



# CapMetro

## SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS May 2025 (25-15)

Terry Follmer, Chief Audit Executive

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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 May 28, 2025. The follow-up included 8 audit reports with a total of 38 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 May 28, 2025 for the outstanding Corrective Action Plans (CAP's) resulting from internal audit projects.

### Conclusion on Corrective Action Plans

We followed up on 38 recommendations from 8 different audit reports and have concluded that 19 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 May 2025.

Table 1: Summary Status of Recommendations															
Project #	Report Date	Report Name	Total Audit Recommendations			Implemented as Recommended			Open Recommendations In Process of Being Implemented			Rejected - Management Has Accepted the Risk			% Action Plan Implemented
			H	M	L	H	M	L	H	M	L	H	M	L	
20-03	3/9/2020	OrbCAD Incident/Accident Process Review	0	3	0	0	1	0	0	2	0	0	0	0	33.33%
21-07	8/20/2021	Payroll & Benefit Controls Audit	0	3	2	0	3	1	0	0	1	0	0	0	80.00%
21-09	12/1/2021	Transit Store and Ticket Controls Audit	0	6	0	0	4	0	0	2	0	0	0	0	66.67%
22-05	9/22/2022	Public Transportation Agency Safety Plan (PTASP) Audit	0	4	1	0	4	1	0	0	0	0	0	0	100.00%
23-05	7/17/2024	Demand Response Operations	0	3	0	0	3	0	0	0	0	0	0	0	100.00%
23-12	5/31/2024	Hexagon - Post Implementation Review	0	3	2	0	0	0	0	3	2	0	0	0	0.00%
24-12	12/18/2024	McKalla Station Capital Project Controls	0	2	3	0	0	2	0	2	1	0	0	0	40.00%
24-08	1/15/2025	CLS Order System ROW Revenue Audit	0	5	1	0	0	0	0	5	1	0	0	0	0.00%
TOTAL:			0	29	9	0	15	4	0	14	5	0	0	0	50.00%
			38			19			19			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, including the recommendations and open Corrective Action Plans. This audit was conducted in accordance with the US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

Amy Parekh, Senior Internal Auditor (Project Lead)  
Terry Follmer, Chief Audit Executive

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

# Risk Rating Definitions

**Ratings Definitions-** Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

Rating	Issues identified	Action required
HIGH	Issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.
MEDIUM	Issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
LOW	Issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

**Ratings methodology-** In determining the ratings of audit findings, auditors considered factors such as:

1. Financial impact
2. Potential failure to meet program/function objectives
3. Noncompliance with state statute(s), rules, regulations, and other requirements or criteria
4. The inadequacy of the design and/or operating effectiveness of internal controls
6. Evidence of potential fraud, waste, or abuse
7. Significant control environment issues
8. Little to no corrective action for issues previously identified

Auditors also identified and considered other factors when appropriate.

## 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 19 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.

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

#### **RECOMMENDATION 1 – (Disconnected Systems & No Comprehensive Database)** **MEDIUM**

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. . There may still be a few items that are not 100% such as getting all reports in on time, but Keolis knows urgency.
- b) Require MV (now Keolis) to enter all data into the chosen single comprehensive database. Track-it chosen as the 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 (Swiftly). As much data as possible is being imported to Track It.

**OPEN ACTION PLANS:** (*Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 01/01/2027.  
Keolis staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like Track-it and automation of initial Incident/Accident records coming from the Dispatch system. In the meantime, with the change in vendors to Keolis the accident reporting is being done in Track-it (<https://Track-it.transit.com/>) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to SharePoint. Only Accident reporting is in Track-it and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced. Procurement is underway to replace OrbCAD, and it will take 18-24 months. OrbCAD would not be replaced completely until Jan 2027 and Vontas is the new CAD system.

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

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. Keolis is working on processes to best ensure operator and supervisor reports are accurate and complete. OrbCAD has a edit limitation of 14 days.

**OPEN ACTION PLANS:** *(Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect)* Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 01/01/2027.

