

February 26, 2020

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held on February 26, 2020 at 125 E. 11th Street, Austin, Texas 78701. The meeting convened at 10:00 a.m. with the following members present:

Texas Transportation Commission Audit Subcommittee:

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

Staff:

Benito Ybarra	Chief Audit and Compliance Officer
Jeff Graham	General Counsel
Brian D. Ragland, CPA	Chief Financial Officer
R. C. McMonagle	Chief Administrative Officer
William L. Hale, P.E.	Chief Engineer
Anh Selissen	Chief Information Officer
Mary Anne Griss	Chief of Staff
Bob Kaufman	Director of Communications & Customer Service
Quincy Allen, P.E.	Director of District Operations

A public notice of this meeting containing all items on the proposed agenda was filed in the Office of the Secretary of State at 4:02 p.m. on February 18, 2020, as required by Government Code, Chapter 551, referred to as "The Open Meetings Act."

ITEM 1. Safety Briefing

The meeting began with the Greer Building safety briefing video.

ITEM 2. Consider the approval of the Minutes of the December 11, 2019, 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 11, 2019, Audit Subcommittee meeting by a vote of 2 - 0.

ITEM 3. Compliance Division Update

a. Summary of Investigations

This item was presented by Kristin Alexander, Director of the Compliance Division. The Compliance Division Investigations Section opened 19 cases in the 2nd quarter, a decrease from the 1st quarter, though allegations remained high with more items referred to Human Resources Division. Investigations Section closed 24 cases, also a decrease from the 1st quarter. Of the cases closed, 11 were substantiated. Fifteen of the closed investigations occurred in the Districts, 7 in Divisions and 2 involved a third-party. The vehicle misuse campaign previously discussed during audit subcommittee meetings has launched in the Districts in collaboration with the Human Resources Division. Director Alexander further covered the breakdown of investigations by subject of the investigation over the past two quarters, and by allegation category. Commissioner Ryan asked if there was a focus on the next campaign by the Compliance Division. Director Alexander listed theft: how-to safe guard assets, lock and secure TxDOT and personal property as the next employee education campaign. Future topics for consideration include theft of items left in TxDOT Right of Ways, and additional employee training on conflicts of interest with contractors. On the topic of conflict of interest, Commissioner Ryan asked if there are resources in the

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districts to help coach employees and intervene when necessary. Director Alexander confirmed that Human Resources Division staff embedded in the districts are available to employees, TxDOT's Ethics Officer and Employee Conduct Section Director in Human Resources Division offer regular trainings in the districts and are available to staff via email or phone call. Commissioner Ryan asked if there was a common reason behind unsubstantiated allegations made. Director Alexander explained that they are often the result of change in management and new policies being implemented. Commissioner Ryan asked if the percentage of unsubstantiated cases, near 40%, was normal. Chief Ybarra joined the discussion noting that benchmarking in the industry for unsubstantiated cases is higher than 60%.

b. External Audit Report follow-up status

This item was presented by Kristin Alexander, Director of the Compliance Division. Director Alexander presented audits of TxDOT by external entities. Her presentation covered the audit report(s) and date of issue, total recommendations to TxDOT from the audit, how many of the recommendations have been fully implemented and how many recommendations remain incomplete with target implementation dates. Commissioner New asked about the progress of completion noting that the Facilities-related Contracts at TxDOT had two of twelve fully implemented recommendations in the past 6 months. Director Alexander noted that 10 of the incomplete recommendations had an implementation set for end of December 2019 and are in the follow-up status. Two new manuals have been drafted laying out a strong framework to address the recommendations; at this time those two manuals have not been issued, leaving those recommendations not fully implemented. During the discussion of the Federal Portion of the Statewide Single Audit for Fiscal Year 2018, Commissioner Ryan asked why the implementation date was set so far in the future for March 2021. Anh Selissen, Chief Information Officer for TxDOT joined the conversation. Chief Selissen covered the timeline for the project and steps being taken to ensure limited impact to users. Chief Selissen stated she has a dedicated team that works closely with the Compliance Division External Audit section to close the audit findings, and to make sure the right mitigation steps are being taken.

