CapMetro | MEMORANDUM

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

CC: Dottie Watkins, President/CEO

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

Date: October 9, 2026

Subject: **Proposed FY2027 Internal Audit Plan & Annual IIA Governance Requirements**

Purpose

The purpose of this memo is to summarize the process taken to develop the Proposed FY2027 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 FY2027 Internal Audit Plan (Audit Plan) and summarizes the planning methodology and the audit projects to be performed during FY2027.

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
- FY2027 Audit Strategic Initiatives

FY2027 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 FY2027 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 FY2027 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 2027 and there were three new risks (Rail Transition to In-House; Fare Increases & Management; Capital Projects and Construction Delivery) identified in this year's survey. The other fourteen 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 "Ridership Levels & Creating a Culture of Ridership" based upon decreased ridership both in Austin and nationally came in at #1, and Safety of Operations is at #2 again this year. Additionally, the continuation of large capital projects, including the new rail station, electric bus program,

establishing new transit facilities (e.g. North Base) and offices, were notably reflected in the risk survey results. Some key FY2027 financial drivers of risks are noted as follows: Capital Projects budgeted at $204 million (e.g., new Bus Fleet Vehicles (includes Hybrid buses; new Rail Station; and new North Base Demand Response Facility); Total Expenses at $695 million ($491 million Operating Expenses and $204 million Capital Expenses and Other); and Total Revenues budgeted at $577 million ($419 million Sales Taxes; $158 million Grants and Other).

The proposed FY2027 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 FY2027 budgets and strategic plan; benchmarking with other APTA transit agencies; etc.) and contains 26 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 five projects that are already "in-process" as follows: Oracle User Satisfaction Survey, 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 advisory services related to Bus Stop expenditure and Railroad Right-of-Way controls. The proposed plan also includes two IT projects which include a follow-up on the five 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; and several Demand Response projects including the new Big Star Transit contract, the new Spare System, and the ADA Eligibility Program.

The FY2027 Audit Plan also includes a list of contingent projects (Table 2 - six 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 FY2027 Audit Plan will use a combination of internal and external resources to perform the projects. This past year, FY2026, the Internal Audit Department completed twenty-five audit projects, six are in process and two have not started. The FY27 plan includes twenty-six assurance/advisory projects, and Internal Audit believes these additional projects can be completed because seven 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 five graduate Accounting students from UT's #1 ranked Master of Professional Accounting program who will be assisting on two advisory projects as part of their required Auditing-2 class. This is our seventieth 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. Furthermore, Texas A&M University has invited CapMetro to join their Internal Audit Program (IAP) starting in the Spring 2027 so we should get one intern team through their IAP program. Additionally, on the IT security we will register with CISA to follow-up on this year's five 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 FY2027 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 FY27 Internal Audit Department budget of $655,000 is largely composed of salary and benefits for five full-time employees, which is sufficient to perform the proposed FY27 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 FY2027 Audit Plan will serve as a performance scorecard to measure the Internal Audit Department's performance on the completion of 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 nine Audit Strategic Initiatives (see Table 4). to make progress in the following leading practice areas such as: 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. A risk-based quality management system is maintained which includes a quality assessment 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 FY2027 Audit Plan. Additionally, the Internal Audit Department conforms with the Global Internal Audit Standards and the Code of Ethics.

