CapMetro

Internal Audit

UT Intern Audit Projects Spring 2025:

Parts Inventory Controls (Cycle Counts & Core Deposits)

MTM Payroll Controls

Police Department Compliance Requirements

May 7th, 2025

CapMetro – UT Audit Intern Program

- CapMetro joined UT Audit Intern Program in the Fall 2018 semester.
- UT's #1 ranked Masters of Professional Accounting has an Auditing II course 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 CapMetro's Chief Audit Executive (CAE) and audit staff.

Deliverables from UT Interns

	Process Review	Flowcharting	Contract/Policy Review	Invoice Testing	Presentation with Recommendations
Inventory Controls (Parts)	☑	☑	☑	☐	☑
MTM Payroll Controls	☑	☑	☑	☐	☑
Police Department Compliance Requirements	☑	☑	☑	☐	☑

Questionnaire Benchmark

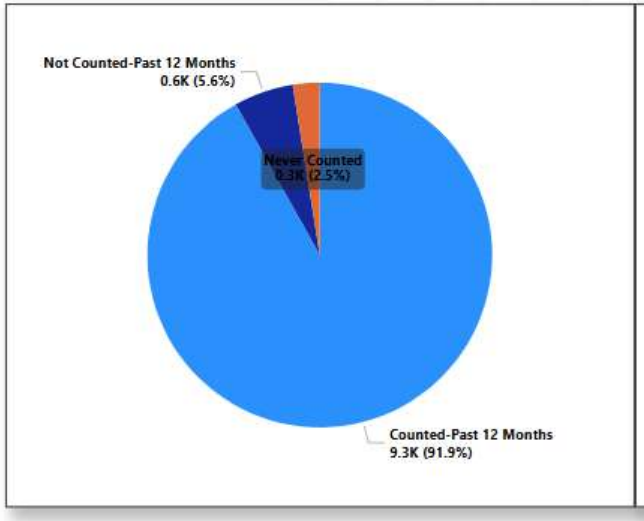
No.	Questions	Buses - Keolis	Facilities - Keolis	Demand Response - MTM	Rail - Herzog
13	Do you perform cycle counts of spare parts?	Yes, performed continuously	No	Not currently (expected in about a year)	No
14	Do you have written Procedures for Cycle Counts?	Yes.	No	Yes, SOPs provided	No
15	If cycle counts are performed, what is the goal?	1.6 times per year	-	1.6 times per year	N/A
17	Are 'blind' counts used when performing cycle counts?	Yes	No	Yes	N/A
23	What are some of the common reasons for differences in counts?	Receiving errors, misplaced, incorrect parts handling-unrecorded transfers,	Not specified	Received incorrectly, put in wrong bin, parts confused	N/A
25	When is the next scheduled cycle count?	Scheduled weekly	Not known	Not scheduled yet	N/A
37	What controls are in place to prevent Out of Stock situations?	Min/max adjustments based on lead times	Not specified	Min/max, advance planning	No formal controls in place to prevent out-of-stock situations.
40	Can spare parts be issued without a Hexagon work order?	Yes, issued to individuals without work order	Yes	Yes, with a dollar limit (approx. $200-$500)	No, spare parts cannot be issued without a Hexagon work order.
42	Is there a Monthly Reconciliation of Oracle to Hexagon?	Liana sends a report to accounting every month	Not known	No, systems are not integrated (manual monthly journal entries)	Follow up with Accounting
43	Have there been any historical issues with spare parts inventory management?	No.	Not known	Not aware. Previously under MTM	Yes, historical issues include out-of-stock situations and managing obsolete parts.

Data Analytics Parts Cycle Counts Comparison Overview as April 2025 (From Oct 2022 to April 2025)

