Objective
To determine if the department’s Metropolitan Planning Organization (MPO) billing oversight is effective and efficient.

Opinion
Based on the audit scope areas reviewed, control mechanisms require improvement and only partially address risk factors and exposures considered significant relative to impacting financial reporting reliability, operational execution, and regulatory compliance. The organization’s system of internal controls requires significant improvement in order to provide reasonable assurance that key goals and objectives will be achieved. Extensive improvements are required to correct control gaps and to address excessive residual risk that may result in potentially significant impacts to the organization including the achievement of the organization’s business/control objectives. Progress to address the highest risk areas will likely not be achieved within 6 months.

Overall Engagement Assessment

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<th>Overall Engagement Assessment</th>
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Management concurs with the above findings and prepared management action plans to address deficiencies.

Internal Environment
Originally, oversight of MPO (e.g., billings, information being sent to FHWA) was shared between Regional MPO Coordinators, who reported to the Chief Procurement and Deputy Administrative Officer, and the Transportation Planning and Programming Division (TPP). In December 2013, Regional MPO Coordinators were transferred to TPP. This transfer provides for the consolidation of MPO planning processes and provides the opportunity to streamline and improve oversight of MPOs.
Summary Results

<table>
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<th>Finding</th>
<th>Scope Area</th>
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| 1       | Oversight of MPO Billing| Incomplete or Missing Supporting Documents 58 MPO Billing Statements from 23 MPOs were reviewed for sufficient support. Billing statements not having sufficient support included:  
- West: 2 of 14 (14%) invoices totaling $177,801  
- North: 14 of 15 (93%) invoices totaling $4,654,582  
- East: 15 of 15 (100%) invoices totaling $3,967,513  
- South: 8 of 14 (57%) invoices totaling $1,304,378  

Signature Authority
Proper signature authority was not obtained for:  
- West: 8 of 14 (57%) invoices totaling $798,751  
- East: 9 of 15 (60%) invoices totaling $1,986,110  
- South: 6 of 14 (43%) invoices totaling $909,039  

A review of the transactions/exceptions identified did not reveal inappropriate activity. |
| 2       | Oversight of MPO Billing| Unified Planning Work Program (UPWP) Inconsistencies with reporting included:  
- 11 of 24 (46%) FY12 UPWP did not include evidence of review and approval by TPP before submission to FHWA  

Annual Performance Expenditure Report (APER) Inconsistencies with reporting included:  
- 2 of 24 (8%) APERs were not submitted timely to FHWA  
- 11 of 24 (46%) APERs were submitted to FHWA without TPP involvement  
- 19 of 24 (79%) MPOs provided different balances in the APER summary task funding tables than documented in TPP’s Master budget |

Audit Scope
The audit was performed by Omar Elsaad, Romy Grimmell, and Tracy Beyer (Engagement Lead). The audit was conducted during the period from September 25, 2013 to November 15, 2013.
Methodology
The methodology(s) used to complete the objective of this audit included:

- Reviewing regulations, manuals, and standard operating procedures
- Reviewing billing statement for 23 out of the 25 Metropolitan Planning Organizations (MPOs)
- Reviewing the FY2012 Unified Planning Work Programs (UPWP) and Annual Performance Expenditure Report (APER) for 24 out of the 25 MPOs
- Interviewing key personnel, such as the Regional MPO Coordinators and the Statewide MPO Coordinator

Background
This report is prepared for the Texas Transportation Commission, TxDOT Administration and Management. The report presents the results of the Metropolitan Planning Organization Audit which was conducted as part of the Fiscal Year 2014 Audit Plan.

During the audit, the regional MPO coordinators were transferred from the Chief Procurement and Deputy Administrative Office to the TPP. Below describes the process prior to the transfer.

A MPO is a local decision-making body that is responsible for overseeing the metropolitan transportation planning process. A MPO provides transportation plans and programs that consider all transportation modes and supports metropolitan community development and social goals. In Texas, there are 25 MPOs across the state. These MPOs are located in four geographical areas (North, South, East, and West).

While MPOs are responsible for planning transportation programs, TxDOT has a responsibility to oversee actions taken by the MPO. Specifically, the TPP will oversee the work done by the MPOs. TxDOT used Regional MPO Coordinators to ensure accurate payments. There were seven MPO Coordinators in four different regions, and they were located in: Abilene (West region), Austin (North region), Wichita Falls (North region), Houston (East region), Laredo (South region), and Pharr (South region).

