



# External Audit Report

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## Limited Financial Audit of Selected Regional Mobility Authorities

TxDOT External Audit & Advisory Services Section

## Objective

A limited audit of the financial statements of the Regional Mobility Authorities (RMAs) to determine the accuracy of select accounts.

## Overall Conclusion

Based on the work performed, the accounts that were reviewed in the financial statements of the selected RMAs were determined to be accurate. An opportunity for improvement was identified and included in this report. In addition, tables with various attributes of the RMAs are included in the Appendix to describe and compare the selected RMAs.

## Scope

This audit was performed by Alma Alvarez, Yania Munro, Sonam Sohal, William Urbina and Raymond Martinez (Engagement Lead). The audit was conducted during the period from March 27 to April 25, 2014. This audit focused on the Camino Real, Cameron County and North East Texas RMAs, located in El Paso, Brownsville, and Tyler, Texas, respectively.

## Methodology

The methodology used to complete the objectives of this audit included:

- Conducted a fluctuation analysis on the financial statements of the selected RMAs over a 4-year period to identify significant variances and help select line items for review.
- Performed interviews with the appropriate personnel to gain an understanding of the line items included in the financial statements of the selected RMAs as well as the related procedures.
- Assessed the risk of the line items included in the financial statements for the selected RMAs to select line items for testing or verification of procedures.
- Tested samples of transactions or verified the procedures for select line items from the financial statements of the RMAs regarding revenues, expenses, loans, change orders and the independent validation of contract costs.

## Background

This report is prepared for the Texas Transportation Commission, TxDOT Administration and the RMAs. This audit was added to the Fiscal Year 2014 Audit Plan, based on continuous risk assessment activities.

An RMA is a political subdivision formed by one or more counties or certain cities to finance, acquire, design, construct, operate, maintain, expand or extend transportation projects. RMAs can develop transportation projects, issue revenue bonds, establish tolls, apply for federal highway and rail funds, apply for State Infrastructure Bank loans and enter into contracts with other governmental entities and Mexico. The state legislature gave the Texas Transportation Commission oversight of the RMAs. The Commission is authorized to create RMAs, approve projects connecting to the state highway system or rail facility, establish design and construction standards for projects connecting to the state highway system or rail facility and approve the dissolution of an RMA. Additional requirements about RMAs can be found in the Transportation Code (Title 6, Chapter 370) and TxDOT's Regional Mobility Authorities Handbook located at <http://www.txdot.gov/government/partnerships/rma.html>.

There are currently eight RMAs in the state of Texas, as listed below.

Regional Mobility Authority	Location
Alamo RMA	San Antonio
Cameron County RMA *	Brownsville
Camino Real RMA *	El Paso
Central Texas RMA	Austin
Grayson County RMA	Denison
Hidalgo County RMA	Pharr
North East Texas RMA *	Tyler
Sulphur River RMA	Paris

\*Indicates the RMAs included in this audit

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Results

### Camino Real RMA

#### Revenues:

- No material differences were found in testing of Federal Grants, Pass-Through Toll Agreements and Project Agreements in the Fiscal Year 2013 financial statements.
- No issues were identified in verification of the procedures for Toll Revenues received in Fiscal Year 2014. The RMA started charging tolls in January 2014 and limited payments for toll tag/pay by mail transactions were received by the RMA at the time of this audit.

#### Expenses:

- No material differences were found in testing a random sample of Payments to Professionals in Fiscal Year 2013.

#### Other:

- No material differences were found in testing the loans from TxDOT in Fiscal Year 2013.
- No issues were identified in verification of the procedures for change orders and independent validation of costs in Fiscal Year 2013.

### Cameron County RMA

#### Revenues:

- No material differences were found in testing of the Toll Revenues, Vehicle Registration Fees and Capital Contributions in Fiscal Year 2013 financial statements.
- Obtained an understanding of the balance of Non-Operating Revenues and no testing was performed.

Expenses:

- No material differences were found in testing a random sample of Payments to Vendors in Fiscal Year 2013.
- No material differences were found in testing a random sample of Acquisitions of Construction in Progress in Fiscal Year 2013.