Keolis staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like Track-it and automation of initial Incident/Accident records coming from the Dispatch system. In the meantime, with the change in vendors to Keolis the accident reporting is being done in Track-it (<https://Track-it.transit.com/>) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to SharePoint. Only Accident reporting is in Track-it and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced. Only the Safety Systems Manager can update risk master, and OrbCAD must be updated within 14 days. The Safety Systems Manager has already stopped entering data into Risk Master and is now using manual excel sheets. The Vontas system will be replacing both OrbCAD and Risk Master.

**RECOMMENDATION 3 – (Automate Reporting Out of Systems) MEDIUM**

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. Track-it has been chosen as the system to be automated and use with electronic reporting, except for Bus operator report that is downloaded.
- b) Review for additional monitoring needs (i.e., Capital Metro and MV) and develop additional reports as necessary to improve (now Keolis) oversight and improve efficiency. New contract in place with Keolis as contracted service provider and under pass-through pricing model versus turn-key as modified in January 2022.

**OPEN ACTION PLANS:** *(Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect)* Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 01/01/2027.

Only Accident reporting is in Track-it and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced. There has been a concentrated effort to improve timely reporting from our service providers. The new pass-through cost model for Keolis started in January 2022 and CapMetro now owns all parts and buses and only pay for labor on a cost-through basis. The new contract allows CapMetro to have more monitoring insights and control. The supervisor's reports are already in the track-it system. The supervisor logs into track-it and completes the form in the system. Bus and DR use track-it, but the Safety Systems Manager must manually pull reports from Rail and work on excel sheets. The Safety Systems Manager saves everything in SharePoint, but control owners have already had a meeting to train the Rail Department on track-it to and get them to use the system. The goal is for track-it in addition to Vontas to be a centralized system for these tasks by

January 2027.

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

**RECOMMENDATION 3 – (Improve Accuracy of Benefit and HR Policies)** **LOW**

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**

HRC-440 Leave Policy and HRC-435 Leave of Absence Policy will be combined into one document. The Director of Total Rewards has gone through her review of the updated policy, and now the stakeholders are doing their review of this new 500 page policy.

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**21-09 TRANSIT STORE AND TICKET CONTROLS AUDIT** (12/1/2021 Report Issued with 6 Recommendations)

**RECOMMENDATION 5 – (Define E-Ticket Policies, Procedures, and Responsibilities) MEDIUM**

The Controller and Cash Operations Manager should consider the following improvements:

- a) Develop an E-ticket policy defining the roles and responsibilities related to e-tickets in the Bytemark system.
- b) Develop SOPs defining the roles and responsibilities of the employees with administrative access to the Bytemark system to ensure only required employees have that level of access.
- c) Update the job descriptions to support the procedures outlined in sections a and b.

**OPEN ACTION PLANS:** (*Rick Medina, Manager of Cash Operations, Finance Department*)  
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 12/31/2025.

Job descriptions have been updated in the system. We will revisit this recommendation with the implementation of UMO, CapMetro's new payment processing system. Written SOPs these are being further developed and vetted. Job descriptions were updated for individuals using Bytemark, but we are sunsetting Bytemark for Umo. There are currently only 4 or 5 people who can change permission settings in UMO and roles are establish for what each individual can see. We will resume the UMO project and this finding will be overwritten and superseded by the new UMO audit around June 2025.

**RECOMMENDATION 6 – (Develop SOP for Each Type of Ticket and Distribution Method) MEDIUM**

The Controller, Manager of Cash Operations, and the Manager of Accounting & Revenue should consider implementing the following improvements:

- a) Develop Standard Operating Procedures for the following ticket types:
  1. General Fare Tickets
  2. Consigned Inventory
  3. Returned Tickets
  4. Stored Value Cards
  5. Free Passes
  6. Discount Pass Program
  7. MetroWorks
  8. Ticket Vending Machines
  9. Mobile App
  10. Family Passes
  11. Web Portal
  12. AMP Card
- b) Develop and define responsibilities for the Square system (point-of-sale) and Flowbird system (TVM's).
- c) Update employee job descriptions to ensure key ticket and system controls have been assigned and defined.

