CapMetro

Internal Audit

UT Intern Audit Projects Fall 2024:

Inventory Controls (Parts, Fuel, Electricity)
and
Non-PO Procurements (P-Cards and Check Requests)

January 15th, 2025

CapMetro – UT Audit Intern Program

- CapMetro joined UT Audit Intern Program in the 2018 Fall semester.
- UT's #1 ranked Masters of Professional Accounting has an Auditing-2 class that requires a volunteer internship with Austin based companies at 5 hours per week on assigned projects.
- Course Syllabus Objective: "…introduce students to the current scope of internal auditing that extends far beyond the traditional external audit attestation of financial statements."
- Audit project objectives and deliverables are identified and set at the beginning of the project in the planning stage.
- The audit projects require a combination of auditing skills, business acumen, and consulting capabilities.
- UT Audit Interns work under the guidance of the Chief Audit Executive (CAE) and staff.

Deliverables from UT Interns

	Process Review	Flowcharting	Contract/Policy Review	Invoice Testing	Presentation with Recommendations
Inventory Controls (Parts, Fuel, Electricity)	☑	☑	☑	☐	☑
Non-PO Procurements (P-Cards and Check Requests)	☑	☑	☑	☐	☑

Inventory Controls (Parts, Fuel, Electricity) Audit Objective and Scope

Objective:

- Identify process improvements and internal controls opportunities.

Scope:

The scope covered Parts, Fuel, and Electricity for Bus, Rail, Demand Response, and Facilities (from October 2023 to October 2024) for the following areas:

- Parts (our analysis included both CapMetro owned and managed parts $ 8.4M as well as MTM/Herzog owned and managed Parts $ 12.3M)
- Fuel (the average monthly Fuel expenses and taxes cost from Nov.2023 to Oct. 2024 is $ 1.3M)
- Electricity (the average monthly electricity cost from Nov.2023 to Oct. 2024 is $ 108K)

Parts Inventory

Findings:

- No Physical Inventory Policy, however, there is SOP for Cycle Counts.
- It's difficult to identify slow-moving inventory without having lots of false-positives because expected slow moving parts have not been flagged in Hexagon to be excluded from data analytics.
- Automation of Cycle Counts – Technology should be leveraged (barcoding and smart devices) to improve the efficiency and accuracy of Cycle Counts. Currently, its all conducted manually on paper records and keyed into Hexagon.

Recommendations:

- Develop and implement a physical inventory Policy that states your cycle count goal.
- Identify a way in Hexagon to flag expected slow moving parts so that data analytics can be performed with reduced false positives.
- Reassess barcoding and smart devices to streamline inventory cycle counts and data entry.

Fuel

Findings:

➢ Management has implemented the GasBoy system at most locations to control and track fueling, and monitor Fuel IDs by location, type, and quantity. However, there are no written Fuel Policies and SOPs need to be updated.

➢ The GasBoy system tracks fuel dispensed for most locations. However, the Demand Response at North Base and the Rail Department have not installed the GasBoy system, therefore the EKOS database that is used for fuel analysis is incomplete.

Recommendations:

➢ Develop and implement a Fuel Policy and update SOP's.

➢ We were informed that in 2025 the GasBoy system will be installed at the North Base Demand Response location. In regards to Rail, evaluate options (e.g. data import; manual data entry into EKOS; implementing GasBoy; etc.) to add the Rail Department diesel fueling to the EKOS database.

Electricity

Findings:

➢ There are no Electricity Policies and/or SOPs for monitoring and managing electricity bills and usage by meter.

Recommendations:

➢ Develop and implement an Electricity Policy and SOPs for monitoring and managing electricity bills by meter including data analysis.

Non-PO Procurements (P-Cards and Check Requests)

These transactions typically do not go through any formal bid process and there is usually no PO issued, therefore there is a higher risk of potential over payment or unauthorized transactions.

1. **P-Cards:** highest risk, as there is no pre-authorization required
2. **Check Requests:** slightly lower risk as transaction still goes through an approval process

Year	Check Request Total Spending	P-Card Total Spending	TOTAL
CY 2023	$56,768,926	$3,061,386	$59,830,312
CY 2024 (extrapolated)	$62,861,817	$2,162,040	$65,023,857
TOTAL	**$119,630,743**	**$5,223,426**	**$124,854,169**

Non-PO Procurements (P-Cards and Check Requests) Audit Objective and Scope

Scope:

- Current P-Card and Check Request Policies and Procedures.
- P-Card and Check Request data analysis from 2018-2024.
- Discussions with Finance team members to learn about their involvement in the P-Card and Check Request review process.

