



# METRO

## SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS - NOVEMBER 2018 (19-02)

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, 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 November 30, 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 three audits reports with open recommendations, and management is in the process of implementing the remaining five 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%
17-05	6/14/2017	Professional Services Audit	2	1	1	0	50.0%
18-05	8/9/2018	AX ERP System - Segregation of Duties Audit	3	0	3	0	0.0%
TOTAL			10	5	5	0	50.0%

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 (Project Lead)  
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, we identified five open recommendations directly associated with three audit engagements. Listed below are the name of the audit project and report date, original recommendation and target completion date, 11/30/18 open action plans, and revised target completion dates and updated action plans if applicable.

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

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

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

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.

**Management's Updated Target Completion Date & Comments:** March 31, 2019

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.

### **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.

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

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

**Management's Updated Target Completion Date & Comments:** January 31, 2019

IT is working to create new reports to improve management visibility on the status of the task orders, in order to identify and track activity against purchase agreements.

**AX ERP SYSTEM - SEGREGATION OF DUTIES AUDIT** (08/09/2018 Report Issued)

**RECOMMENDATION 1 (Vendor System Administrator Usage on System):** Management should only provide System Administrator rights when needed, and this access should be removed once maintenance is performed. Additionally, logging and monitoring of System Administrator accounts should be in place for all accounts.

**OPEN ACTION PLANS:** *(Ron Ledesma. – System Analyst)*

IT will create a Service Now ticket when providing IT Contractor Staff the System Administrator role. The ticket shall remain open until the role is removed. Target Complete Date: 08/30/2018

**Management's Updated Target Completion Date & Comments:** January 31, 2019

IT is using the Service Now system to track open tickets assigned to IT Contractor Staff and is working to create a reporting mechanism to ensure timely removal of access.

**RECOMMENDATION 2 (Logging & Monitoring of SOD Conflicts):** Management should consider defining and implementing the necessary logging and periodic monitoring of user access to ensure that compensating controls are present to detect inappropriate transactions due to limited segregation of duties.

**OPEN ACTION PLANS:** *(Lea Sandoz – Controller)*

The controller will define and implement monitoring of SOD conflicts based on the developed list. Target Complete Date: 08/15/2018

**Management's Updated Target Completion Date & Comments:** February 28, 2019

Changes were recently deployed in the AX ERP System, and Management is in the process of monitoring of SOD Conflicts identified.

**RECOMMENDATION 3 (Optimizing User Access Profiles & Descriptions):**

Management should consider making the following improvements to user access and security controls:

- Review users who have been assigned multiple roles and consider developing a single custom role that reflects only the need to know and need to do within the system.
- Review all users and roles that have the “setup” capability and limit this access based upon a need to know and need to do.
- Consider renaming descriptions that do not accurately reflect users capabilities in the AX system, which will help in the analysis and administration of system access.

**OPEN ACTION PLANS:** *(Lea Sandoz – Controller, GVSRK Prasad – Application Systems Analyst)*

IT will review and limit access on roles as deemed appropriate as directed by the Controller. Descriptions of roles will be updated to accurately reflect roles. Target Complete Date: 04/30/2019

**Management’s Updated Target Completion Date & Comments:** N/A – this action plan is not due until 04/30/2019.