**OPEN ACTION PLANS:** (*Rick Medina, Manager of Cash Operations, Finance Department*)  
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 12/31/2025.

Job descriptions have been updated in the system. We will revisit this recommendation with the implementation of UMO, CapMetro's new payment processing system. Written SOPs are being further developed and vetted. All the same types of tickets and passes will

continue to exist with the new UMO system and Flowbird. CapMetro to go back to Square for point of sale. It will take 6-12 months for it to flow through UMO. The Director of Revenues and Fares feels it makes more sense to identify these responsibilities in the SOPs, not the job descriptions. These SOPs need a full overhaul, because UMO has changed everything.

**23-12 HEXAGON - POST IMPLEMENTATION REVIEW** (05/31/2024 Report Issued with 5 Recommendations)

**Recommendation 1- (FACILITY ASSETS WITH MISSING PREVENTIVE MAINTENANCE PROGRAMS) MEDIUM**

The COO and EVP of Capital Construction, Engineering and Design should marshal internal/external resources to take action on:

- a) Physical inventory of facility equipment and update Hexagon and Oracle records based upon this review.
- b) Establish written criteria (e.g. value; life cycle remaining; etc.) for facility assets that should be included in the PM program and then update/create PM's for assets accordingly.
- c) Ensure asset tags and ID #s are in place and cross-referenced between the Hexagon and Oracle systems based upon the capitalization policy.
- d) Identify required fields to be captured in Hexagon and document in procedure guides, etc. so that the system prompts staff to provide required key information.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** a) b) and d) December 2025 c) May 2026

**Detailed Actions:** The PMI plans are still in process.

**Recommendation 2- (FTA RECORD KEEPING REQUIREMENTS – ROLLING STOCK) MEDIUM**

The COO and EVP of Capital Construction, Engineering and Design should marshal internal/external resources to take action on:

- a) Ensure any FTA-required fields are complete and accurate by completing the following:
  - For any NTD (National Transit Database)-required fields in Hexagon, make the naming conventions consistent with the FTA to eliminate confusion (e.g. use same name used by FTA or at least capture FTA name somewhere).
  - Check newly entered asset records regularly and make timely adjustments if not compliant with FTA requirements.
  - Design report formats to allow direct upload to NTD, simplifying the process.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** September 2025

**Detailed Actions:**

- a) Vehicle Maintenance (VM) will review FTA data field terminology and make it match if possible (i.e. if the system does not have conflicting terminology).
- b) Mandatory fields will be identified with an asterisk, and an FTA Information tab will be created on each asset record. A report will be built to output that data on demand (for both reporting and compliance.)
- c) Going forward all new assets will have designated required fields populated; we will not attempt to populate older vehicle records with information that may not even be available
- d) The warranty module is not a good fit for our fleet configuration and will not be used. Implementation would be onerous and resource consuming resulting in negative ROI.  
Note: The Chief Operating Officer has added the fields and they are populating the fields for parts for bus, however they need to take action for the facilities parts.

**Recommendation 3- (PARTS RECORDS – COMPLETENESS & ACCURACY) LOW**

The COO and EVP of Capital Construction, Engineering and Design should document record keeping requirements in policies/procedures that cover the following:

- a) Identify which fields (e.g. Class, Catalogue Description, Location, Quantity, Price, Min/Max Quantity, etc.) are required for all parts.
- b) Perform data analytics to identify all Part numbers that are missing required fields and take necessary actions to ensure Hexagon database records are properly updated.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** Facilities Parts October 1, 2025; and Rolling Stock Parts October 1, 2025

**Detailed Actions:**

- a) Parts data fields such as class will reviewed for usefulness.
- b) Parts missing data (location, catalog description, etc.) will be reviewed but many of these are blank intentionally (i.e. parts that are not stocked do not have a location, etc.)
- c) Mandatory fields will be identified with an asterisk, and a report will be built to output that data on demand (for both reporting and compliance.)