CapMetro

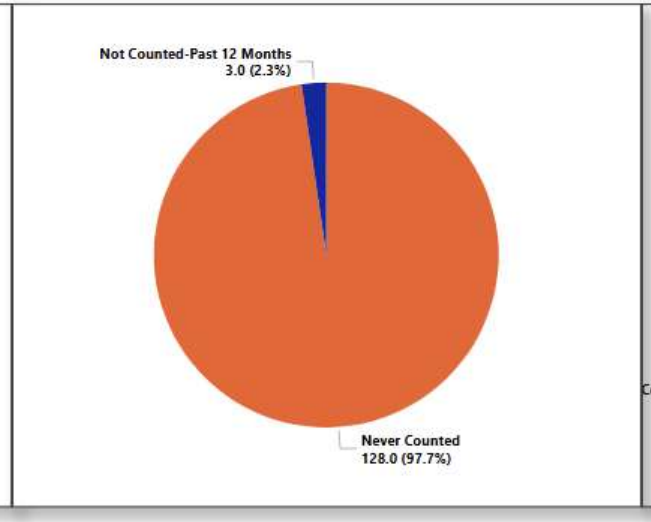
Bus

Value	SKU
$8M	10172



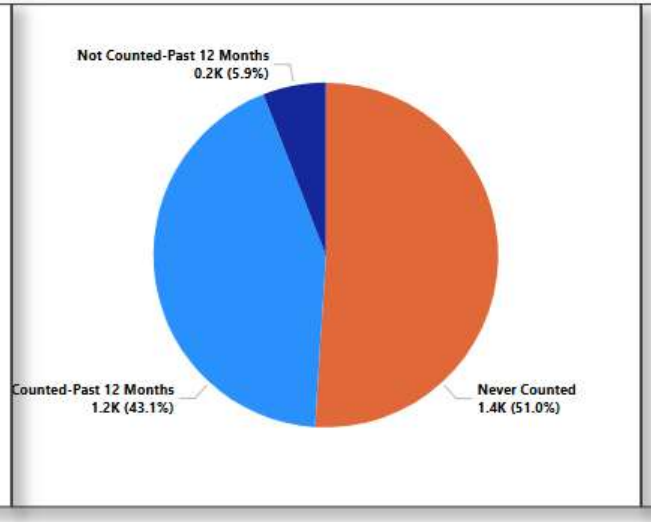
Bus Stops

Value	SKU
$3M	131



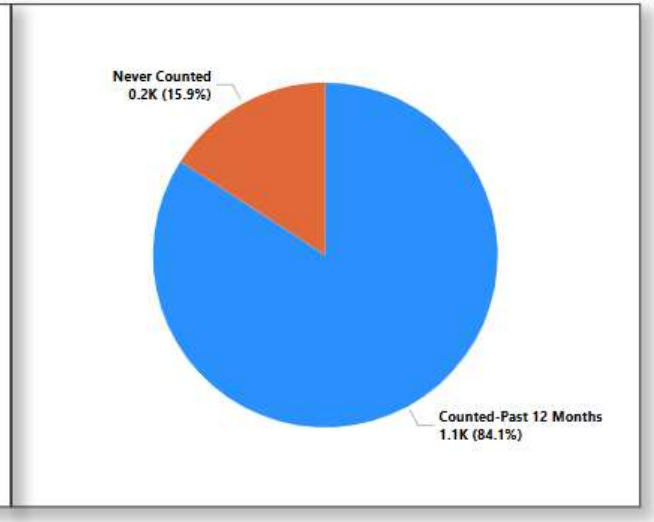
Facility

Value	SKU
$509K	2743



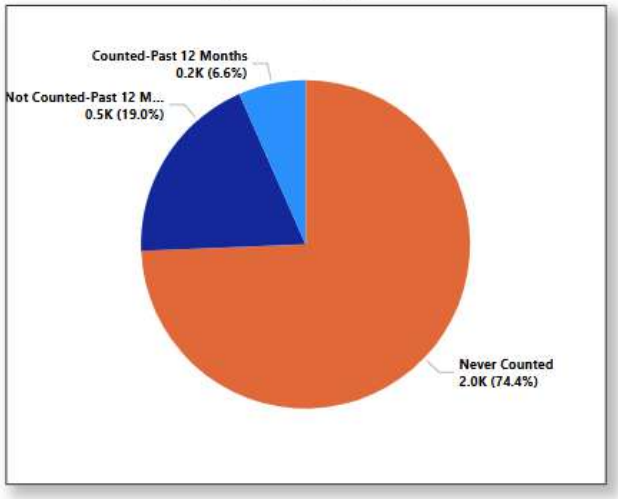
DR

Value	SKU
$464K	1323



Herzog
Rail

Value	SKU
$9M	2699



900 days was chosen to reflect long-term stock trends

Data filtered to include only records where quantity on hand is available

- Never Counted
- Not Counted-Past 12 Months
- Counted-Past 12 Months

Parts Cycle Counts Results – All Locations Summary

Location	Type	Number of SKUs w/ Difference	Total Quantity EAM	Total Quantity Count	Percentage of Quantity Difference	Value Discrepancy
2910	Bus	8 out of 20	155	144	-7.1%	-$6,796
2910	Facilities	4 out of 20	104	88	-15.4%	-$1,139
509	DR	8 out of 20	143	87	-39.2%	-$9,046
9315	Bus	9 out of 20	471	287	-39.1%	-$71,519
9315	G1- Rail	6 out of 11	48	40	-16.7%	*missing report
9315	G4- Rail	6 out of 10	69	29	-58.0%	*missing report
TOTAL		**41 out of 101**	**990**	**675**	**-29.2%**	**-$88,500***

Parts Inventory - Physical Inventory vs Cycle Counts

Observations/Findings:

1) Peer transit agencies rely primarily on cycle counts, and conduct full physical inventories only during major system changes.
2) CapMetro is considering stratification of parts based on criticality and risk which we support.
3) Bus Stop parts (valued at $3M and 131 SKU's) are not being counted.
4) Rail cycle counts by Herzog have not been occurring.
5) Herzog is not fully utilizing the Hexagon system for PO/receiving which impacts unit costs which have not been adjusted for 2.5+ years.

Recommendations:

- ➢ Expand Bus SOPs to all lines (Bus, Rail, DR).
- ➢ Stratify parts for higher-risk items for more frequent cycle counts.
- ➢ Evaluate Bus Stop parts to determine best way to manage the assets.
- ➢ Ensure Herzog conducts counts and enters results into Hexagon.
- ➢ Analyze and normalize Rail parts unit pricing, and ensure Herzog is entering PO/receiving info into Hexagon going forward.

Core deposits - overview

Core: are refundable deposits applied when purchasing certain parts (e.g., alternators, batteries, turbos). When the used part (the "core") is returned to the vendor, credit is issued. If the core is not returned, the charge is treated as an expense.