The Regional MPO Coordinators reviewed MPO billing statements, which include costs for salaries, benefits, travel, contracts, rent, supplies and other federally allowed expenses.

In addition to approving the payment for the billing statement, Regional MPO Coordinators reviewed the MPO’s UPWPs and the APERs. The UPWP is a transportation planning and programming document that defines what work the MPO will be doing during the year. The APER provides information on how the MPO spent their funds and what they are carrying over to subsequent years. Both documents are sent to the FHWA for final approval.

In December 2013, the Regional MPO Coordinators were transferred to TPP. The Coordinators (now entitled MPO Field Representatives), along with other TPP staff, oversee MPO activities. The Field Representative MPO oversight is no longer aligned based on regional geography, but rather MPO size and need. In addition, TPP is in the process of developing new policies and procedures to ensure MPO projects and activities comply with
federal and state regulations and laws; and that all billings and payments are accurate and processed in a timely manner.

We conducted this performance audit 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 audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

A defined set of control objectives was utilized to focus on financial, operational and regulatory goals for the identified scope areas. Our audit opinion is an assessment of the health of the overall control environment based on (1) the effectiveness of the enterprise risk management activities throughout the audit period and (2) the degree to which the defined control objectives were being met. Our audit opinion is not a guarantee against financial misstatement, operational sub-optimization, or regulatory non-compliance, particularly in areas not included in the scope of this audit.

Best Practices:
In the North region, signature authority was provided to the Regional MPO Coordinators when the initial regionalization occurred. By identifying which coordinators needed signature authority and providing them such authority, this region was able to mitigate the risk of inappropriate approval of invoices and ensure the billing statements were reviewed and approved by appropriate personnel.
Detailed Findings and Management Action Plans (MAP)

Finding No. 1: MPO Billing Process Review and Approval

Condition
Billing statements had incomplete or missing supporting documentation. In addition, not all MPO Coordinators had signature authority to approve the MPO billing statements during March 2012 through September 2013.

Effect/Potential Impact
Not having a sufficient and appropriate review could lead to:

- Overpayment
- Payments reimbursed for non-participating cost
- Payments for non-completed work
- Payments for partial billings
- Unauthorized charges

A review of the transactions/exceptions identified did not reveal inappropriate activity.

Criteria
The Metropolitan Planning Organization & Regional Planning Coordination Standard Operating Procedure, which is used by the Regional MPO Coordinators to review billing statements, indicates that invoices should contain appropriate supporting documentation to receive reimbursement for billing statement charges.

TxDOT policy requires signature authority for approving all billing payments. Signature Authority needs to be delegated if it is not the Director directly approving the billing.

Cause
A process has not been developed to 1) ensure that each MPO provides the appropriate and sufficient evidence to ensure that charges in the billing statement are supported and 2) ensure charges are approved by appropriate personnel with delegated limits.

Evidence
Based on audit fieldwork performed:
39 of 58 (67%) invoices tested did not have complete supporting documentation:

- West Region – 2 of 14 (14%) for invoices totaling $177,801
- North Region – 14 of 15 (93%) for invoices totaling $4,654,582
- East Region – 15 of 15 (100%) for invoices totaling $3,967,513
- South Region – 8 of 14 (57%) for invoices totaling $1,034,378

3 of 4 (75%) MPO coordinators did not have signature authority to approve payment of billing statements:

- $3,693,900 invoices were approved without appropriate signature authority: West Region – 8 invoices totaling $798,751; East Region – 9 invoices totaling $1,986,110; South Region – 6 invoices totaling $909,039
Management Action Plan (MAP):

MAP Owner: Marc Williams, Director, Transportation Planning and Programming Division

MAP 1.1 - Effective December 1, 2013, the Regional MPO Coordinators (Field Representatives) are part of TPP. As part of the reorganization, TPP has reviewed TxDOT policy regarding signature authority formerly being handled by Regional MPO Coordinators. At this time, the signature of MPO billings is being handled by the Deputy Division Director. TPP will review the efficacy of the current signature authority procedure and determine whether it should remain as is, or be delegated to another individual(s).

Completion Date:
March 15, 2014

MAP 1.2 - TPP has begun the process of reviewing the existing processes and procedures used by Regional MPO Coordinators (Field Representatives), District staff and others in processing MPO billing statements. TPP will work with all stakeholders to develop a process that will ensure each MPO statement receives sufficient review and is approved by designated personnel and will update the Planning Manual to document the billing review process including information on what supporting documentation is needed for review of billing statements.

