

March 24, 2026

## Texas Transportation Commission Audit Subcommittee Minutes

### Introduction

These are the minutes of the quarterly meeting of the Texas Transportation Commission Audit Subcommittee held on March 24, 2026, in Austin, Texas. The meeting was called to order at 2:00 p.m. by Chairman Vaughn with the following commissioners present:

#### **Texas Transportation Commission**

Robert C. Vaughn, Chairman  
Steven D. Alvis, Commissioner

#### **Administrative Staff**

Marc D. Williams, Executive Director  
Jeff Graham, General Counsel  
Parsons Townsend, Chief Audit and Compliance Officer  
Mary-Anne Griss, Chief of Staff  
Stephen Stewart, Chief Financial Officer  
Alejandro Garcia, Senior Director of Communications and Public Affairs  
Jessica Butler, Senior Director of Engineering and Safety Operations  
Erik Lykins, Senior 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 2:26 p.m. on March 16, 2026, as required by Government Code, Chapter 551, referred to as "The Open Meetings Act".

### Agenda

#### **Item 1. Safety Briefing**

Chief Audit and Compliance Officer Parsons Townsend directed that the Greer building safety video be shown on the screens in the Greer delegation room.

#### **Item 2. Consider the approval of Minutes** of the December 16, 2025, quarterly meeting of the Audit Subcommittee

Commissioner Alvis made a motion, which was seconded by Chairman Vaughn, and the audit subcommittee approved the minutes of the December 16, 2025, quarterly meeting by a vote of 2-0.

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### **Item 3. Compliance Division Update**

#### **a. Summary of Investigations**

This item was presented by Compliance Division Director Cheryl Durkop. Director Durkop explained that the summary of investigations includes fraud, waste, and abuse as well as EEO investigations. During the second quarter there were 212 allegations received, 26 investigations initiated, 13 substantiated, and 30 closed, resulting in a substantiation rate of 43%. Specifically, there were two third party investigations involving falsification of lab calibration results. Both vendor labs submitted identical calibrations to the previous year and both vendors were referred to the sanctions committee. Other investigations of significance involved mistaken email communication associated with a non-disclosure agreement which resulted in employee coaching, and an employee showing a screenshot of vendor names who bid on a contract to another vendor. The employee resigned before disciplinary action was taken.

Director Durkop presented the outcome by allegation category for the second quarter of fiscal year 2026, showing third party being the top allegation category. Some of the third party investigations involved a falsification of an invoice, a lapse in insurance, and the two vendors who falsified lab equipment calibration results. Over the past 12 months, workplace harassment is still the top reported allegation category but is trending down, and third party allegations are on the rise after multiple quarters trending down. Chairman Vaughn noted that while there is an upward trend of the third party allegations, it sounds like the compliance division is on top of it. Chief Townsend stated that there is coordination with the district engineers to continue communication with their employees.

#### **b. Compliance Division Metrics**

This item was presented by Compliance Division Director Cheryl Durkop. Director Durkop presented the status of the compliance division metrics which include staff training and certification targets, timeliness of triage processing, investigative readiness, quality assurance standards, and outreach activities. The division met eight out of the ten metrics for fiscal year 2025. The two metrics not met were report issuance timeliness which measures reporting on both external audits and compliance

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reviews, and the metric for required smith system safety driving training. All compliance division employees completed the safety driving training but did not do it in the required time frame. The division will be reassessing project performance for report issuance dates and monitoring the three-year schedules for safety driving training.

#### **Item 4. Internal Audit Division Update**

##### **a. Internal Audit Reports**

This item was presented by Internal Audit Division Director Craig Otto.

