



METRO

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS NOVEMBER 2021 (22-01)

Terry Follmer, VP of Internal Audit

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Executive Summary

As part of our annual Audit Plan approved by the Capital Metro Board, we conducted the semi-annual status review of all open audit recommendations as of November 30, 2021. The follow-up included 7 audit reports with a total of 25 recommendations. The audit objective and conclusion on the implementation of the corrective action plans follows.

Audit Objective & Scope

The objective of the audit was to determine whether Management has successfully implemented action plans in response to the recommendations provided in internal audit reports. In order to monitor the disposition of audit recommendations, the Internal Audit Department conducts two follow-up audits (semi-annual) per fiscal year (May and November). This report reflects the status as of November 30, 2021, for the outstanding Corrective Action Plans (CAP's) resulting from internal audit projects.

Conclusion on Corrective Action Plans

We followed up on 25 recommendations from 7 different audit reports and have concluded that only 14 recommendations remain open, and Management has action plans to implement the items listed as "In Process of Being Implemented." Table 1 listed below provides a summary breakdown of audit reports with open recommendations for November 30, 2021.

Project #	Report Date	Report Name	Total # of Audit Recommendations	Implemented as Recommended	In Process of Being Implemented	Rejected - Management Has Accepted the Risk	% Action Plan Implemented
19-05	4/5/2019	Genfare Cash and Ticket Controls Audit	5	4	1	0	80%
20-03	3/9/2020	OrbCAD Incident/Accident Process Review	3	0	3	0	0%
20-05	8/3/2020	Fuel Management & Controls Audit	4	3	1	0	75%
20-06	6/8/2020	OrbCAD Service Delays Process Review	2	1	1	0	50%
21-01	4/2/2021	Positive Train Control (PTC) Expenditures Audit	2	0	2	0	0%
21-03	4/2/2021	DBE/SBE Program Controls & Analysis Audit	4	3	1	0	75%
21-07	8/20/2021	Payroll & Benefit Controls Audit	5	0	5	0	0%
TOTAL:			25	11	14	0	44%

In our opinion, Management has made reasonable progress in implementing the recommendations and open Corrective Action Plans. Additional details related to all open recommendations can be found in Appendix A.

This audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

Sarah Daigle, Internal Auditor II (Project Lead)
Jeannette Lepe, Internal Auditor II
Terry Follmer, VP of Internal Audit

We want to thank Management for their support and good progress in implementing the open corrective action plans.

APPENDIX A – DETAILS OF OPEN AUDIT RECOMMENDATIONS

Prior Recommendations and Audit Results

As required by the Institute of Internal Auditors' International Professional Practices Framework, we have reviewed all open audit recommendations. Based on our review of audits, we identified 14 open recommendations. Listed below are the open recommendations, along with the name of the audit report, report date, original recommendation, and Management's updated target completion date and comments.

19-05 GENFARE CASH AND TICKET CONTROLS AUDIT (4/5/2019 Report Issued with 5 Recommendations)

RECOMMENDATION 2 – (Compare Genfare Ticket Sales to Cash)

The Controller and Manager of Revenue should consider the following:

- a) Developing written standard operating procedures (SOP) covering the reconciliation and variance analysis related to farebox tickets and cash.
- b) The SOP should state the cadence as to how often the review is performed as well as establish tolerance levels to identify outliers.
- c) Ticket to cash variances outside tolerance levels are researched with action plans to remediate as applicable.

OPEN ACTION PLANS: (*Nadia Nahvi, Controller*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 05/01/2022
The Finance Department has experienced high staff turnover in the last two years, and, as a result, the implementation of this recommendation has been delayed. However, a Genfare ticket sales to cash reconciliation is completed monthly and SOPs are currently being updated to address cadence and tolerance levels.

