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HARRIS COUNTY AUDITOR

May 19, 2025

Dear Roberto Trevino, Executive Director:

The Harris County Auditor's Office Audit Division has completed an audit of procurements conducted by the Harris County Toll Road Authority under the professional services exemption outlined in the Procurement Policy of Harris County. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Glenn Holloway, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post
County Auditor

Attachment

Report Copies:

District Judges

County Judge Lina Hidalgo

Commissioners:

Lesley Briones

Rodney Ellis

Adrian Garcia

Tom Ramsey

County Attorney Christian Menefee



Internal Audit Report

HARRIS COUNTY TOLL ROAD AUTHORITY PROFESSIONAL SERVICES EXEMPTION

May 19, 2025

Executive Summary

OVERALL CONCLUSION

Processes governing Harris County Toll Road Authority's (HCTRA) Professional Services Procurement are in place. However, improvements are needed in order to better align with the statutory and Procurement Policy of Harris County requirements, as well as procurement best practices. Specifically:

- Conflict of Interest (COI) and Non-Disclosure Agreement (NDA) forms were not always completed.
- Reasons for variances between individual scorecards and the aggregated master scorecard were not always documented.
- Verification of license status for awarded professional service providers was not documented.

The observations were discussed with HCTRA's Executive Director, and management's action plans have been developed to address the issues identified by July 1, 2025.

SCOPE AND OBJECTIVE

The audit procedures assessed the design and effectiveness of controls over the procurement of professional services greater than \$50,000 during the period of November 1, 2023, to October 31, 2024. The objective of this engagement was to:

- Verify compliance with Texas Government Code Chapter 2254.004 regarding the selection of the most qualified provider of professional services and with Texas Local Government Code Chapter 176 regarding conflict-of-interest disclosures.
- Determine if HCTRA's professional services procurement procedures align with the Procurement Policy of Harris County and procurement best practices.

The audit observations, management's action plans to address the observations, and background information regarding this audit are discussed in more detail on the following pages. Each audit observation is ranked based on the likelihood and impact of the risk to Harris County.



AUDIT OBSERVATIONS

OBSERVATION #1: COI and NDA Forms were not always completed. **[MODERATE]**

What is the Observation: A sample of 5 awarded contracts was reviewed to determine if each evaluation committee member completed a combined Conflict of Interest (COI) and Non-Disclosure Agreement (NDA) form. Of the 14 forms required to be completed by evaluation committee members, there were 3 instances where a completed form was not documented in the Bonfire system.

Why it Happened: Some Bonfire user roles allow access to bidder information without requiring the completion of COI and NDA forms. Although the Bonfire system provides a warning notification that certain required declarations have not been completed, it does not prevent users from bypassing this requirement.

Why it Matters: Credibility and public confidence are vital throughout the procurement process and require procedures that mitigate both real and perceived conflict of interest. Failure to complete or maintain COI and NDA forms increases the risk that the County may fail to identify and address existing or potential conflicts of interest during the vendor selection process.

What is Expected: Texas Local Government Code §176.001 – 176.003 defines a local government officer as an agent of a local government entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor. These officers are required to file a conflicts disclosure if they are involved in the selection or recommendation of a vendor. Additionally, the Harris County Procurement Manual requires evaluation committee members to sign COI and NDA forms.

What Action(s) are Suggested: Update HCTRA's Supply Chain Management Procedure Manual to include comprehensive procedures for completing COI and NDA forms in Bonfire. Require the assigned Bonfire project owner to verify that evaluation committee members complete the forms before the solicitation phase of the procurement process is finalized.

MANAGEMENT'S ACTION PLAN

Responsible Party: Jason McLemore, Deputy Director Administration

HCTRA uses Harris County's Bonfire system to access bid information. HCTRA will work with the Purchasing Agent and Auditors office to understand what failure occurred within Bonfire which led to an evaluator being able to access bid information without completing the COI/NDA forms. HCTRA does recognize the importance of having these forms signed by all evaluators and how essential the acknowledgements therein are to the integrity of the procurement process. Therefore, we will be updating our procurement manual to include a redundant check of Bonfire documentation to ensure all evaluators have completed the Conflict of Interest (COI) and Non-Disclosure Agreement (NDA) forms before the evaluation process can begin.