Objectives:

- Review of policies and procedures to identify opportunities for process improvement, transparency, and improved risk management.
- Flowcharting business processes.
- Data analytics on transactions for the past 6 years.

Check Requests by Department

2023

Department	Sum of invoice count	Sum of Distribution
Finance	261	$23,276,184
Non-Allocated Benefits	66	$15,857,748
Mobility Interlocal Agreements	69	$3,501,237
Real Estate and Facility Planning	128	$3,406,378
Project Connect	170	$3,391,985
Facilities Maintenance	810	$2,284,944
Capital Design and Construction	119	$1,392,767
Facility Programming and Management	353	$845,421
Bus Operations and Maintenance	285	$606,238
Community Engagement	81	$433,162

2024

Department	Sum of invoice count	Sum of Distribution
Capital Design and Construction	68	$21,127,121
Non-Allocated Benefits	62	$18,316,616
Finance	161	$5,448,063
Mobility Interlocal Agreements	45	$3,768,536
Real Estate and Facility Planning	91	$3,628,998
Facility Programming and Management	109	$2,811,031
Facilities Maintenance	677	$2,283,189
Project Connect	89	$1,550,196
Bus Operations and Maintenance	478	$968,650
Unspecified [Freight Charges/Misc.]	35	$931,090

Check Requests by Supplier

2023

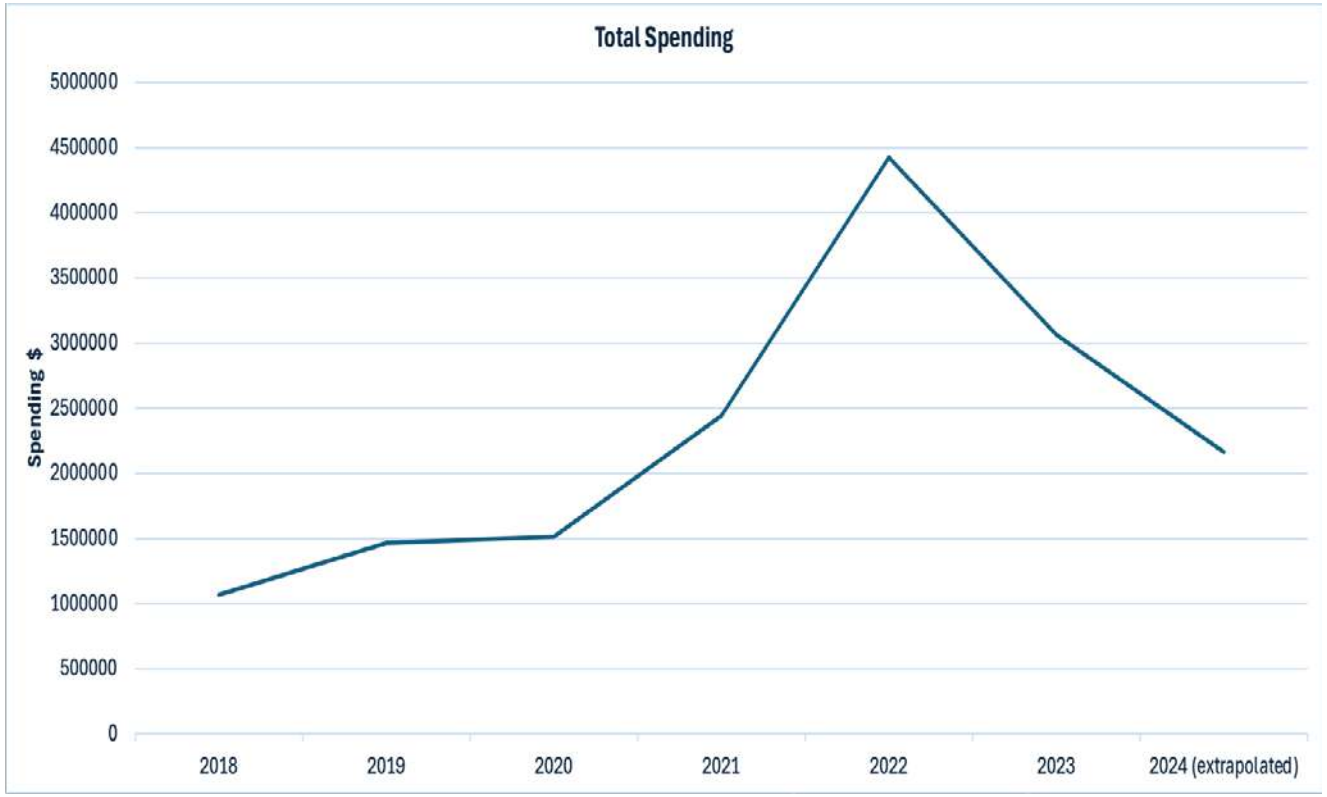
Supplier Name	Sum of Distribution
AUSTIN TRANSIT PARTNERSHIP LOCAL GOVERNMENT CORPORATION	$15,000,000
LINCOLN FINANCIAL GROUP	$10,401,021
UNITEDHEALTHCARE	$9,108,583
CITY OF AUSTIN	$4,350,390
CERIDIAN TAX SERVICE	$3,675,679
STARTRAN INC RETIREMENT FUND OPER ACCT	$3,666,663
TRAVIS COUNTY TREASURER	$950,776
CIM FUND IX AIV-2, LP	$753,419
CL TRIANGLE LLC	$620,765
Met Phase I 95, Ltd.	$481,758