20-03 ORBCAD INCIDENT/ACCIDENT PROCESS REVIEW (3/09/2020 Report Issued with 3 Recommendations)

RECOMMENDATION 1 – (Disconnected Systems & No Comprehensive Database)

The Director of Contract Oversight, IT Director of Transit Technology Systems and the Director of Risk Management will consider the following improvements:

- a) Establishing a single comprehensive database for all incident/accident data.
- b) Require MV to enter all data into the chosen single comprehensive database.
- c) Automate the flow of data from OrbCAD into the required Excel templates (e.g., Operator Report, Supervisor Report, etc.) that are saved to Sharepoint, thus requiring the Supervisor to only record new data and not have to rekey all data that is already captured in OrbCAD.

OPEN ACTION PLANS: (*Rafael Villareal, Director of Contract Oversight Rafael Villareal; Charlie Jackson, Director of Transit Technology Systems*) Management agreed with the

recommendation above.

- **Management's Updated Target Completion Date and Comments: 5/1/2022**
IT Management recently submitted a FY 2022 Capital Project request for a new incident/accident system (#ITS2211-Incident Accident Risk Management Reporting) to help improve process efficiency. Additionally, this recommendation will be included/addressed with the replacement of the OrbCAD system.

RECOMMENDATION 2 – (Improve QA Oversight, Analysis, and Monitoring)

The Director of Contract Oversight, IT Director of Transit Technology Systems, and the Director of Risk Management should consider and evaluate the following process improvements:

- d) Develop controls to ensure that data recorded in OrbCAD matches the data captured in the RiskMaster system. If events are reclassified from incident to accident or vice versa, ensure that both systems are updated with final classification between Incident or Accident.

OPEN ACTION PLANS: (*Rafael Villareal, Director of Contract Oversight Rafael Villareal; Charlie Jackson, Director of Transit Technology Systems*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments: 5/1/2022**
Management has established several controls (i.e. reports) to help improve accuracy and timeliness of data; however, they are in the process of organizational changes (adding another layer of supervisory review) that will be impacting the implementation of recommendation d.

RECOMMENDATION 3 – (Automate Reporting Out of Systems)

The Director of Contract Oversight, IT Director Transit Technology Systems and the Director of Risk Management, should consider and evaluate the following improvements:

- a) Request the IT Departments Report Writing Team to develop required pre-printed reports (e.g., monthly reports as well as daily Operator/Supervisor Reports, etc.) out of OrbCAD and/or RiskMaster based upon which system is designated the system of record with all comprehensive data.
- b) Review for additional monitoring needs (i.e., Capital Metro and MV) and develop additional reports as necessary to improve MV oversight and improve efficiencies.
- c) Ensure that the original Incident # automatically assigned by the OrbCAD system is properly captured in other reports and systems for appropriate tracking purposes

OPEN ACTION PLANS: (*Rafael Villareal, Director of Contract Oversight*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments: 5/1/2022**
IT Management recently submitted a FY 2022 Capital Project request for a new incident/accident system (#ITS2211-Incident Accident Risk Management Reporting) to help improve process efficiency. Afterwards, Operations Management will develop additional reports to strengthen oversight and improve efficiencies.

20-05 FUEL MANAGEMENT & CONTROLS AUDIT (8/03/2020 Report Issued with 4 Recommendations)

RECOMMENDATION 1 – (Update Fueling Procedures & Improve Gasboy Controls)

The Chief Customer Officer/Chief Operating Officer, VP of Bus Operations & Maintenance, Director of Vehicle Maintenance, Director of Security & Emergency Management, and VP of Demand Response and Innovative Mobility should complete the following:

- a) Assign a single member of management with direct responsibility over the entire Capital Metro fuel system and program.
- d) Request that the service providers send list of terminations to Gasboy administrators on at least a monthly basis to ensure they are removed from the system in a timely manner.
- f) Establish monitoring controls for dispensing fuel at 817 Paratransit location since there is no Gasboy system.

OPEN ACTION PLANS: (*Tangee Mobley, VP, Bus Operations & Maintenance*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 12/31/21
Management has taken steps to improve Gasboy controls, such as repairing a broken security camera and establishing a monthly review process for security vehicles. However, management is still in the process of implementing some of the Gasboy controls.