Targeted Completion Date:
July 1, 2025



OBSERVATION #2: Reasons for variances between individual scorecards and the aggregated master scorecard were not always documented. [MODERATE]

What is the Observation: Of the 19 contracts awarded during the audit period, there were 6 instances with undocumented reasons for significant variances¹ between the individual scorecards and the aggregated master scorecard. There was no formal policy or standardized procedure in place that required documentation for these variances.

Why it Happened: After each evaluation committee member independently evaluates vendor proposals and completes a scorecard, the evaluation committee has a consensus meeting to discuss vendor presentations and scores. During those meetings, individual committee members may change their score due to the individual missing key aspects of a presentation or the committee resolving discrepancies or misunderstandings. The reasons for changes in scoring are not always documented.

Why it Matters: The absence of documented reasons for variance between individual scorecards and the aggregated master scorecard reduces transparency and accountability in vendor evaluations, increasing the risk of bias, inconsistencies, and disputes in procurement decisions. Without a clear record of reasons for variances, it is more difficult to explain final scores if challenged.

What is Expected: Per the Procurement Policy of Harris County and HCTRA's Supply Chain Management Procedure Manual, procurement evaluations should be conducted in a transparent, consistent, and fair manner. Documentation of the reasons for variances between individual scorecards and the aggregated master scorecard improves transparency.

What Action(s) are Suggested: Update HCTRA's Supply Chain Management Procedure Manual to require documentation of reasons for variances between individual scorecards and the aggregated master scorecard and train evaluation committee members accordingly.

MANAGEMENT'S ACTION PLAN

Responsible Party: Jason McLemore, Deputy Director Administration

The HCTRA Supply Chain Management Procedures Manual enhances Harris County's Purchasing Manual with the inclusion of a consensus meeting. After the individual assessment is complete, the evaluators meet as a group to confirm their understanding of the submissions that were individually evaluated. This meeting is referred to as a consensus meeting. The consensus meeting is chaired by a non-voting moderator, which is generally the procurement professional responsible for facilitating the procurement. During the consensus meeting, the evaluators discuss and weigh each vendor submission. The purpose of such a meeting is for evaluators to discuss their individual scores, identify any discrepancies or misunderstandings, and ultimately reach a final score. Variances between individual and final scores are expected and appropriate however HCTRA will implement changes to its procurement manual that will require any score changes to be accompanied by an explanation.

Targeted Completion Date:
July 1, 2025

¹ The audit team considered a "significant variance" as a difference of 15 or more points between the individual scorecards and the master scorecard with 100 points being the maximum score.



OBSERVATION #3: Verification of license status for awarded professional service providers was not documented. [MODERATE]

What is the Observation: There was no established process to verify and document whether professional service² providers had active and appropriate licenses for the projects they were bidding on prior to the award.

Why it Happened: The Procurement Policy of Harris County does not require departments to verify the licensure status of professional services firms if conducted outside of the Purchasing Agent.

Why it Matters: Lack of documented verification of the licensing status of professional service providers may expose the County to legal, financial, and operational risks. These risks include legal noncompliance, as contracts may be awarded to service providers that do not meet statutory requirements; financial liabilities, such as contract disputes, voided contracts, and wasted funds on unqualified providers; and public safety concerns, particularly in industries like engineering and architecture, where improper licensing could lead to faulty project execution or substandard service quality.

What is Expected: Texas Government Code §2254 requires governmental entities to award professional service contracts based on demonstrated competence, qualifications, and fair pricing. Ensuring that service providers hold valid and appropriate professional licenses is a fundamental component of confirming their competence and qualifications.

What Action(s) are Suggested: Implement a formal process clearly delineating responsibility for verifying, reviewing, and documenting professional service providers' licensing status prior to awarding contracts.

MANAGEMENT'S ACTION PLAN

Responsible Party: Jason McLemore, Deputy Director Administration

HCTRA will implement a formal process clearly delineating responsibility for verifying, reviewing, and documenting professional service providers' licensing status by Project Managers prior to Notice to Proceed.