Completion Date:
August 15, 2014

MAP 1.3 - With the update of the Planning Manual, TPP will review all processes and procedures currently provided for in the Standard Operating Procedures (SOP) and incorporate these elements into the Planning Manual. With the update and approval of the Planning Manual, the SOPs will be noted as no longer in use by the Department.

Completion Date:
August 15, 2014
Finding No. 2: Submission and Approval of UPWPs and APERs

Condition
Regional MPO Coordinators submitted the Unified Planning Work Program (UPWPs) and Annual Performance Expenditure Report (APERs) without timely Transportation, Planning, and Programming Division (TPP) review or approval.

Effect/Potential Impact
Submission of these reports without appropriate review and approval can result in suboptimal information being provided to Federal Highway Administration (FHWA). Recently, FHWA’s review of the submitted UPWPs and APERs resulted in the identification of deficiencies including the following:

- Untimely submission
- Responses from FHWA not being addressed
- Inconsistent documentation to support funding balances

These deficiencies delay the approval of the APERs and UPWPs, which may delay projects being funded and let.

Criteria
FHWA considers TPP as the Office of Primary Responsibility (OPR). By being the OPR, TPP is responsible for submitting the APER and UPWP every year by December 31st. To support those expectations, the TxDOT planning manuals state that TPP will review and submit the UPWP and APER reports to FHWA.

Cause
Conflicting processes exist establishing who is responsible for submitting the APERs and UPWPs. Currently, two documents (a Standard Operating Procedure “SOP” and manual) exist discussing the responsibilities and roles of Metropolitan Planning Organization (MPO) and TPP regarding the submission of the APER and UPWP. The SOP states that the MPO Coordinators are to submit the APER and UPWP, while the planning manual states that TPP is to submit the UPWP and APER to FHWA.

Evidence
FHWA approval letter, dated June 7, 2013, regarding the submitted APERs includes the following comments:

- Not all the APERs information in a format consistent with the UPWP.
- Not all TxDOT approved UPWP amendments are being provided to FHWA for review and information.

UPWPs Reviewed
- 11 of 24 (46%) UPWP reports had no evidence of TPP review or approval before being submitted to FHWA.

APERs Reviewed
- 2 of 24 (8%) APERs did not meet the submission deadline of December 31st, 2012.
- 11 of 24 (46%) APER reports had no evidence of TPP review or approval before being submitted to FHWA.
19 of 24 (79%) MPOs provided different balances in the APER summary task funding tables than documented in TPP’s Master budget. The funding balances difference occurred because MPOs are providing programmed budget amounts while TPP includes authorized funding budgets. TPP authorized funding budget for each MPO includes carryover amounts from the previous fiscal years.

- TPP has not provided guidance to the MPOs on how to calculate and report the funding balances in the APER.

**Management Action Plan (MAP)**

**MAP Owner:** Marc Williams, Director, Transportation Planning and Programming Division

**MAP 2.1** - Effective December 1, 2013, the Regional MPO Coordinators (Field Representatives) are part of TPP and will review the current processes and procedures for the submission of UPWPs and APERs to the Federal Highway Administration (FHWA).

**Competition Date:**
March 15, 2014

**MAP 2.2** - TPP will develop a process for the submission of UPWPs and APERs that includes the guidance provided by FHWA on June 7, 2013, and clarifies who is responsible for review of the documents and when.

**Competition Date:**
June 15, 2014

**MAP 2.3** – TPP will develop a process to ensure consistency, to the extent practicable, for the reporting of fund balances in UPWPs and APERs.

**Competition Date:**
June 15, 2014

**MAP 2.4** - TPP will update the Planning Manual to document the UPWP and APER process including, but not limited to, the timeline for submission of documents; requirements for what needs to be included in the documents; and requirements for review and approval of documents by both TxDOT and FHWA. The processes and procedures documented in the Planning Manual shall be consistent with state and federal guidance and regulations.

**Completion Date:**
August 15, 2014
## Summary Results Based on Enterprise Risk Management Framework

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### Closing Comments

The results of this audit were discussed with the Regional MPO Coordinators, the Statewide MPO Coordinator, and TPP Management. We appreciate the assistance and cooperation received from the Regional MPO Coordinators and TPP Statewide MPO Coordinator contacted during this audit.