

**To:** Matt Harriss, Member, Chair, Finance, Audit & Administrative (FAA) Committee  
Dianne Bangle, Member, Vice Chair, FAA Committee  
Zo Qadri, Member, FAA Committee  
Becki Ross, Member, FAA Committee

**CC:** Dottie Watkins, President/CEO

**From:** Terry Follmer, CPA, MBA, CIA, CISA, CISSP  
Chief Audit Executive

**Date:** October 1, 2025

**Subject:** **Proposed FY2026 Internal Audit Plan & Annual IIA Governance Requirements**

## Purpose

The purpose of this memo is to summarize the process taken to develop the Proposed FY2026 Internal Audit Plan and request the Board's approval via resolution to approve the plan. This memo also covers the Institute of Internal Auditors (IIA) and Government Auditing Standards annual governance and communication requirements. During 2025, both the IIA and the Comptroller General of the United States have revised their International Standards for the Professional Practice of Internal Auditing (the Standards) and Government Auditing Standards respectively. Global Internal Audit Standard 9.4 states that the chief audit executive must create an internal audit plan based upon an organization-wide risk assessment that is also designed to support the achievement of the organization's objectives. The internal audit plan is based on a documented assessment of the organization's strategies, objectives, and risks and is informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes. This memo highlights key requirements to be approved by the Board and senior management, some of which are new. Additionally, this memo contains the proposed FY2026 Internal Audit Plan (Audit Plan) and summarizes the planning methodology and the audit projects to be performed during FY2026.

## Board Governance of Internal Audit Function

The CapMetro Internal Audit Department follows two sets of internal audit standards, one from the IIA (Red Book), and the other from Comptroller General of the United States (Yellow Book), which are very similar in requirements. One of the main differences between the two standards is that the Government Auditing Standards requires an external quality assessment every three years versus the IIA which only requires the assessment every five years. Additionally, the Government Auditing Standards are structured to include financial audits because some

government auditing departments issue opinions on financial statements, but CapMetro's auditing department does not perform financial statements audits. The revised IIA standards require that the following specific items be discussed and reviewed by the Board at least annually:

- Internal Audit Department Charter
- Internal Audit Mandate from the Board
- Annual Audit Plan and any significant changes
- Annual Budget and resource plan
- The Chief Audit Executive's appointment and removal
- The Chief Audit Executive's Remuneration
- The external quality assessment plan
- The results of the external quality assessment and any action plans

## FY2026 Audit Plan & Updates

The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing* require that risk-based plans be developed to determine the priorities of the internal audit activity, consistent with the organization's goals.

The proposed FY2026 Internal Audit Plan ([Table 1](#)) was developed by reviewing CapMetro's goals and objectives, and performing a comprehensive risk assessment. This included a risk assessment survey sent to management and Board members, management interviews, and discussions with Board members. The Internal Audit Department also reviewed CapMetro's operating and capital budgets, organization charts, and Strategic Plan as well as prior external consulting and audit reports (e.g., FTA Triennial, Quadrennial Performance Audit, etc.), to help ensure other potential risks and opportunity areas were identified and proposed projects are aligned to address the strategic risks of the Authority. The proposed Audit Plan has been designed with a special focus on CapMetro's Strategic Plan with input from the Board and President on down through the organization. Additionally, we collaborated with other Texas transit agencies and reviewed the proposed FY2026 audit plans of Houston METRO, VIA in San Antonio, and DART in Dallas.

This year's Risk Assessment ([Table 3](#)) identified the top 17 risks facing CapMetro in 2025 and there were four new risks (Monitoring Payroll Pass-Through Charges; Employee Retention & Succession Planning; Lack of Policies/Procedures; Real Estate Contract Controls) identified in this year's survey. The other thirteen risks were all noted in the prior year risk assessment, however, the risks categories had quite a bit of movement in the shuffling up/down. Some of the more notable movements are that "Managing Projected Costs vs Revenues" came in at #1 in light of sales taxes increasing at a decreasing rate, and Safety of Operations is at #2. Additionally, the continuation of large capital projects, including the electric bus program, establishing new transit facilities and offices, MetroRapid delivery program was notably

reflected in the risk survey results. Some key FY2026 financial drivers of risks are noted as follows: Capital Projects budgeted at \$155 million (e.g., Project Connect MetroRapid Stations; North Base Demand Response Facility; Bus Electrification Infrastructure; and new Fifth & Tillery headquarters); Total Expenses at \$625 million (\$442 million Operating Expenses and \$183 million Capital Expenses and Other); and Total Revenues budgeted at \$561 million (\$399 million Sales Taxes; \$162 million Grants and Other).

