

February 24, 2021

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held on February 24, 2021 at 125 E. 11th Street, Austin, Texas 78701. The meeting convened at 2:00 p.m. with the following members present:

Texas Transportation Commission Audit Subcommittee:

Laura Ryan Commissioner, Audit Subcommittee Chair
Alvin New Commissioner, Audit Subcommittee Member

Administration Staff:

Benito Ybarra Chief Audit and Compliance Officer
R. C. McMonagle Chief Administrative Officer
William L. Hale, P.E. Chief Engineer
Jeff Graham General Counsel
Anh Selissen Chief Information Officer
Bob Kaufman Director of Communication & Customer Service
Brian R. Barth, P.E. Transportation Program 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 10:16 a.m. on February 16, 2021, as required by Government Code, Chapter 551, referred to as "The Open Meetings Act."

ITEM 1. Meeting Guidelines

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

ITEM 2. Consider the approval of the Minutes of the December 9, 2020, Audit Subcommittee meeting

This item was presented by Laura Ryan, Audit Subcommittee Chair. Commissioner New made a motion to approve, Commissioner Ryan seconded the motion. The audit subcommittee approved the minutes of the December 9, 2020 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 covered the Management Action Plan (MAP) Highlights, including a total of 173 closed MAPs as of February 11, 2021, 47 not yet due MAPs, and 34 currently past due MAPs. Director Otto walked the commissioners through the process of what it takes to close a MAP. The thirty-four past due MAPs are a decrease from the 54 that were reported during the December 9, 2020 Audit Subcommittee Meeting. Fiscal Year 2021 progress includes a focus on 30 MAP follow-up engagements. The 30 MAPs include 24 follow-up engagements that are completed, and 6 follow-up engagements currently in progress. The six follow-up engagements in progress include 26 MAPs being tested for closure. Commissioner New asked Director Otto how staff is keeping up with follow-up engagements; specifically, are any engagements being conducted in-person, or are they still being conducted remotely. Director Otto discussed the process of conducting audit work remotely using webcams, web hosted meetings, and clientele preferences on teleworking. Commissioner Ryan joined the conversation and agreed with Commissioner New's request to prioritize upcoming engagements to determine which will need to be conducted in-person. She would also like the internal audit staff to identify best practices for the safest staff interactions for all personnel, and best practices identified in remote working.

b. Internal Audit Report – Professional Engineering Procurement Services (PEPS): Consultant Performance

This item was presented by Craig Otto, Director of the Internal Audit Division. Director Otto began his discussion identifying this audit as the first audit conducted by staff using agile auditing. The agile auditing process includes lower planning in the beginning and sprints during the audit allowing for more flexibility. The scope of this audit focused on PEPS oversight of the consultant evaluation program to help ensure focus on TxDOT standards for quality and timeliness. Between October 2019 through December 2020, overall district and division completion rates increased from 64% to 83% and 45% to 88% respectively. The overall engagement assessment is Needs Improvement with two findings. The first identified finding included consultant evaluations, overdue for two years or more; including 19% district evaluations and 18% division evaluations. The second finding identified comments were not always used to support the evaluation level scores entered into Professional Services Contract Administration Management System (PS-CAMS) by TxDOT Project Managers. Commissioner New requested a list of project managers responsible for entering consultant performance evaluations. He would like to learn if there is a pattern in the lack of comments, and if staff is rushing evaluations to comply with timeline. Commissioner New would like to know that staffing aligns with required processes. Chief Ybarra joined the conversation that audit staff will provide an analysis identifying staff that completed evaluations. Commissioner Ryan agreed with Commissioner New that staff appears to be going through the motions of evaluations without understanding the value of the work and its importance. Commissioner Ryan expressed the importance of administration stressing the importance of these evaluations and setting expectations; and finding those that complete the evaluations well and developing that tangible skill into training. Chief Ybarra concluded the discussion re-highlighting the agile audit process and the adaptability of the PEPS Division to this process quickly supplying requested data and personnel allowing for an efficient audit.