Note: rolling stock is pretty well completed. The department brought in additional resources to assist. Facilities does not have as many parts to deal with, but not as much progress made. Usually the team just goes to a big box store to get facilities parts (toilet paper, new HVAC unit, etc.)

**Recommendation 4- (HEXAGON USER SURVEY - FEEDBACK ON ISSUES AND IMPROVEMENT OPPORTUNITIES) MEDIUM**

The COO and EVP of Capital Construction, Engineering and Design should marshal internal/external resources to take action on some of the user suggestions for improvement listed below:

- a) CapMetro specific help materials and training guidance (not generic)
- b) Additional training/advanced training, hands-on mobile training
- c) Stream-line work order creation
- d) Add ability to open multiple work orders of same type from one screen.
- e) Enhance ability to edit/correct previously saved input more easily.
- f) Improve integration/data flow and frequency with other systems (e.g., Trapeze, Gasboy, etc.)
- g) Improve reporting capabilities.
- h) Reduce/eliminate redundant data entry/keying (e.g., entering VMRS 042, 042-010, 042-010-094)
- i) Improve summary and 'at-a-glance' data screens.
- j) Improve 'Data Spy' query function/capability for search efficiency.
- k) Involve CapMetro Subject Matter Experts (SME) in user-acceptance testing.
- l) Reduce/eliminate system clutter (disabled options/functions/dropdowns) Improve support/assistance outside regular hours

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** October 1, 2025 – Tablet interface is being put in place to help Mechanics enter/retrieve data quicker. May 2027 – update survey questions and re-running the survey to

measure progress.

**Detailed Actions:**

- a. Need more detailed information to be able to take action based on the survey performed.
- b. VM can share existing non-generic Hexagon procedures. We have a lot.
- c. VM holds bi-weekly meetings to identify, prioritize and tackle Hexagon issues. Many of the comments mentioned by the auditor are being addressed in these ongoing meetings.

Note: The Chief Operating Officer has been working with IT, follow-ups are needed to refine. The Chief Operating Officer is trying to reduce the amount of touchpoints to just a supervisory level. Mechanics are only entering data on tablets for PMIs. The use of tablets may not be as beneficial as we had thought- mechanics are not the ones entering data into Hexagon.

**Recommendation 5- (UPDATE POLICIES AND PROCEDURES) LOW** The COO, CFO and EVP of Capital Construction, Engineering and Design should document, communicate, monitor, and update policies and procedures for all assets (i.e. rolling stock, fixed assets, parts) in Hexagon and Oracle systems that covers the following activities:

- a) Additions/Disposals/Consumption/Adjustments and related recordkeeping in Hexagon and Oracle.
- b) Physical Inventories & Cycle Counts - documented process covering when; how; frequency; who; what forms to use; “blind count” or known count; how to reconcile; when a second count is required; who must approve adjustments based upon materiality; segregation of duties between counter, reconciler, approver and adjuster in Hexagon and Oracle; etc.
- c) Hexagon to Oracle Reconciliations - Automated and/or manual reconciliations between assets (i.e. fixed assets, vehicles, parts, etc.) in Hexagon and Oracle. The separate asset #s used in the two systems should be reconciled including certain critical fields (e.g. date, asset description, value, etc.).
- d) Management Reporting related to the items listed above.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management’s Target Completion Date:** May 2026

**Detailed Actions:**

- a. VM can share existing processes for cycle counts and inventory control.
- b. b. VM will participate in an effort to reconcile Hexagon to Oracle, but understand that Hexagon is the record for parts and assets. If Oracle group wants to reconcile, VM will assist.

Note: Progress has been made in that the amount at the end of the month for true-up is less than before, however deeper analysis is to be done to understand the reasons for the fluctuations.

