

These are the minutes of the Texas Transportation Commission Audit Subcommittee quarterly meeting held on December 16, 2025, at 125 E. 11<sup>th</sup> Street, Austin, Texas 78701. The meeting convened at 12:00 p.m. with the following members present:

**Texas Transportation Commission Audit Subcommittee:**

Robert C. Vaughn      Commissioner, Audit Subcommittee Chair  
Steven Alvis            Commissioner, Audit Subcommittee Member

**Administration Staff:**

Brandye Hendrickson Deputy Executive Director for Planning and Administration  
Parsons Townsend    Chief Audit and Compliance Officer  
Jeff Graham            General Counsel  
Mary Anne Griss      Chief of Staff  
Carl Johnson, P.E.    Chief Engineer  
Stephen Stewart      Chief Financial Officer  
Anh Selissen          Chief Information Officer  
Alejandro Garcia      Senior Director of Communications and Public Affairs  
Erik Lykins            Senior Director of District Operations  
Mo Bur, P.E.          Senior Director of Project Development  
Darran Anderson      Senior Director of Strategy and Innovation

A public notice of this meeting containing all items on the proposed agenda was filed in the Office of the Secretary of State at 3:53 p.m. on December 8, 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 September 24, 2025, Audit Subcommittee meeting**

This item was presented by Robert C. Vaughn, Audit Subcommittee Chair. Commissioner Steven Alvis made a motion to approve, and Chair Vaughn seconded the motion. The Audit Subcommittee approved the minutes of the September 24, 2025, Audit Subcommittee meeting by a vote of 2 – 0.

**Item 3. Independent Auditor's Report**

This item was presented by Joel Perez, Principal, CliftonLarsonAllen LLP. Mr. Perez reviewed the process and standards used in the fiscal year 2025 (FY25) financial reporting audit. The firm took a risk-based approach to the audit; focusing on the risks of management override, revenue recognition related to business-type activities (i.e., toll revenue), net Other Postemployment Benefits (OPEB) and Net Pension Liabilities valuation and disclosure and completeness of construction-in-progress and accounts payable year end accruals. The audit was designed to evaluate any compliance or control matters related to compliance with financial reporting laws, contracts, and regulations as well as the control environment behind

those contracts, laws, and regulations. There were no deficiencies that were considered significant or material weaknesses. Three transactions were identified as significant and unusual: (1) In November of 2024 TxDOT entered into a Toll Services Agreement with the Harris County Toll Road Authority (HCTRA) to assume collection, billing, and customer service for TxTag customers. Under the agreement, TxDOT continued to own and maintain its toll roads in the Austin and Houston metro area, and the Texas Transportation Commission retained responsibility for setting the toll rates on TxDOT-owned roads. (2) The reporting entity for the Texas Mobility Fund was changed to function both as a debt service fund and capital projects fund, and (3) In October 2024, TxDOT completed a \$1.7 billion buyout of the SH 288 comprehensive development agreement. The State Highway Fund loaned the Texas Transportation Finance Corporation (TTFC) the \$1.7 billion used to finance the buyout payment. Subsequent to year end, the loan was repaid in October 2025 after the issuance of the TTFC's toll revenue bonds. The overall result of the audit was positive with no uncorrected misstatements and no corrected misstatements. The external auditing team highlighted upcoming Governmental Accounting Standards Board (GASB) pronouncements that will affect the next audit. Commissioner Alvis asked Mr. Perez how difficult it was to follow HCTRA back office shared expense and if they audited it on-site or at the division level? Mr. Perez stated they audited it centrally, not on-site, with a focus on the accounting that gets turned over into rates, how HCTRA was collecting them, and finally how those figures were being reflected in TxDOT's financial statements. Chair Vaughn thanked the audit team for their hard work and stated he was pleased with the results.

#### **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 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 one past due Priority 1 MAP and ten past due Priority 2 MAPs. This remains consistent with the amount of past due MAPs presented at the Audit Subcommittee meeting in May 2025. The District Operations Priority 1 past due MAP (from the Management and Oversight of Utility Accounts and Payments audit) is estimated to be about 90% completed. The internal audit team will continue to test MAPs quarterly; with the potential to downgrade priority levels as the business continues to do work towards the closure of their MAPs. The commissioners had no questions.

##### **b.1. Internal Audit Report: Design-Build Project Payments**

This item was presented by Craig Otto, Director of the Internal Audit Division. Director Otto presented the Design-Build Project Payments audit rated at an enterprise-level Priority 3. The scope of the audit was to evaluate the oversight for documenting, reviewing, and approving design-build (DB) project payments. Draw requests (DRs) are invoices submitted by the DB contractor to request payment for the material on hand and specific work activities completed during the pay period. As of March 17, 2025, TxDOT had a total of eight active DB projects (executed between fiscal years 2016-2025). This engagement focused on three DB projects with a total amount paid to date of \$1.7B. The first finding in the audit identified that not all material on hand (MOH) and specific work activity items in the DR had physical documentation

(i.e., supplier invoices, material tests, inspection reports) to support DB requirements and specifications at the time of payment for three projects. The second finding identified that not all DR payment information was reported accurately within the DB project dashboards. Director Otto explained the importance of having the supporting documentation sent to the district in addition to verifying inspections and the resolution of any issues prior to payment. The commissioners had no questions.