The proposed FY2026 Audit Plan was put together using the annual risk assessment and other activities (e.g. interviews of Board and management; annual risk assessment survey suggestions; review of FY2026 budgets and strategic plan; benchmarking with other APTA transit agencies; etc.) and contains 25 projects. The proposed Plan also considers information technology governance, fraud risks, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas. The Plan includes nine projects that are already "in-process" as follows: 5 Inventory Control projects (i.e. Bus, Demand Response, Rail, Facilities & Bus Parts, and Fuel); two are the continuous monitoring of payroll pass-through charges (Keolis/Bus and MTM/Demand Response); and the Bus Charging Infrastructure & EV Program, and Oracle Segregation of Duties. The payroll pass through charges from Keolis/Bus and MTM/DR are CapMetro's largest expenses so ongoing continuous monitoring using data analytics and full population review will be performed. Payroll process improvement opportunities will be identified to ensure adequate controls are in place to validate accurate and timely payments to service provider staff and related invoicing to CapMetro. In the Fall semester unpaid University of Texas interns will assist in performing data analytics on the maintenance data in the Hexagon Enterprise Asset Management system. The proposed plan also includes two IT projects which include a follow-up on the cybersecurity assessments conducted by CISA (Cybersecurity & Infrastructure Security Agency) to benchmark against prior year results, and the Annual Cybersecurity Review (i.e., IT Penetration and Vulnerability Assessments) which is performed by a third party. Some other highlights from the Plan are projects in the following areas: Capital Projects - Costs & Reporting Controls; new Brinks contract and reconciliation of cash collected; and a Survey of Oracle Users to identify opportunities for improvement.

The FY2026 Audit Plan also includes a list of contingent projects ([Table 2](#) - four projects listed as Contingent Audit Projects) that will serve as backup projects that will be performed if the original plan is running ahead of schedule or if some of the projects must be delayed or cancelled. Furthermore, the Audit Plan is meant to be a risk-based, flexible, and dynamic audit plan so that as emerging risks arise or priorities change, the Internal Audit Department will bring these future project changes to management and the Finance, Audit, and Administration Committee (FAA Committee) for approval.

## Internal Audit Budget & Resource Plan

Staffing for the FY2026 Audit Plan will use a combination of internal and external resources to perform the projects. This past year the Internal Audit Department completed seventeen audit projects, six are in process and six have not started. The FY26 plan includes twenty-six assurance/advisory projects, and Internal Audit believes these additional projects can be completed because nine of the projects are already “in-process” and through better planning, scoping and coordination with management. The department is currently short one employee from the five full time auditors, and we continue to mature the UT Audit Intern program which started in 2018. This Fall semester we will have six graduate Accounting students from UT’s #1 ranked Masters of Professional Accounting program who will be assisting on two advisory projects as part of their required Auditing-2 class. This is our fifteenth semester participating in this highly successful program, and we plan on continuing the UT Audit Intern program with a fresh class in the Spring. Each student in the intern program provides up to 60 hours per semester (about 5 hours per week for 12 weeks) of volunteer project time for the semester as part of their Auditing-2 class. Additionally, on the IT security side we have registered with CISA to follow-up on this year’s cybersecurity assessments, and the external Annual Cybersecurity Review (i.e. IT Penetration and Vulnerability Assessment) is performed by a consulting firm which is funded by the IT Department. We believe this mix of internal and external resources is sufficient to perform the projects listed in the FY2026 Audit Plan (see [Table 1](#)).

The proposed Plan will take approximately 10,000 hours to complete and includes 1,000 hours for administrative and non-audit services which include paid time off (e.g. vacation, training, sick, etc.). The FY26 Internal Audit Department budget of \$710,000 is largely composed of salary and benefits for five full-time employees, which is sufficient to support the proposed FY26 Audit Plan.

## Audit Performance Measures & Quality Assessments

Standard 12.2 requires both quantitative and qualitative performance measures to be reported to the Board and senior management in order to report on the Internal Audit Department’s performance. The approved FY2026 Audit Plan will serve as a performance scorecard to measure the Internal Audit Department’s ability to complete the plan. Additionally, the recommendations issued in audit reports will be tracked and reported to the FAA Committee on at least a semi-annual basis. The department has developed strategic initiatives to make progress in the following leading practice areas: application of artificial intelligence (AI); identifying controls/processes that allow for continuous monitoring; leveraging Microsoft Power BI to analyze big data and allow for quick analysis and identification of anomalies in the data. Progress on the strategic initiatives serves as a qualitative performance metric while the completion of the Plan and implementation status of the audit recommendations serves as a quantitative measure.

Standards 12.1 and 8.4 require both internal quality and external quality assessments respectively, which must be reported to the Board and senior management. Every 3 years an external quality assessment is performed as required by the Government Auditing Standards (GAS), and the results of the 2025 external quality assessment were a “generally conforms” rating for the IIA standards and a “pass” rating for the GAS, which is the highest rating you can receive. An internal quality assessment occurs on every audit project and once a year a formal Quality Assurance Improvement Program checklist is completed by the Chief Audit Executive.

### Professional Requirements & Auditor Independence

The Internal Audit Department conducts its audits in conformance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States and the IIA’s Global Internal Audit Standards and the International Professional Practice Framework. These standards require that auditors be independent from any entity or person that we audit or may audit and be objective when conducting such audits. Furthermore, IIA Standard 7.1 (Organizational Independence) requires that the CAE confirm to the board, at least annually, the organizational independence of the internal audit activity. CapMetro Internal Audit is organizationally independent of management and, as such, remains objective when conducting audits, and our staff have no conflicts of interest with the proposed FY2026 Audit Plan. Additionally, the Internal Audit Department conforms with the Global Internal Audit Standards and the Code of Ethics.

