



Agenda - Final revised
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Monday, December 4, 2023

10:00 AM

Rosa Parks Boardroom

Items marked with an * have been revised.

This meeting will be livestreamed at capmetrotx.legistar.com

I. Call to Order

II. Public Comment

III. Action Items

1. Approval of minutes from the November 8, 2023 Finance, Audit and Administration Committee meeting.
- *2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a temporary Master License Agreement with the City of Austin for the use of certain portions of CapMetro's Rail right of way and real property located at 2910 E 5th Street, Austin, Texas 78702, for the purpose of constructing, operating, and maintaining the MoKan Trail.

IV. Presentations

1. Internal Audit Semi-Annual Follow Up on prior audit recommendations
- *2. Internal Audit Fall 2023 UT Audit Intern Project Results
3. Internal Audit FY2024 Audit Plan Status

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email ed.easton@capmetro.org if you need more information.

Committee Members: Matt Harriss, Chair; Leslie Pool, Becki Ross and Dianne Bangle.

The Board of Directors may go into closed session under the Texas Open Meetings Act. In accordance with Texas Government Code, Section 551.071, consultation with attorney for any legal issues, under Section 551.072 for real property issues; under Section 551.074 for personnel matters, or under Section 551.076, for deliberation regarding the deployment or implementation of security personnel or devices; arising regarding any item listed on this agenda.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-1037

Agenda Date: 12/4/2023

Approval of minutes from the November 8, 2023 Finance, Audit and Administration Committee meeting.

Minutes
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Wednesday, November 8, 2023

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:01 a.m. Meeting Called to Order

Present	Becki Ross, Matt Harriss, and Dianne Bangle
Absent	Leslie Pool

II. Public Comment

There was no public comment this month.

III. Action Items

1. Approval of minutes from the October 11, 2023 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution updating the Charter Statement for the Finance, Audit and Administration Committee.

A motion was made by Bangle, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 11/20/2023. The motion carried by the following vote:

Aye: Ross, Harriss, and Bangle

3. Approval of a resolution affirming the Internal Audit Charter.

A motion was made by Ross, seconded by Bangle, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 11/20/2023. The motion carried by the following vote:

Aye: Ross, Harriss, and Bangle

4. Approval of a resolution approving of the Fiscal Year 2023 performance review for Terry Follmer, Vice President of Internal Audit.

This item was taken up after the committee's Executive Session.

A motion was made by Harriss, seconded by Bangle, that this Resolution be adopted. The motion carried by the following vote:

Aye: Ross, Harriss, and Bangle

IV. Presentations

1. CapMetro Retirement Plan 2022 Audits and Valuations
2. Internal Audit FY2024 Audit Plan Status

V. Executive Session

Section 551.074 for Personnel Matters: Discussion of Vice President, Internal Audit FY2023 Annual Performance Review

Into Executive Session: 10:55 a.m.

Out of Executive Session: 11:26 a.m.

VI. Items for Future Discussion

VII. Adjournment

11:27 a.m. Meeting Adjourned

ADA Compliance

Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email ed.easton@capmetro.org if you need more information.

Committee Members: Matt Harriss, Chair; Leslie Pool, Becki Ross and Dianne Bangle.

The Board of Directors may go into closed session under the Texas Open Meetings Act. In accordance with Texas Government Code, Section 551.071, consultation with attorney for any legal issues, under Section 551.072 for real property issues; under Section 551.074 for personnel matters, or under Section 551.076, for deliberation regarding the deployment or implementation of security personnel or devices; arising regarding any item listed on this agenda.

Finance, Audit and Administration Committee
Agenda Date: 12/4/2023

Item #: AI-2023-1018

SUBJECT:

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a temporary Master License Agreement with the City of Austin for the use of certain portions of CapMetro's Rail right of way and real property located at 2910 E 5th Street, Austin, Texas 78702, for the purpose of constructing, operating, and maintaining the MoKan Trail.

FISCAL IMPACT:

Refer to executive summary for clarification.

