



INTERNET ADDRESS:
<http://www.txdot.gov>

AGENDA

**TEXAS TRANSPORTATION COMMISSION
Audit Subcommittee, Quarterly Meeting
125 East 11th Street
Austin, Texas 78701-2483**

**WEDNESDAY
June 24, 2020**

NOTE: In light of the Governor's Proclamation of March 13, 2020, declaring a state of disaster for all counties in Texas from the imminent threat posed by COVID-19 and the Governor's approval of the request from the Office of the Attorney General to temporarily suspend certain open-meeting provisions of Texas law, the meeting of the Audit Subcommittee of the Texas Transportation Commission on June 24, 2020, will be conducted as a telephone/audio conference meeting. You may listen to the meeting by calling the toll-free number: 1-800-309-1256, participant access code 179402. If you would like to comment on an agenda item during the meeting, you may do so by using that toll-free number and access code.

The Texas Department of Transportation's computer network is currently experiencing difficulties. If the applicable network functions can be restored before the time of the meeting you will be able to view an electronic copy of the agenda packet for the meeting at <https://www.txdot.gov/inside-txdot/administration/commission/subcommittee-meetings.html>. The meeting will be recorded, and the audio will be available at <https://www.txdot.gov/inside-txdot/administration/commission/subcommittee-meetings.html>.

Persons with special needs or disabilities who require auxiliary aids or services are requested to contact the department's Compliance Division at (512) 463-5671 at least three working days prior to the meeting so that appropriate arrangements can be made.

Si desea recibir asistencia gratuita para traducir esta información, llame al 512-305-9500.

10:00AM CONVENE MEETING

- 1. Meeting Guidelines**
Staff will provide instruction and guidance on procedures for the meeting.
- 2. Consider the approval of the Minutes** of the February 26, 2020, quarterly meeting of the Texas Transportation Commission Audit Subcommittee
- 3. Update on the Selection of the Independent Auditor**

4. **Internal Audit Division Update**
 - a. Management Action Plans (MAP) follow-up status
 - b. Internal Audit Reports
 - 1) Independent Financial and Information Security Assessment Reports
 - 2) ADA Goal Setting & Reporting Process

5. **Compliance Division Update**
 - a. Summary of Investigations - Fiscal Year 2020, 3rd Quarter
 - b. External Audit Findings follow-up status

6. **Executive Session** Pursuant to Government Code, Chapter 551
Section 551.071 - Consultation with and advice from legal counsel regarding any item on this agenda, pending or contemplated litigation, or other legal matters

ADJOURN

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Audit Subcommittee Quarterly Meeting

Texas Transportation Commission



**Approval of minutes:
February 26, 2020, Audit Subcommittee meeting**



Selection of the Independent Auditor





- Crowe LLP was selected to continue as TxDOT's Independent Auditor.
 - Served as TxDOT's auditor from 2014-2019.
 - New contract executed April 22, 2020.
 - Engaged to audit the fiscal 2020 financial statements, with four additional annual renewal options.

- Crowe submitted the highest scoring proposal.
 - Proposal review team consisted of 2 individuals in FIN and 1 in AUD. ***All 3 scorers gave Crowe's proposal the highest rating.***



Scope of Work

1. Audit of the TxDOT Comprehensive Annual Financial Report.
2. Audit of the Texas Mobility Fund Annual Financial Report.
3. Audit of the Central Texas Turnpike System Annual Financial Report.
4. Audit of the Grand Parkway Transportation Corporation Annual Financial Report.
5. Agreed Upon Procedures Engagement for TxDOT toll projects.



Four qualified respondents submitted proposals for review.

Key Considerations During Evaluation of Proposals



Licensed CPA Firm	Transportation Experience
Independent	Ability to Leverage TxDOT Internal Audit Services
No Ethics Violations	Audit Quality and Efficiency
Qualifications of Firm & Audit Team	Provides Value to Department
Reasonableness of Fees Proposed	References of Firm & Audit Team
Continuing Education of Key Personnel	Certifications of Key Personnel



- Completed all prior audit milestones by established deadlines.
- Provided regular communication to TxDOT staff on progress of engagement.
- Provided valuable financial reporting insights based on research and experience with other transportation clients.
- Employed a highly qualified audit team.
 - Partner appointed member of Governmental Accounting Standards Advisory Council.
 - Manager has over 20 years experience auditing government clients.