**TABLE 1 - FY2026 Audit Assurance & Advisory Projects**

	Audit Project	Risk Area	Audit Type	Audit Purpose/Objective & Scope	Estimated Hours	Original Background / Rational, and updated Key Notes from interviews related to scope/timing
1	Semiannual Implementation Status Updates - November 2025	Compliance	Advisory	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)	200	Required by Charter and IIA best practices.
2	Semiannual Implementation Status Updates - May 2026	Compliance	Advisory	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)	200	Required by Charter and IIA best practices.
3	Quarterly - Implementation Status of Miscellaneous Revenue recommendations	Compliance	Advisory	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed quarterly (Dec/March/June/Sept.)	300	Requested by FAA Committee at 9/10/2025 FAA Committee meeting.
4	FY2026 Risk Assessment & FY2027 Audit Plan Development	Governance	Continuous Improvement & QC	Develop the annual risk based internal audit services plan to identify audit and non-audit projects and effectively allocate resources. Update and align the plan with changing organizational risks/opportunities.	350	IIA Standards require risk-based plans be developed to determine the priorities of the internal audit activity, consistent with the organization's goals
5	Keolis Payroll Pass Through Charges - Ongoing Continuous Monitoring	Financial & Compliance	Assurance & Advisory	Build data analytics model to identify potential payroll errors, and ensure controls are appropriate to validate. Ensure Keolis employees are paid in compliance with the Collective Bargaining Agreement and CapMetro is properly billed.	500	Evaluate Keolis payroll compliance with the Collective Bargaining Agreement (CBA) and verify the accuracy of payroll-related billing to CapMetro through advanced data analytics. Coordinate with Operations to proactively identify and resolve anomalies before or after payroll processing and invoicing. Leverage Power BI for advanced payroll analysis, real-time data visualization, reporting, and reconciliation of payroll records and invoices. Help management develop a model to track errors, root cause and remediation done by Keolis.
6	MTM Payroll Pass Through Charges - Ongoing Continuous Monitoring	Financial & Compliance	Assurance & Advisory	Ensure controls are appropriate to validate the MTM employees are paid in compliance with the Collective Bargaining Agreement and CapMetro is properly billed.	500	New contract with MTM effective 1/1/2024 with payroll becoming a "pass through" charge.
7	Oracle segregation of duties (DLT Solutions & Sikich)	Financial	Advisory / Consulting	FastPath software has been purchased to analyze segregation of duties (SOD) across the financial transactions (e.g. Payments; Payroll; etc.)	300	Fastpath (www.gofastpath.com) - Appropriate segregation of duties in Oracle is necessary to prevent and detect fraud, waste, abuse and accounting errors.
8	Oracle Survey - User Satisfaction & Opportunities	Operational	Advisory / Consulting	Post implementation survey of users across all department to measure user satisfaction and determine opportunities for improvement.	250	Leverage and update prior FORMS survey used on the Hexagon survey and customize questions for Oracle.
9	Capital Projects - Costs & Reporting Controls	Financial & Operational	Advisory / Consulting	Review the efficiency, completeness and accuracy of Capital Projects data across Oracle, Planview, and Hexagon. Evaluate whether the training, and policies/procedures are adequate.	400	FIXED ASSETS CAPITALIZATION & DISPOSAL POLICY FIN-104; CAPITALIZATION OF LABOR ON CAPITAL PROJECTS FIN-105; Grant Management Policy FIN-114; CAPITAL PROPERTY AND ASSET USE POLICY PM-101; Asset Management and State of Good Repair Policy PM-101
10	Inventory Controls - Bus Parts (Keolis)	Financial & Operational	Assurance	Evaluate policies, procedures and systems (i.e. Oracle, Hexagon, etc.) to monitor and control Bus Parts	400	Asset Management and State of Good Repair Policy PM-101. There are no Finance Policy/Procedures on Inventory. Operations has developed some Cycle Count SOP's.
11	Inventory Controls - Demand Response Parts (MTM)	Financial & Operational	Assurance	Evaluate policies, procedures and systems (i.e. Oracle, Hexagon, etc.) to monitor and control DR Parts	300	Asset Management and State of Good Repair Policy PM-101. There are no Finance Policy/Procedures on Inventory. Operations has developed some Cycle Count SOP's.
12	Inventory Controls - Rail Parts (Herzog)	Financial & Operational	Assurance	Evaluate policies, procedures and systems (i.e. Oracle, Hexagon, etc.) to monitor and control Rail Parts	300	Asset Management and State of Good Repair Policy PM-101. There are no Finance Policy/Procedures on Inventory. Operations has developed some Cycle Count SOP's.
13	Inventory Controls - Facilities & Bus Stop Parts	Financial & Operational	Assurance	Evaluate policies, procedures and systems (i.e. Oracle, Hexagon, etc.) to monitor and control Facilities and Bus Stop Parts	300	Asset Management and State of Good Repair Policy PM-101. There are no Finance Policy/Procedures on Inventory. Operations has developed some Cycle Count SOP's.
14	Fuel Inventory Controls (Unloaded, Diesel, & Red Diesel)	Financial & Operational	Assurance	Evaluate policies, procedures and systems (i.e. Oracle, Hexagon, GasBoy, etc.) to monitor and control Bus Parts	300	Asset Management and State of Good Repair Policy PM-101. There are no Finance Policy/Procedures on Inventory. Operations has developed some Cycle Count SOP's.
15	Brinks Contract and Outsourced Treasury Controls	Financial & Compliance	Assurance	Review Brinks contracts and controls related to the collection, deposit and reconciliation of cash collected on buses.	200	PM, Brandi Mohler; 3 Contracts with Brinks (TVM live Feb-24; Cash Vaulting - live at 2910 5-24; and live at 9315 in 6-24; Cash in Transit). Reconcile cash collected on buses to the Genfare System.
16	Keolis - Bus Maintenance & Training	Operations & Compliance	Advisory / Assurance	Review records related to maintenance training and preventive maintenance plans.	300	Asset Management and State of Good Repair Policy PM-101;
17	MTM - Demand Response Maintenance & Training	Operations & Compliance	Advisory / Assurance	Review records related to maintenance training and preventive maintenance plans.	300	Asset Management and State of Good Repair Policy PM-101;