Targeted Completion Date:
July 1, 2025

² Professional services in Texas Government Code §2254 are services provided by individuals licensed or registered in specific fields, such as accounting, architecture, engineering, medicine, and law, that require specialized expertise and are governed by state law.



BACKGROUND

HCTRA was established in 1983 by the Harris County Commissioners Court under Chapter 284 of the Texas Transportation Code. That same year, Harris County voters approved the issuance of up to \$900 million in bonds to finance the construction, operation, and maintenance of toll roads within the County. HCTRA operates as an enterprise fund of Harris County with its financial activities reflected in the County's financial statements. The primary source of HCTRA's revenue comes from toll fees collected each time a vehicle passes through a toll station.

HCTRA PROCUREMENT OF PROFESSIONAL SERVICES

HCTRA procures professional services independent of the Harris County Purchasing Agent (Purchasing Agent), utilizing a professional services exemption outlined in the Procurement Policy of Harris County. Although the Purchasing Agent's Office does not oversee HCTRA's professional service procurements, they provide some administrative support, including procurement job advertising, technical assistance with the Bonfire procurement portal, and the assignment of procurement job or project numbers. In 2022, HCTRA enhanced its procurement processes by establishing a dedicated team to oversee professional service procurements exceeding \$50,000. To facilitate these procurements, HCTRA employs the Request for Supplier Qualifications (RFSQ) procurement method, which is used for awarding professional service contracts exceeding the \$50,000 threshold. HCTRA relies on the Bonfire procurement portal to manage professional service procurements. The portal is used for supplier management, evaluator assignments, bid monitoring, and bid distribution and collection. Although Bonfire has built-in scoring functionalities, HCTRA's procurement team conducts the evaluation process externally, maintaining scoring documentation outside of the Bonfire system.

HCTRA requires that each RFSQ procurement evaluation be conducted by an evaluation committee consisting of at least three employees from HCTRA. The selection of committee members is based on the specific goals and requirements of the project. Evaluation committee members are chosen based on their knowledge and expertise related to the project. Each evaluator independently scores the bidding submissions before convening in a meeting to discuss and compile the individual scores into an aggregated master scorecard, which determines the procurement award.

HARRIS COUNTY COMMISSIONERS COURT POLICY

In 1977, Commissioners Court approved an order adopting a "Policy on Specifications to go Out for Sealed Bids (Policy)." The Policy stated the Purchasing Agent has the responsibility of writing specifications for all County items except construction, road construction and maintenance, and motorized equipment for Parks, Road and Bridge. The Purchasing Agent serves as an objective internal control in local governments as they are appointed by a board of 3 district judges and 2 commissioners as required by Texas Local Government Code Section 262.011.

On January 4, 2022, Commissioners Court approved the Purchasing Agent's Procurement Policy of Harris County. The policy states, "The Office of County Engineering, Harris County Flood Control District, and Harris County Toll Road Authority/Harris County Toll Road Corporation also conduct RFQs and make recommendations to Commissioners Court for selection of Professional Services. Each division administers their own procedures or may request the Purchasing Office administer the RFQ process."

The Procurement Policy requires all evaluation committee members to independently evaluate and score the proposals or statements of qualifications using only the evaluation factors that were published in the solicitation when selecting a vendor.



Table 1: HCTRA Professional Service Awards During the Audit Period

Project Number	Project Description	Professional Services Amount Awarded	Number of Professional Services Awarded
23/0069	Construction Engineering and Inspection Services for Barrier Free Program	\$39,420,500	8
23/0158	Construction Management and Testing Services for Barrier Free Program	\$12,859,000	8
23/0163	Construction Engineering, Inspection, and Construction Management Services for State Highway (SH) 225 / Sam Houston Tollway East (SHTE) Partial Interchange	\$12,950,000	1
23/0330	Harris County Truck Route Study / Freight Corridors Plan	\$1,023,000	1
23/0356	Professional Engineering Services for the Westpark Tollway Capacity Optimization Study for the Harris County Toll Road Authority	\$5,980,000	1
Total		\$72,232,500	19

ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

As the engagement's scope did not include a detailed examination of all transactions, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