TABLE 1 - FY2027 Audit Assurance & Advisory Projects

FY2027 PROPOSED AUDIT PROJECTS/PLAN

	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 2026	Compliance	Advisory / Consulting	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 2027	Compliance	Advisory / Consulting	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	Semiannual - Implementation Status of Miscellaneous Revenue recommendations (January & July)	Compliance	Advisory / Consulting	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed semi-annually (January & July)	300	Requested by FAA Committee at 9/10/2025 FAA Committee meeting.
4	FY2027 Risk Assessment & FY2028 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 bi-weekly 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 after bi-weekly 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 in tracking errors, identifiy 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 instead of fixed price.
7	Oracle segregation of duties (DLT Solutions & Sikich)	Financial	Advisory / Consulting	Oracle's "Risk Mgt" moudle was purchased to analyze segregation of duties (SOD) across the financial transactions (e.g. Payments; Payroll; etc.)	300	Implementation and utilization of the Oracle Risk Management module for analysis of SOD. 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 Oracle user survey across all departments 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 Stop Expenditures	Financial & Operational	Advisory / Consulting	Evaluate policies, procedures and systems (i.e. Oracle, Hexagon, etc.) to monitor and control Bus Stop expenditures (Materials & Labor)	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.
11	Automation of Bus Incidents/Accidents Reporting	Operations & Compliance	Advisory / Consulting	Evaluate new automation controls for Bus incident/accident reporting after Vontas implementation.	400	The Trackit system is used for accident reporting, while incidents are manually tracked with both totaling approximately 50,000 incidents/accidents per year. Vontas will replace OrbCAD and review will be conducted after Vontas go live.
12	BEB (Battery Electric Bus) and Charging Infrastructure - Maintenance Program	Strategic, Operations, Compliance	Advisory / Consulting	Review vehicle life-cycle controls over EV buses and charging infrastrucure. Assess quality controls over the receiving, training, warranty tracking, preventive maintenance program, etc.. Identify lessons learned to improve both the BEB and upcoming hybrid program.	400	Review operational responsibilities (e.g. receiving, training, warranty tracking, PM, etc.) and identify lessons learned to improve efficiency and system integration. Contract No. 500031 HOLT Renewables Bus Electrification Phase 2 Project.
13	Capital Assets - Life Cycle Management & Controls	Financial & Compliance	Advisory / Consulting	Evaluate controls from cradle to grave as it relates to both purchased and leased capital assets (Properties & Vehicles). Focus on delegation authority to buy, sell, dispose, contract modifications, etc..	400	Review lifecycle controls over capital assets from cradle to grave with a focus on delegations of authority and governance controls. Evaluate "handoff" controls between CCED, Facilities, Bus Operations, etc.. Review data captured in Hexagon EAM and other systems to support the maintenance life cycle of the property.
14	Police Dept - KPI's & Results	Operations & Compliance	Advisory / Consulting	Identify and evaluate KPI's related to policing and response times. Compare and contrast against KPI's used at other transit agencies.	200	CapMetro Police Department just went live in 2025. Other Texas transit agencies (VIA; METRO; DART) have established Police Departments for many years so there is an opportunity to benchmark CapMetro against other agencies.
15	Federal Civil Rights Regulations (Small Business, DBE; EEO, Title VI; ADA; etc.	Operations & Compliance	Advisory / Consulting	Identify and evalulate Federal Civil Rights Regulations and evaluate compliance and appropriate recordkeeping.	250	Compliance with Federal Civil Rights regulations is managed by Small Business Programs and Compliance Department with support from other departments (P&C; Planning; Safety).