	Audit Project	Risk Area	Audit Type	Audit Purpose/Objective & Scope	Estimated Hours	Original Background / Rational, and updated Key Notes from interviews related to scope/timing
18	Automation of Bus Incidents/Accidents Reporting	Operations & Compliance	Advisory / Consulting	Evaluate new automation controls for Bus incident/accident reporting.	400	The incident/accident reporting process is currently a manual and Bus has approximately 50,000 incidents/accidents per year.
19	Bus Charging Infrastructure & EV Program	Strategic, Operations, Compliance	Assurance	Review project plans related to the EV Bus Program and evaluate where policies/procedures will need to be defined to properly support the EV fleet. Assess the reliability, integration, and maintenance of the charging systems. Review operational responsibilities and identify lessons learned to improve efficiency and system integration.	400	Evaluate the overall progress and challenges in infrastructure development and installation, with a focus on Contract No. 500031 HOLT Renewables Bus Electrification Phase 2 Project - North Ops. Assess the reliability, integration, and maintenance of the charging systems. Review operational responsibilities and identify lessons learned to improve efficiency and system integration.. Maintenance of the buses is more complex and needs to be "condition based" instead of the traditional preventive maintenance which is time/mileage based.
20	UMO Contract (e-Tickets) & Administrative Fees	Operations, Financial, IT Assurance	Assurance & Advisory	Review process and technology controls to ensure the reloadable fare cards have appropriate internal controls over card administration and related UMO fees.	400	During FY2024 reloadable fare cards were rolled out and during FY2025 Bytemark contract ended and UMO contract started 3/2025. Need to review administrative controls over the reloadable fare cards and charges from UMO.
21	Real Estate - Life Cycle Management & Controls	Financial & Compliance	Advisory	Evaluate controls from cradle to grave as it relates to both purchased and leased properties. Review how the Hexagon EAM and other systems support the maintenance life cycle of the property.	400	For leased and purchased properties, review process and controls and Hexagon EAM system to ensure proper policies, procedures and systems are in place to monitor the lifecycle of each piece of real estate.
22	Safety Mgt System (SMS) - Safety Promotion via Competencies & Training	Operations & Compliance	Advisory	Compliance with FTA requirements related to "safety promotion".	300	<a href="https://www.transit.dot.gov/regulations-and-guidance/safety/public-transportation-agency-safety-program/safety-promotion-fact">https://www.transit.dot.gov/regulations-and-guidance/safety/public-transportation-agency-safety-program/safety-promotion-fact</a>
23	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2025 baseline	Cybersecurity	Assurance	CISA will re-perform two reviews (Cyber Resilience Review and External Dependency Mgt) which checks for compliance with best practices as listed in the NIST Cybersecurity Framework	300	Review conducted by CISA using a detailed online questionnaire which evaluates IT controls based on the 108 controls listed in the NIST Cybersecurity Framework.
24	Annual Cybersecurity Review (Verizon)	Cybersecurity	Assurance	Annual Cybersecurity Assessment with outsourced IT Penetration & Vulnerability Assessment	200	Outsourcing the annual review of cybersecurity with a focus on internal/external IT Penetration and Vulnerability Assessments.
25	Tabletop Exercise (Ransomware Attack)	Cybersecurity	Advisory	CISA will facilitate a realistic ransomware attack scenario, and management will respond in this mock exercise with the intent to identify opportunities for improvement.	200	The purpose of the CISA Cyber Incident Response Tabletop Exercise is to provide organizations an opportunity to assess their level of readiness to respond to and recover from a cybersecurity incident impacting their operating environment.
26	Support to Transit Industry & Professional Organization	Strategic	Continuous Improvement & QC	Internal special projects including support of local and industry professional associations (ISACA, IIA, APTA, ALGA, Toastmaster, etc.), responding to professional exposure drafts, internal training and other internal quality improvement opportunities as needed. UT Audit Intern Program (Fall & Spring).	240	Community engagement through support of local audit and IT security organizations including APTA, ALGA, and UT. Terry is a member of APTA's Enterprise Cybersecurity Working Group (ECSWG) as well as the Committee of Audit Professionals (CAP). As a member of these APTA working groups, we help author and review best practice standards issued by APTA. Cap Metro volunteer support for events (e.g., SXSW, ACL, etc.)
27	Management ad hoc Requests, Consulting & Special Projects 1) Advisor on various Committees; 2) Investigations; 3) Emerging Risks & Special Projects as requested, etc. 4) Contingency Audit Project list (Table 2)	Multiple	Advisory / Consulting	Internal auditing best practices include allocating an undesignated contingency for management requests and other unanticipated special projects.	600	Examples of the types of activities in this category include: * Senior Management Team - biweekly meetings * Participation on Policy Committee, including review of new and updated policies. * Enterprise Risk Management (ERM) * Quadrennial Review * IT Security - Vendor Risk Assessments * Assist, as needed, with external audits or reviews * Respond to potential allegations of fraud and/or abuse * Review and provide input into procurement scope of services development * Vendor Interview panels (non-voting only) * Review and input on FAA Committee Charter and check for compliance * EPPM Steering Committee * Safety Mgt System Committee
28	Administrative & Non-Audit Services	Strategic & Compliance	Continuous Improvement & QC	Training, PTO, QAIP, IA Strategic Plan, and initiatives focused on improving the internal audit function.	1,000	Hours based upon 5 FTE's (5 x 2,000 hours per year), with estimated 10% of time each week for training, PTO, etc. . .
<b>TOTAL ESTIMATED HOURS</b>					<b>9,840</b>	
Project started in FY2025 UT Intern projects Fall 2025						

