

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held on April 24, 2024, at 125 E. 11th Street, Austin, Texas 78701. The meeting convened at 1:30 p.m. with the following members present:

Texas Transportation Commission Audit Subcommittee:

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

Administration Staff:

Marc Williams, P.E. Executive Director
Parsons Townsend Chief Audit and Compliance Officer
Jeff Graham General Counsel
Brian Barth, P.E. Deputy Executive Director for Program Delivery
Mary Anne Griss Chief of Staff
Jessica Buter, P.E. Director of Engineering and Safety Operations
Stephen Stewart Chief Financial Officer

A public notice of this meeting containing all items on the proposed agenda was filed in the Office of the Secretary of State at 2:59 p.m. on April 16, 2024, as required by Government Code, Chapter 551, referred to as “The Open Meetings Act.”

Item 1. Safety Briefing

The meeting began with the Chief Audit and Compliance Officer Parsons Townsend providing instruction and guidance on procedures for the meeting.

Item 2. Consider approval of the Minutes of the December 11, 2023 and February 21, 2024, Audit Subcommittee meetings

This item was presented by Robert C. 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 December 11, 2023 and February 21, 2024, Audit Subcommittee meetings by a vote of 2 – 0.

Item 3. Compliance Division Update

a. Summary of Investigations – Fiscal Year 2024, 2nd Quarter

This item was presented by Parsons Townsend, Chief Audit and Compliance Officer serving as Interim Director of the Compliance Division. Chief Townsend began by highlighting an increase in the number of opened investigations and in substantiations from the previous quarter, which is attributed to the improved quality and quantity of information that support effective investigations. Positively, there were no division fraud, waste, and abuse allegations, which is a key milestone for compliance. Another positive trend is the reduction in supervisor/lead worker investigations; accounting for only 21% of non-third-party investigations. This downward trend continues from the last three quarters indicating our increased messaging and actions are working to reduce this number. Investigations of significance include an employee that misappropriated \$1,182 in fuel using a fleet card for their personal vehicle. The employee has been terminated and a police report was filed. Commissioner Meade asked for clarification if the employee was a district or division employee, to which Chief Townsend replied district.

Chief Townsend continued to highlight the allegation totals by category, showing an increase in workplace violence and consistency in third-party violations. The workplace violence category does not include any investigations of physical violence, rather it includes incidents when employees had arguments and demonstrated unprofessional behavior. All other categories are trending similar to previous quarters. The commissioners had no questions.

b. External Audit Results: Lubbock Metropolitan Planning Organization

This item was presented by Parsons Townsend, Chief Audit and Compliance Officer, serving as Interim Division Director of the Compliance Division. Chief Townsend introduced the audit of the Lubbock Metropolitan Planning Organization (MPO). The Lubbock MPO covers the City of Lubbock, and several counties with expansion plans to cover more soon. The City of Lubbock serves as the fiscal agent for the Lubbock MPO who receives funding through the Transportation Planning and Programming Division (TPP) for transportation projects within its jurisdiction. The audit focused on whether the Lubbock MPO has the financial controls for proper Texas Department of Transportation (TxDOT) grant management and payment compliance for fiscal years 2022 and 2023. Unallowable costs of \$1,901 were identified due to improper payments, which will need to be paid back to TxDOT. These unallowable costs were related to Geographic Information Services (GIS) and while the services were completed, the remaining budget balance amount, after completion of services, was transferred. There were \$53,700 in questioned costs from lack of documentation to support federal approval of costs incurred under the subrecipient agreement. TxDOT did receive the services required for those costs. To comply with federal requirements, there are insufficient monitoring processes present and internal controls must be strengthened. TxDOT's external audit section within the Compliance Division provided seven recommendations to improve operations and the control environment. The commissioners had no questions.

Item 4. 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 have been two new past due MAPs. The previous Priority 1 past due MAP for the grant management software procurement will be re-tested this quarter. The newly added Priority 1 past due MAP was from the statewide utility framework audit. With more districts completing inventories of their utility accounts and increased governance, it will allow the Internal Audit Division to provide more oversight on this MAP soon. The newly added Priority 2 past due MAP on the Construction Contractor Performance Monitoring audit, needs more progress to better mitigate risks. The other Priority 2 past due MAPs will also be re-tested this quarter. The Internal Audit Division's timely engagement on past due MAPs allows the business to stay on course and keep past due MAPs low. The commissioners had no questions.

b. Internal Audit Report: Travel and Expense Reporting Effectiveness

This item was presented by Craig Otto, Director of the Internal Audit Division. Director Otto presented the Travel and Expense Reporting Effectiveness audit rated at program-level Priority 3. The Travel and Expense (T&E) program is responsible for the review and approval of payments to vendors and employee reimbursements traveling on behalf of TxDOT. In a thirteen-month period, this program may be responsible for reviewing approximately 20,000 submittals. The first finding in the audit identified that efficiency delays in the T&E process were attributed to rejections from the traveler/reviewer's misunderstanding of expense documentation requirements from the Comptroller of Public Accounts (CPA) or additional documentation was needed to support the reimbursement payment to the vendor. The second finding in the audit identified the Financial Management Division's (FIN) internal measure for Prepay Auditors were not met due to the high volume of reviews needed; in addition, the report used to measure the number of reviews in the queue did not account for those associated with resubmissions by a rejection. The Internal Audit Division drives efficiency whenever possible, and this audit highlighted the opportunity to cut out unnecessary steps that slow down the process of getting the submittals reviewed, processed, and approved. The CPA has offered direct training for FIN to better understand what is required and why. Chair Vaughn asked if the training being provided is ongoing, to

which Director Otto confirmed that it was ongoing, but with this audit, the CPA better realizes how many people might need this training and ways to offer it more. Executive Director Marc Williams affirmed that the agency is looking into how it can minimize extra processing and paperwork while still mitigating any risks.

c. Internal Audit Update: Data Analytics Program

This item was presented by Jennifer Stanush, Section Manager for the Internal Audit Division. Section Manager Stanush began by explaining the goal of the data analytics program is to provide an objective and independent review of data. To highlight an important initiative that started in 2021, the data analytic team continues to coordinate with FIN to identify duplicate payments through the utilization of scripts to analyze PeopleSoft payment data. Another effort that began in 2023, is the analysis of procurement data from PeopleSoft to look for opportunities to enhance review and monitoring activities within TxDOT's Procurement division. Current collaborations involve participation with the agency's Data Governance and Security Subgroup, contributions to build the first agency A.I. Strategic Plan, and participation on the agency's Digital Roadway Data focus group. The data analytics group within the Internal Audit Division was a critical resource to the Chief Financial Officer on a large-scale data analysis project that studied toll transactions. Chair Vaughn expressed that generative A.I. programs are growing rapidly and could be a resource to leverage on data analysis. Director Otto added that the Internal Audit Division is working very closely with the Information Technology Division (ITD) to ensure compliance with policy and expectations for utilization of A.I. technology. General Counsel Jeff Graham confirmed that ITD is involved in these discussions and opportunities. Executive Director Williams reiterated that there are many opportunities to continue collaborating with the Compliance and Internal Audit Divisions to better understand trends and take action to analyze various data sets so the agency can more efficiently flag compliance incidents before allegations are filed.

Item 5. Executive Session

Pursuant to Government Code Section 551.071, consultation with and advice from legal counsel regarding any item on the agenda, pending or contemplated litigation, or other legal matters. Chair Vaughn noted there will be no Executive Session at this time.

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 April 24, 2024, Audit Subcommittee at 1:57 p.m.

APPROVED:



Robert C. Vaughn, Chair, Audit Subcommittee