

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held August 24, 2011, in Austin, Texas. The meeting opened at 1:32 p.m. with the following members present:

Audit Subcommittee Members:

Fred Underwood Commissioner, Audit Subcommittee Chair
Ted Houghton Commissioner, Audit Subcommittee Member

Administrative Staff:

Steve Simmons, P.E. Deputy Executive Director
Owen Whitworth Audit Director
John Barton, P.E. Interim Deputy Executive Director

Registration sheets listing others in attendance are on file with the Texas Department of Transportation Audit Office.

A public notice of this meeting containing all items on the proposed agenda was filed in the office of the Secretary of State at 4:23 p.m. on August 16, 2011, as required by Chapter 551 of the Government Code, referred to as “The Open Meetings Act”.

Opening remarks were made by Commissioner Underwood. He thanked Owen Whitworth, Audit Director for his dedication throughout his years of service upon his upcoming retirement.

Item 1. Approval of Minutes from May 25, 2011, Quarterly Meeting

The Minutes from the May 25, 2011, quarterly meeting were presented by Owen Whitworth, Audit Director, and approved by Commissioners Houghton and Underwood.

Item 2. Proposed Fiscal Year 2012 Annual Audit Plan

Owen Whitworth, Audit Director, presented the *Proposed FY 2012 Annual Audit Plan*. A proposed list of audits and a summary of items to be completed by district, division and regional auditors are included in the plan. Audit Resources were discussed, particularly Full Time Equivalents (FTEs) in the Audit Office. Since Mr. Whitworth’s retirement is August 31, 2011, Commissioner Underwood suggested that any new postings be postponed until a new Audit Director was in place. Commissioner Underwood requested that the plan for filling the two vacancies in the headquarters office be removed from the *Proposed FY 2012 Annual Audit Plan*. Commissioner Houghton and Mr. Whitworth concurred, and Mr. Whitworth agreed to remove the relevant sentence(s) from the plan. The Commissioners approved the *Proposed 2012 Audit Plan* with the aforementioned changes. Currently there are 13 full time employees in Internal Audit; 6 in External Audit, with 2 positions open, and there are 2 vacancies in the districts.

Item 3. Audit Restructuring Status

Mr. Whitworth presented the *Audit Restructuring Status*.

The centralization of the DDR Auditors is being implemented in two separate phases. The first phase, implemented July 1, 2010, included the creation of a structure to provide for

centralized monitoring and supervision of the DDR auditors' work products. The second phase, to be implemented by August 31, 2011, includes the centralization of DDR auditors' administrative functions.

The final stages of the implementation plan are in progress, which includes transferring inventory and updating HROnline records. The Audit Office has coordinated with various support divisions to ensure that all necessary action has been, or will be, taken for an effective transfer. The Audit Office is on schedule to meet the August 31st deadline. Commissioner Underwood requested notification if there were any issues with completing by the deadline. Mr. Whitworth agreed to leave a message with staff if there were any issues.

Item 4. Peer Review Update

Owen Whitworth, Audit Director, presented the update of the 2010 AASHTO *Peer Review*.

Background: During the May 25, 2011 Subcommittee meeting, Commission Underwood requested a follow-up peer review to be completed by July 2011 by the original auditor, Johnny Alexander of the Oregon Department of Transportation.

The follow-up results from Mr. Alexander stated that the Audit Office has adequately addressed the concerns that were brought up in the peer review.

Commissioner Underwood requested Mr. Alexander's contact information for a follow-up call.

Item 5. Internal Audits Completed, 4th Quarter of FY 2011

There has been one audit report issued this quarter.

Raymond Martinez, AIC, reported on *Funding Allocation Formulas and Data Audit*.

Objective: Determine if the department is collecting and reporting the data used to calculate the state's federal funding share in compliance with the requirements and if there are any opportunities for improvement.

The State of Texas and the department provide certain data to the federal government that is used to calculate the state's federal funding share for the highway programs administered by the Federal Highway Administration. Transportation Planning and Programming Division (TPP) provides roadway data that impacts the Interstate Maintenance, National Highway System and Surface Transportation Programs. Bridge Division (BRG) provides bridge construction unit cost data that impacts the Highway Bridge Program, Traffic Operations Division (TRF) manages crash records that impact Highway Safety Improvement Program and Rail Division (RRD) manages the railway/highway crossings that impact the Railway-Highway Crossings Program. This audit focused on the data provided by TPP and BRG because they impact more federal funds than the other programs mentioned.

Mr. Martinez stated that TPP and BRG are collecting and reporting the data used to calculate the state's federal funding share in compliance with the requirements. The audit did not identify any opportunities for improvement. The audit did identify a potential risk regarding the bridge construction unit cost data.

Findings: The bridge construction unit cost data that the assigned BRG employee prepares isn't reviewed for accuracy by another employee before it is submitted to the federal government and there isn't another employee involved in preparing this data.

It was recommended that BRG assign another employee to review the bridge construction unit cost data for accuracy before it is submitted to the federal government and adequately

document the process so another employee can prepare the data in case the assigned employee is unavailable, is transferred or leaves the department.

The Bridge Division concurred with the recommendation and has already assigned another employee to review the data next year, and has documented the process for continuity.

Commissioner Underwood, Steve Simmons, Deputy Executive Director, and David Hohmann, Bridge Division Director, discussed processes and procedures. Mr. Simmons stated that the Bridge Division will train additional staff in preparation of the data. Mr. Hohmann confirmed that a second person who is a professional engineer will learn and participate in the process, review the work, verify the numbers, and sign off on it. It was pointed out that through attrition it is important to train a number of employees for backup.

Note: Although it is not required to have two signatures by the federal requirements, the dual review will be an internal process.

Item 6. Internal Compliance Program (ICP) Update

Steve Simmons, Deputy Executive Director introduced Angie Parker, General Counsel Office, who will serve as the Interim Director of the Internal Compliance Program beginning September 1st, 2011.

Ms. Parker presented the ICP Update: The TxDOT Watch Program received 64 new reports in the period between May 1, 2011, and July 31, 2011. 78 reports were closed during this time period. Allegations in 16 reports were substantiated or partially substantiated. Of the 16 reports there were duplicate allegations. There were actually 12 allegations that were closed during that time period.

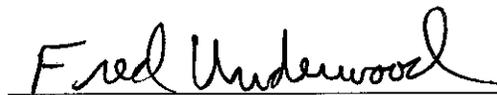
Commissioner Underwood questioned Steve Simmons, Deputy Executive Director about the 90-day time period for drivers to obtain a Commercial Drivers' License (CDL) and if he considered the time period fair. Mr. Simmons stated that 90 days was sufficient and TxDOT provides adequate training and resources.

Closing Comments:

Commissioner Underwood stated that the next Audit Subcommittee meeting will be held November 16, 2011. The members thanked all for attending the meeting and again thanked Owen Whitworth, Audit Director, for his years of service to TxDOT, the Employee Retirement System and the State of Texas.

The meeting adjourned at 2:00 p.m.

APPROVED:



Commissioner Fred Underwood, Chair
Texas Transportation Audit Subcommittee