**TABLE 2 - FY2026 Contingency Audit Projects (To Be Used as Backups)**

	Audit Project	Audit Type	Audit Objective & Scope	Estimated Hours	Original Background / Rational, and updated Key Notes from interviews related to scope/timing
1	Microsoft Sharepoint & Active Directory	Assurance	The confidentiality, integrity and availability of the Microsoft Active Directory and Sharepoint.	250	User access to CapMetro's systems is controlled through Microsoft's Active Directory. Sharepoint is used to control all files on the network.
2	Lease Vehicle Program - non-Revenue Vehicles	Assurance & Advisory	Review lease contract, fleet utilization, and related controls to ensure contract compliance and proper asset management.	400	In 2023-24, CapMetro moved to a leased vehicle program for non-revenue vehicles (e.g. Security, Pick-up Trucks, Leafs, etc.), instead of owning these vehicles.
3	Board Policies/Goals - Monitoring & Reporting (e.g. OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)	Assurance	Review Board policies/goals to ensure that they are periodically reviewed and updated, and that related performance metrics are being tracked and reported.	300	The Board approves metrics and goals related to OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.. Review controls and reporting related to these areas.
4	Grant Reporting Process (Small Starts, Single Audit, Subrecipients)	Advisory	Evaluate grant reporting controls from cradle to grave as it relates to identification to final disposition on every grant application. Review Oracle and other system controls used to monitor and report grant status.	250	Evaluate the systems and processes used to track grant requests and final results
<b>TOTAL ESTIMATED HOURS</b>				<b>1,200</b>	