20-06 ORBCAD SERVICE DELAYS PROCESS REVIEW (6/8/2020 Report Issued with 2 Recommendations)

RECOMMENDATION 2 – (Service Delay Records & Monitoring)

The Director of Contract Oversight, Manager of Service Analysis, and IT Director of Transit Technology Systems will consider the following improvements:

- b) An OrbCAD report should be created to capture all incidents that are not coded by Dispatchers within 15 minutes of the occurrence, in accordance with the modified contract language per item a above.
- c) An OrbCAD report should be created to capture all incidents that are never recorded by Dispatchers with an explanation of the incident, in accordance with the modified contract language per item a above.
- e) Using the new OrbCAD reports in recommendations b & c above, analyze results to help minimize service delays, and understand Dispatcher training and staffing needs.

OPEN ACTION PLANS: (*Rafael Villarreal, Director of Contract Oversight*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/31/2022
Management and the OMO Data Analyst are reviewing reports available in OrbCAD and Swiftly to help ensure the completeness of reported incidents.

21-01 POSITIVE TRAIN CONTROL (PTC) EXPENDITURES AUDIT (4/02/2021 Report Issued with 2 Recommendations)

RECOMMENDATION 1 – (Update Policy & Procedures for Workflow Approval Exceptions)

The Controller, together with the AX Administrator in the IT Department, should consider:

- a) Identify opportunities to improve segregation of duty controls in AX so invoices must be approved by separate personnel in accordance with AP Policy (FIN-106) at various levels (e.g. PM, Manager; Director, Chief/EVP). Alternatively, if AX cannot be configured to remediate this delegation weakness, then a compensating control should be put in place. For example, a monthly or quarterly list of invoices approved with limited segregation of duties should be reviewed by the Controller/departments to ensure oversight and transparency on these workflow exceptions.
- b) When segregation of duties is not possible in the system (e.g. vacation, sick, etc.) but appropriate approval is granted through a separate means (e.g. email approval), this documentation should be saved to AX. If a separate and duly authorized means of approval cannot be obtained within that department hierarchy, the Controller should be consulted for either the Controller's approval or one of their designees.
- c) c) Update AP policy (#FIN-106) to define acceptable ways to document appropriate approval to strengthen segregation of duties (e.g. email approval attached to transaction in AX.)

OPEN ACTION PLANS: (*Nadia Nahvi, Controller*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** N/A – This action plan is not due until 12/31/2021.

RECOMMENDATION 2 – (Update AX Approvals & Workflow)

The Controller, together with the AX Administrator in the IT Department, should complete the following:

- a) In AX workflow, review by department (see Appendix D) and ensure it aligns with Cap Metro's AP policy (#FIN-106).
- b) In AX workflow, ensure a first level Project Manager level approval is required for all active projects at CapMetro as identified by the EPPM system (project management software).
- c) Remove any old departments or employee numbers listed in the AX system.
- d) In AX workflow, ensure every department has identified a Chief level approval and review the Manager and Director level approvals to ensure this appropriately reduces the risk of unauthorized payments.
- e) In AX workflow, review dollar thresholds in the configuration and make any necessary adjustments.

OPEN ACTION PLANS: (*Nadia Nahvi, Controller*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** N/A – This action plan is not due until 12/31/2021.

21-03 DBE/SBE PROGRAM CONTROLS & ANALYSIS AUDIT (4/08/2021 Report Issued with 4 Recommendations)

RECOMMENDATION 4 – (No Reconciliation is Performed of the Systems)

The Director of Diversity, Equity, and Inclusion and the OOD's Program Manager will consider the following improvements:

- a) Define the process of the AX to B2Gnow system reconciliation (i.e., which contracts have DBE/SBE participation; and all prime payments are imported to B2Gnow) and included it in the standard operating procedures.
- b) Periodically (e.g., quarterly or semi-annually), perform a complete reconciliation of the systems to ensure the payments are accurately imported in B2Gnow.

OPEN ACTION PLANS: (*Diponker Mukherjee, Program Manager, Diversity & Compliance*)
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 10/1/2022
Management is currently implementing a new financial system to replace Microsoft AX. After the new financial system is set up, Management can implement recommendation #4 above.

