

Background

Austin Transit Partnership (ATP) has established and adopted a Disadvantaged Business Enterprise (DBE) Program as required by Section 4.3 of the Joint Powers Agreement between ATP, the City of Austin, and CapMetro, and in accordance with current published regulations of the U.S. Department of Transportation (DOT), Title 49 Code of Federal Regulations Part 26, “Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs.”¹ Key goals of ATP’s DBE program are to:

- Ensure non-discrimination in the award and administration of ATP contracts and subcontracts,
- Create a level playing field by which DBEs can compete for and perform work through ATP’s DOT-assisted contracts, and
- Help remove procurement and contracting barriers which impede DBE participation in DOT-assisted contracts.

Though not a current recipient of federal assistance from DOT, ATP is a current applicant for grant funding under the Federal Transit Administration’s New Starts Capital Investment Grants Program. If awarded, funding under this program will be used to defray ATP’s costs to design and build the Austin Light Rail system.

DBE Program Design

ATP has established the groundwork for its Disadvantaged Business Enterprise Program using three key documents: Draft DBE Program Policy, Draft DBE Program Plan, and DBE Program Initiatives.

The Draft DBE Program Policy explains ATP’s commitment to fair access for DBEs in federally funded contracts. It establishes roles for program administration and follows federal rules in accordance with 49 CFR Part 26 and includes goals like preventing discrimination, helping DBEs compete fairly, removing contracting barriers, and supporting DBE growth.

The Draft DBE Program Plan lays out how ATP administers the DBE Program. It covers how ATP sets goals, tracks payments, monitors goal attainments or good faith effort, and enforces program

¹ Certain provisions of these DBE regulations are currently under review in a lawsuit in the federal Eastern District of Kentucky. In that lawsuit, DOT has taken the position that a presumption in the DBE regulations that women-owned businesses and certain minority-owned businesses automatically qualify as “disadvantaged” under the DBE regulations is illegal under the U.S. Constitution. The Court has not ruled on the DOT’s position as of the date of this report.

rules. The plan also includes attachments with forms, procedures, and outreach strategies, and explains how ATP works with the Texas Unified Certification Program to verify DBE eligibility.

The DBE Program Initiatives document highlights recent updates to the program, including staffing changes and how ATP measures success. It lists specific key performance indicators such as:

- Number of contracts awarded to small businesses
- Total dollar value of those contracts
- Types of contracts awarded
- Number and value of contracts awarded to small businesses as prime contractors
- Number of outreach events held
- Attendance at outreach events

ATP will monitor its DBE Program by tracking payments through the B2Gnow platform and verifying them with audits and subcontractor confirmations. Staff will conduct site visits to ensure DBEs are performing the contracted work. If issues arise, ATP will take enforcement actions such as withholding payments or reporting misconduct.
-DBE Program Initiatives

Together, these documents demonstrate ATP's commitment to an effective DBE Program.

Availability Study and Goal Calculator

In 2024, ATP commissioned a comprehensive Availability Study to better understand the local business landscape and identify local firms that could potentially participate in upcoming ATP contracts. The study focused on businesses located in Travis, Williamson, Hays, Bastrop, and Caldwell counties and examined their capacity to provide services in four key areas: construction, architecture and engineering, professional services, and goods and other services.

To conduct the study, ATP and its consultant gathered data from multiple sources, including Dun & Bradstreet, state and local certification directories, and a custom census survey of nearly 10,000 businesses.

Availability Study Results

The results of this study included a breakdown of DBE availability in the Austin area overall and in key industries. About 14.5% of firms in ATP's immediate geographic market area are DBEs. This includes 7.35% minority-owned businesses and 7.14% nonminority women-owned businesses. The study detailed DBE availability for the key industries noted above. The percentage of DBE firm availability in each industry was as follows:

- Construction: 21.45%
- Architecture and Engineering: 15.95%
- Goods and Other Services: 10.38%
- Professional Services: 10.21%

For each of these industries, the study further identified the percentage of firms available across racial, ethnic, and gender ownership classifications.

Goal Calculator

To help set fair goals for DBE participation in future contracts, ATP created a goal calculator as a result of the availability study work. To use the calculator, ATP staff can enter the expected budget for each work category in a solicitation, and the tool automatically calculates a suggested DBE participation goal based on how many qualified businesses are available to perform that work in the region.

Spending on Local Suppliers

To understand how much ATP has spent on local suppliers, we analyzed ATP payable data from both CapMetro and ATP Oracle reports from October 1, 2022 through June 13, 2025. Based on a review of this period, we found ATP paid about \$19 million of \$110 million, or 17%, to local suppliers. About 42% of payments were directed towards Texas suppliers.² Our analysis calculated total payments made to suppliers, summarized at the state and city levels using supplier address data. Many of ATP's suppliers have subcontracts with local suppliers. Payments to subcontracted local suppliers are not included in these figures because this information is difficult to analyze in aggregate as it is stored within PDF files in Oracle.

The Procurement team stated they are working on a methodology to calculate the precise amount and percentage of payments to local firms.

Recommendations

In light of the uncertainty arising from the federal lawsuit referenced in footnote 1, and the statements in the recent Presidential Executive Order No. 4151 ("Ending Radical and Wasteful Government DEI Programs and Preferences"), we recommend Procurement continue to develop a methodology to regularly calculate ATP's spending on local firms and periodically report this information.

² This analysis excludes: transfer payments made to the City of Austin and CapMetro, payments to JP Morgan Chase for procurement card purchases, and reimbursable payments made to ATP staff and board members.

ATP Management Action Plan

Recommendation	Management Action Plan	Proposed Implementation Date	Responsible Party
<p>Recommendation 1: <i>ATP should continue to develop a methodology to regularly calculate ATP's spending on local firms and periodically report this information to the ATP Board.</i></p>	<p>Procurement agrees that ATP should continue to develop a methodology to regularly calculate ATP's spending on local firms and periodically report this information to the ATP Board. As a part of the development process, Procurement will continue to capture ATP's payments made to local prime contractors and subcontractors using ATP's software systems and Vendor Payment Report submissions. Additionally, Procurement will define the criteria for being considered a local firm and build a tracking tool that clearly identifies the business locations of the local firms. The local firm spending data will be reported to the ATP Board on either a quarterly or semi-annual basis upon determining ATP's preference.</p>	<p>January 2026</p>	<p>Procurement</p>

Objective, Scope, and Methodology

Objective

Has ATP established effective processes to set, track, and report DBE contract goals in accordance with applicable laws and regulations?

Scope

Past and current activities related to ATP's DBE Program.

Methodology

To complete this audit, we performed the following steps:

- Interviewed ATP staff from the Procurement, Finance, and Legal teams to understand internal controls related to the DBE program,
- Reviewed federal rules and regulations, emerging federal updates, and industry practices related to DBE Programs,
- Analyzed ATP payment register data from October 1, 2022 to June 13, 2025 to calculate an approximate amount of ATP spending on local firms summarized at the state and city levels using supplier address data,
- Evaluated information technology and fraud risks related to the DBE Program, and
- Evaluated internal controls related to ATP's risk assessment and control activities and monitoring.

Standards

This audit was conducted in conformance with the Global Internal Audit Standards promulgated by the Institute of Internal Auditors.

Audit Team

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