**TABLE 3 - FY2025 Risk Assessment Survey Results**

Risk Assessment - Top 17 Risks from 67 Surveys (4 Board Members & 63 in Senior Management)								
No.	Response	(A) Impact 1 to 10	(B) Likelihood 1 to 10	(A x B) Residual Risk	(D) Mitigating Controls	Count of Accept Risk	Count of Requires Plan	"Requires Plan" Recommendations to improve Risk Management Activities
1	Managing Projected Costs vs Revenues (Sales Taxes Flat)	8.1	7.7	62.4	Annual Budgets by Department approved by mgt and Board. Monthly tracking of Actual vs Budget with reporting to Mgt/Board. Budget Dept that is separate from Actual accounting that works on ST/LT forecasts and challenges mgt on assumptions. All material expenditures and commitments require approval from the Board. FY26 we developed a target FTE limit of 625. There is a structured approach to evaluating vacancies. The Senior Executive Team conducts a monthly review of operating and capital actual expense vs budget.	3	6	Strengthen Project review processes and procedures to avoid scope creep. In light of ATP being the FTA direct recipient of new starts grants and light rail delivery, a thorough and critical review of workforce needs and FTE growth is needed. The Strategic Plan 2030 includes an organizational assessment. Inclusion of fiscal responsibility as a performance measure for all budget managers. Setting up monthly operational and financial key performance indicator tracking could potentially be beneficial with tracking efficient use of funds. Updating the agency Scorecard to be focused on the strategic plans critical results.
2	Safety of Operations (Customers & Operators)	7.7	6.8	52.4	Safety Policies & Training; Ops Procedures; Ops Mgt; Safety Plans; Oversight from Mgt, Fed, State & Contractors; Accountability & PDCs; Reg Requirements for Safety Plan; SMS in place; SMS plan in development for new FTA Requirements; Passenger Safety Initiatives planned. To further enhance system security, the CapMetro Transit Police Department became operational in June. Since their deployment, we've observed a notable decrease in incidents, thanks to their visible presence and proactive measures to deter and address unlawful activity. Battery Electric Bus training continues for both bus operators and technicians which will include rules about its operation and maintenance requirements.	3	6	Improved driver training & mgt; Continued focus on safety systems/policies; Complete required Safety Plan; Develop System Safety Program Plan; Develop improved safety plans, procedures, protocols, policies, and training programs. Continue rollout of Battery Electric bus safety training. Ensure safety plans evolve with technology in a timely manner. The University of South Florida's Center for Urban Transportation Research has been hired to evaluate the Bus Operator Training Program which will cover defensive driving, fatigue awareness, boarding and alighting passengers, bicycle and pedestrian awareness, the Americans with Disabilities Act, pre- and post-trip inspections, distracted driving and more. The Passenger Transportation Agency Safety Plan (PTASP) has been completed and will go live on 1/1/2026.
3	Service Provider Performance & Contract Management	7.7	6.5	50.1	Continue to refine Contract & Oversight programs; PDC; Employee engagement; QA in contracts & periodic audits; Contract Management Plans; Contract Monitoring Plans created by PMs; Mode-specific oversight in place.	3	6	Develop Contract oversight plans to cover all elements within the new model. Focus on pass-through cost and refine performance measures of service providers on how the workforce is managed per the CBA. Use existing tools to develop methods to verify invoicing. Track all costs. Develop revised KPIs with more focus on workforce management (FMLA, Safety, Grievance performance, etc.). The Quadrennial Performance audit recommended a Framework for contract management and a draft is under review. Operations will have interdepartmental (Bus and Demand Response) meetings to leverage experience and lessons learned.
4	New Fare & Collection Systems (Cash & Cards)	7.3	6.8	49.7	A Director of Revenue & Fares was hired during FY24 in the Finance Dept to help lead the development and implementation of the New Fare Structure. Developed a 3 year plan including implementation for Fare collections system and fare structure compaction. In March 2025, Capmetro implemented a new Fare collection system for Bus and Rail. With the implementation of the new system, compaction of the Fare structure includes the retirement of the 31 and 7 day passes, replaced by a Pay Per Ride System that allows for fare capping at a daily and monthly rate. This system has been implemented for 6 months and already shows an increased amount of usage over the old system by 33% (in August).	2	7	Future improvements for the Fare system will include the replacement of the Cash Collecting Fareboxes on the buses. With this change will come with further compaction of the Fare Structure by retiring the One Day Pass. As well as adding Tap to Pay on the validators and in the Transit App for convenience and ease of paying a fare.  A three-year plan has been developed for raising fares before the end of 2028, giving CapMetro time to further align the Fare Structure where needed.
5	ATP/CapMetro - ILA, Alignment & Business Process Optimization	6.6	7.2	47.6	JPA, amendments and ILAs manage and mitigate the risk. An ILA to reimburse for current and near-term capital costs for the CapMetro components of Project Connect was approved by CapMetro and ATP in September 2025, along with a 1-year extension of the existing ILA for capital cost reimbursement for BRT lines. In addition, a regular cadence of continuing meetings between CapMetro and ATP to ensure alignment between the two agencies has been established.	3	7	Plans for the next investment will be developed through the Transit 2035 Plan and in coordination with our Project Connect partners ATP and the City.

