



Audit Subcommittee Quarterly Meeting

April 24, 2024 – Texas Department of
Transportation

April 24, 2024



HELP
#EndTheStreakTX

End the streak of daily deaths on Texas roadways.

TxDOT.gov (Keyword: #EndTheStreakTX)



#EndTheStreakTX Toolkit





1. GREER BUILDING SAFETY VIDEO



STATE OF
HIGHWAY
BUILDING





2. CONSIDER APPROVAL OF MINUTES

Dec 11, 2023 & Feb 21, 2024, Audit Subcommittee Meeting



3. COMPLIANCE

Parsons Townsend, Interim Division Director

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



Investigation Totals		<u>Q4 / Previous Q</u>	
▪ Opened	37		8.8%
▪ Closed	39		9.3%

Closed Investigation Dispositions			
▪ Substantiated	27 (69.2%)		
▪ Unsubstantiated	12		26%

Closed Investigation Locations			
▪ Districts	30		20%
▪ Divisions	2		77%
▪ Third party	7		22%

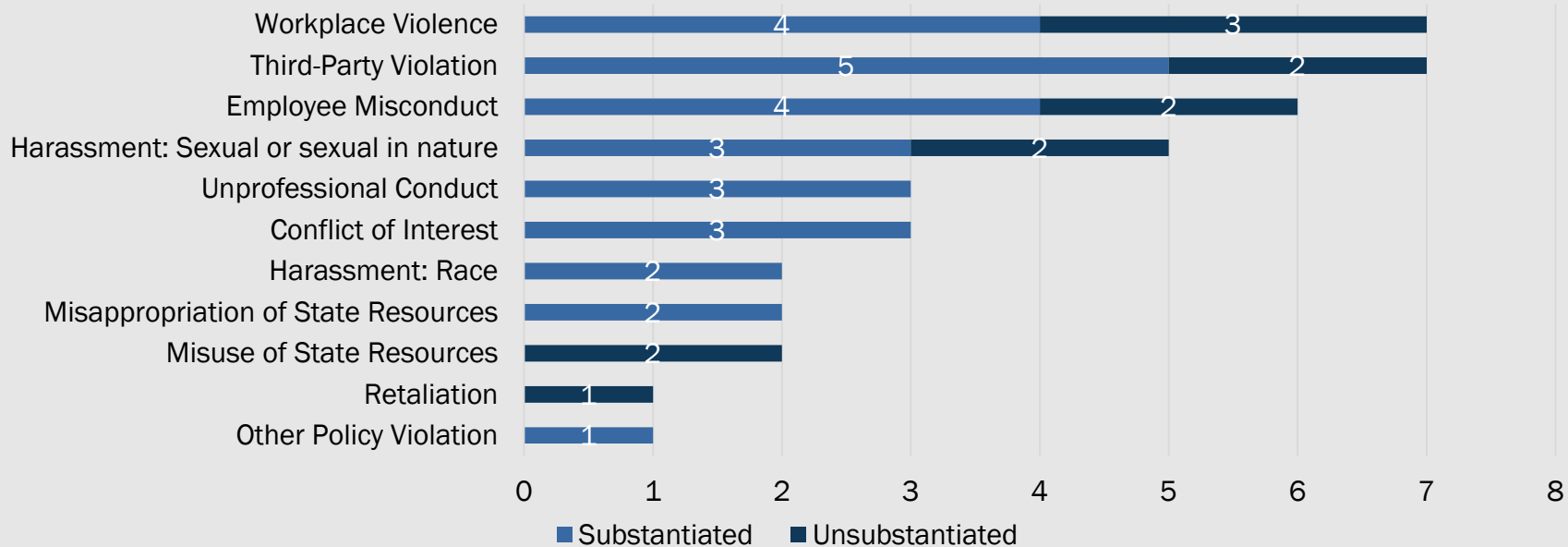
HIGHLIGHTS

- Increase in substantiated investigations (67% to 69.2%)
- No division fraud, waste, or abuse investigations
- Supervisors/lead workers accounted for 21.8% of non-third-party investigations.
- Investigations of significance:
 - Multiple third-party failure to maintain required insurance
 - Employee misappropriated \$1,182 (gallons of fuel) using a fleet fuel card

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



OUTCOMES BY ALLEGATION CATEGORY



3.b. External Audit Report: Lubbock Metropolitan Planning Organization (LMPO)



Objective and Scope Summary:

- Evaluate LMPO’s financial controls for proper TxDOT grant fund management and payment compliance for fiscal years 2022 and 2023 (October 2021 - September 2023).

Background:

- LMPO covers the City of Lubbock, Lubbock County, and Wolforth Counties with expansion plans to include Hockley, Crosby, Lynn and Hale counties.
- The City of Lubbock acts as the LMPO’s fiscal agent, handling financial, procurement, HR, and single audit functions.
- LMPO received federal planning funds through the Transportation Planning and Programming Division (TPP) for transportation projects within its jurisdiction; totaling \$1,215,958 in grant reimbursements for fiscal years 2022 and 2023.