16	Farebox & Fare Changes - Post Go Live	Operations & Compliance	Advisory / Consulting	Evaluate reconciliation process related to cash and credit card sales. Ensure fare increases were properly implemented and ensure old fare media was properly destroyed.	350	Fare increase effective 1/10/2027, and various new systems (UMO; Genfare upgrade; etc.) and contracts (Brinks) have been put in place in the last several years.
17	Grant Controls & Reconciliation	Financial & Compliance	Assurance	Ensure that reporting to FTA and NTD is complete and accurate in accordance with requirements. The draw and reimbursements records are properly supported.	300	The Grants Management personnel within the Finance Department manage the application and grant processing controls. 90% of the grants are FTA and the remaining 10% is TXDOT, FEMA, FRA, etc.. https://www.transit.dot.gov/regulations-and-programs/fta-circulars/circulars Circulars: C 5010.1F and C 9050.1A
18	Rio Grande Contract (Metro Rail Signal & MOW)	Financial & Compliance	Assurance	Review contract requirements and ensure a contract monitoring plan is in place to evaluate performance and compliance with contract requirements.	300	Go live with Rio Grande is 1/1/2027, and Dottie recommends a review 6 months after go live.
19	HMIS Pass Program & Controls	Strategic, Operations, Compliance	Advisory / Consulting	Identify and evaluate how CapMetro manages the HMIS Pass Program and ensure proper controls and recordkeeping are in place.	300	The City of Austin manages the Homeless Management Information System (HMIS) is a person-level database of participants and providers across our community use to track needs and resources. https://www.austinecho.org/hmis HUD requires every Continuum of Care (CoC) across the country to utilize an HMIS. Agencies funded through the federal CoC Program must use HMIS.
20	DR New Overflow Service (Big Star Transit, Contractor)	Operations & Compliance	Advisory / Consulting	Identify and evaluate contract requirements and ensure a contract monitoring plan is in place to evaluate performance and compliance with contract requirements. Evaluate program and ensure proper controls and recordkeeping are in place.	300	CapMetro has created a new overflow service with Big Star Transit and will go live on October 1, 2026. The overflow service will consist of 13 vehicles meant to provide DR with backup transit for CapMetro's Access & Pickup to meet ridership growth.
21	DR Spare Controls & Transition of Pickup	Strategic, Operations, Compliance	Advisory / Consulting	Evaluate the Spare Systems capabilities and how it has deployed to support the needs of CapMetro.	350	The Spare system is supposed to reduce "slack time" (time between customers) and identify productivity opportunities. https://spare.com/
22	DR ADA Eligibilty Program	Operations & Compliance	Advisory / Consulting	Ensure controls are in place to confirm that only those people whose disabilities, in combination with their functional abilities, prevent them from using Bus or Rail services are eligible for Access.	250	Eligibility for Access is based on the functional ability to use the accessible Bus or Rail service. It is not a medical decision. Only those people whose disabilities, in combination with their functional abilities, prevent them from using Bus or Rail services are eligible for Access. https://www.capmetro.org/eligibility
23	SOGR Program - Optimization via Repair or Replacement	Strategic, Operations, Compliance	Advisory / Consulting	Identify SOGR recordkeeping requirements and ensure proper data and timely maintenance is reflected in the EAM system.	400	Timing of FY2027 is good knowing that we have an FTA Triennial in FY2028 that will be looking at SOGR. Maintenance records for rolling stock and other fixed assets is maintained in the EAM system. The FTA's state of good repair requirements are on their website. https://www.transit.dot.gov/regulations-and-guidance/asset-management/state-good-repair
24	NIST Cybersecurity Framework (CISA Facilitated Self Assessments) - re-assessment from 2026 baseline	Cybersecurity	Advisory / Consulting	CISA will re-perform five reviews (Cyber Resiliance Review; External Dependency Mgt; Ransomware Readiness Assessment; Incident Mgt Review; Cybersecurity Performance Goals) which checks for compliance with best practices as listed in the NIST Cybersecurity Framework	300	Review conducted by CISA using various detailed questionnaire which evaluates IT controls based on the 108 controls listed in the NIST Cybersecurity Framework.
25	Annual Cybersecurity Review (Vendor TBD)	Cybersecurity	Advisory / Consulting	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.
26	Tabletop Exercise (Ransomware Attack)	Cybersecurity	Advisory / Consulting	CISA will facilitate a realistic ransomware attack scenario, and management will respond in this mock exercise with the intent to identify opporunties 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.
27	Support to Transit Industry & Professional Organizations	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) and Texas A&M Internal Audit Program.	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.)
28	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 - monthly meetings * Participation and 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
29	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…
				TOTAL ESTIMATED HOURS	***10,040***	

Project started in FY2026

TABLE 2 - FY2027 Contingency Audit Projects (To Be Used as Backups)

FY2027 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 aviability 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	Vontas CAD Implementation	Advisory	Review Vontas contract and system implementation and ensure required functionality and interfaces with other system is working properly.	300	Vontas will replace the OrbCAD bus dispatch system in 2027. Vontas OnRoute CAD/AVL (Computer-Aided Dispatch/Automatic Vehicle Location) system is a software and hardware platform that helps public transit agencies track vehicles in real time, manage dispatch operations, and communicate with passengers. https://vontas.com/
.	Lease Vehicle Program - non-Revenue Vehicles	Assurance	Review lease contract, fleet utlitiation, and related controls to ensure contract ciplince and proper asset mangaement.	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.
4	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.
5	CommuterRail In-House Transition - Post Go Live	Advisory	Review CapMetro policies, procedures, SOP's and job descriptions related to commuter rail operations, and evaluate compliance with FRA requirements and internal standards.	300	Commuter rail operations (dispatch; maintenance; etc.) has been outsourced to Herzog for the last 10 years and on 1/1/2027 CapMetro will be bringing the rail operations personnel in-house as CapMetro employees.
6	Leave Administration (FMLA, Accomodations, etc.)	Advisory	Review contract related to leave administration and ensure billings and internal recordkeeping are appropriate.	250	Leave administration requires balancing statutory obligations under the Family and Medical Leave Act (FMLA) and reasonable accommodation mandates under the Americans with Disabilities Act (ADA). CapMetro has outsourced FMLA and other leaves due to complex federal, state, and local laws. Leave administration outsourcing services help organizations: ensure proper compliance and recordkeeping; reduce legal riks; etc.
			TOTAL ESTIMATED HOURS	***1,800***	

