

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held on May 20, 2025, at 125 E. 11th Street, Austin, Texas 78701. The meeting convened at 1:00 p.m. with the following members present:

Texas Transportation Commission Audit Subcommittee:

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

Administration Staff:

Marc Williams, P.E.	Executive Director
Parsons Townsend	Chief Audit and Compliance Officer
Jeff Graham	General Counsel
Mary Anne Griss	Chief of Staff
Stephen Stewart	Chief Financial Officer
Rich McMonagle	Chief Administration Officer
Jessica Butler, P.E.	Director of Engineering and Safety Operations
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 11:46 a.m. on May 12, 2025, 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 Parsons Townsend providing instruction and guidance on procedures for the meeting.

Item 2. Consider approval of the Minutes of the March 26, 2025, Audit Subcommittee meeting

This item was presented by Robert C. Vaughn, Audit Subcommittee Chair. Commissioner Alex Meade made a motion to approve, and Chair Vaughn seconded the motion. The Audit Subcommittee approved the minutes of the March 26, 2025, Audit Subcommittee meeting by a vote of 2 – 0.

Item 3. 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 covering an update on Management Action Plans (MAPs). MAPs are the remediation plans for audit findings that contain both the action and date for the responsible business area to complete. There is still one past due Priority 1 MAP since the last quarter relating to the identification/location of all TxDOT meters using global positioning from the Management and Oversight of Utility Accounts and Payments audit. The districts are taking action to comply with the requirements. Four Priority 2 MAPs closed during the last quarter, leaving seven remaining in past due status. The fleet pre-trip inspection form MAP needed to be revised to better support the policy/governance process for the districts. Additionally, the procurement division requested more time to fully implement the monitoring reviews related

to the PCARD Support MAP. The commissioners had no questions.

b. Internal Audit Report: Aviation – Flight Services

This item was presented by Craig Otto, Director of the Internal Audit Division. Director Otto presented the Aviation – Flight Services audit rated at a program-level Priority 2. The scope of the audit was to assess the efficiency and effectiveness of financial management and strategic planning activities that support TxDOT's flight services. Operating in accordance with Texas Government Code 2205, AVN-FSS provides air transportation to individuals with four TxDOT aircraft and maintenance services on the 36 state-owned aircraft. Development of a strategic plan and identifying cost recovery and savings opportunities can help optimize the program for the state's transportation needs. The first finding identified that AVN-FSS has not fully introduced a strategic and measurable long-range plan that incorporates the handling of the interagency routine maintenance program. Routine maintenance scheduling is key to consider for the development of a strategic plan. The second finding identified that AVN-FSS cost recovery, and savings processes are not fully developed or documented to help identify comprehensive opportunities when determining appropriate flight or maintenance hourly rates, fuel rates, and collecting outstanding receivables. If the TxDOT plane fuels up in Austin, a fixed price is used (established through a contract), but when the plane fuels up outside of the Austin area the price fluctuates. There are opportunities to stabilize the fuel price statewide. The third finding identified AVN-FSS did not always obtain the required pre-flight authorization forms for flight services giving the state employees or state official permission to fly from their respective state agency Executive Director or designee. An affidavit, notarization, and Executive Director (or designee) approval process is required to manage the utilization of the TxDOT plane. 26 out of 125 pre-trip authorization forms from FY23 – FY24 were unable to be provided to validate approvals prior to flying. Chair Vaughn asked if Internal Audit will have a recommended plan or update on the strategic plan to which Director Otto responded that the recommendations were provided to them [TxDOT's Aviation Division]. Chair Vaughn mentioned that it would be good to know the hourly maintenance rate and what it is in addition to. Director Otto responded that \$65 is the rate for rotary and fixed wing to which Chair Vaughn responded that it was \$125 on top of \$65. Director Otto confirmed.