Risk Assessment - Top 17 Risks from 67 Surveys (4 Board Members & 63 in Senior Management)								
No.	Response	(A) Impact 1 to 10	(B) Likelihood 1 to 10	(A x B) Residual Risk	(D) Mitigating Controls	Count of Accept Risk	Count of Requires Plan	"Requires Plan" Recommendations to improve Risk Management Activities
6	Oracle (ERP) Performance & Business Process Optimization	6.5	7.2	46.8	The risk of Oracle ERP performance and process deficiencies is being actively managed through a successful, multi-phase mitigation program. Over the last fiscal year, the IT team has executed key projects that significantly improved system stability and user experience. These accomplishments include: a major system-wide stability update; a required upgrade of our Integration platform (Oracle Integration Cloud Service Gen 2 to Gen 3) to enhance system communication and security; the implementation of key financial process optimizations (e.g., PO and Invoice management); and the deployment of the Redwood UI interface to modernize user adoption across core modules. Furthermore, we successfully transitioned to Oracle Customer Success Services (CSS) for proactive performance and incident management.	0	9	To complete the strategic review, the project "Oracle Managed Services Review of Oracle System Configuration" is included in our top FY26 capital projects. It will be presented to the Steering Committee for prioritization, followed by the development of a detailed execution plan led by the Oracle CSS team.
7	Monitoring Pass Thru Charges (Bus & Demand Response)	7.5	6.2	46.5	Power BI models have been built to aid in analyzing biweekly Keolis payroll charges. Ops mgt spot checks payroll support for Keolis and MTM payroll charges. Regular meetings are held with Keolis/MTM to discuss any anomalies.	3	7	MTM will get a time and attendance system in FY26 which will allow for more real time info and transparency. During FY26, a Power BI model will be built for MTM payroll analysis. Demand response has worked with internal audit to develop the power-bi tool for automating part of the payroll audit. MTM is in the final stages of testing a physical punch in / punch out device. As of last week, the timeline was 6 weeks out to get a vendor on board. Additionally, have been working with MTM bi-weekly to get MTM access to Spare & Via raw data for automating a large portion of the payroll timestamps. The final plan will be a hybrid where most of the data comes from the physical punch in/out, and the raw data from snowflake (spare/via) and a few sheets of paper for handling cost codes such as training, etc.. Operations will have interdepartmental (Bus & Demand Response) meetings to leverage experience and lessons learned.
8	Electric Buses - Strategy/Delivery/Mgt	6.7	6.9	46.3	Bus Infrastructure has been scheduled and has been shared with the FTA for MetroRapid (Expo & Pleasant Valley). Implementation of N Ops expansion with solar grid and bus charging is underway with close coordination with Austin Energy. The FTA required Fleet Transition Plan which is routinely updated. Good contract and OEM management with the bus builders to prevent defects. Additional Field Service Techs have been added to contracts to ensure availability/reliability. New EV specialty shop to address diagnostics and repairs and related training. CapMetro has been actively working with New Flyer, the primary OEM for our remaining battery-electric fleet. We are addressing numerous fleet issues with them, and ongoing campaigns are in place to tackle these challenges. We're seeing a gradual improvement in reliability as these efforts continue.	5	5	Develop a technology of choice fleet Plan allowing us to look at various zero to near zero emission propulsion system. Use of Hybrid electric vehicles in the future as we review emerging technologies, such as Hydrogen fuel cell buses, keeping an eye on the advances in battery power density and ensuring we stay on course to be carbon neutral in 2040. Continue to work with the newly formed Phoenix Motor Car as the prime OEM for 46 of our delivered battery electric buses working through warranty, parts, and service issues. CapMetro has continued its collaboration with Phoenix Motor Cars, the primary OEM for 46 of our delivered battery-electric buses. Recently, Phoenix Motor Car has made several significant management changes with a focus on identifying sources of capital to invest in the company. These changes are expected to help agencies like CapMetro place buses back into service, improving both reliability and parts availability.
9	Employee Retention & Succession Planning	5.8	6.8	39.5	A Talent Review Process has occurred with all leaders and the executives did a succession plan exercise. P&C is assisting EVPs with structuring successor development plans. To address employee retention more holistically, CapMetro hired a Program Manager for Employee Experience. The P&C Total Rewards Team continues to evaluate compensation and benefits programs to remain competitive with the market.	1	8	Two goals in the 2030 Strategic Plan under workforce: 1) Enhance our employee value proposition to support the continued attraction and retention of talent. 2) Ensure CapMetro has the talent and structure needed to achieve our Critical Results by completing an organizational assessment and developing and implementing a workforce plan. In FY2026 an Employee Survey will be conducted to identify what employees value that contributes to retention. To address workload concerns in the current resource constrained environment, we are developing tools to assist managers with filling skill gaps when not able to fill a vacant position.
10	Ridership Levels & Creating a Culture of Ridership	6.9	5.5	38.0	While focusing on reliable rider segments that has included students (with a 15% increase in UT ridership and a 320% increase in "Kids ride free"); agency should simultaneously expand ridership to other markets and riders with mobility options. The introduction of Rapid routes in East Austin provides an opportunity to build ridership in an area that has a mix of reliable riders and potential commuters. The new Decker Pickup zone will be promoted to build a ridership base for the on-demand service. Customer Experience monitoring. Customer Experience (CX) testing has been a longer-term mitigation plan for understanding and addressing the customer experience through research, the identification of pain points and corrective actions budgeted and taken that can be publicly shared.	5	4	Balance between transit dependent and transit riders of choice in our Service Plan and reflect that in our fare strategy. Marketing strategy targeting commuters and appealing to the low price of transit as compared to car ownership; sustainable plan for the unhouse and non-destination rides, re-open dialogue with employers. Development of long-term strategy for Pickup service. Develop the new baseline for bus service (local and commuter) based on Transit Plan 2035 recommendations and data from CapMetro's 2024 trip patterns model that would offer a better understanding of service levels we are offering based on service demands and unmet needs.