TABLE 3 - FY2026 Risk Assessment Survey Results

	Risk Assessment - Top 17 Risks from 53 Surveys in Senior Managem				2026 FINAL RESULTS			
No.	Top Risk Areas from Survey	(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	Ridership Levels & Creating a Culture of Ridership	8.6	8.6	73.2	Continued focus to measure and improve system reliability including meeting bus pull outs, improving on-time performance, adherence to vehicle maintenance standards, and accurate and timely customer communication around service. While focusing on reliable rider segments that has included students the agency has 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. 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. With the approval of Transit Plan 2035, CapMetro has taken a systematic look at our service area demographic, employment, travel trends, and capture market shifts. The plan recommendations are organized in 3 phases and constitutes our roadmap for future network.	1	7	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 unhoused 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 that is powered by traditional and most up-to-date cell phone data on trip patterns.
2	Safety & Security of Operations (Customers & Operators)	8.3	6.8	56.5	Safety Policies & Training; Ops Procedures; Ops Mgt; Safety Plans; Oversight from Mgt, Fed, State & Contractors; Accountability & PDC's; 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 Cap Metro Transit Police Department became operational in June 2025. 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.	2	6	Improved driver training & mgt; Continued focus on safety systems/policies; 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 Passenger Transportation Agency Safety Plan (PTASP) has been revised and will go live on 1/1/2027. Will continue to grow the transit police department, collaborate with local and regional law enforcement partners, mental health institutions, homelessness agencies, and those addressing drug addictions. Will ensure compliance with a FRA regulations and expections regarding the Rail Transition project.
3	Rail Transition to In-House	7.8	6.2	48.4	FRA is onsite helping with the transition and CapMetro is hiring some of the Herzog staff who are experienced. Rail Operations is coocdinating with P&C, IT, and other departments regarding needed changes and increased staffing (approx +90). Insurance policy is being updated for the business changes. Appropriated staffing is being put in place and FRA training and compliance activities are occurring. Daily meeting with Herzog is occuring as part of the knowledge and activity transition.	1	7	Rail Operations team will continue to Engage the EPPM group to track transition progress and maintain a risk register. Update the register as issues arise, review it weekly with the full team, and review it biweekly with Senior leadership. This process will continue through the transition date, with weekly post-transition meetings to confirm operations are working as intended and address any necessary changes.
4	Managing Projected Costs vs Revenues (Sales Taxes Lagging Costs)	7.9	5.8	45.6	CapMetro maintains a strong framework for fiscal oversight and accountability. Annual departmental budgets are approved by management and the Board, with monthly actual-to-budget reporting provided. The Budget Department operates independently from Accounting, developing short- and long-term forecasts and challenging management assumptions to strengthen financial planning. All material expenditures and commitments require Board approval, and a target FTE limit of 625 was established in FY2026 with a structured vacancy review process. Capital projects are reviewed monthly by the Senior Executive Team (SET) to prevent scope and budget creep, and fiscal responsibility was incorporated as a FY2026 performance measure for all capital project budget managers. The agency also monitors operational and financial performance through monthly KPI reporting, sales tax trend analysis distributed to the Senior Management Team and FAA Committee, and monthly reviews of operating and capital expenditures against budget to ensure responsible stewardship of public funds.	5	3	Given Austin Transit Partnership's expanded role as the Federal Transit Administration (FTA) direct recipient for New Starts grant funding and responsibility for light rail project delivery, management initiated a comprehensive assessment of workforce requirements and FTE growth during late FY2026. This evaluation is intended to ensure staffing levels and organizational resources remain aligned with evolving operational responsibilities and strategic priorities and will continue through FY2027. In addition, the Organizational Assessment identified within the Strategic Plan 2030 is ongoing and will continue into FY2027. This assessment is designed to evaluate organizational structure, staffing capacity, and resource allocation to support operational efficiency, and long-term financial sustainability.
5	Enterprise Systems Performance & Business Process Optimization	6.7	6.7	44.4	The risk of Oracle ERP performance and process deficiencies continues to be actively managed through a structured program of platform modernization, monitoring, process optimization, and governance improvements. During FY26, CapMetro completed Oracle Fusion quarterly updates, implemented production performance monitoring through Oracle Fusion CPM dashboards, upgraded Oracle Integration Cloud from Gen 2 to Gen 3, expanded Redwood user experiences across SCM(vendor management) and HCM, completed Oracle Customer Success Services (CSS) onboarding and support transition, enhanced invoice subledger reporting and EDAP integration, deployed Month-End Financial dashboards, implemented Secure 2.0, completed key HCM improvements including Merit, Performance & Journeys, and Open Enrollment enhancements, implemented Succession planning and talent management modules corrected financial processing issues such as journal auto-reversal errors, and completed Phase I of the Segregation of Duties and Advanced Access Controls program.	2	5	Continue execution of the Oracle Fusion Optimization Roadmap developed through the Oracle CSS assessment. Planned activities include completion of Segregation of Duties Phase II, implementation of prioritized optimization recommendations, Procure-to-Pay and 3-Way Match improvements, implement Purchase Order retainage processing workflow and approval enhancements, integration to budget software(Workiva),integration to background check verification(Plexus), Redwood user experiences for SCM, Oracle Project Portfolio Management (PPM) expansion, and integration improvements between Oracle and related enterprise platforms.