*As returning auditor, Crowe is familiar with TxDOT business processes, **adding significant value and efficiencies** to the engagement.*



Internal Audit Division Update

Craig Otto, Director, Internal Audit Division



Management Action Plan (MAP) Follow-Up Overview



MAP Highlights	FY 20 (As of 2/14/20)	FY 20 (As of 6/11/20)
Total Open MAPS	178	149
Not Yet Due	62	60
Partially Implemented	114	88
New FMAPs	0	0
Overdue MAPs	2	1

FY 20 Progress

Focus is now on 24 MAP Follow-Up engagements (17 noted in 2020 audit plan)

- 12 Follow-Up engagements completed
- 4 Follow-Up engagements in final report phase with issuance this month
- 8 Follow-Up engagements in progress (including Q4)
 - 37 MAPs are being tested for closure



Internal Audit report to be issued:

Independent Financial and Information Security Assessment Reports - 2 Findings

Overall Engagement Assessment		Needs Improvement		
Findings				
	Title	Control Design	Operating Effectiveness	Rating
Finding 1	Service Provider Information Security Assessment Report	X	X	Needs Improvement
Finding 2	SOC 1 Report	X	X	Needs Improvement

Focus on obtaining independent financial and information security assessment reports (e.g., System and Organization Controls (SOC) 1 and 2 reports, respectively) from third party service providers to assess the risk associated with doing business with them.

1. Service Provider Information Security Assessment Report
 - TxDOT has not established a standard TxDOT-wide process to identify the security requirements that service providers, who host or have access to TxDOT data, must comply with to protect TxDOT data from information security risks.
 - TxDOT does not have a process to obtain security assessment reporting (e.g., SOC 2 reports) from service providers that host TxDOT data to help validate that the service provider is adequately protecting this data.
2. SOC 1 Report
 - TxDOT does not consistently assess and monitor their service providers internal controls over financial reporting when those providers host certain TxDOT's financial reporting data.
 - It was identified that a service provider's contract did include a requirement to provide a SOC 1 report; however, TxDOT did not pursue or obtain the SOC 1 report to further assess their internal control framework until the following year.



Internal Audit report issued:

Americans with Disabilities Act (ADA) Goal Setting and Reporting 2 Findings

Overall Engagement Assessment			Needs Improvement	
Findings				
	Title	Control Design	Operating Effectiveness	Rating
Finding 1	District Reporting	X	X	Needs Improvement
Finding 2	Monitoring of Federal Reporting and District Goals	X	X	Needs Improvement

Focus on the effectiveness of TxDOT's ADA reporting and goal setting programs related to the Quarterly FHWA Dashboard and annual ADA Goals and Accomplishments report.

1. District Reporting

- District reporting to Civil Rights Division (CIV) for Federal Fiscal Year 2019 included unsupported ADA activities, inaccurate reporting based on activity dates, duplication of corrected barrier reporting, and unreported ADA activities.
 - 131 of 501 (26%) district ADA activities were either unsupported or inaccurately reported to CIV.
 - 105 of 1,655 (6%) ADA barriers reported as corrected in curb ramp program were reported by both a district and division.
 - Seven district ADA activities were completed but not reported to CIV including barriers identified and addressed, as well as, trainings completed.

2. Monitoring of Federal Reporting and District Goals

- The process to ensure accurate, supportable ADA reporting by districts and quality assurance by the Civil Rights Division (CIV) was not designed or operating effectively. The quarterly and annual FHWA Dashboard reports provided to FHWA contained errors and data omissions.
 - The CIV monitoring process does not evaluate the district goals for alignment with ADA focus areas (i.e. outreach planned).
 - 8 of 12 (67%) districts sampled did not plan for or set an outreach goal to meet the required four events per year.
 - 3 of 12 (25%) districts sampled reported goals in only one of the six areas of focus for the ADA program.
 - The annual FFY 2019 FHWA Dashboard included input errors that resulted in low percentages of over/under reporting as compared to the district and division support that was used to substantiate the amounts.