**24-12 MCKALLA STATION – CAPITAL PROJECT CONTROLS** (12/18/2024 Report Issued with 5 Recommendations)

**Recommendation 2- (CONSTRUCTION CAPITALIZATION PROCESS)** **MEDIUM** Internal Audit recommends that the Controller and the VP of Facilities Management & Capital Construction should consider the following improvements:

- a) Define and develop SOPs for construction processes to ensure CPG and Accounting Departments are getting timely and appropriate information to ensure capitalization records in both Hexagon and Oracle systems can be properly updated. From here, develop Policies and SOP's that codify the process and ensure appropriate staff within CPG and Accounting are trained and understand how their activities support each other.
- b) Periodic meetings (e.g. monthly and/or quarterly) should be scheduled between CPG and Accounting to ensure proper communication and coordination of projects.
- c) The monthly PlanView Upcoming Go-Live report should be updated to include a field that captures the actual project percentage of completion.
- d) Capitalized assets in Hexagon should be reconciled to Oracle asset records monthly. Any unexpected differences should be investigated and adjusted in Hexagon and/or Oracle.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** June 30, 2025

**Detailed Actions:**

- a) Capital Projects Group and Finance will develop SOPs for documenting and recording fixed assets in the respective Hexagon and Oracle systems. After the SOPs have been created, the policies will be developed that incorporate the SOP.
- b) b. Capital Projects and Accounting have initiated monthly meetings in October to discuss project activity.
- c) c. Enterprise Project Portfolio Management group is developing a process workflow in Planview which would include an approval by both Accounting and Capital Projects before a project can be advanced from the "Execute" status to the "Close" status.
- d) d. Accounting has begun reconciling Oracle capital assets to Hexagon assets. As Oracle asset numbers are created, the information will be forwarded to Capital Projects to add to the asset in the Hexagon system as a cross reference.

Note: the asset management group developed the SOPs for fixed assets working with finance. asset management met with capital projects a few days ago and advised them on what those new sops would be underway, but not yet complete.

**Recommendation 3- (CAPITALIZATION POLICIES REQUIRE UPDATES AND SOPs ARE NEEDED)** **MEDIUM** Internal Audit recommends that the Controller consider the following improvements:

- a) Updating FIN-104 and FIN-105 to reflect current accounting requirements, practices, and document form hyperlinks. The policy should include basic definitions of assets to guide users outside the Finance department. Instructions should be communicated with other departments to ensure that all parties are aware of and understand the requirements.

- b) Identify and document the relevant accounting standards to be used and incorporated into the Finance policies.
- c) Develop SOPs and procedures documents for the capitalization process which will define the expectations for all parties to follow to ensure items are properly categorized.
- d) Determine whether the forms (FIN2, FIN5, FIN6) are still necessary for documenting assets and if so, update the fixed assets forms to correspond to the current Hexagon EAM fixed assets system.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** June 30, 2025

**Detailed Actions:**

The asset management group is working on these SOPs. They are finalized but the asset management group is meeting with individual departments for feedback before circulating the new policy. Capital Projects and Accounting have initiated monthly meetings in October 2024 to discuss project activity that has begun as well.

**Recommendation 4- (DELEGATIONS OF AUTHORITY NOT DEFINED FOR TEMPORARY CONSTRUCTION EASEMENT ACQUISITIONS) LOW** Internal Audit recommends that the VP, Facility Management & Capital Construction should work with the Legal Department to develop acceptable approval limits for routine and exception transactions (e.g. paying more than appraised value) within the overall CapMetro delegations of authority approval matrix.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** June 30, 2025

**Detailed Actions:**

VP, Facility Management and Capital Construction will obtain clarification from Legal regarding the Delegation of Authority. If the delegation needs to be revised, the VP will pursue it with Legal. They are currently revamping signature delegations, they are considering doing a chart or matrix rather than forms. This item is still in progress. There needs to be further discussions with legal and real estate.