##### **(1) Multiple Use Agreements**

Director Otto presented the Multiple Use Agreements (MUA) audit rated at a Priority 3. The audit objective was to evaluate that MUAs are executed and monitored in accordance with contractual requirements. There was a total of four findings from this audit. TxDOT's 514 MUAs allow for the utilization of right-of-way sections by public entities. These might include parking lots under interstates, hike/bike trails, or law enforcement cameras. The impact of this audit found the program lacked consistent tracking, oversight, and monitoring which led to inaccurate reporting, inconsistent inspections and agreements, and potential missed revenue. These impacts raise safety and right-of-way misuse concerns. The findings of the audit identified: inconsistencies in the location and counts of existing MUAs, some MUAs lacked required contractual clauses, some districts did not verify the nominal fees collected were compliant with requirements, inspections were not performed or documented on 18 of the MUAs audited, and one MUA was not well maintained (i.e., graffiti, litter). For example, if the public entities are collecting a nominal fee for services (i.e., parking fees) the profit cannot be pocketed and must go back to the maintenance of the location/facility. If not, there is an opportunity for TxDOT to convert the MUA into a lease to ensure the revenue comes to the state. Commissioner Alvis asked if the MUAs come up for renewal to which Director Otto responded that the agreements are in perpetuity. Commissioner Alvis requested a follow-up on what TxDOT could incorporate to tighten up the language or enforcement of cleanliness standards at these locations because it reflects on the agency. Executive Director Williams affirmed that this audit showed that there are inconsistencies with TxDOT holding the public entities to the same

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standards, which will be a key focus of the follow-up actions. Chairman Vaughn stated if the existing 514 MUAs were divided up among the geographical regions, it seems manageable to inspect some of the locations on a semi-regular basis across the state.

## **(2) Construction Change Order Price Justification**

Director Otto presented the Construction Change Order Price Justification audit rated at a Priority 3. The audit objective was to evaluate the cost breakdowns and price justifications for construction contract change orders with newly added items and/or items with increased quantities. There was a total of two findings from this audit. Change orders on TxDOT projects are used to amend contract work whenever there is significant change in the character of work. The impact of this audit found the program lacked documentation to support both verbal approvals and line-item pricing, which could impair TxDOT's position in contractor disputes or give the public the perception of poor contract administration. The findings of the audit identified: missing documentation to support verbal approval, the timing between verbal approval and final documented approval ranged from 30 to 344 calendar days, some pricing was determined from outdated equipment sources, and missing detail on how a change orders were determined to be fair and reasonable. Commissioner Alvis asked if we hold to the contractor profit percentage or if it is allowed to slip to which Duane Milligan, Director of the Construction Division, responded that there are two ways to handle change orders. The first approach uses existing bid pricing, which includes profit plus unit cost where overhead and profit markup are not additional, and second approach is time and materials which do include profit and overhead markups. Commissioner Alvis asked if that is our standard option to which Director Milligan said there are standard percentages that apply to the contractor numbers.

### **b. Internal Audit Division Metrics**

This item was presented by Internal Audit Division Director Craig Otto. Director Otto presented the status of the internal audit division metrics which include collaboration with state department of transportation audit functions, state agency audit functions, training and certification targets, quality assurance standards, and safety training. The division met six out of the seven metrics for fiscal year 2025. The one metric not met was the

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audit plan completion from two audits that did not get completed within the timeframe. Corrective action involves working with the business to have better and earlier deliberation on the action plans associated with the audits, which is a required step before an audit report can be issued. The commissioners had no questions.

**Item 5. Executive Session Pursuant to Government Code, Chapter 551 §551.071 and §551.074 - Consultation with advice from legal counsel regarding any item on this agenda, pending or contemplating litigation, or other legal matters. Additionally, the discussion concerning the evaluation and duties of the chief audit and compliance officer**


The audit subcommittee recessed to executive session at 2:24 p.m. The audit subcommittee reconvened open session at 2:41 p.m.

### **Adjournment**

Commissioner Alvis motioned adjournment and Chairman Vaughn seconded the motion. The audit subcommittee voted 2-0 to adjourn. The quarterly meeting of the Texas Transportation Commission Audit Subcommittee was adjourned at 2:41 p.m.

### **Approval of Minutes**

Signed by: Approved by the Texas Transportation Commission on May 20, 2026:



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Steven D. Alvis, Chairman

Texas Transportation Commission Audit Subcommittee