Compliance Division Update

Kristin Alexander, Director, Compliance Division



Investigation Totals :

		<u>Q3 / Q2</u>
• Opened	20	↑ 5%
• Closed	26	↑ 8%

Closed Investigation Dispositions:

• Substantiated	15 (58%)	↑
• Unsubstantiated	11	

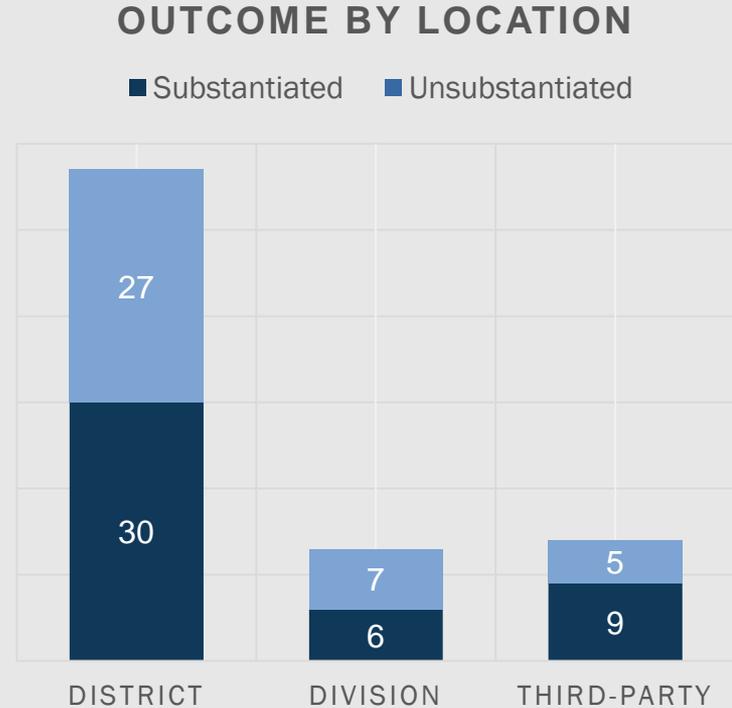
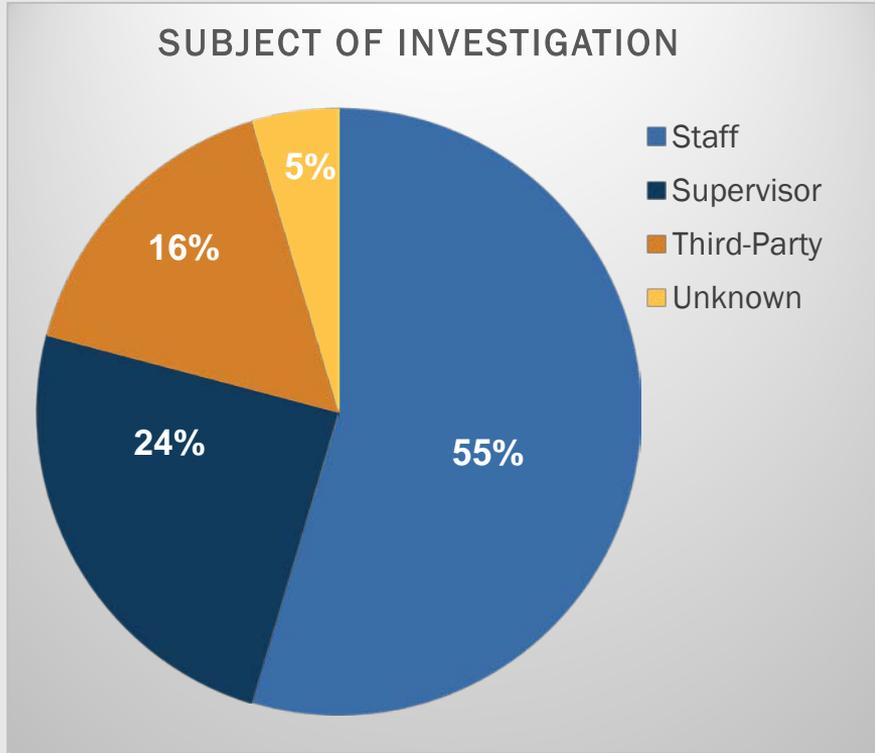
Closed Investigation Locations:

• Districts	22	↑ ↓ ↑
• Divisions	1	
• Third Party	3	

Highlights

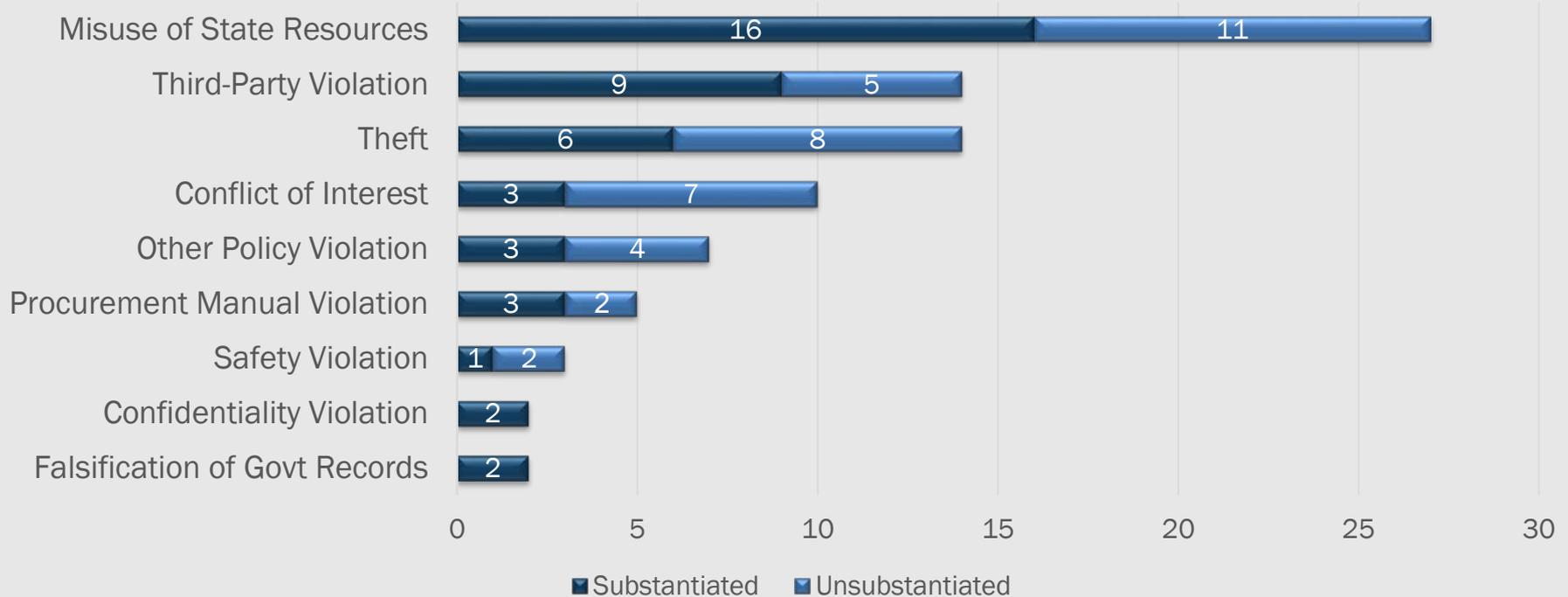
- Allegations decreased significantly beginning April
 - Trade associations report decrease is a global trend corresponding with pandemic
- 65% of investigations opened in Q3 were in March
- Substantiation rate increased from 46% in Q2
- Significant investigations:
 - Third party falsification
 - Falsification of material testing

Summary of Investigations – Fiscal Year 2020; Q1-Q3





OUTCOMES BY ALLEGATION CATEGORY



External Audit Findings Follow-up Status



Audit Report	Total Recommendations	Fully Implemented	In Progress	Overdue	Comments
An Audit Report on Contract Change Management at TxDOT (SAO #20-027), Issued 3/26/2020	8	0	5	3	Original target implementation 6/2020 (ITD); revised to 9/2020
A Classification Compliance Audit Report on Information Technology Positions at Business and Economic Development Agencies (SAO 20-701), Issued 1/28/2020	2	1	1	0	Target implementation 12/2020
An Audit Report on Facilities-related Contracts at TxDOT (SAO #19-050), Issued 8/30/2019	13	9	4	0	3 - Follow up testing in progress 1 - Target implementation 8/2020
Federal Portion of Statewide Single Audit for FY 2019 (SAO #20-317), Issued 2/28/2020	2	1	1	0	Target implementation 3/2021
An Audit Report on Information Technology Contract Oversight at TxDOT (SAO #19-024), Issued 2/1/2019	15	12	0	3	Original target Implementation 2/2020; Follow-up testing in progress
Recurring Audits	34	30	4		
Total	74	53	15	6	

Closure of External Audit Findings remains on track.



Adjourn