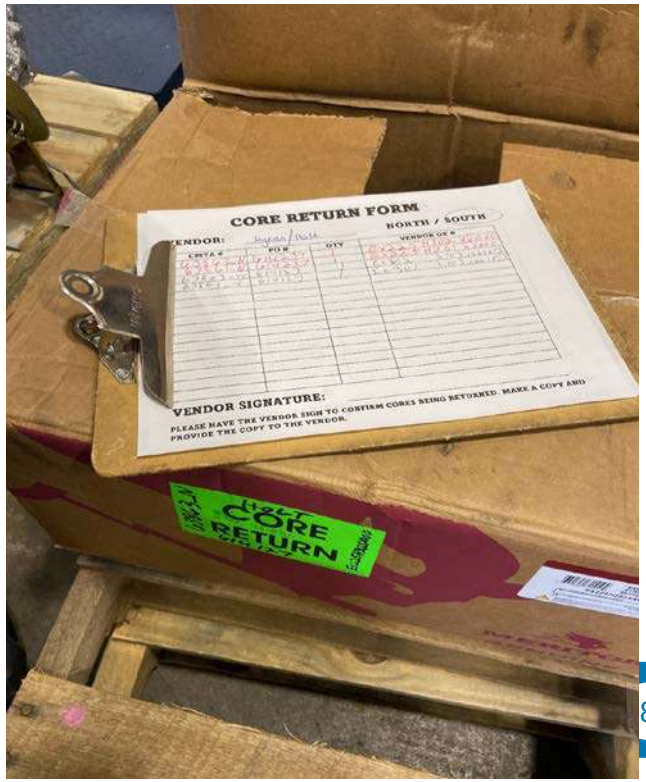
Process Overview (Parts with Core Charges):

❑ **Need Identification & PO Creation**
- Maintenance request part (e.g., battery, alternator).
- Buyer creates PO with separate lines for the main part and any core charge (though practices vary).

❑ **Receiving & Inventory**
- On receipt, a “core-eligible” part is tagged with a green sticker (PO/vendor info).
- Core charge lines often aren’t received in the system (no quantity/item setup).

❑ **Issuing & Core Return**
- Part is issued to maintenance; used core is returned to the storeroom.
- Clerks segregate returned cores by vendor and store them until enough accumulate.

❑ **Vendor Pickup & Credit**
- When ready, returned cores are shipped back to the vendor (no formal system record).
- Vendor may issue a credit memo; accounting entries and GL treatment are inconsistent.



Core Deposits on Parts

Observations/Findings

1) There is no formal list of vendors and parts that are in the Core Deposits Program.
2) Written Policy/Procedures/SOP's have not been defined for Core Deposits.
3) At the time of our review, accounting entries were being made to four different accounts. Recently management has decided to use only one account [5049974 - Core Deposit Credit] going forward.
4) Some transit agencies (e.g. LA Metro; Houston Metro; etc.) do not have a core deposit program.

Recommendations:

- ➢ Develop and maintain a master list of all parts and vendors that are in the Core Deposit program.
- ➢ Establish standardized SOPs across Procurement Buyers, AP, and Maintenance for handling core parts.
- ➢ Assign centralized ownership and clear processes for managing core deposits, returns and vendor credit reconciliation.
- ➢ Develop Core Deposit goals and criteria to determine whether a vendor/part is suitable to be in the program.

MTM Payroll Controls Project

- **Objectives:**
  - Flowchart the processes used by MTM for Payroll & Invoicing.
  - Analyze payroll internal control for both MTM and CapMetro related to payroll processing
  - Identify concerns in MTM's payroll processes and areas for enhancements of their internal controls.

- **Scope:**
  - Review of MTM contract, CBA between MTM and worker's union, 2025 MTM Invoices which are in Excel, creation of MTM payroll flowcharts to reflect their processes and systems, review the MTM's written payroll procedures.

Overview - Contract Invoice

- Fixed Fee **$713k** (18.2%)
- Pass Through Cost (payroll, benefit) **$3.09 million** (78.85%)
- Maintenance & Other Pass-through (based on actuals) **$115K** (2.95%)
- **Proper control** over payroll system & processes is **material**

