

Texas Transportation Commission Audit Subcommittee Minutes

Introduction

These are the minutes of the quarterly meeting of the Texas Transportation Commission Audit Subcommittee held on May 20, 2026, in Austin, Texas. The meeting was called to order at 1:05 p.m. by Chairman Alvis with the following commissioners present:

Texas Transportation Commission

Steven D. Alvis, Chairman

Patrick Gordon, 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

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 3:54 p.m. on May 12, 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 March 24, 2026, quarterly meeting of the Audit Subcommittee

Commissioner Gordon made a motion, which was seconded by Chairman Alvis, and the audit subcommittee approved the minutes of the March 24, 2026, quarterly meeting by a vote of 2-0.

Item 3. Internal Audit Division Update

a. Management Action Plan Follow-Up Status

This item was presented by Internal Audit Division Director Craig Otto. Director Otto began the discussion covering what Management Action Plans (MAPs) are and about the four priority levels. MAPs are the remediation plans for audit findings that contain both the action and date for the responsible business area to complete. MAPs are created by the business with recommendations from the internal audit team. Priority 1 and 2 levels require the internal audit team to re-test once the business completes the actions to determine if the risk level has been addressed. Priority 3 and 4 MAPs allow for the business to self-certify upon completion of the actions. The commissioners had no questions.

Currently there is one past due Priority 1 MAP and fourteen past due Priority 2 MAPs. The District Operations Priority 1 past due MAP from the Management and Oversight of Utility Accounts and Payments audit is estimated to be completed soon with 20 districts currently being tested and the remaining five to be reviewed upon their full completion. Commissioner Gordon asked if the business is informing the audit team when they are ready for retesting or if the audit team is setting deadlines to which Director Otto replied that the audit team is following up shortly after the target date that was agreed upon with the business.

The Aviation Division Priority 2 MAP is currently being tested to evaluate the manual processes implemented to address risk while the procurement of a new grant management system continues. The District Operations Priority 2 MAP from the Construction Engineering and Inspection (CEI) Expenditure Assessment Audit is making progress towards implementing a pilot for geofence tracking for CEI invoice verification. Lastly, the Fleet Prevention Maintenance Audit Priority 2 MAP is currently being tested. The commissioners had no questions.

b. Internal Audit Reports

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

(1) Construction and Maintenance Contractor Evaluations

Director Otto presented the Construction and Maintenance Contractor Evaluations audit rated at a Priority 2. Interim and final contractor evaluations are required to be completed in a timely manner for

construction and maintenance highway improvement projects. Without timely completion and delivery, contractors who do not meet TxDOT timeliness, quality, and safety expectations could bid on new contracts. Some of the mitigations focus on reinforcing completion of the interim and final evaluations and align on scoring guidance, training, and procedures. 70% of the interim evaluations and 9% of the final evaluations could not be located. Additionally, some of the justifications of what things were scored in a certain way to support timeliness, quality, and safety scores were not consistent. For example, if a contractor scores below two, a performance improvement plan needs to be implemented. The justification and score should align. Commissioner Gordon stated that 70% of the interim evaluations not being able to be located was not good and asked if they were stored digitally or on paper. Director Otto stated they had to be on paper. Executive Director Williams clarified that when the commission adopted the Texas Administrative Code rules associated with this process, it was determined that the evaluations needed to be done on paper and were not allowed to be distributed or copied in order to meet the request of the industry who was concerned about that information getting into the wrong hands. Commissioner Gordon stated that when the percentage is that high, it can indicate something is wrong with the process, to which Director Otto stated that it is up to the contractors to get the evaluations to the district staff. Chairman Alvis asked Executive Director Williams if our education on final inspections and 'finishing strong' was continuing, to which Executive Director Williams affirmed. Executive Director Williams stated that the internal audit team has good recommendations for how we can improve the timing of the interim evaluation and ensure the final evaluations are completed, on-time, and secured. Chairman Alvis stated it would be nice to move in the direction of holding final payment to the contractors until the final evaluations are completed.

(2) State Safety Oversight Program

Director Otto presented the State Safety Oversight (SSO) Program audit rated at a Priority 3. The SSO program is a federal program that oversees safety protocols for the six Rail Transit Authorities in Texas. Deficiencies in the SSO program increase operational inefficiency, hinder resource assessment, and elevate the risk of noncompliance with federal

requirements. Corrective actions are focused on standardizing required information in the system of record, updating program standards, including both contributing factor details, and completing identified training opportunities. Recommendations for improving the program include completing the program manager training requirements, strengthening the workload assessment to align with the program's requirements, and ensuring all contributing factors are captured in the system of record.

Item 4. 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 third quarter there were 173 allegations received, 27 investigations initiated, 11 substantiated, and 20 closed, resulting in a substantiation rate of 55%. This was an increase from last quarter's 43% substantiation rate. Specifically, there was an investigation regarding a conflict of interest where an employee was living and guiding game hunts on the property of a known TxDOT vendor. It had not occurred to the vendor or the employee that this was a conflict of interest. The employee has since moved off the property and has been issued probation. Another investigation of significance involved two incidents of falsification of documentation where an employee who served only one day of jury duty claimed three days, and another employee falsified medical provider documentation to provide justification for missing work. The commissioners had no questions.

Director Durkop presented the outcome by allegation category for the third quarter of fiscal year 2026, showing workplace harassment being the top allegation category followed by employee misconduct. Overall, the total allegations decreased from last quarter. Quarter three did show an increase in substantiated cases relating to employee misconduct. For example, misuse of state equipment, employees performing work for supervisors outside of TxDOT, and falsification of documentation. There was a significant decrease in third party investigations this quarter. Over the past 12 months, misuse of state resources and workplace harassment decreased. The commissioners had no questions.

b. Action Plan Follow-Up

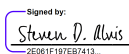
This item was presented by Compliance Division Director Cheryl Durkop. Director Durkop began by highlighting the 17 outstanding action items (out of a total of 50) issued by the external audit section within the Compliance Division. The Lubbock, Laredo, and Killeen-Temple Metropolitan Planning Organizations (MPO) have fully implemented all actions. The City of Denton actions will be reviewed during the next MAP engagement. South East Texas Regional Planning Commission (RPC) and Golden Crescent RPC have both returned the unallowable costs discovered during their audits and are implementing new processes. Hidalgo County Regional Mobility Authority's outstanding action is related to the Value Engineering Change Proposal on the 365 Tollway Project. They have finalized their methodology for determining non-participating vs participating costs and it has been approved by the Federal Highway Administration. The Permian Basin MPO is a very small MPO with only three staff members whose fiscal agent is the City of Odessa. Both are working on that relationship, and the compliance team is assisting them with their remaining open findings. The Houston-Galveston Area Council MPO is still not paying their vendors within 30 days. The commissioners had no questions.

Adjournment

Commissioner Gordon motioned adjournment and Chairman Alvis seconded the motion. The audit subcommittee voted 2-0 to adjourn. The quarterly meeting of the Texas Transportation Commission Audit Subcommittee was adjourned at 1:37 p.m.

Approval of Minutes

Approved by the Texas Transportation Commission on August 25, 2026:

Signed by: 
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Steven D. Alvis, Chairman

Texas Transportation Commission Audit Subcommittee