6	Political Risks (Federal & State) - Funding & Project Connect	6.9	6.4	44.4	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 State and Congressional legislative sessions with a focus on information sharing 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.	6	2	In addition to working withtraditional 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, Items 2.1 and 4.5 in the Strategic Plan 2030 will be 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.
7	Electric Buses - Performance & Utilization	6.1	6.2	38.0	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.	2	5	As part of the Capital planning process Operations will partner with Fleet engineering to Use a technology-of-choice (TOC) fleet strategy to regularly evaluate emerging technologies for future bus purchases as they mature. In the coming year Operations will also partner with fleet engineering to purchase 37 Hybrid electric buses. Our current TOC is hybrid-electric vehicles. We will continue monitoring hydrogen fuel cell buses and advances in battery power density to remain on track for carbon neutrality by 2040. For our existing battery-electric buses, we will continue working with New Flyer and its dedicated support team to improve fleet reliability and availability. For the Proterra fleet, staff will develop and advance a capital project with industry partners to support the 46 Phoenix Motorcars battery-electric buses. The project should address warranty coverage, parts availability, service plans, entry into service, and the ongoing support required to maintain a reliable fleet. Phoenix Motorcars appears to have ceased operations and no longer responds to CapMetro's communications. Legal and staff are engaged in our next steps..
8	Workforce Shortage, Competition & Development	6.6	5.5	36.4	In FY 2026, CapMeetro was successful at filling key vacancies while taking a measured approach to approvals to fill vacancies in order to remain within the budget FTE target. The People and Culture Team completed an Employee Engagement Survey with a 94% participation rate. In response to the areas of improvement identified, listening sessions were completd with all departments with the goal of developing action items to address those areas.	4	3	The plan for mitigation is primarily a continuation of the work on Strategic Plan Action Item 3.1. In addition, a comprehansive salary structure analysis will be finalized to inform an update to salary structure pay bands.
9	Employee Retention & Succession Planning	6.6	5.6	36.4	This risk is also addressed by the Employee Engagement work detailed above. Two goals in the 2030 Strategic Plan under workforce are focuesed on Employee Retntion: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. Talent Devlopment Plans are being developed for leaders identified as potential successors for key leadership roles.	3	5	In FY 27, the People and Culture team will continue the work started in FY 26 on Strategic Plan Action Items focused on workforce.
10	Service Provider Performance & Contract Management	7.6	4.8	36.1	Continue to refine Contract & Oversight programs; PDC; Employee engagement; QA in contracts & periodic audits; Contract Management Plans; Contract Monitoring Plans created by PM's; Mode-specific oversight in place.	4	4	The Quadrennial Performance audit recommended a Framework for contract management which was completed and implemented. In the coming year that framework will be updated based on changes to how we deliver Rail service as well tweaked as needed within the various modes. For Contracts under the new delivery model, we are focusing on all cost and specifically 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. Revising KPIs as needed with more focus on workforce management (FMLA, Safety, Grievance performance, etc.).
11	Fare Increases & Management	6.1	5.9	36.0	CapMetro launched its Fare Study in January 2026 to evaluate potential fare changes and their impact on ridership and revenue. The analysis considered ridership trends, fare collection data, payment methods, origin-destination patterns, and revenue performance. Two fare structure options were developed and evaluated through a Title VI Fare Equity Analysis, which found no disparate impact on minority populations and no disproportionate burden on low-income populations. Following Board briefings, public outreach, and community engagement efforts, in September 2026, the Board approved a phased two-step fare increase to be implemented in January 2027 and January 2029. The phased implementation provides customers time to adjust while supporting the long-term financial sustainability of the transit system. To help offset the impact of fare increases on lower-income riders, the Board also approved enhancements to the Reduced Fare ID Card Program (RFID Program). Eligibility will be expanded to include veterans and individuals with household incomes below 150% of the Federal Poverty Guideline. Additionally, the Equifare Program will be consolidated into the Reduced Fare Program, increasing the fare discount available to qualifying low-income customers from 20% to 50%. This change simplifies program administration while providing greater financial assistance to eligible riders.	4	4	Following Board approval of the fare increases, expansion of the Reduced Fare ID Card Program, and retirement of the Equifare Program, implementation efforts have been initiated across all workstreams leading up to the January 10, 2027 launch date. Marketing and customer communications will continue through the launch of the new fare structure, alongside the necessary technology and system updates across the fare collection ecosystem. To ensure a seamless transition, all current Equifare participants will be grandfathered into the expanded Reduced Fare Program and issued RFID-enabled fare cards. In parallel, eligibility for the RFID program will be expanded to include additional qualifying populations, and application processes and materials will be updated to support broader access to reduced fares.