**b.2. Internal Audit Report: Timeliness and Proficiency of the Procurement Process**

This item was presented by Craig Otto, Director of the Internal Audit Division. Director Otto presented the Timeliness and Proficiency of the Procurement Process audit rated at an enterprise-level Priority 3. The scope of the audit was to assess the efficiency and timeliness of the procurement process for goods and services to identify opportunities to streamline operations, minimize delays, and enhance cost-effective acquisition of goods and services. There was a total of three findings from this audit. The first finding in the audit identified that the Procurement Division (PRO) does not consistently follow documented processes for communicating purchase order (PO) delays, meeting solicitation requirements, and verifying vendor eligibility. The second finding identified that districts and divisions (D/Ds) have not consistently completed vendor performance reports (VPR) for vendors that did not meet promised delivery dates or that provided goods/services greater than \$25K. Specifically, 85% of VPRs for POs greater than \$25K were not completed by the D/Ds. The last finding identified that buyers in PRO, who do not consistently enter accurate or complete due dates, limit the requisitioner's ability to identify the delivery date for goods/services. Director Otto explained the importance of identifying delays so procurement can support agency operations and ensure the cost-effective acquisition of goods and services. The commissioners had no questions.

**Item 5. Compliance Division Update**

**a. Summary of Investigations**

This item was presented by Cheryl Durkop, Director of the compliance division. Director Durkop explained that summary of investigations includes fraud, waste and abuse as well as EEO investigations. During the first quarter there were 173 allegations received, 32 investigations initiated, 27 substantiated, and 39 closed, resulting in a substantiation rate of 69%. Specifically, there was an increase in substantiated cases of misuse of state resources, including four cases of vehicle misuse, a purchase card (PCARD) being used to pay personal bills, and an employee laptop that was used to conduct business for an elected position. Significant investigations included theft of over \$10,000 in state resources from the Austin District Headquarters employee. A police report was filed and is pending further action. The second investigation of significance involved a fleet operations division employee who used a TxDOT PCARD to pay personal bills, totally over \$1,700 over a 6-month period. The employee was terminated from the department.

Director Durkop presented the outcome by allegation category for the 1<sup>st</sup> quarter of FY26; showing misuse of state resources and third party being the top allegation category. Both categories had six substantiated cases. Over the past 18 months, while workplace harassment is still the top reported allegation category, we have seen a substantial decrease over the past

six months. There has been an increase in the substantiated cases of misuse of state resources and third-party violations. The compliance division is maintaining a presence at the District Engineer huddle meetings to communicate and address the vehicle misuse. The commissioners had no questions.

**b. External Audit Reports: Public Transportation Division (PTN) subrecipient audits: Golden Crescent Regional Planning Commission and South East Texas Regional Planning Commission**

This item was presented by Naima Hafeez, External Audit and Advisory Services Section Director for the compliance division. Section Director Hafeez introduced the audit of the Golden Crescent Regional Planning Commission (GCRPC) and South East Texas Regional Planning Commission (SETRPC). The audit's objective was to determine whether PTN's subrecipient's contracts with subcontractors comply with applicable grant agreements and payments were made timely for subcontractor payments during fiscal year 2024 and 2025. Both regional planning commissions provide rural transit services funded through two Federal Transit Administration (FTA) grant programs. GCRPC received \$3,137,036 in TxDOT funds and utilized five subcontractors. SETRPC received \$1,700,360 in TxDOT funds and utilized three subcontractors. Both regional planning commissions implemented adequate controls to ensure contracts comply with grant agreements and subcontractor payments were made timely. TxDOT provided opportunities for improvement to both subrecipients and the PTN division is improving internal and external training and review processes to ensure compliance with subrecipient monitoring requirements. The commissioners had no questions.

**c. Action plan follow-up**

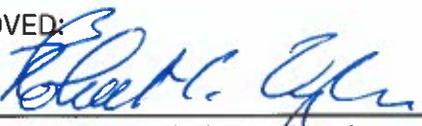
This item was presented by Cheryl Durkop, Compliance Division Director. Director Durkop began by highlighting the 36 outstanding action items (out of a total of 82) issued by the external audit section within the Compliance Division. Five action items have been completed since the presentation was created. The Rio Grande Valley Metropolitan Planning Organization and Laredo Metropolitan Planning Organization have both fully implemented their findings. The commissioners had no questions.

**Item 6. 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 Alvis made a motion to adjourn, and Chair Vaughn seconded the motion. Chair Vaughn adjourned the meeting by a vote of 2 – 0 of the December 16, 2025, Audit Subcommittee at 12:44 p.m.

APPROVED:

  
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Robert C. Vaughn, Chair, Audit Subcommittee