21-07 PAYROLL & BENEFIT CONTROLS AUDIT (8/20/2021 Report Issued with 5 Recommendations)

RECOMMENDATION 1 – (Automate & Strengthen Controls Over Personnel Changes)

The Controller and Senior Director of People & Culture should consider implementing the following improvements:

- a) Look at automating the PCN form and related workflow into the new ERP system. If this is not possible, look at automating the workflow using workflow features in Outlook and SharePoint and/or within the UltiPro system. The workflow should be a closed loop with the parties receiving notice that the change has been made in UltiPro.
- b) The P&C Department should develop written procedures and tools to help guide P&C staff on their day-to-day tasks. The guide should cover various personnel changes (e.g. pay rate, terminations, promotions, new hires, etc.), payroll deadlines and holidays, and year end processing procedures including annual merit process.

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*)
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** N/A – This action plan is not due until 1/31/2023 for sub-recommendation #1a and 12/31/2021 for sub-recommendation #1b.

RECOMMENDATION 2 – (Improve Accuracy of Benefit Calculations)

The Controller and Senior Director of People & Culture should consider the following improvements:

- a) Create an internal P&C Department Procedures Guide for staff to follow, which should include each benefit category offered by CapMetro, internal processes that staff should

follow, deadlines, specific calculations, review and approval process, etc. (part of recommendation 1b above).

- b) Ensure that manual data entry for benefit calculations is double checked and reviewed to ensure accuracy by the Finance Department or other independent party.
- c) Obtain temporary resources in the last two months of the calendar year to assist with administration and quality assurance check.

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*)
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** N/A – This action plan is not due until 12/31/2021.

RECOMMENDATION 3 – (P&C Policies – Compliance & Approved Exceptions)

The Controller and Senior Director of People & Culture should consider the following improvements to Leave Policy (HRC-440):

- a) Ensure deadlines and the maximum elapsed time after an event are defined (birth, adoption, or placement of a child) in which the employee must start using the parental leave or other family related benefit.
- b) Define the process for approving special exceptions to the policy (e.g. who can approve them, how to document the approval).
- c) Require employees to submit a long-term (greater than two weeks) leave request to the P&C Department.
- d) Ensure parental and other types of leave are timely communicated to the payroll personnel so that time and attendance records can be properly updated.

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*)
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** N/A – This action plan is not due until 5/31/2022.

RECOMMENDATION 4 – (Increase Oversight of Annual Merit Increases)

The Controller and Senior Director of People & Culture should consider the following improvements:

- a) Review and document the full cycle of annual merit increases from employee ratings to the Merit Matrix table and payroll adjustments made in UltiPro ensuring proper segregation of duties and required approvals at each stage of the process life cycle.
- b) The Finance Department should attest to the accuracy of the annual merit payroll adjustments and sign-off on the final file and related details that is sent to the bank for payroll distribution.
- c) The Finance Department should review the Merit Matrix spreadsheet and sign off (e.g. Controller and/or Deputy CFO) on it as evidence of review and approval of the merit increases.

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*)
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** N/A – This action plan is not due until 5/31/2022.

RECOMMENDATION 5 – (Time and Attendance Reporting & Approvals)

The Controller, along with the Manager of Payroll/Accounts Payable, should consider the following improvements:

- a) Create a cumulative report to track and report all unreported and unapproved time by week and by employee and manager until each week is properly reconciled and properly reported and approved.
- b) Have a formal process to communicate periodically (e.g. quarterly) to department heads regarding unapproved time for their department.
- c) During the employee exit process, require the manager to review unapproved time reports and certify prior to final paycheck.
- d) Setup an enterprise level calendar reminder to all CapMetro employees to remind them to submit and approve time before the payroll processing deadline.
- e) Ensure each supervisor has a back-up approver if they are on vacation or cannot approve time and attendance records.
- f) Review P&C policies to identify payroll and time and attendance policies that should be owned (e.g. HRC 205) by the Finance Department because their payroll group administers the area.

OPEN ACTION PLANS: (*Alyce May, Manager of Payroll & Accounts Payable*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** N/A – This action plan is not due until 12/31/2021.