



# Audit Subcommittee

Quarterly Meeting



May 20, 2025



May 20, 2025

# 1. GREENER BUILDING SAFETY VIDEO



STATE  
HIGHWAY  
BUILDING



May 20, 2025

# 2. CONSIDER APPROVAL OF MINUTES

March 26, 2025, Audit Subcommittee Meeting



May 20, 2025

# 3. INTERNAL AUDIT

Craig Otto, Division Director

## 3.a. Management Action Plan (MAP) Follow-Up Status

Past Due <b>Priority 1</b> MAPs (1)	
<p><b>MAP Owner</b> District Operations (1)</p>	<p><b>Status</b></p> <ul style="list-style-type: none"> <li>Management and Oversight of Utility Accounts and Payments: identification/location of all TxDOT meters using global positioning system.</li> </ul>
Past Due <b>Priority 2</b> MAPs (7)  (2 New, 4 Closed)	
<p><b>MAP Owner</b> Aviation Division (3)</p>	<p><b>Status</b></p> <ul style="list-style-type: none"> <li>Grant Management – Aviation: Software procurement related to Buy America, grant management, and material testing policies/procedures.</li> </ul>
<p>District Operations (2)</p>	<ul style="list-style-type: none"> <li>Construction Project Management – Recordkeeper Development: Implementation of required project checklist events.</li> <li><b>Fleet Preventative Maintenance – Development of standard operating procedure for monthly spot checks of pre-trip documents.</b></li> </ul>
<p>Maintenance Division (1)</p>	<ul style="list-style-type: none"> <li>Oversize/Overweight Permit Revenue: Establishment of methodology for the utilization of oversize/overweight permit revenue.</li> </ul>
<p>Procurement Division (1)</p>	<ul style="list-style-type: none"> <li><b>PCard Support Evaluation: Implementation of PCard monitoring reviews.</b></li> </ul>

### Key Takeaways:

- Fleet Preventative Maintenance – Testing was performed in FY 25 Q1; MAP actions were revised by the District Director of Operations and Fleet Operations Division Director to better ensure mitigation of risk identified.
- PCard Support Evaluation – Testing was performed in FY 25 Q2; however, an additional two months was requested by PRO to fully implement the monitoring reviews.

## 3.b. Internal Audit Report: Aviation – Flight Services

<b>Audit Scope:</b>	To assess the efficiency and effectiveness of financial management and strategic planning activities that support TxDOT’s flight services.		<b>Audit Type and Overall Rating</b>
<b>Value to TxDOT:</b>	To determine if processes are effective and efficient, with appropriate use of state funds, for Aviation (AVN)’s Flight Services Section (FSS).		
<b>Risk Theme:</b>	TxDOT Goals: Foster Stewardship, Optimize System Performance, Preserve our Assets	ED Priorities: Delivery, Stewardship	
			Program
			Priority 2

**Relevance:** 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.

<b>Finding 1: Strategic Alignment of the State Aircraft Program</b> – AVN-FSS has not fully introduced a strategic and measurable long-range plan that incorporates the handling of the interagency routine maintenance program.	Priority 2
<ul style="list-style-type: none"> <li>Consider a routine maintenance scheduling process to help reduce the reactive maintenance responses for all state-owned aircraft.</li> <li>Establish program measurements to help optimize maintenance personal and utilization of aircraft resources.</li> </ul>	
<b>Finding 2: Cost Recovery and Savings Opportunities</b> – 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.	Priority 3
<ul style="list-style-type: none"> <li>Hourly Maintenance Rate Methodology: Omission of additional maintenance costs identified a potential increase of \$125/maintenance hour from the current rate; thus, increasing the annual cost recovery by approximately \$2.1M.</li> <li>Fuel Costs: Unlike in Austin, AVN-FSS does not have similar contractual refueling rates across the state, which has led to a 52% increase in fuel expenditures in FY 2023 and FY 2024.</li> </ul>	
<b>Finding 3: Signature or Delegation of Authority and Pre-Flight Authorizations</b> – AVN-FSS did not always obtain the required pre-flight authorization forms for flight services giving the state employee or official permission to fly from their respective state agency Executive Director or designee.	Priority 3
<ul style="list-style-type: none"> <li>AVN-FSS did not have a current list of Executive Directors or designees to check permissions to fly. <ul style="list-style-type: none"> <li>26 of 125 (21%) pre-flight authorizations forms from FY 2023 and 2024 were unable to be provided to validate approvals prior to flying.</li> </ul> </li> </ul>	



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# 4. COMPLIANCE DIVISION

Cheryl Durkop, Division Director

# 4.a. Summary of Investigations – FY 2025, 3rd Quarter

Investigation Totals		<u>Q3 / Previous Q</u>	
• Opened	36	↓	13%
• Closed	43	↑	17%

Closed Investigation Dispositions			
• Substantiated	30 (70%)	↑	3%
• Unsubstantiated	13	↑	60%