c. Internal Control Assessment Update

This item was presented by Craig Otto, Director of the Internal Audit Division. This agenda item covered the incorporation of the ten contingency engagements through the business owners performing internal control assessments for risks identified during the creation of the Fiscal Year 2021 Audit Plan. Director Otto highlighted three of the ten engagements using the process. For an internal control assessment, the auditors write the work plan and provide guidance; then the business self-identifies process exceptions. In light of disaster recovery and business impact items, Commissioner Ryan asked specifically about the 100+ car crash that occurred February 2021 on Interstate 35 in the Fort Worth District as well as the ERCOT statewide power outage the following week. Specifically, are there lessons learned being performed that helps the agency look at the incident response and communication plan, to ensure we have it developed, implemented, and include how the plan is communicated. Director Otto referred to a current audit: Business Impact Analysis, which covers Division & District response and how they discuss the reaction and what was response and communication. Chief Ybarra joined the conversation adding that he and the Compliance Division are currently engaged in after-action response groups addressing the disaster, and he will provide the commissioner with an update.

ITEM 4. Compliance Division Update

a. Summary of Investigations – Fiscal Year 2021, Second Quarter

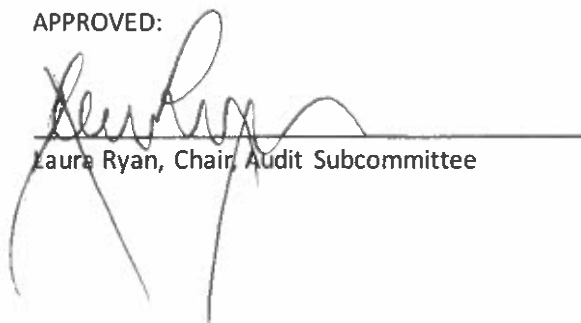
This item was presented by Kristin Alexander, Director of the Compliance Division. The summary of investigations covered the statistics of investigations; including, opened investigations 15, down 12% from last quarter following a continued decrease trend in new investigations, total of 20 closed investigations. Substantiated Investigations 11, 55% of the total closed investigations; and of the closed investigations: 7 were in the Districts, 10 in Divisions and 3 involved third-parties. During the second quarter the Compliance Division Hotline changed vendors and updated the site. Planned outreach for this quarter will include a refresh of the Compliance Hotline campaign. Two investigations Director Alexander spoke about included one third-party vendor revolving door violation, and the second is the recovery of misappropriated assets once an employee is terminated. Additionally, 22% of investigations are at the supervisor level; Director Alexander emphasized the need for supervisor training on policies and re-enforcement of policies; these trainings would be offered in short, targeted virtual settings specific to the supervisor level. Commissioner Ryan asked for clarification on the Conflict of Interest Compliance Campaign. Director Alexander clarified that one of the key bullet-points that staff continues to mis-understand is outside employment. In reference to the bullet-point “special focus on relationships between supervisors and subordinates” a common allegation theme is the creating the perception of favoritism. Director Alexander closed the summary of investigations agenda item covering the remote environment, and how her staff is working. The struggle with is currently outreach, reaching out to people when they need it and where they need it. With investigations, travel is case specific on investigations, and in cases done remotely, Compliance Division has been partnering with Human Resources Division to help gather information.

b. External Audit Findings follow-up status

This item was presented by Kristin Alexander, Director of the Compliance Division. The External Audit Findings follow-up includes audits of TxDOT by outside entities, most commonly the State Auditor’s Office (SAO), and the status of those engagements. More of the recommendations from these audits are moving from partially implemented to fully implemented with several implementations due in March. In reference to an Information Technology audit by the SAO, Commissioner Ryan asked if Information Technology Division is utilizing training software programs. Director Alexander answered that Human Resources Division has moved all required trainings online, and previous in-person trainings are still being offered “live” virtually. Specific topic trainings that are required in-person are still being offered.

Commissioner Ryan adjourned the meeting of the February 24, 2021 Audit Subcommittee at 2:55 p.m.

APPROVED:



Laura Ryan, Chair, Audit Subcommittee