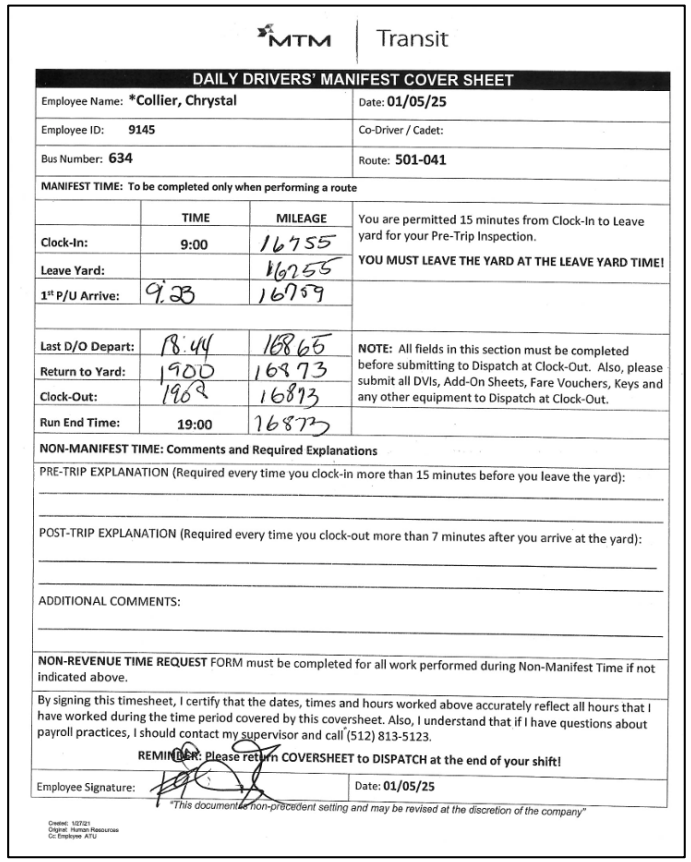
TOTAL COST SUMMARY

DESCRIPTION	BID RATE	BUDGETED		Invoice Amount
Fixed Costs	$ 713,099.90			$ 713,099.91
Pass through payroll costs	$ 2,636,803.02			$ 2,269,864.34
Benefits pass through	$ 923,285.32			$ 819,760.55
Labor arbitration & other labor costs	$ 5,696.14			$ 1,797.46
Maintenance & Related Pass Through	$ 53,555.83			$ 41,333.58
Other Passthrough				$ 71,303.72
Total Incentives / Disincentives				$ 1,000.00
	$ 4,332,440.22	$ -	SUBTOTAL	$ 3,918,759.56

KEY METRIC SUMMARY

DESCRIPTION	BID RATE	BUDGETED	Hrs / Total	Invoice Amount
METRO ACCESS SERVICE HOURS	32,000	32,000	76%	36,632
PICKUP SERVICE HOURS	9,167	8,104	17%	8,364
ATP PICKUP SERVICE HOURS		4,404	7%	3,447
TOTAL SERVICE HOURS	41,167			48,443
TOTAL PAYROLL PASSTHROUGH HOURS	79,907			82,783
METRO ACCESS OTP				95.37%
PICKUP OTP				0.00%
PICKUP ATP OTP				0.00%
PREVENTABLE ACCIDENT RATE	1.70			1.54
TOTAL PASSTHROUGH EMPLOYEES	461			483
TOTAL COST PER SERVICE HOUR	$ 87.92			$ 80.88

Manual Time Sheet Examples



MTM | Transit

DAILY DRIVERS' MANIFEST COVER SHEET

Employee Name: *Collier, Chrystal		Date: 01/05/25	
Employee ID: 9145		Co-Driver / Cadet:	
Bus Number: 634		Route: 501-041	
MANIFEST TIME: To be completed only when performing a route			
	TIME	MILEAGE	You are permitted 15 minutes from Clock-In to Leave yard for your Pre-Trip Inspection. YOU MUST LEAVE THE YARD AT THE LEAVE YARD TIME!
Clock-In:	9:00	16755	
Leave Yard:		16755	
1st P/U Arrive:	9:23	16759	
Last D/O Depart:	18:44	16865	NOTE: All fields in this section must be completed before submitting to Dispatch at Clock-Out. Also, please submit all DVIs, Add-On Sheets, Fare Vouchers, Keys and any other equipment to Dispatch at Clock-Out.
Return to Yard:	1900	16873	
Clock-Out:	1902	16873	
Run End Time:	19:00	16877	

NON-MANIFEST TIME: Comments and Required Explanations

PRE-TRIP EXPLANATION (Required every time you clock-in more than 15 minutes before you leave the yard):

POST-TRIP EXPLANATION (Required every time you clock-out more than 7 minutes after you arrive at the yard):

ADDITIONAL COMMENTS:

NON-REVENUE TIME REQUEST FORM must be completed for all work performed during Non-Manifest Time if not indicated above.

By signing this timesheet, I certify that the dates, times and hours worked above accurately reflect all hours that I have worked during the time period covered by this coversheet. Also, I understand that if I have questions about payroll practices, I should contact my supervisor and call (512) 813-5123.

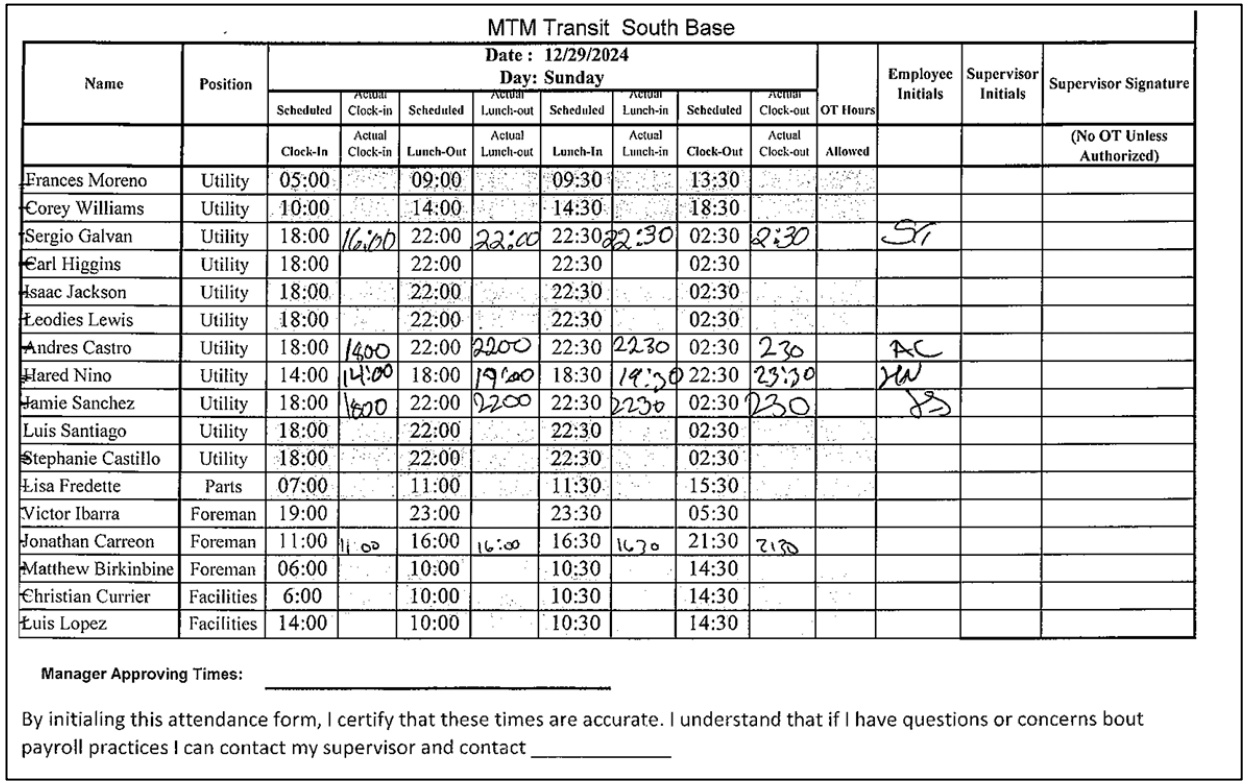
REMINDER: Please return COVERSHEET to DISPATCH at the end of your shift!