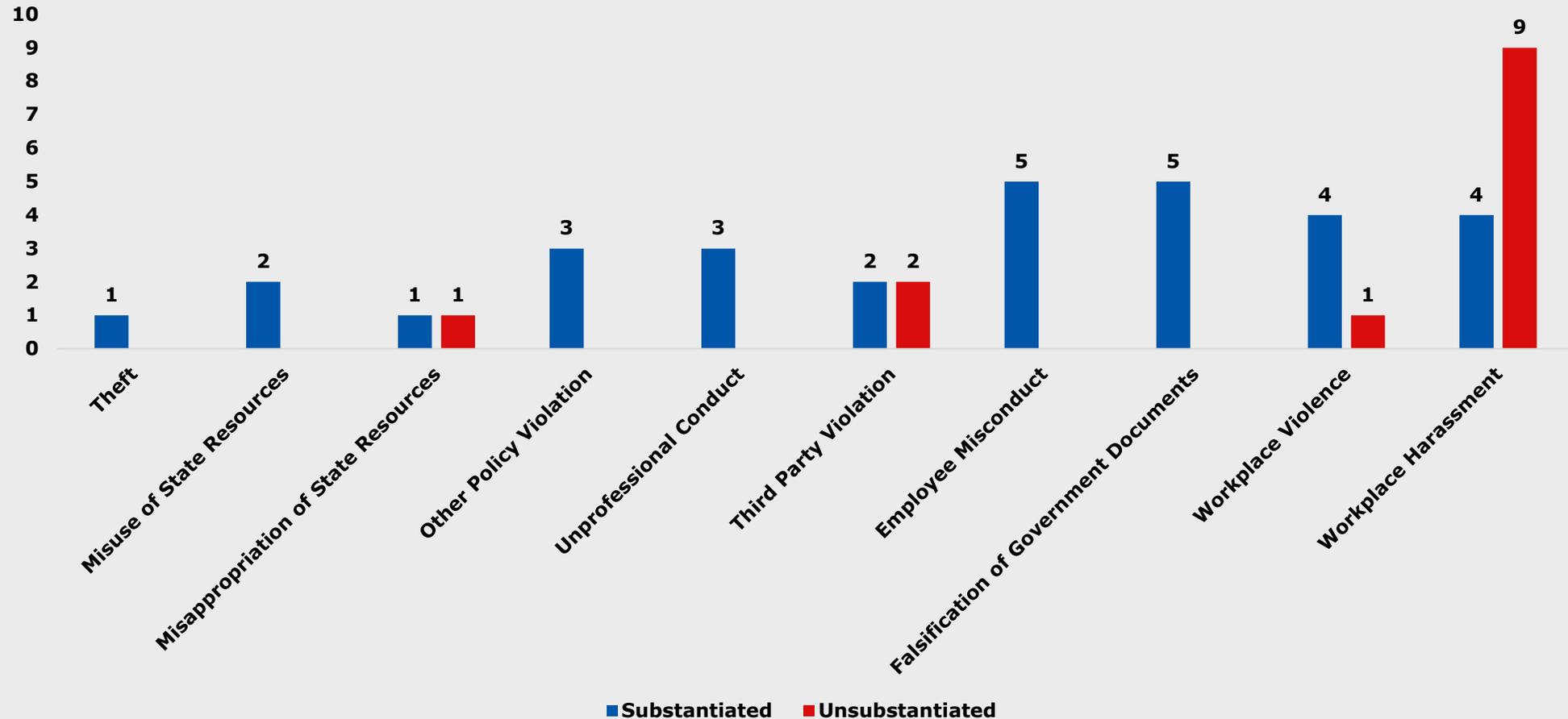
Closed Investigation Locations			
• Districts	31	▬	0%
• Divisions	8	↑	120%
• Third party	4	↑	29%

## HIGHLIGHTS

- Substantiated investigation rate at 70%.
- Investigations of significance:
  - Multiple investigations of employee falsification of documents (timesheets/medical provider documentation).
  - Duplicated AGG101 proficiency data by a Construction Inspector.