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**24-08 CLS ORDER SYSTEM RAILROAD RIGHT-OF-WAY, RWIC, PERMITS & LICENSES** (01/15/2025 Report Issued with 6 Recommendations)

**Recommendation 1- (MISSING INTERFACES BETWEEN SYSTEMS REQUIRE MANUAL WORKAROUNDS)**

**MEDIUM** Internal Audit recommends the Controller, Director of Revenues & Fares, Director of Enterprise Application & Data Services, and the Director of Real Estate and ROW evaluate the following process improvements:

- a) New ROW Orders - If new orders are entered by customers into the CLS Platinum system can be interfaced to CLS Link, so that the Real Estate Specialist does not have to enter all new orders from scratch to create an order in the CLS Link system. Thus, creating a single database in the CLS Link system instead of having two separate databases in CLS Platinum and CLS Link that do not talk to each other.
- b) New ROW Customers - For new customers in CLS Link, opportunities to automate the creation of new customer requests into Oracle, so that the A/R Accountant does not have to enter all data from scratch. Currently manual emails between Real Estate Specialist and AR Accountant are needed to notify each other and then manual key into CLS Link and Oracle.
- c) Prepaid RWIC Hours – create workflow automation notifying Rail Operations when RWIC orders have been prepaid. Currently manual emails must be sent to Rail Operations with all details (e.g., requested RWIC dates, number of prepaid RWIC hours, milepost #, etc.). Include a closed loop in the workflow so that actual hours worked by Herzog are reported back and compared to prepaid hours. If actual RWIC hours exceed prepaid hours, include a process to create an extra billing for the extra hours worked. The revenue leak for this was \$23,600. See issue #3 below.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** 12/31/2025 for determination of new software or remaining with CLS system

**Detailed Actions:**

The CLS contract will expire on 1/9/25. Management is implementing a 1-year stop-gap extension that is currently pending approval. IT will have to research, evaluate systems, strategy, and budgeting to determine and prioritize the best solution for this recommendation. CapMetro may not have the funding to replace the system, but the Real Estate team has had multiple demos with different software vendors to determine which one they feel is best for their needs. CapMetro is looking for the best replacement or may have to stick with the existing software. The existing software also has upgrades available for purchase.

**Recommendation 2- (CONTROLS OVER DELINQUENT RECEIVABLES REQUIRE IMPROVEMENT)** **MEDIUM**

Internal Audit recommends that management consider the following:

- a) The CFO and Controller should update FIN Policy 109 to include processes for establishing customer credit evaluations and limits, charging late fees, escalation process for past due accounts, delegations of authority for credit limits and write-offs and notifying management of delinquent account balances.
- b) The CFO and Controller should develop SOPs that describe how delinquent accounts will be managed. The procedures should include frequency of customer communications, dispute resolution procedures, and establish debt collections procedures such as discontinuing new business with delinquent account customers, issuing breach of contract notices, obtaining liens, contracting with collection agencies, and account write-off or settlement procedures.



- c) The CFO and Controller should consider charging the 5% fee for late payments as defined in the customer license agreement.
- d) The CFO and Chief Counsel should consider modifying the standard terms and conditions listed in new license agreement contracts and on invoices to include a statement that allows late fees and interest to be charged by Capital Metro on delinquent accounts.
- e) The Controller and AR Accountant should establish agreed upon procedures with the Manager of Real Estate & Right-of-Way to obtain updated customer AP contact information annually to maintain current billing information.
- f) The CFO, Controller and Director of Revenue & Fares should consider implementation of the Oracle Collections module.
- g) The Director of Real Estate & ROW should consider hiring a third-party consulting firm, on a consignment basis, to reconcile installed infrastructure with active CapMetro license agreements to identify any non-compliant or unauthorized infrastructure.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** Multiple dates

**Detailed Actions:**

a. b. c. & e. Finance has made updated to FIN-109, but still under review with the Chief Financial and Risk Officer. Meetings are still in progress, collaboration is needed. Considering possibly using a collection agency. New target completion date: June 30, 2025.

d. One collection matter in particular that needs to be worked through- this item is still in progress and needs more time. New target completion date: June 30, 2025.

f. This is reliant on the new architecture design of the system and the functionality of this system or an upgraded system. Many consideration and moving pieces to evaluate before deciding to implement this module or use a collections agency, use a different software, etc. New target completion date: TBD

g) Real Estate Management will consider bringing in a consultant to evaluate ROW infrastructure for compliance with CapMetro standards. Legal will help Real Estate define and develop SOPs for correcting potential non-compliant or unauthorized infrastructures. New target completion date: June 30, 2025.