Employee Signature: Date: 01/05/25

"This document is non-precedent setting and may be revised at the discretion of the company"

Created: 10/7/21
Original: Human Resources
Cc: Employee ATU

[Operator/Driver Manifest]



MTM Transit South Base

Date : 12/29/2024
Day: Sunday

Name	Position	Scheduled Clock-In	Actual Clock-in	Scheduled Lunch-Out	Actual Lunch-out	Scheduled Lunch-In	Actual Lunch-in	Scheduled Clock-Out	Actual Clock-out	OT Hours Allowed	Employee Initials	Supervisor Initials	Supervisor Signature (No OT Unless Authorized)
Frances Moreno	Utility	05:00		09:00		09:30		13:30					
Corey Williams	Utility	10:00		14:00		14:30		18:30					
Sergio Galvan	Utility	18:00	16:00	22:00	22:00	22:30	22:30	02:30	2:30		SG		
Carl Higgins	Utility	18:00		22:00		22:30		02:30					
Isaac Jackson	Utility	18:00		22:00		22:30		02:30					
Leodies Lewis	Utility	18:00		22:00		22:30		02:30					
Andres Castro	Utility	18:00	1400	22:00	2200	22:30	2230	02:30	230		AC		
Hared Nino	Utility	14:00	14:00	18:00	19:00	18:30	19:30	22:30	23:30		HN		
Jamie Sanchez	Utility	18:00	1600	22:00	2200	22:30	2230	02:30	230		JS		
Luis Santiago	Utility	18:00		22:00		22:30		02:30					
Stephanie Castillo	Utility	18:00		22:00		22:30		02:30					
Lisa Fredette	Parts	07:00		11:00		11:30		15:30					
Victor Ibarra	Foreman	19:00		23:00		23:30		05:30					
Jonathan Carreon	Foreman	11:00	11:00	16:00	16:00	16:30	1630	21:30	2130				
Matthew Birkinbine	Foreman	06:00		10:00		10:30		14:30					
Christian Currier	Facilities	6:00		10:00		10:30		14:30					
Luis Lopez	Facilities	14:00		10:00		10:30		14:30					

Manager Approving Times: _____

By initialing this attendance form, I certify that these times are accurate. I understand that if I have questions or concerns bout payroll practices I can contact my supervisor and contact _____

[Southbase Group Maintenance TimeSheet]

- Operator time and attendance data is manually collected daily.
  - This data then is manual inputted into workday
  - Daily driver manifests are used by both Northbase and Southbase locations
- Mechanic time
  - Southbase mechanics fill in daily Group Maintenance timesheets
  - Northbase mechanics enter clock-in/clock-out time into Workday themselves