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 covered the uptick in *Total Open MAPs* from the last quarterly meeting due to issuing more audit reports; an uptick in *Partially Implemented MAPs* is also reported. Director Otto reported two overdue MAPs this quarter due to joint division actions regarding manuals; and reported the overdue MAPs are expected to be closed in the next couple of months. Fiscal year 2020 progress on MAP follow-up engagements includes six engagements completed, 7 follow-up engagements in progress – of which 68 MAPs are being tested for closure; and 4 engagements will commence in the 3rd and 4th quarters. Commissioner Ryan asked for clarification between an *Audit* and an *Engagement*. Director Otto explained that TxDOT follow-up engagements are limited scope activities focused on an assessment of previously-identified issues; however, it can be considered semantics, since the MAP follow up is an audit conducted by audit staff.

b. Internal Audit Report – PEPS Prime Provider Performance Monitoring

This item was presented by Craig Otto, Director of the Internal Audit Division. Four findings were identified during this audit with an overall rating of needs improvement; the audit primarily focused on addressing Sunset recommendations related to completion of evaluations and monitoring to help ensure consistent and effective contract oversight. The first and primary finding rated unsatisfactory related to the completion of evaluations during contract activity and at the end of the contract. The second finding related to oversight of manager approval of evaluations at completion then documented or retained in PS-CAMS. Thirteen of the 25 TxDOT project managers interviewed were not able to provide support of manager approval. The third finding related to portal access to scoring information with PS-CAMS allowing

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firms to view their evaluation scores before they had been approved by TxDOT managers. Lastly, the audit team looked into PS-CAMS calculations of evaluation scores and found programming errors that resulted in approximately 2% inaccurate calculations of evaluation scores. Commissioner Ryan asked for more information as to why evaluations are required to be performed, and Director Otto answered it is a requirement of Texas Administrative Code as well as internal standard operating procedure. Commissioner Ryan further asked about the risk to TxDOT if the evaluations are not being performed or performed correctly. Director Otto cited instances of a contractor performing well in one region, and not as well in another, showing history of work available to the TxDOT when selecting contractors. Chief Ybarra referenced the Contractor Performance Monitoring Audit from Fiscal Year 2019 that focused on contractor evaluations, adding the PEPS Prime Provider Monitoring report was along the same concept, but for consultants. Commissioner Ryan asked PEPS Director Martin Rodin, whether TxDOT was communicating the value in doing evaluations and benefits from doing them to the consultant community; as well as risks associated with not performing evaluations. Secondly, she asked if PEPS had enough resources to complete evaluations, or if they needed to be reprioritized. Director Rodin referenced the federal process used in a large percentage of current consultant selections that requires using previous scoring as part of the scoring criteria. Director Rodin did state workload is a concern in rural districts where Project Managers are responsible for 10-20 work authorizations. Director Rodin spoke to the Management Action Plan to distribute information to the project managers, elevating the priority of evaluations, and reporting the scores. Commissioner Ryan and Director Rodin further discussed future time savings and efficiencies with the annual rate negotiations. Commissioner New asked if the audit team was able to identify the profile(s) of the project managers not completing evaluations. Director Otto did not have the profile(s) but did feel his team would be able to provide an analysis, based on the data they already had. Commissioner New also reiterated the importance of leaving incomplete evaluations as outstanding and not allow them to fall off of metrics due to time elapsed.

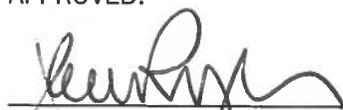
ITEM 5. Executive Session

Pursuant to Government Code Section 551.071, consultation with and advice from legal counsel regarding any item on the agenda; and Government Code Section 551.076 discussion concerning security of department infrastructure audit.

The audit subcommittee recessed to executive session at 10:43 a.m. and executive session convened at 11:13 a.m.

The audit subcommittee reconvened in open session at 11:15 a.m.
Commissioner Ryan adjourned the meeting of the February 26, 2020 Audit Subcommittee at 11:16 a.m.

APPROVED:



Laura Ryan, Chair, Audit Subcommittee
Texas Transportation Commission