M on PCard transactions from approximately 2,100 card holders. The first finding in the audit identified that the business and immediate need was not well defined or captured prior to approval of the purchase. The business is going to improve the training to educate the users and supervisors on specific requirements. The second finding in the audit identified employees with repeat PCard transaction violations (i.e., transactions not adhering to required purchasing policies) did not have

PCard privileges suspended or terminated based on frequency of violations. Poor documentation to support the business need for the purchase, vendor hold status, cardholder signatures missing are common violations. For additional context, any single PCard purchase can range from \$300-\$10,000 or with a monthly limit ranging from \$2,000-\$75,000. The business is working to implement a matrix in addition to the training to manage violations better. The commissioners had no questions.

**b.2. Internal Audit Report: Website Development and Management**

This item was presented by Craig Otto, Director of the internal audit division. Director Otto presented Website Development and Management audit rated at program-level priority 3. This audit focused on construction project websites and initiative-specific websites like Click It or Ticket or Don't Mess with Texas. Inconsistencies were found between project sites with key information like the length of a project, cost of project, or contact information. The accuracy of the information is key when communicating to the public or external parties. The Texas Department of Transportation's (TxDOT) communication division will implement better training to improve consistency and accessibility of the information. Chairman Vaughn stressed the importance of construction project information being accurate and consistent. The commissioners had no questions.

**c. External Quality Assessment Results**

This item was presented by Craig Otto, Director of the internal audit division. Director Otto began by presenting results of the External Quality Assessment (EQA) of the internal audit division and compliance division's external audit section. The assessment was performed by the American Association of State Highway and Transportation Officials (AASHTO) Committee on Internal and External Audit in June 2023. The assessment is required every three years by the Generally Accepted Government Auditing Standards (GAGAS), and every five years by the Institute of Internal Auditors (IIA) International Standards for Professional Practice of Internal Auditing and the Code of Ethics (the IIA Standards). Both TxDOT divisions received the highest rating on both; 'Passed' for the GAGAS standard and 'Generally Conforms' to the IIA Standards. Compliance with both denotes compliance with the Texas Internal Auditing Act (Government Code §2102). The commissioners expressed support and congratulations on the accomplishment.

**Item 4. Compliance Division Update**

**a. Summary of Investigations – Fiscal Year 2024, 1<sup>st</sup> Quarter**

This item was presented by Parsons Townsend, Director of the compliance division. Director Townsend began by highlighting a decrease in the number of opened investigations by 38% from the previous quarter. For the first time, the numbers being reported include the human resource division's Equal Employment Opportunity (EEO) numbers in addition to the those typically reported by the compliance division's internal investigation section. Even with a drop, there was an increase in the substantiated cases; 67% compared to the previous 56%. A key observation this quarter, was the improved quality and quantity of information in the initial allegation, allowed the case to be investigated more efficiently. Investigations of significance include a previously sanctioned contractor attempted to engage in a bid rotation scheme with another contractor and was debarred for five years following the sanctions process. Another investigation of significance focused on a contracted mowing company that was involved in a collision with oncoming traffic currently going through the sanctions process. Director Townsend continued to highlight the allegation totals by category, showing consistency in third-party violations but with an increase in employee misconduct. The commissioners had no questions.

**b. External Audit Results: Port Authority Permit Administration**

This item was presented by Parsons Townsend, Director of the compliance division. Director Townsend introduced the audit of four separate port authorities: Brownsville, Harlingen, Hidalgo County Regional Mobility Authority (HCRMA), and Freeport. Texas Transportation Code authorizes these ports to issue oversize/overweight permits. The audits focused on whether the ports had necessary controls to ensure

appropriate oversize/overweight permit administration practices supported by sufficient documentation. Brownsville and HCRMA permit administration controls generally ensure compliance with the interlocal agreement with TxDOT and the Texas Administrative Code (Title 43, Part 1, Chapter 28, Oversize and Overweight Vehicles and Loads). Harlingen and Freeport authorities have not implemented necessary controls to ensure appropriate oversize/overweight permit administration and compliance. All ports were provided 30 days to remedy the non-compliance and are actively working with the compliance division to address them timely and have already made significant updates to the ProMiles system they use to administer the permits. The commissioners had no questions.

c. Action Plan Follow-Up

This item was presented by Parsons Townsend, Director of the compliance division. Director Townsend began by highlighting the 33 outstanding action item follow-ups issued by the external audit section within the compliance division. The Houston-Galveston Area Council of Governments, Rio Grande Valley Metropolitan Planning Organization, and Laredo Metropolitan Planning Organization are still within the deadlines to implement their corrective actions. The two corrective actions for Regional Toll Revenue (City of Dallas) and NTT Data are being re-tested. Regarding the findings issued to TxDOT by the Texas Comptroller of Public Accounts on the Post Payment Audit, all findings have been implemented. The commissioners had no questions.

d. Compliance Program Effectiveness

This item was presented by Parsons Townsend, Director of the compliance division. Director Townsend began by presenting the areas used to assess the effectiveness of the compliance program annually. The eight elements identified in the U.S. Sentencing Commission Guidelines are the cornerstones of building an effective program and include (1) Standards, Policies, & Procedures, (2) Reporting & Response, (3) Risk Assessment Evaluation, (4) Communication & Training, (5) Oversight, Structure, & Leadership, (6) Auditing & Monitoring, (7) Alignment with HR Practices, and (8) Culture. TxDOT senior leaders are supportive and engaged to exercise their responsibility to create and maintain a culture that supports compliance to the law and ethical conduct. The compliance program evaluates significant risk areas with detection projects, continuous monitoring evaluations, and external audits. The program identifies improvements and educates agency staff and third parties on key regulations and fraud awareness. The existing confidential reporting structure and investigation process supports a 'speak up' culture without fear of retaliation. Director Townsend highlighted the opportunities for improvement within the compliance division include maintained focus on third-party risk management and grant management processes. Specifically, (1) Evaluate how TxDOT's third-party risk management processes correspond to the nature and level of the enterprise risk identified, (2) Continue providing third party training through presentations and identify additional communication channels to share identified best practices for addressing non-compliance and unethical behavior, and (3) Develop grant management resources for TxDOT grant managers and TxDOT subrecipients of federal funds. Chairman Vaughn asked if there is anything new that we will be doing as opposed to maintenance of status quo. Director Townsend affirmed and explained the new development of the grant management informational documents will help the business know common pitfalls when managing federal grants. Additionally, the compliance division continues to improve the third-party risk management maturity reviews.

**Item 5. Executive Session**


Pursuant to Government Code Section 551.071 and 551.074, consultation with and advice from legal counsel regarding any item on the agenda, pending or contemplated litigation, or other legal matters. Limitations also include deliberations concerning the appointment, employment, evaluation, reassignment, or duties of the Chief Audit and Compliance Officer.

The Audit Subcommittee recessed to executive session at 2:21 p.m., and open session reconvened at 2:47 p.m.

December 11, 2023

Alex Meade made a motion to adjourn, Chair Vaughn seconded the motion. Chair Vaughn adjourned the meeting by a vote of 2 – 0 of the December 11, 2023, Audit Subcommittee at 2:48 p.m.

APPROVED:



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Robert Vaughn, Chair, Audit Subcommittee