Extraboard Time Sheet Example



MTM

Date: 01/03/24

Ready Relief Sheet

Clock IN Time: 400 Clock OUT Time: 500

Route Start Time: 500

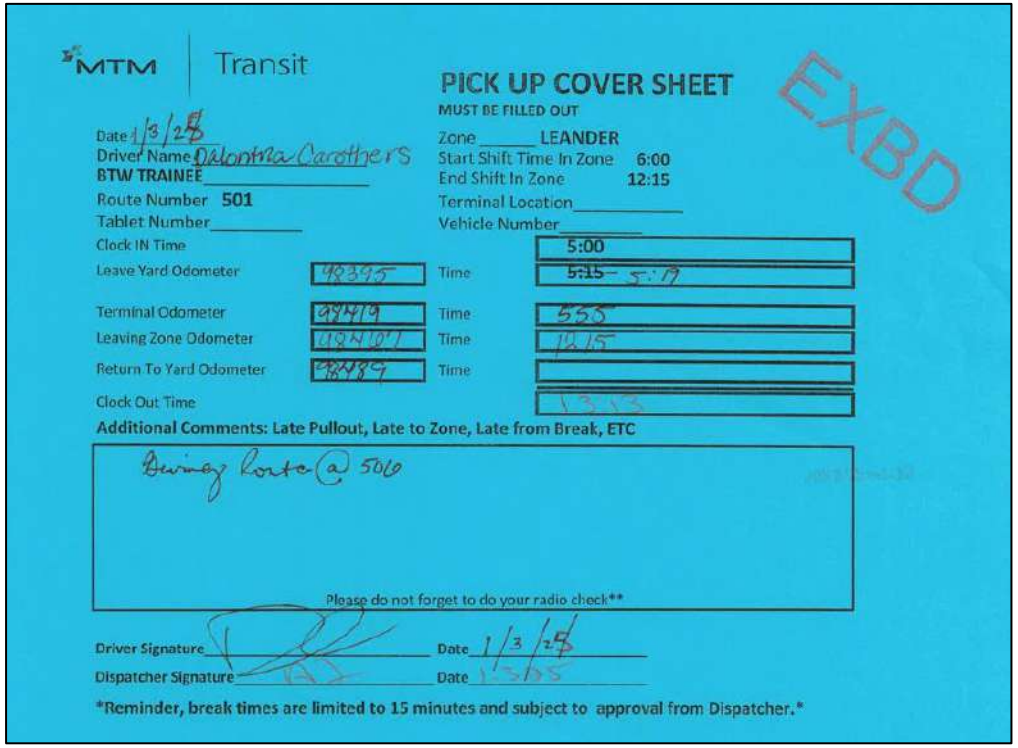
Work Assignment: PullOut

Driver Name: Dalontria Carothers

Driver Signature:

Dispatcher/ Manager Sign Off:

Note: Any time over 2 hour must be signed off by a manager. If there is no signature on the sign off line the time will not be given.



MTM Transit

PICK UP COVER SHEET

MUST BE FILLED OUT

EXBD

Date 1/3/25

Driver Name Dalontria Carothers

BTW TRAINEE

Route Number 501

Tablet Number

Clock IN Time

Leave Yard Odometer 48395 Time 5:00 5:15 5:19

Zone LEANDER

Start Shift Time In Zone 6:00

End Shift In Zone 12:15

Terminal Location

Vehicle Number

Terminal Odometer 48419 Time 555

Leaving Zone Odometer 48487 Time 12:15

Return To Yard Odometer 48489 Time

Clock Out Time 1315

Additional Comments: Late Pullout, Late to Zone, Late from Break, ETC

During Route @ 5060

Please do not forget to do your radio check**

Driver Signature Date 1/3/25

Dispatcher Signature Date 1/3/25

Reminder, break times are limited to 15 minutes and subject to approval from Dispatcher.

Additional Complexities for Extraboard

- Must first clock-in/out of Extraboard before clocking-in/out for normal operator shift
- Extraboard employees get paid a premium rate ($1.50 more on weekdays, $2 more on weekends)
- Extraboard employee receives a minimum of 2 hours pay at the regular straight time hourly rate
- Extraboard Operators who fulfill all their assignments shall be guaranteed forty (40) hours pay per week.

Flowchart and Time Sheet Takeaways

- Operators - North and Southbase use manual clock-in/out timesheets and manifests
  - Majority of MTM workforce
  - Dispatch provides a pre-printed scheduled time that employees can seemingly write over
  - Daily timesheets must be manually keyed into Workday payroll system.
- Mechanics – T&A processes differ between locations
  - Southbase daily group timesheets, which must be keyed into Workday system.
    - Northbase automated time and attendance through Workday
- Lack of supervision and accountability
  - Manual time sheets - missing signatures by employees, supervisors, and managers
  - This has been communicated to the Demand Response team and they have communicated these concerns with MTM management
- Workday does not calculate overtime automatically.

Action Items Already Underway

In Progress

- Spot Audits of invoice/payroll materials being submitted
- Audit List Review (control process that reviews items of selected employees)
- Comprehensive Workday Report that captures time/pay information
  - This will be used to recreate time sheets
- Discussions with DR contract team to get MTM to provide data to substantiate enrollment by healthcare plan tier
- Provide detailed payroll information (bi-weekly) & related sheets:
  - PTO/Accruals
  - Mapping of Job Titles

Police Department Compliance Requirements Project

Scope:

- Understand new police department structure & reporting lines
- Research federal, state, and local law enforcement requirements