Risk Assessment - Top 17 Risks from 67 Surveys (4 Board Members & 63 in Senior Management)								
No.	Response	(A) Impact 1 to 10	(B) Likelihood 1 to 10	(A x B) Residual Risk	(D) Mitigating Controls	Count of Accept Risk	Count of Requires Plan	"Requires Plan" Recommendations to improve Risk Management Activities
11	Workforce Shortage, Competition & Development	6.4	5.6	35.9	Over the past two years CapMetro has approved Increases in starting pay for frontline bus and maintenance employees. In 2023-24 CapMetro completed a comprehensive salary structure and competitive pay review to remain competitive with the market. The P&C Department has launched several key initiatives, including Management Essentials, Trust and Accountability training, succession planning, and talent reviews, to identify high-potential employees and address critical skill gaps and retention risks. In parallel, the department continues to partner with service providers to support frontline recruitment efforts through targeted outreach and marketing campaigns.	3	6	P&C Department is developing updated leadership development training, succession planning and high potential programs to fill leadership and skill gaps and enhance employee retention. Also continuing collaboration with service providers to recruit frontline employees through outreach and marketing campaigns.
12	Political Risks (Federal & State) - Funding & Project Connect	5.6	5.9	33.1	CapMetro will continue to be a supportive voice for continuing the voter approved program of projects from November 2020 and will continue to highlight/educate elected offices on the impact of public transit on the regional economy. Regular updates will be provided to the SET and SMT throughout the Congression session for information and identification of areas / hearings where a CapMetro perspective may be beneficial to offer.  Government Affairs will continue to work closely with APTA, SWTA, TTA, TEX-21, The Bus Coalition, and Transportation Advocates of Texas to highlight the need for continued, sustained and dependable funding contributions. These advocacy organizations will supplement the work being undertaken by the federal Government Affairs team to bring awareness and attention to the impact of federal funding.	5	4	In addition to working with traditional stakeholders, including APTA, the Austin Chamber, AARO, and others, Government Affairs has forged new relationships with leadership at the U.S. Department of Transportation and the Federal Transit Administration to underscore our partnership with ATP in the delivery of Project Connect. Furthermore, we continue to collaborate with ATP on advocacy, both legislatively and in regulatory changes. Government Affairs also looks to conduct further education with our state and federal delegations. Lastly, Item 2.1 in the Strategic Plan 2030 is a significant focus for Government Affairs, and further engagement with our region can be a key enabler in the building of coalitions to understand the importance of transit across Central Texas.
13	Lack of Policies/Procedures Across CapMetro	5.7	5.7	32.5	CapMetro maintains a Meta-Policy that establishes standards for the development, approval, and review of policies. Defined review schedules are in place, and all Administrative and Board policies are posted on SharePoint. Standardized approval forms and a clear sign-off process (EVP, Legal, Deputy CEO) ensure consistency across the organization. The Program Manager tracks review schedules, maintains the official Directory of Policies, and coordinates communication of updates. All approved policies and procedures are posted to SharePoint for staff access and communicated through staff announcements via TimePoint emails. In addition, employees are assigned quarterly "journeys" in Oracle to review and acknowledge any policies that have changed over the prior quarter.	5	4	Department Procedure Guidelines are being developed to establish required standards for documenting and maintaining all agency procedures, in line with recommendations from CapMetro's Quadrennial Review. Staff is identifying other processes and procedures for review and update in FY26 and Strategic Plan 2030 Action Item 4.2 will include additional process review in FY27.
14	IT Risks & Cybersecurity	6.6	4.2	27.8	The Cybersecurity team has now been staffed with seasoned security professionals, and have external monitoring in place to watch for malicious threats. CapMetro is diligently following the cybersecurity mitigation plan that includes annual cybersecurity risk assessments where the Cyber Team incorporates findings from the assessments into existing security framework, ensuring that comprehensive plans for mitigation along with appropriate completion dates.	4	5	Continue to work the current plan, which includes yearly cyber security risk assessments and incorporate any findings into the current security framework with a plan and appropriate dates for completion, by the CapMetro CISO and team. Additionally, with the growing integration of AI in our systems, the Cyber Team has proactively addressed advanced risks and data loss prevention measures and are performing monthly penetration tests, which allows the ability to proactively identify and remediate potential threats and vulnerabilities in a timelier manner. This proactive approach helps CapMetro stay ahead of emerging risks and maintain the integrity of our systems.
15	Fuel & Inventory Controls	5.5	4.8	26.4	CapMetro uses the following systems to capture the fuel inventory and expenditure cycle: Oracle; Gasboy; Hexagon; and Veeder Root. For parts, CapMetro uses the following systems: Oracle and Hexagon. PO's are required for purchases and physical inventories and reconciliations occur on a monthly basis.	4	4	The Internal Audit Department has scheduled a FY2025 audit of this area to evaluate the adequacy of internal controls and see if there is any opportunities for improvement. Management is working on: 1. Update VM SOP to improve upon efficiency and accuracy as a base practice. 2. Develop a systematic solution within Hexagon to differentiate true inventory stock takes from all other stock adjustments. 3. Adjust inventory schedules to increase inventory count frequency for high value, high priority, and frequently adjusted parts. 4. Continuously evaluate the adequacy of internal controls always seeking opportunities for improvement.

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16	Establishing Transit Facilities & Offices	5.1	4.9	25.0	Facility Catalogue to support the Facility Master Plan. SOG in Hexagon and required NTD reporting in compliance with FTA. Facilities costs is included in the long range financial plan.	5	4	Facility Master Plan has been drafted to guiding facility capacity and improvements. Plan includes initiative to map integration between facilities and technology (Hexagon, GIS, BIM). Facility catalogue developed to identify all agency owned and leased properties. Special Flood Hazard map layer added to catalogue to demonstrate to FTA that no federally funded facilities lay within a flood hazard zone. BIM models for North Ops and 3100 E. 5th Street Administration building in development.
17	Real Estate Contracts (Lifecycle Controls)	4.2	5.5	23.1	Facility Catalogue database in electronic form, master file focus to centralize, current software is CLS. This also includes contract terms. Interfaces with Hexagon enterprise asset management system for records and re-occurring events. Contract payment(s) for processes, Oracle interfaces will also be required.	4	5	