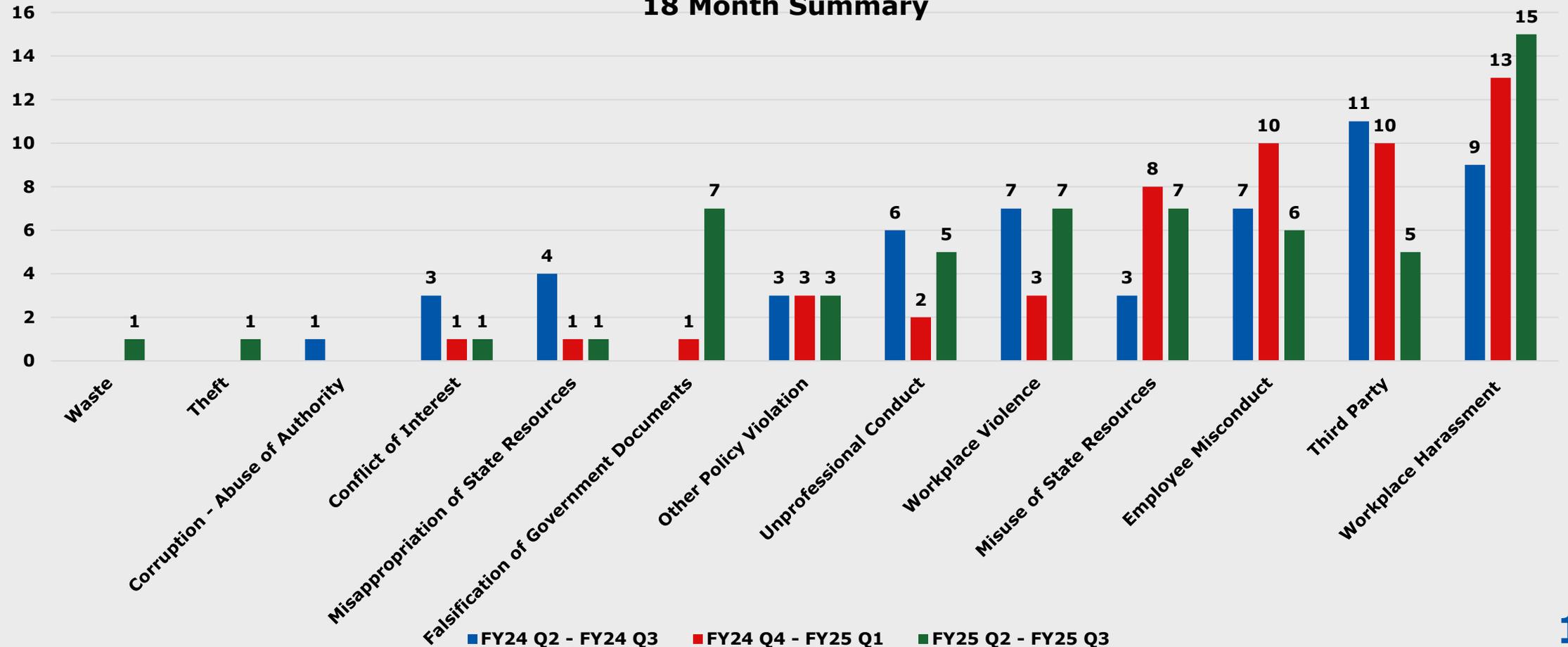
# 4.a. Summary of Investigations – FY 2025, 3rd Quarter

Outcome By Allegation Category



# 4.a. Summary of Investigations – 18 Month Summary

Outcome by Allegation Category (Substantiated)  
18 Month Summary



## 4.b. External Audit Report: Hidalgo County Regional Mobility Authority

**Objective and Scope Summary:** Evaluate Hidalgo County Regional Mobility Authority (HCRMA) financial controls for appropriate grant funding management and payment compliance for fiscal years 2022 to 2024 (January 1, 2022, to September 30, 2024).

### **Background:**

- HCRMA receives FHWA Federal funds passed through the Pharr District (PHR) for construction of the 365 Tollway; a tolled expressway covering over 12 miles and 3 International Bridges on the US/Mexico border and runs across 5 jurisdictions.
- For fiscal years 2022 through August 2024, HCRMA received a combined \$88,821,398 in grant reimbursements from PHR.
- HCRMA utilized a Value Engineering Change Proposal (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 non-compliant since TxDOT does not have VECP as a part of its Value Engineering program.

### **Conclusion:**

- Questioned costs of \$1,317,499 were identified due to re-evaluation of the eligibility of VECP revised items. FHWA approval of TxDOT's methodology for determining the eligibility of VECP items was obtained March 2025.
- HCRMA has implemented necessary financial and monitoring controls to ensure compliance with grant agreements.
- Provided 7 recommendations to strengthen internal controls and compliance with Federal requirements.

*Implementing recommendations including FHWA approved cost allocation process will improve compliance within HCRMA's operations.*

## 4.c. Action Plan Follow-up: Findings Issued by TxDOT

Audit Report	Total Recommendations	Fully Implemented	Incomplete	Comments
AU2501 - Hidalgo County RMA	8	1	7	Report issued 4/14/25
AU2404 - Permian Basin MPO	16	4	12	Report issued 5/16/24
AU2402 - Lubbock MPO	11	4	7	Report issued 3/27/24
AU2401 - Killeen-Temple MPO	7	3	4	Report issued 1/24/24
AU2312 - Port Authority Oversize and Overweight Operations - Freeport	2	2	0	Report issued 10/23/23
AU2307 - Houston-Galveston Area Council MPO	9	6	3	Report issued 8/22/23
AU2303 - Rio Grande Valley MPO	11	8	3	Report issued 3/14/23
AU2204 - Laredo MPO	11	8	3	Report issued 5/4/22
AU2002 - Regional Toll Revenue (City of Dallas)	8	8	0	Report issued 7/31/20
<b>TOTAL</b>	<b>83</b>	<b>44</b>	<b>39</b>	



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# 5. EXECUTIVE SESSION



May 20, 2025

# ADJOURN