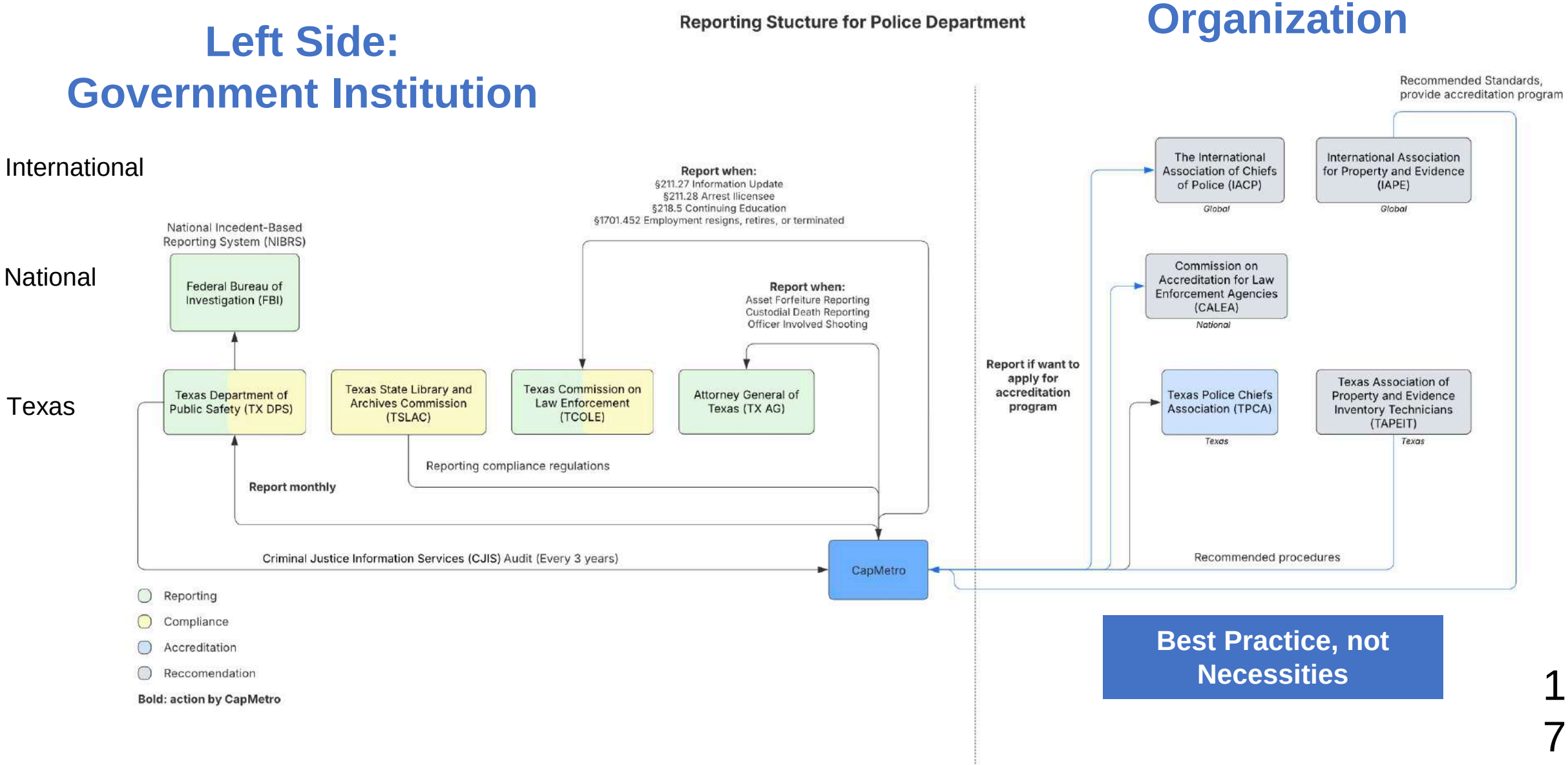
Objectives:

- Identify the recordkeeping, reporting & compliance requirements for CapMetro's Police Department
- Assess the department's compliance with said requirements
- Analyze OrbCAD and Trackit incident/accident data
- Recommendations to both CapMetro and the CapMetro Police Department
- Recommendations to improve accident/incident data in OrbCAD and TrackIt

Reporting Structure

Left Side: Government Institution

Right Side: Professional Organization



Best Practice, not Necessities

Deliverables: TCOLE Minimum Standards

To establish that an agency or prospective agency meets the minimum standards for the creation or continued operation of a law enforcement agency, the agency must provide evidence that the agency:

(a)(1) Provides public benefit to the community	
(a)(2) Has sustainable funding resources that meet or exceed the continued operating expenses outlined in a line-item budget for agency	
(a)(3) Has physical resources available to officers	(A) at least one firearm per officer on duty (B) at least one less lethal force weapon per officer on duty (C) effective communication equipment (D) at lease one bullet-proof vest per officer on duty (E) at least one uniform per officer (F) at least one motor vehicle owned and insured by an agency created on or after June 1, 2024 (G) patrol vehicles owned, insured, and equipped by the agency and provided to officers

The management has gone through and ensured compliance

Deliverables: TCOLE Minimum Standards

(a)(4) Has physical facilities including:	(A) an evidence room or other acceptable secure evidence storage for officers (B) a dispatch area for any agency appointing and employing telecommunicators (C) a public area including written notices posted and visible 24 hour a day
(a)(5) Has policies, including policies on:	use of force, vehicle pursuit, professional conduct of officers, domestic abuse protocols, response to missing persons, supervision of part-time officers, impartial policing, medical & psychological examination of licensees, active shooters, barricaded subjects, evidence collection & handling, eyewitness identification, misconduct investigations, hiring a license holder, personnel files, uniform & dress code, training required to maintain licensure, outside & off-duty employment
(a)(6) Has an established administrative structure, including:	(A) an organizational chart for the agency that illustrates the division and assignment of licensed and unlicensed personnel (B) a projection for the number of full-time peace officers, part-time peace officers, and unpaid peace officers that the agency would employ during the year if at full staffing
(a)(7) Has liability insurance for the agency and its vehicles	
(a)(8) Has defined process by which the agency will receive by mail, online, and by phone and document compliments and complaints on its employees	