Other:

- No material differences were found in testing of the loan amounts for the financial assistance agreements in FY 2013.
- No issues were identified in verification of the procedures for change orders in Fiscal Year 2012 and independent validation of costs in Fiscal Year 2013.

North East Texas RMA

Revenues:

- No material differences were found in testing of the Toll Revenues, Processing and Violation Fees, Contributions – Member Counties and Public Donations in Fiscal Year 2013 financial statements.

Expenses:

- No material differences were found in testing a random sample of Payments to Vendors in Fiscal Year 2013.
- No material differences were found in testing a random sample of Construction Costs in Fiscal Year 2013.

Other:

- No material differences were found in testing the loans from TxDOT in Fiscal Year 2013.
- No issues were identified in verification of the procedures for change orders and independent validation of costs in Fiscal Year 2013.

### **Opportunity for Improvement**

The RMAs should consider developing a succession plan, including documentation of key roles and responsibilities, to help with the continuation of operations if any critical employees or consultants leave or become unavailable. The limited number of employees at the RMAs, the amount of funding and the critical projects involved increases the risks of not having an established plan.

### **Closing Comments**

The results of this audit were discussed with the Executive Director/Interim Executive Director of the Camino Real, Cameron County and North East Texas RMAs. We appreciate the assistance and cooperation received from the staff of the RMAs, applicable Cities and associated consultants contacted during this audit.

# Appendix

## Organization and Operations:

Attribute	Camino Real RMA (El Paso)	Cameron County RMA (Brownsville)	North East Texas RMA (Tyler)
<b>Geographic Area</b>	1 City	1 County	12 Counties
<b>Staffing</b>	1 Employee	4 Employees	1 Contracted Employee
<b>Accounting Services Provider</b>	Performed by City of El Paso staff (in-kind) as advised by a contracted accountant	Performed by RMA Controller	Performed by contracted accountant
<b>Accounting Software</b>	PeopleSoft	MIP Fund Accounting	EasyACCT (DOS based)
<b>General Engineering Consultants (GECs) on Contract</b>	1 GEC	1 GEC	2 GECs
<b>Toll Roads</b>	Loop 375 - César Chávez	SH 550	Toll 49
<b>Toll Services Provider *</b>	Central Texas RMA	Central Texas RMA	Central Texas RMA
<b>Legal Services Provider</b>	Locke Lord, LLP	Locke Lord, LLP	Locke Lord, LLP
<b>Services Provided by TxDOT</b>	Vary on each project but include funding, material testing and oversight.	Various services such as funding, oversight, material testing and reviews of invoices. TxDOT also reviews the scope and fees for any projects involving federal or state funds.	Various services such as funding and maintenance of roadway and toll gantries (on portions of Toll 49). TxDOT also reviews the contracts for projects financed by the Department.
<b>RMA Plans for Self-Sufficiency</b>	As tolling began in January 2014, toll revenues alone do not yet cover operations and maintenance, but upcoming efforts (e.g. additional toll roads, parking and international bridges) could allow for self-sufficiency within 5 to 10 years.	Intends to build a sustainable system starting with the existing SH 550 toll road and to include future toll projects such as the South Padre Island 2 <sup>nd</sup> Access and Outer Parkway. They also have other sources of revenues such as Traffic Reinvestment Zones and Vehicle Registration Fees that will allow them to be self-sufficient within 10 years.	Thinks they are currently self-sufficient. However, future developments may change this situation if additional funds are needed.

\* All Texas RMAs use the Central Texas RMA's contracts for toll services.

**Fiscal Year 2013 Financial Data:**

<b>Attribute</b>	<b>Camino Real RMA (El Paso)</b>	<b>Cameron County RMA (Brownsville)</b>	<b>North East Texas RMA (Tyler)</b>
<b>Toll Revenues</b>	\$0	\$0.2 million	\$2.6 million
<b>Total Revenues</b>	\$50.6 million	\$3.1 million	\$3.3 million
<b>Operating Expenses</b>	\$0.8 million	\$4.7 million	\$1.8 million
<b>Construction Expenses</b>	\$20.1 million	\$21.6 million	\$13.9 million
<b>Outstanding loans from TxDOT</b>	\$57.4 million	\$21.6 million	\$101.5 million