12	Capital Projects & Construction Delivery	5.8	6.1	35.3	Capital project review and approval process from Board on down and all major projects are vetted through outreach with the community. Management has put in place systems (e.g. Oracle; Plainview; EPPM; etc.) which capture all scope, schedule and costs information. Monthly reporting to management of results and meetings held as necessary.	3	5	New and existing capital projects are proposed as part of the agency's annual capital budget process. Project scope, schedule and budget are developed utilizing Planview (Project Management software) and Oracle (EPS system) and are presented to Finance and Senior Management for approval to be included in the Five Year Capital Improvement Plan (CIP). The CIP is then presented to the Board for approval which the Board typically approves in September of each year. Upon approval, project schedules and budgets are tracked utilizing Planview and Oracle and the status of projects is presented to the Senior Executive Team on a monthly basis.
13	ATP/CapMetro - ILA, Alignment & Business Process Optimization	5.9	5.8	34.0	The original and amended JPA and ILAs will manage and mitigate the risk. The very first MOU since the amendment of the JPA was executed late September 2026. A design ILA is close to being finalized at the time of preparation of this risk assessment. A regular cadence of executive and technical leader level meetings between CapMetro and ATP are taking place to ensure alignment between the two agencies has been established. A shared understanding of operations and maintenance of light rail will need to be memorialized along with clearly identified processes for handoff between the ATP, Build Authority and CapMetro, the Operator.	4	4	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.
14	New Fare Collection Systems (Cash	6.3	5.3	33.2	As part of the multi-year fare collection system modernization effort, CapMetro continued to streamline and consolidate fare media by reducing reliance on paper-based products, including the retirement of paper day passes in June 2026. Progress was also made toward expanding digital payment options, including the implementation of Tap-to-Pay technology on Umo validators and the deployment of Square as the point-of-sale system at the Transit Store. Additionally, CapMetro's partner organizations, Discount Pass Program (DPP) and Transit Empowerment Fund (TEF), which provide discounted transit passes to the community, were successfully transitioned to the Umo playform, bringing CapMetro closer to its goal of a unified fare platform and a more seamless customer experience throughout the transit system. The Access Monthly Pass was also migrated to the Umo platform for customers who prefer digital payment methods. For cash-paying customers, upgrades to the Genfare farebox system are underway to improve the customer experience, alongside related updates to Vontas mobile data terminals (MDTs). Additionally, Ticket Vending Machines (TVMs) will be retired from most bus transit locations and rail stations, while maintaining at least one TVM at each rail station. This change reflects low usage of TVMs and evolving customer preferences toward digital fare	4	3	Upgrades to the Genfare farebox system and Vontas mobile data terminals will continue through 2027, further enhancing the customer experience and operational reliability. As part of CapMetro's strategy to establish Umo as the unified digital fare payment platform across all service modes, Umo will be integrated with Demand Response's Spare platform, enabling customers to benefit from fare capping across Local, Pickup, and Commuter services through a seamless payment experience. Additionally, new Umo-enabled Ticket Vending Machines (TVMs) are planned to be deployed at all rail stations, replacing the existing Flowbird equipment. With the agency's revenue and fare collection systems substantially modernized and fully deployed by 2027, CapMetro will be better positioned to leverage integrated data across service modes. These investments will provide greater visibility into customer behavior, fare payment patterns, and revenue performance, enabling enhanced dashboards, analytics, and reporting capabilities. In turn, this will support more informed, data-driven decision-making and deliver meaningful operational and strategic insights to agency leadership.
15	Lack of Policies/Procedures Across Cap Metro	5.6	5.9	32.7	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. CapMetro has established Procedure Guidelines to provide a consistent approach to developing, reviewing, and maintaining procedures. The Executive Office also encourages departments to document their procedures and serves as a resource in that work. We have observed an increase in department procedure documentation	5	3	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.
16	Inventory Controls (Parts & Fuel)	5.6	4.8	26.5	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. During FY2026, Internal Audit conducted audits of parts and fuel which confirmed controls as well as opportunities for improvement.	5	3	During FY2026, Internal Audit completed parts and fuel audits, and management is tracking the resulting improvement recommendations. Management will continue to hold collaborative work sessions with stakeholders to review practices and make changes as needed. These efforts are focused on strengthening inventory tracking through the following actions: 1. Continue to regularly update Vehicle Maintenance SOPs to improve efficiency and accuracy. 2. Continue to Implement systematic solutions in Hexagon that distinguishes physical inventory counts from other stock adjustments. 3. Proceed with the review of inventory adjustment schedules to ensure they appropriately account for high-value, high-priority, and frequently adjusted parts. 4. Continually assess the effectiveness of internal controls and identify opportunities for improvement.
17	Cybersecurity & Information Security	6.2	4.2	26.3	The Cybersecurity team is fully 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. The current plan, yearly cyber security risk assessments and incorporates 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.	6	2	

