Objective
Assess the status of corrective actions for high risk Management Action Plans (MAPs) previously communicated in Rail Project Management audit report dated July 15, 2014 and the MAP Follow-Up engagement dated June 2015.

Summary Results
Testing included an evaluation of 2 MAPs to determine if corrective actions were implemented as agreed.

<table>
<thead>
<tr>
<th>MAP Status</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>2 Closed</td>
<td>Corrective actions have been completed.</td>
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</table>

Scope
This engagement fieldwork was conducted with the Rail Safety Section under the Traffic Operations Division. Rail projects that were closed with a letting date after December 1, 2014 were included in the sample tested. Testing included the rail signature authority for Amarillo, Atlanta, Corpus Christi, Dallas, El Paso, Fort Worth, Laredo, Pharr, and Tyler Districts for March 2015.

The engagement was performed by Tim Owen and Jill Emery (Engagement Lead). The engagement was conducted during the period from December 3, 2015 to January 22, 2016.

Methodology
The methodology used to complete the objectives of this engagement includes:

- Interviewed MAP owners from the Traffic Operations Division including the Division Director, Rail Safety Section Director, and Rail Safety Section Manager
- Reviewed training materials provided to district personnel on September 30, 2015 to verify it included instructions for Texas Railroad Information Management System (TRIMS), Rail Invoice Processing, and Railroad Agreements
- Judgmentally selected a sample of 10 finished rail projects to determine if documents have been uploaded into the Texas Railroad Inventory Management System (TRIMS)

Background
This report is prepared for the Texas Transportation Commission and for the Administration and Management of TxDOT. The report presents the results of the Rail Project Management MAP Follow-Up engagement, which was conducted as part of the Fiscal Year 2016 Audit Plan.

Traffic Operations Division (TRF) is responsible for maintaining a complete rail project file utilizing the Texas Railroad Inventory Management System (TRIMS) to electronically store project documents including executed agreements, work orders, invoices, and inspections. Both the Rail Safety Section and each rail coordinator in the district are responsible to upload project documentation into TRIMS. Each rail coordinator is also responsible for
reviewing and approving all rail invoices prior to payment processing by the Financial Management Division (formerly Finance Division).

We conducted this follow-up engagement in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our engagement objective. Recommendations to mitigate risks identified were previously provided to management during the original engagement to assist in the formulation of the management action plans referenced in this report. The Internal Audit Division uses the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework version 2013.
Detailed MAP Follow-Up Status

MAP Status: Closed
Corrective actions have been completed.

**Original Audit Finding Number 1:** Rail Management Contract Process

**MAP Owners:** Luke Chisenhall, Rail Safety Section Director, Traffic Operations Division (TRF)
Robert Travis, Rail Highway Safety Manager, Traffic Operations Division (TRF)

**MAP 1.1:**

*TRF will provide additional training and oversight of District personnel responsible for review and approval of railroad invoices to ensure they have the appropriate training to review and approve the invoices for payment. The rail coordinators that will get training include those that have never used Texas Railroad Information System (TRIMS), were part of this audit, and any new employees. We will continue to monitor to see if more training is needed and when new staff is brought on.*

The Districts will continue to be responsible for construction management, inspection, and oversight of work performed and completed by the railroad companies. Districts will continue to be responsible for review and approval of railroad invoices submitted to FIN by the railroad companies for payment. TRF will assume full contract management responsibilities as the Office of Primary Responsibility (OPR) to ensure a complete project file is maintained for each rail-highway project. This includes ensuring documentation of review and approval of all railroad invoices is received from the Districts. TRF will utilize the TRIMS project management tool to maintain a signed copy of the contract (including the original paper copy), work authorizations, supplemental agreements, work orders, invoices, correspondence, and a record of events that may affect the work.

*New financial controls for review and approval of railroad invoices from Finance Division (FIN) to the responsible District office have already been established and are now in effect. In addition, FIN will copy TRF on all invoices submitted to the District for review and approval, and the District will provide TRF with a copy of the approved invoice to be retained in the TRIMS project record.*

New procedures, for the state’s contractor obtaining the Railroad Right of Entry (ROE) agreement and project reporting from contractor-to-District-to-FIN and TRF, are being piloted by the Construction Division (CST) and TRF through use of a new set of bid specifications. The new process will trigger notification of project completion so TRF can monitor and assist in the final acceptance of the railroad work by the District, and it will better ensure FIN and TRF are notified when construction projects are complete. As part of this effort, TRF will work with CST and the Districts to ensure the rail related project documents are maintained with the construction records.

TRF will update and utilize policy and procedures manuals to train new and existing District railroad project coordinators in preparing project plans, specifications and estimates, issuing work authorizations, conducting inspections, verifying work performed meets agreement terms, coordinating project manager’s comments on work progression...
statements, and obtaining consensus for District approval of invoices before forwarding to FIN for payment. Training will also include final inspection and acceptance for final certification, final plan review, and preparing as-built plans.

The Districts will continue to perform final inspection and acceptance of project work performed by railroad companies. TRF will provide management oversight, guidance, and support to the Districts in performing final inspection and acceptance of rail-highway projects for making final payment to the railroads. This includes monitoring the work for contract compliance and providing TRF personnel as needed for conducting final inspection and acceptance of the work to support final payment and project close-out. TRF will ensure final inspection is performed by the District on a timely basis by having TRF staff monitoring progress of work and current project schedule and having open communication with District staff to understand workload. The open communication will allow TRF staff to assist in conducting final inspection when District rail coordinators have too much work to conduct final inspections in a timely manner.

TRF will ensure all changes to the rail-highway contract management process (including those listed above) will be communicated and done in all Districts.

*Items that are italicized were considered complete during the last MAP Follow-Up.

**Original Completion Date:** August 15, 2014

**Revised Completion Date:** August 15, 2015

Original Audit Finding Number 2: Signature Authority

**MAP Owners:** Luke Chisenhall, Rail Safety Section Director, Traffic Operations Division
Robert Travis, Rail Highway Safety Manager, Traffic Operations Division
Bill Hale, P.E., Chief Engineer
Brian Crawford, P.E., District Engineer, Amarillo District
Robert Ratcliff, P.E., District Engineer, Atlanta District
Christopher Caron, P.E., District Engineer, Corpus Christi District
Kelly Selman, P.E., District Engineer, Dallas District
Robert Bielek, P.E., District Engineer, El Paso District
Brian Barth, P.E., District Engineer, Forth Worth District
Pedro Alvarez, P.E., District Engineer, Laredo District
Toribio Garza, Jr., P.E., District Engineer, Pharr District
Dennis Cooley, P.E., District Engineer, Tyler District

**MAP 2.1:**
The Traffic Operations Division (TRF) will coordinate through Finance Division, Contract Services Office, and the District Engineers to update the delegation of signature authority for approving railroad company invoices. It is our recommendation that the responsibility for review and approval of railroad invoices remain with the District responsible for the construction, inspection, and final certification that the work is complete. TRF will update policy/procedures manuals and training materials for new District railroad coordinators to ensure delegation of signature authority is continued in the future.

**Original Completion Date:** August 15, 2014

**Revised Completion Date:** July 15, 2015
Closing Comments
The results of this MAP Follow-Up engagement were discussed with the Rail Safety Section Director and Rail Highway Safety Manager on March 31, 2016, and provided to the Chief Engineer, Amarillo, Atlanta, Corpus Christi, Dallas, El Paso, Fort Worth, Laredo, Pharr, and Tyler Districts. The Internal Audit team appreciates the cooperation and assistance received from the Traffic Operations Division and the districts during this engagement.