

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held on June 28, 2023, 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:

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

Administration Staff:

Benito Ybarra	Chief Audit and Compliance Officer
Jeff Graham	General Counsel
Marc Williams, P.E.	Executive Director
Rich McMonagle	Chief Administrative Officer
Stephen Stewart	Chief Financial Officer
Anh Selissen	Chief Information Officer
Jessica Buter, P.E.	Director of Engineering and Safety Operations
Carl Johnson, P.E.	Director of District Operations
Mo Bur, P.E.	Director of Project Development
Alejandro Garcia	Director of Communications and Public Affairs

A public notice of this meeting containing all items on the proposed agenda was filed in the Office of the Secretary of State at 4:15 p.m. on June 20, 2023, 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 Benito Ybarra providing instruction and guidance on procedures for the meeting.

Item 2. Consider approval of the Minutes of the January 25, 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 January 25, 2023, Audit Subcommittee meeting by a vote of 2 – 0.

Item 3. Audit and Compliance Charter

This item was deferred by Chief Ybarra.

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. The internal audit team re-tests the area of risk to ensure the actions are completed and addressing the risks. Director Otto reported all enterprise-level (priority 1) MAPs were closed, while twelve program-level (priority 2) MAPs remain past due. The internal audit team closely monitors MAPs nearing their completion dates and works with the business to ensure they continue to be a priority for completion. Carl Johnson, the Director of District Operations assists the audit team to work with the districts at the same time to improve consistency. Most of the priority 2 past due MAPs will be verified soon. Chair Vaughn highlighted the notable improvement in the number of closed past due MAPs from prior updates. The commissioners had no questions.

Item 5. Compliance Division Update**a. Summary of Investigations – Fiscal Year 2023, 2nd and 3rd Quarters**

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 due to a small reduction in third party investigations. The current substantiation rate of investigations is 45% has also decreased from typical periods being 53%. Closed investigations increased because of a fuel detection project that identified red flags for potential fuel misappropriation, but none were substantiated. Significant investigations involved a supervisor that failed to report ten separate safety incidents. Some of the safety incidents involved damage to an agency vehicle. Another highlighted investigation involved ongoing sexual harassment by a supervisor. The compliance division will continue supervisor training during outreach efforts and will reiterate the requirement to report harassment. Another significant investigation involved a construction inspector who falsified driveway measurements that resulted in overpayments of \$236,041. The contractor has agreed to reimburse the Texas Department of Transportation (TxDOT) for those overpayments and the TxDOT employee has been terminated. Chair Vaughn asked for more details on the fuel theft detection. Director Townsend explained a substantiated investigation of an employee that was stealing fuel on the weekends from a TxDOT district location. The compliance team created a geofence around the fuel pumps to monitor activity and ensure other employees were not doing the same. Chair Vaughn asked if there are cameras that monitor and how communication is delivered to the employees that this is intolerable behavior. Director Townsend explained that fuel and other topics are a focus of 'Coffee with the Crews' trainings and outreach in the districts. Supervisor investigations are on the rise; 53% increase compared to fiscal year 2022 (FY22). Chairman Vaughn expressed concern with the increase and stressed the need for leadership to be aligned on how to address it and communicate with the leaders. Executive Director Marc Williams expressed his intent to address this trend with TxDOT Administration. Chairman Vaughn asked for clarification on how these results are currently communicated to which Executive Director Williams mentioned that the results are shared to certain levels and will work with Chief Ybarra to determine a communication plan. Director Townsend continued to highlight allegations by category, of which, third party violations continue to be the majority. To date, TxDOT has surpassed the number of sanctions from last year.

b. External Audit Report – Lower Rio Grande Valley Development Council and Rio Grande Valley Metropolitan Planning Organization

This item was presented by Parsons Townsend, Director of the Compliance Division. Director Townsend introduced the audit of the Lower Rio Grande Valley Development Council (LRGVDC) and Rio Grande Valley Metropolitan Planning Organization (RGVMPO). The LRGVDC is the fiscal agent of the RGVMPO and has the financial controls to manage funds in accordance with applicable funding agreements. An overlap in expenditures of two RGVMPO grants and an unmet match percentage requirement for one RGVMPO grant resulted in questioned costs of \$24,588. Reimbursement costs submitted by RGVMPO did not always meet compliance requirements, deviating from established LRGVDC processes. The external audit section provided eight recommendations to improve their operations and control environment. Chair Vaughn clarified that external audits are standard procedures for subrecipients which Director Townsend confirmed.

c. Action Plan follow-up

This item was presented by Parsons Townsend, Director of the Compliance Division. Director Townsend began by highlighting the 27 outstanding action item follow-ups issued by the external audit section within the compliance division. Director Townsend noted significant progress with follow-up items from audit findings issued by other entities to TxDOT. Since the last meeting, the HVJ South Central Texas – M& J Inc. has fully implemented all recommendations. The external audit section is currently auditing the Houston-Galveston Area Council Metropolitan Planning Organization, with additional focus on the outstanding actions from 2018. The commissioners had no questions.

Item 6. Executive Session

Pursuant to Government Code Section 551.076, 551.089, 551.071 discussions are limited to consultation 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 safety of department infrastructure.

Chair Vaughn adjourned the meeting of the June 28, 2023, Audit Subcommittee at 2:55 p.m.

APPROVED:

A handwritten signature in blue ink, appearing to read "Robert C. Vaughn", is written over a horizontal line.

Robert Vaughn, Chair, Audit Subcommittee