The management has gone through and ensured compliance

Deliverables: Records Control Schedule

METRO

Capital Metropolitan Transportation Authority
Records Control Schedule

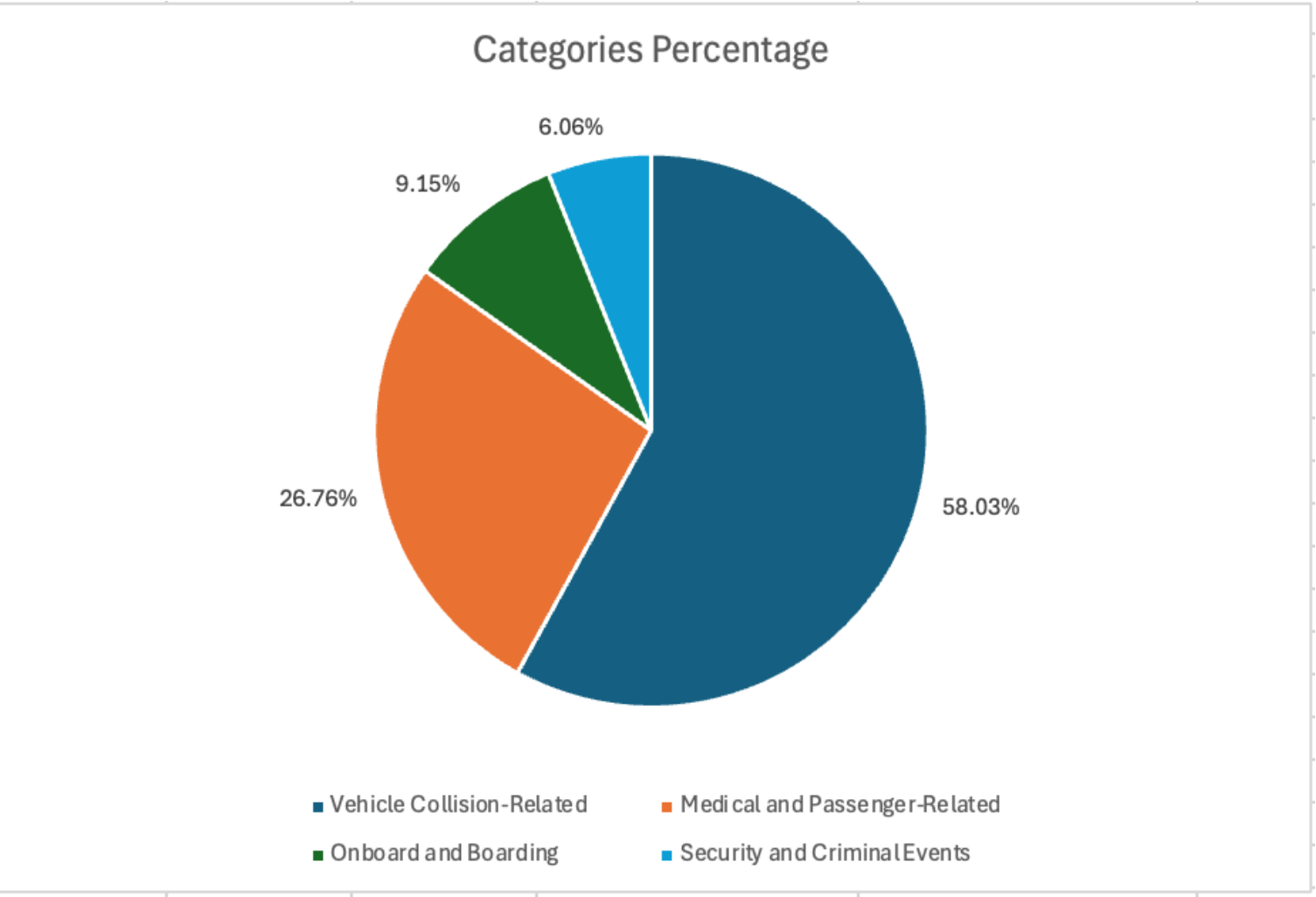
SLR 500

Form SLR 540 must accompany this form.

Department: Transit Police (Department Code 143)

TSLAC Authority	Record Number	Title and Description	Retention	Remarks	Retention Notes
PS4025-04a	AUD15-20A	**OPERATIONAL PERMITS AND CERTIFICATIONS** Granted permits and certifications, and associated documentation.	Event Date + 3 years	-Event date= Expiration or cancellation + 3 years. -Custodian is the Transit Police department.	
GR1025-04c	FIN15-10A	**BUDGETS AND BUDGET DOCUMENTATION Working Papers** Working papers created exclusively for the preparation of budgets, including budget requests, justification statements, and similar documents.	Event Date + 3 years	-Event Date = Calendar year end following creation of the record. -Custodian is the creating CapMetro department.	
GR1025-04d; GR1025-04e	FIN15-20A	**BUDGETS AND BUDGET DOCUMENTATION Reports and Changes** Encumbrance and expenditure reports (status reports showing expenditures and encumbrances against a budget), budget change documentation, including line	Event Date + 2 years	-Event Date = Calendar year end following creation of the record. -Custodian is the CapMetro Finance Department.	

General Analysis for TrackIt Data (Oct. - Dec.)



- Vehicle Collision: Code 1.0~4.9
- Medical and Passenger: Code 7.0~7.8A
- Onboard and boarding: Code 5.2~6.8
- Security and Criminal events: Code 8.1~9.2B

Observations & Recommendations

Police Department

1. Stay on current course of compliance in relation to standing up police department

OrbCAD & Trackit Systems

1. Subcode should be a required field in the OrbCAD system
2. Leverage Trackit system for data analytics on accidents.
3. Trackit should flag accidents that are more than 5 days old without ruling and reports attached
4. Create a common denominator/case number to reconcile OrbCAD system to Trackit accident data

CapMetro

Questions?