Item 4. Compliance Division Update

a. Summary of Investigations – Fiscal Year 2025, 3rd Quarter

This item was presented by Cheryl Durkop, Director of the Compliance Division. Director Durkop began by explaining that quarter 3 (Q3) includes both compliance and EEO investigations. For the third quarter, 174 allegations were received, 36 investigations were initiated, 43 investigations were closed, and 30 investigations were substantiated (substantiation rate of 70%). Multiple investigations of significance involved investigating employee falsification of documents (timesheets/medical provider documentation). An additional investigation of significance involved duplicated AGG101 proficiency data by a construction inspector. The employee's certification was suspended, and they received a twelve-month probation. Director Durkop then presented a graph of the third quarter summary of investigations, showing workplace harassment, employee misconduct, and falsification of government documents as the highest allegation categories. Positively there was a significant decrease in the misuse of state resources category.

Over the past 18 months, workplace harassment is still the top category at ~0.05 workplace harassment cases per 100 employees. Additionally, there was a slight increase in falsification of documentation allegations, but TxDOT did see a downward trend in third-party investigations. Chair Vaughn stated he would like to see the workplace harassment numbers come down and asked if it was mostly related to verbal harassment. Director Durkop confirmed it was verbal, having to do with race and sexual harassment mostly at the district level. Executive Director Williams explained that the green line on the on the right of the graph reflects two quarters of data: with 11 harassment complaints in Q2 and four harassment complaints in Q3. Commissioner Meade stated that these cases are out of 13,000 employees.

b. External Audit Report: Hidalgo County Regional Mobility Authority

This item was presented by Cheryl Durkop, Director of the Compliance Division. Director Durkop introduced the audit of the Hidalgo County Regional Mobility Authority (HCRMA). The audit evaluated HCRMA's financial controls for appropriate grant funding management and payment compliance for fiscal years 2022 to 2024. HCRMA receives federal funds passed through TxDOT's Pharr District (PHR) for construction of the 365 Tollway; a tolled expressway covering over 12 miles and two international bridges on the US/Mexico border and runs across five jurisdictions. For fiscal years 2022-2024, HCRMA received a combined \$88,821,398 in grant reimbursements from PHR. HCRMA utilized Value Engineering Change Proposals (VECP) on the project to reduce construction costs, initially valued at \$295M. A 2023 review conducted by FHWA, in cooperation with TxDOT, determined HCRMA's use of VECP was non-compliant since TxDOT does not have VECP as a part of its Value Engineering program. Questioned costs of \$1.3M were identified due to a re-evaluation of the eligibility of VECP revised items. FHWA approval of TxDOT's methodology for determining the eligibility of VECP items was obtained in March 2025. HCRMA has implemented necessary financial and monitoring controls to ensure compliance with grant agreements. TxDOT provided seven recommendations to strengthen internal controls and compliance with federal requirements. TxDOT's Laredo district is currently working with HCRMA to coordinate a review of all billings for the entire project to adjust any changes made to the VECP eligible items and to adjust for new reimbursement differences. The commissioners had no questions.

c. Action Plan Follow-Up

This item was presented by Cheryl Durkop, Director of the Compliance Division. Director Durkop began by highlighting the 39 outstanding action items (out of a total of 83) issued by the external audit section within the Compliance Division. The Permian Basin Metropolitan Planning Organization (MPO), Hidalgo County RMA, and Lubbock MPOs account for the majority of the open recommendations and are still within their corrective action plan period. We see ongoing procurement concerns with the MPOs mostly due to their relationship with the fiscal agents. The Compliance division is working with the Transportation Planning and Programming division to tighten up the process on how to follow up with these findings. Commissioner Meade asked if the fiscal agents are cities to which Director Durkop confirmed. Executive Director Williams stated that TxDOT has a role in the federal rules in authorizing the funding to MPOs within the state. There may be a requirement for the MPO to follow in order to continue


to procure under the federal funds through TxDOT.

Item 5. Executive Session

Pursuant to Government Code Section 551.071, consultation with and advice from legal counsel regarding any item on the agenda, pending or contemplated litigation, or other legal matters. Chair Vaughn noted there will be no Executive Session at this time.

Commissioner Meade made a motion to adjourn, and Chair Vaughn seconded the motion. Chair Vaughn adjourned the meeting by a vote of 2 – 0 of the May 20, 2025, Audit Subcommittee at 1:22 p.m.

APPROVED:



Robert C. Vaughn, Chair, Audit Subcommittee