



METRO

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS - MAY 2018

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 an audit of all open audit recommendations as of May 31, 2018. The audit objective and conclusion on the implementation of the corrective action plans follow.

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 May 31, 2018, for the outstanding corrective action plans (CAP's) resulting from internal audits projects.

Conclusion on Corrective Action Plans

Overall, we determined that there are four audits reports with open recommendations, and management is in the process of implementing the four open recommendations. Table 1 listed below, provides a summary breakdown of management's progress towards implementing the open recommendations.

Table 1: Summary Status of Open Recommendations

Project #	Report Date	Project Name	Total # of Audit Recommendations	Implemented as Recommended	In Process of being Implemented	Rejected / Management has accepted the risk	% Implemented
16-06	5/11/2016	Investment Recovery Audit	5	4	1	0	80.0%
17-02	2/15/2017	Accounts Payable Audit	2	1	1	0	50.0%
17-05	6/14/2017	Professional Services Audit	2	1	1	0	50.0%
17-13	10/14/2017	Utility Management Audit	2	1	1	0	50.0%
		TOTAL	11	7	4	0	63.6%

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:

Jeannette Lepe, Internal Auditor II
Terry Follmer, VP 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, we identified four open recommendations directly associated with four audit engagements. Listed below is the name of the audit project and report date, original recommendation and action plan from the audit report, 5/31/18 open action items, and revised target completion date and updated action plans if applicable.

INVESTMENT RECOVERY AUDIT (5/11/2016 Report Issued)

RECOMMENDATION 1: Consolidate and expand guidance on surplus property disposition.

ACTION PLANS: (Procurement Department – Danny Solano, Bryan Bargsley; Finance Department – Lea Sandoz)

1a. Consolidate and expand guidance on surplus property disposition. Develop a standalone policy and guidance on Surplus property. The Manager of IR and the IR Specialist will draft a policy to expand guidance on the existing "Disposal of Capital Metro Surplus or Obsolete Property" policy and consolidate the policy into its own chapter under Procurement's "Acquisition Policy". The revised policy will contain cross references to applicable sections contained in Finance's "Fixed Assets Capitalization & Disposal Policy". The Policy revisions will be completed, vetted by the appropriate shareholders and submitted for Board approval by March 31, 2017.

1b. Update Fixed Assets Capitalization and Disposal Policy and related Property Disposal Form. The Controller or her designee will modify the Fixed Asset Disposal Form and the existing "Fixed Assets Capitalization & Disposal Policy" by 1) referencing Procurement Disposal Policy and 2) eliminating any language found in the Procurement Policy. Form revisions will be complete by September 30, 2016. Policy revisions will be completed as soon as Procurement's Disposal Policy is complete.

OPEN ACTION ITEMS:

- Modify the Fixed Asset Disposal Form and the existing "Fixed Assets Capitalization & Disposal Policy" by 1) referencing Procurement Disposal Policy and 2) eliminating any language found in the Procurement Policy. "Fixed Assets Capitalization & Disposal Policy" by 1) referencing Procurement Disposal Policy and 2) eliminating any language found in the Procurement Policy.

Management's Updated Target Completion Date & Comments: October 1, 2018

The Fixed Assets Capitalization and Disposal Policy and related Property Disposal Form is in the process of being updated and will need to be reviewed and approved by the Policy Committee.

ACCOUNTS PAYABLE AUDIT (2/15/2017 Report Issued)

RECOMMENDATION 1: Resolve differences between Accounts Payable Policy and Dynamics AX practices.

ACTION PLANS: (*Finance Department. – Lea Sandoz, Controller; IT Department – Ron Ledesma, Prasad*)

1a. Update FIN-106 policy and / or Dynamics AX workflow to be consistent. The Controller will review roles and complete policy revision by July 31, 2017.

1b. Amend policy to address if and how policy exceptions are authorized. The Controller will review and revise FIN-106 by July 31, 2017, to address if and how policy exceptions are authorized.

1c. Adjust DAX roles, as needed to reflect policy changes. All workflow changes will need to be documented and routed for approval so that we have an audit trail. An estimated completion date for the IT Department to adjust roles to align with the updated FIN-106 Policy is October 31, 2017.

OPEN ACTION ITEMS:

- Update FIN-106 policy and / or Dynamics AX workflow to be consistent.
- Amend policy to address if and how policy exceptions are authorized.
- Adjust DAX roles, as needed to reflect policy changes.

Management's Updated Target Completion Date & Comments: October 1, 2018

An updated draft with changes to FIN-106 Policy is under review by the Policy Committee and is awaiting final changes and approval.

PROFESSIONAL SERVICES AUDIT (6/14/2017 Report Issued)

RECOMMENDATION 1: Develop a process to approve, track, and monitor professional service projects that use task orders.

ACTION PLANS: (*Deputy CEO/COO Elaine Timbes*)

1a. Management will work with Procurement to revise the Task Order checklist to include the business case, contract deliverables, performance measures and ROI. The contract deliverables should be confirmed by the project manager and signed off by the Business Unit VP.

1b. Management will work with IT and Procurement to redefine the workflow and signature authority levels. It is anticipated that the authority levels will correspond with those that are in place to advance contracts and purchase orders.

1c. Management will develop a reporting process, to be completed quarterly, that will provide the status of each Task Order driven project. Information will include: Total project budget; YTD expenditures; Budget balance; List of contract deliverables; Status of deliverables; Any contract compliance issues; Final contract closeout.

Target Implementation Date: 10-1-2017

OPEN ACTION ITEMS:

- Management will develop a reporting process, to be completed quarterly, that will provide a status of each Task Order driven project.

Management's Updated Target Completion Date & Comments: October 1, 2018

IT, Procurement and Accounting are working together to develop automated workflow using Sharepoint for approval process and create new reports for improved management visibility on the status of task orders.

UTILITIES MANAGEMENT AUDIT (10/14/2017 Report Issued)

RECOMMENDATION 1: Schedule energy audits with Austin Energy as needed.

ACTION PLANS: (*Property and Asset Management Dept. – VP, Shanea Davis*)

By December 2017, the VP of Property and Asset Management Department will:

- Work with Austin Energy to schedule energy audits for all locations that scored less than 50% on the ECAD reports;
- Identify cost-effective capital projects that will reduce electrical consumption by 5% each year until 2021 in accordance with SB 898;
- Work with the Sustainability Officer to identify cost-effective capital projects that will reduce electrical energy consumption by 5% for each year until 2021 in accordance with SB 898.

OPEN ACTION ITEMS:

- Work with Austin Energy to schedule energy audits for all locations that scored less than 50% on the ECAD reports.

Management's Updated Target Completion Date & Comments: June 29, 2018

Audits began with Texas Energy Engineering Services, Inc. (TEESI), the contractor for the State Energy Conservation Office, on May 14th. We expect a completed report by the end of June 2018 outlining opportunities for conservation at current facilities, and guidelines for new building specification and major renovations.