Austin Transit Partnership

Contract Reimbursements Audit Summary

July 2026

Background

Recipients of federal funds have a responsibility to comply with statutory and regulatory requirements regarding the use of grant awards. The Federal Transit Administration (FTA) provides spending guidance[i] and outlines its oversight expectations to recipients, and potential future recipients of federal grant funds, to assist in the management of federal grants. Federal guidance also includes expectations relating to third-party contracting activities and payment under such contracts.

ATP has entered into several contracts to procure professional services from third-party contractors to further Austin Light Rail and intends to request federal reimbursement for the contracted services depicted on page 2. The majority of the costs incurred in accordance with these contracts relate to direct labor costs which were not reviewed in this engagement. This audit focused on other direct cost charges, primarily for travel and relocation assistance, which represent a relatively small portion of total expenditures invoiced under these contracts.

Objective: Are payments for other direct cost reimbursements aligned with federal guidance, supported by evidence, approved by ATP staff, and consistently applied?

Scope: ATP's invoice review process relating to other direct costs, with a primary focus on payments eligible to receive federal reimbursement.

Results

ATP's invoice review process for the contracts audited in this engagement generally requires staff in the contracting department to monitor completion of the contract's scope of work and to validate direct labor amounts included in invoices, while the Procurement department reviews invoices more holistically, including the other direct costs that were the subject of this audit. Although we identified the areas for improvement outlined below, we generally found that other direct costs charged to ATP by third-party contractors are reviewed through a thorough process to ensure such amounts are accurate, properly authorized, and supported by appropriate documentation before payment is approved. Critically, this invoice review requires coordination across the organization to advance ATP's mission and ensure public resources are properly monitored and safeguarded.

We also found that contract language generally aligns with federal requirements and supports ATP review of amounts invoiced by third-party contractors. When ATP staff have identified gaps in third-party contractor invoicing and what the contract language specifically requires, they have documented clarifications regarding reimbursement decisions in "Finding and Determination" memorandums and less formal records, such as emails. This additional documentation provides insight into how ATP oversees the expenditure of public funds and demonstrates ATP's commitment to meeting federal requirements.

We issued four recommendations in this audit and management agreed to implement corrective actions by **July 2027**. The recommendations for improvement noted in this audit were:

- Develop formal operating procedures to guide the invoice review process and ensure there is a routine quality control review of reimbursement files and supporting documentation.
- Enhance guidance provided to third-party contractors on ATP's invoicing expectations.
- Design and implement a relocation agreement with third-party contractors and require relocating contractors to submit a relocation request form before incurring relocation costs.
- Design and implement a periodic review of travel reimbursements paid by per diem.

Austin Transit Partnership Internal Audit Team
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ATP CONTRACTS ELIGIBLE TO RECEIVE FEDERAL REIMBURSEMENT

Contract Description	Vendor Name	Oracle End Date	Board Authorized Not to Exceed	Authorized Purchase Order Amount as of 6/1/26	Spending to Date as of 6/1/26
Delivery Partner	AECOM	12/31/28	$98,500,000	$46,353,851	$21,830,297
Civils, Rail, Stations, & Systems Progressive Design Build (PDB)	Austin Rail Constructors (ARC) Joint Venture	12/31/33[1]	$60,000,000	$54,846,389	$3,465,132
On Call Preliminary Engineering Services	HNTB	6/12/26	$45,000,000[2]	$5,837,887	$5,837,887
Operations & Maintenance Facility PDB	Kiewit Austin Partnership (KAP) Joint Venture	12/31/33	$25,000,000	$20,992,472	$0
Real Estate Acquisition & Relocation Services	Stateside Right of Way	12/20/27	$6,100,000	$2,361,944	$501,502

[1] No end date listed in Oracle, but contract states the expiration for Phase 2 is 12/31/2033.

[2] Not to exceed limit applied to both HNTB On-Call Preliminary Engineering Services and On-Call Advanced Utility Engineering Services.

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[i] Relevant guidance includes: FTA Circular 4220.IG – Third-Party Contracting Guidance, 2 CFR Part 200— "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (commonly referred to as the *Uniform Guidance*), 49 CFR Part 225 – Cost Principles for State, Local, and Indian Tribal Governments, and 49 CFR Part 225, OMB Circular A-87 – Cost Principles

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