TABLE 4 - FY2027 Audit Strategic Initiatives

FY2027 AUDIT STRATEGIC INITIATIVES

#	Project Name	Owner & Contributor	Status
1	Audit Workpapers - Quality Control - Ensure Lead Auditor is following the W/P sequence from #1 to W/P 10. 1:1 approval of W/P's 1-9 before starting Fieldwork.	All Internal Audit staff	Need to follow W/P # 1 to 10 sequence on all assurance audits.
2	Optimize usage of Microsoft Tools (i.e. Meeting Recordings; SharePoint; OneNote/Teams; Visio; Power BI; Copilot Premium and agents; etc.) and CapMetro systems (e.g. Oracle; Hexagon EAM; OrbCAD; TrackIt; CLS; EKOS; Spare; etc.)	Ongoing - Christine's on OneNote/Teams; Mazen on Power BI; Sharepoint All IA staff; Visio by UT Auditors	IA Sharepoint improvements have been made; OneNote or Teams possibilities not clear, and may not exist; Power BI has great progress; Visio progress but need clear Library
3	Customize Internal Audit Sharepoint - Optimize & Leverage Capabilities	Mazen has been Leading but Sharepoint is responsibility of All IA staff	Good progress. Any new functionality with Sharepoint upgrade?
4	Keolis Payroll - continuous monitoring of biweekly payrolls and identification of anomolies. Work with management to improve payroll controls over Trapeze, UTA/WFM and UKG systems. Leverage learnings for MTM DR	Mazen is Lead and working w/: Omar, Ana, Jeili, Rafael, Jeff Denning	Great progress made through Power BI model that Mazen built
5	Delegations of Authority Matrix	TF is Lead working w/ Legal (Ayeola Williams)	Draft model stalled due to project priorities (e.g. FTA; QAR; etc.).
6	AI (Artificial Intelligence) - leverage on projects and to summarize audio meeting recordings.	All Internal Audit staff. Mazen has been Leading.	Ongoing. Need to do some"show & tell" sessions on AI tools and how to apply.
7	Implement Project Tracker based on Dates (Planned vs Actual) for each project to ensure efficiency and spot opportunities.	All Internal Audit staff	Update Mazen's Excel model and implement on projects.
8	Compliance with new Stds including improved and more detailed workpapers on projects.	All Internal Audit staff.	Several W/P's were updated including W/P 3.1 (QC feedback notes)
9	APTA host CAP (Committee of Audit Professionals) and IIA CAE Roundtables at CapMetro.	Terry and whole team.	Align Board room availability with IIA and APTA CAP meeting dates.