Conclusion:

- Unallowable costs of \$1,901 were identified due to improper payments.
- Questioned costs of \$53,700 were identified due to lack of documentation to support costs incurred under an LMPO subrecipient agreement and non-compliance with federal requirements.
- Insufficient monitoring processes in place to comply with federal requirements, and internal controls must be strengthened.
- Provided seven recommendations to improve operations and control environment.

Implementing recommendations will improve financial oversight and accountability within LMPO’s operations.



4. INTERNAL AUDIT

Craig Otto, Division Director

4.a. Management Action Plan (MAP) Follow-Up: Past Due Status



Priority 1 MAPs (2) ↑ 1

<u>MAP Owners</u>	<u>Status</u>
Aviation (1)	<ul style="list-style-type: none"> Grant Management – Aviation: Software procurement related to grant management policies/procedures (FY24 Q3)
Support Services Division (1)	<ul style="list-style-type: none"> Management and Oversight of Utility Accounts and Payments: Establishment of statewide utility framework (FY25 Q1)

Priority 2 MAPs (6) ↓ 1

<u>MAP Owners</u>	<u>Status</u>
Aviation (2)	<ul style="list-style-type: none"> Grant Management – Aviation: Software procurement related to Buy America and material testing policies/procedures (FY24 Q3)
District Operations (3)	<ul style="list-style-type: none"> Materials Testing – Soils and Aggregate: Consistency of material deficiency resolution (FY24 Q3) Construction Contractor Performance Monitoring: reinforcement of contractor evaluation requirements (FY24 Q3)
Support Services Division (1)	<ul style="list-style-type: none"> Physical Security: <i>Restricted Distribution</i> (FY24 Q2)

Key Takeaways:

- Management and Oversight of Utility Accounts and Payments – Third-party contract was executed, and the new tracking portal for utility location is being developed; MAP estimated to be completed by FY 24 Q4.
- Retesting of six past due MAPs has commenced in FY 24 Q3.
 - Grant Management – Aviation (3 MAPs)
 - Materials Testing – Soils and Aggregate (1 MAP)
 - Construction Contractor Performance Monitoring (2 MAPs)



4.b. Internal Audit Report: Travel and Expense Reporting Effectiveness



Audit Scope:	To evaluate the effectiveness of the travel and expense process.	
Value to TxDOT:	With the increase in statewide travel, determine if the current Travel and Expense (T&E) Report process has been established to efficiently and effectively reimburse travelers and pay vendors timely.	
Risk Theme:	<u>External Risks:</u> Resources/Supply Chain Impacts	<u>TxDOT Risks:</u> Fulfilling Quality Control and Assurance, Technology and Innovation Disruption/Advancement

Audit Type and Overall Rating
Program
Priority 3

Relevance: The T&E program is responsible for the review and approval of payments to vendors and employee reimbursements traveling on behalf of TxDOT. The Financial Management Division (FIN) from January 1, 2022, to February 5, 2023, processed 19,487 T&E submittals with 34,134 reviews (Travel Coordinator, Prepay Auditor, and Human Resources Supervisor) resulting in 14,610 total rejections (43%).

Finding 1: Efficiency of the Travel and Expense Review Process – 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 needed to support the reimbursement or payment to the vendor.

Priority 3

T&E Submittals

- 214 of 455 (47%) T&E transactions were rejected due to inadequate documentation being provided or an ineffective review of the expense documentation.

T&E Documentation Preference

- 186 of 214 (87%) rejections were specifically related to TxDOT-only policy requirements, which are not state requirements or required by the CPA. TxDOT-only requirements should be reviewed periodically for cost/benefit and efficiency purposes.

Finding 2: Travel and Expense Performance Reporting – FIN’s internal measures for Prepay Auditors (PPA) 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 created by a rejection.

Priority 3

- T&E performance reviews (i.e., five-day review, 25 reviews per day) were not met by prepay auditors;
- March 2023 T&E reimbursement reporting was understated by 875 expense reports that required a PPA reviews. The metric did not account for re-submittals which would entail additional reviews due to rejections.

4.c. Internal Audit – Data Analytics Program



Goal: Be an independent and objective analytic resource for the division and agency.

Approach:

Initiatives	Collaboration	Resource
<ul style="list-style-type: none">▪ Management Action Plan trackers (D/Ds)▪ PeopleSoft duplicate payments (FIN A/P)▪ Aged/unused purchasing cards (D/Ds)▪ PeopleSoft procurement data (PRO)▪ Internal audit annual risk assessment (AUD)	<ul style="list-style-type: none">▪ Data Governance and Security subgroup (STR, ITD, TPP, PHR)▪ AI strategic planning brainstorm session (STR and D/Ds)▪ Digital Roadway Data focus group (STR and D/Ds)	<ul style="list-style-type: none">▪ Supported CFO request<ul style="list-style-type: none">– sourcing and analysis of hundreds of millions of toll transactions▪ Initial user of the Enterprise Data Platform (EDP)

Key Takeaways:

- Continuous risk monitoring through sub-ledger data initiatives
- Contributor in TxDOT’s enterprise data analysis growth
- Objective resource - supporting data analytics for the agency



5. EXECUTIVE SESSION



ADJOURN