**Recommendation 3- (HERZOG HAS CHARGED RWIC OVERTIME NOT IN COMPLIANCE WITH THE CONTRACT)** **MEDIUM** Internal Audit recommends that the VP of Rail consider the following actions:

- a) Require Herzog to create and provide an improved monthly RWIC hours worked report that contains names of the five full time RWIC employees covered in our contract, which RWIC orders they worked on and how many hours on each order, clear designation as to which three Herzog employees cannot bill CapMetro for OT, and which two Herzog employees are allowed to bill CapMetro for OT.
- b) Report the Herzog overtime billing errors to the Contract Administrator in the Procurement Department and pursue a refund for the overbilled amounts of \$54,955 (\$35,226 + \$19,729).

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** October 1, 2025

**Detailed Actions:**

There is money that Herzog needs to pay back to CapMetro. No overtime hours can be worked without approval from The Director of Rail Operations and The PM of Bridges and Structure Engineering first.

**Recommendation 4- (RWIC HOURS WORKED BY HERZOG EXCEEDED HOURS PREPAID BY CUSTOMERS)**

**LOW** Internal Audit recommends that Management consider the following actions to reconcile RWIC hours:

- a) The VP of Rail Operation should establish procedures for Herzog to notify both Rail Operations and Real Estate when the customer exceeds or expects to exceed the number of prepaid hours on a project and instruct the customer to complete a request for additional RWIC hours.
- b) The VP of Rail Operations, the Director of Real Estate and ROW and the Manager of Real Estate and ROW should coordinate the completion of reconciliation procedures to ensure all RWIC charges are billed by having the Rail Operations PM compare the actual RWIC hours worked to the requested prepaid hours by project and notify Real Estate Specialist of any additional billing requirements.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** May 31, 2025

**Detailed Actions:**

There is a monthly report from the Real Estate Department to look at the hours worked and The PM of Bridges and Structure Engineering reviews these hours. There was a pre-COVID procedure, however after COVID, the following of this process has stopped. Real Estate online RWIC procedures already exist- these procedures need to be updated and implemented into action.

**Recommendation 5- (REAL ESTATE ROW STANDARD OPERATING PROCEDURES HAVE NOT BEEN**

**UPDATED) MEDIUM** Internal Audit recommends the Director of Real Estate & ROW, and the Manager of Real Estate & ROW should consider updating the ROW procedures document for changes to be consistent with the Oracle system and to formalize any approved exceptions to the standard procedures.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** May 31, 2025

**Detailed Actions:** CapMetro is changing the CLS to Oracle, the Project Manager of Real Estate Services is in the process of updating.

**Recommendation 6- (CERTIFICATES OF INSURANCE ARE NOT OBTAINED FOR RECURRING ANNUAL**

**LICENSE AGREEMENTS) MEDIUM** Internal Audit recommends that the Director of Real Estate & ROW consider the following:

- a) SOPs will be developed covering activities to ensure initial COI is obtained as well as annual COI updates as part of the license renewal process. Protocols will be developed as to how to manage customers who refuse to provide annual COI's and/or have deficiencies in the insurance limits provided.
- b) The CapMetro website will be updated to explain COI requirements for the customer in year one as well as the annual COIs as part of the perpetual renewal process.
- c) All active license accounts will be reviewed, and customers will be notified of any missing COIs or deficiencies in insurance coverage amounts. COI records either online in CLS Link and/or Oracle and/or manual records will be developed tracking COIs for each active license account going forward.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** July 1, 2025

**Detailed Actions:**

- a) This item is still in progress- this is an AR function. The Project Manager of Real Estate Services will check with The Lead Accountant
- b) This has been done on the website, marketing did this and can be pulled from the website. The Project Manager of Real Estate Services is working on updating the COI requirements (the amounts) in the CLS phone app, this is a contract modification and is anticipating having this done by June.
- c) No temporary resources have been brought on yet, but The Project Manager of Real Estate Services is currently working on the budget to get help soon.