2024

Supplier Name	Sum of Distribution
HERITAGE TITLE COMPANY OF AUSTIN INC	$19,954,684
LINCOLN FINANCIAL GROUP	$12,469,430
UNITEDHEALTHCARE	$8,625,095
STARTRAN INC RETIREMENT FUND OPER ACCT	$3,999,996
CITY OF AUSTIN	$2,692,958
KFG Cameron Center, LLC	$2,085,513
CITY OF LEANDER	$1,004,000
AUSTIN ENERGY	$948,608
CITY OF LAGO VISTA	$925,531
TRAVIS COUNTY TREASURER	$861,162

P-Card Total Annual Spending

Year	Number of Users	Spending
2018	56	$1,070,204
2019	57	$1,465,587
2020	74	$1,517,296
2021	73	$2,444,097
2022	120	$4,423,132
2023	155	$3,061,386
2024 (through October)	171	$1,801,700
2024 (extrapolated)	171	$2,162,040



*2018-2022 data courtesy of past CapMetro UT interns

Amazon Spend - Personal Accts vs Corporate Acct

Year	Amazon Purchases on Personal Accounts	Amazon Purchases on Corporate Account	Total Purchases on P-Card	Percentage of Amazon Purchases on Personal Accounts
2018	$47,726	$14,100	$1,070,204	**4.5%**
2019	$140,898	$50,445	$1,465,587	**9.6%**
2020	$110,008	$69,597	$1,517,296	**7.3%**
2021	$160,437	$101,538	$2,444,097	**6.6%**
2022	$184,100	$179,917	$4,423,132	**4.2%**
2023	$148,808	$141,801	$3,061,386	**4.9%**
2024	$113,447	$113,171	$2,162,040 (extrapolated)	**5.2%**
Total	**$905,423**	**$670,569**	**$16,143,742**	**Avg. 5.6%**

Total Sales Tax Paid on P-Card Purchases

Year	Total Amount Spent on P-Cards	Total Sales Tax Paid on P-Cards	Average Tax Percentage Paid
CY 2023	$3,061,386	$47,517	1.5%
CY 2024 through October	$1,801,700	$34,605	1.9%
Total	**$4,863,086**	**$82,122**	**Avg. 1.7%***

*We paid sales tax on an average of 20% of all transactions (1.7% divided by 8.25%)

P-Card Spending on Payment Processors

Calendar Year	PayPal	Venmo	Facebook	Google/Tile	Grand Total per Year
2018	$190	$0	$1,877	$0	**$2,067**
2019	$1,050	$0	$9,228	$21	**$10,299**
2020	$1,664	$1,442	$1,714	$70	**$4,890**
2021	$459	$1,571	$8,457	$16	**$10,503**
2022	$89,733	$0	$4,357	$138	**$94,228**
2023	$28,240	$0	$8,316	$139	**$36,695**
2024 through Oct.	$21,610	$0	$4,534	$0	**$26,144**
Total	**$142,947**	**$3,013**	**$38,484**	**$385**	**$184,826**

Recommendations

- Accountability starts with the department heads who review and approve all P-Cards and Check Requests.
- Require annual training for all P-Card holders and frequent users of Check Requests to create a streamlined review process.
- Bi-monthly meeting between Procurement and Finance to review and discuss P-Card and Check Request transactions.
- The UT interns developed some improvements to the manual Check Request form, which management should consider implementing. Automation of this new Check Request Form in the Oracle system will help reduce the potential for errors and will provide more visibility on the details of each transaction.
- Automate form FIN7 (Purchasing Card Cardholder Agreement) and form FIN28 (Purchasing Card Request) in the Oracle system.

CapMetro

Questions?