STRATEGIC PLAN:

Strategic Goal Alignment:

- ☐ 1. Customer ☒ 2. Community
☐ 3. Workforce ☐ 4. Organizational Effectiveness

Strategic Objectives:

- ☐ 1.1 Safe & Reliable Service ☐ 1.2 High Quality Customer Experience ☐ 1.3 Accessible System
☒ 2.1 Support Sustainable Regional Growth ☐ 2.2 Become a Carbon Neutral Agency
☒ 2.3 Responsive to Community and Customer Needs ☐ 2.4 Regional Leader in Transit Planning
☐ 3.1 Diversity of Staff ☐ 3.2 Employer of Choice ☐ 3.3 Expand Highly Skilled Workforce
☐ 4.1 Fiscally Responsible and Transparent ☐ 4.2 Culture of Safety ☐ 4.3 State of Good Repair

EXPLANATION OF STRATEGIC ALIGNMENT: CapMetro and the City of Austin regularly partner to deliver mobility and access improvements on behalf of CapMetro customers and the community. This City urban trail connection will enhance mobility and safety in east Austin by filling an existing gap in the urban trail network, and connecting people to places to live, work and play.

BUSINESS CASE: Providing temporary access to CapMetro's Rail right of way and portions of CapMetro's property located at 2910 East 5th Street presently has minimal impact on CapMetro operations and is necessary for the City to fill a gap in its trail network. The Moka Trail will be constructed and maintained by the City of Austin.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on December 4, 2023.

EXECUTIVE SUMMARY: The City of Austin is leveraging recent voter-approved bonds to advance investments in the urban trail network, in alignment with the Austin Strategic Mobility Plan, the City's comprehensive transportation plan. The Mogan Trail is proposed to connect between Bolm Road (at an existing trail connection) and Pleasant Valley Road, generally following the alignment of CapMetro's rail right of way.

Between Gonzales Street and Pleasant Valley Road, CapMetro has an opportunity to provide temporary space for the trail on existing CapMetro property, along the back side of our operations facility and yard located at 2910 E 5th Street ("2910"). At the eastern edge of the property, CapMetro will allow temporary use of CapMetro rail right of way until the City completes easement processes to provide space for the trail between the edge of 2910 and Gonzales Street. The City will fund the trail construction and maintenance; construction is anticipated to begin in early 2024, assuming authorization of this license agreement.

Presently, the impact to CapMetro for providing this space is minimal. Planning and Capital Projects teams are working with Operations teams to reallocate some employee parking space and storage, ensure enough space for bus movements within the yard and emergency response in the event of an on-site emergency.

This temporary Master License Agreement establishes the process by which the City will apply for separate licenses and permits to perform construction within CapMetro's rail right of way and in specific areas of CapMetro's property located at 2910 East 5th Street. Staff is seeking Board approval to waive the fees ordinarily associated with CapMetro licenses and permits in this instance.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Capital Projects

**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2023-1018

WHEREAS, the City of Austin is leveraging recent voter-approved bonds to advance investments in the urban trail network, in alignment with the Austin Strategic Mobility Plan, the City's comprehensive transportation plan; and

WHEREAS, CapMetro has an opportunity to support trail connectivity by partnering with the City to fill a gap in the proposed Mogan Trail alignment by authorizing temporary use of CapMetro property located at 2910 E 5th Street; and

WHEREAS, CapMetro customers and staff benefit from trail connectivity via improved connections to transit stops and between CapMetro facilities.

NOW, THEREFORE, BE IT RESOLVED that the CapMetro Board of Directors authorizes the President & CEO, or her designee, to finalize and execute a temporary Master License Agreement with the City of Austin for the use of certain portions of CapMetro's rail right of way and real property located at 2910 E 5th Street, Austin, Texas 78702, for the purpose of constructing, operating, and maintaining the MoKan Trail.

BE IT FURTHER RESOLVED, that the CapMetro Board authorizes the waiving of appropriate property usage fees or rents for the purposes of providing this Master License Agreement, and related license agreements or permits issued thereunder, to the City for the construction, operation, and maintenance of the Mogan Trail.

Date: _____

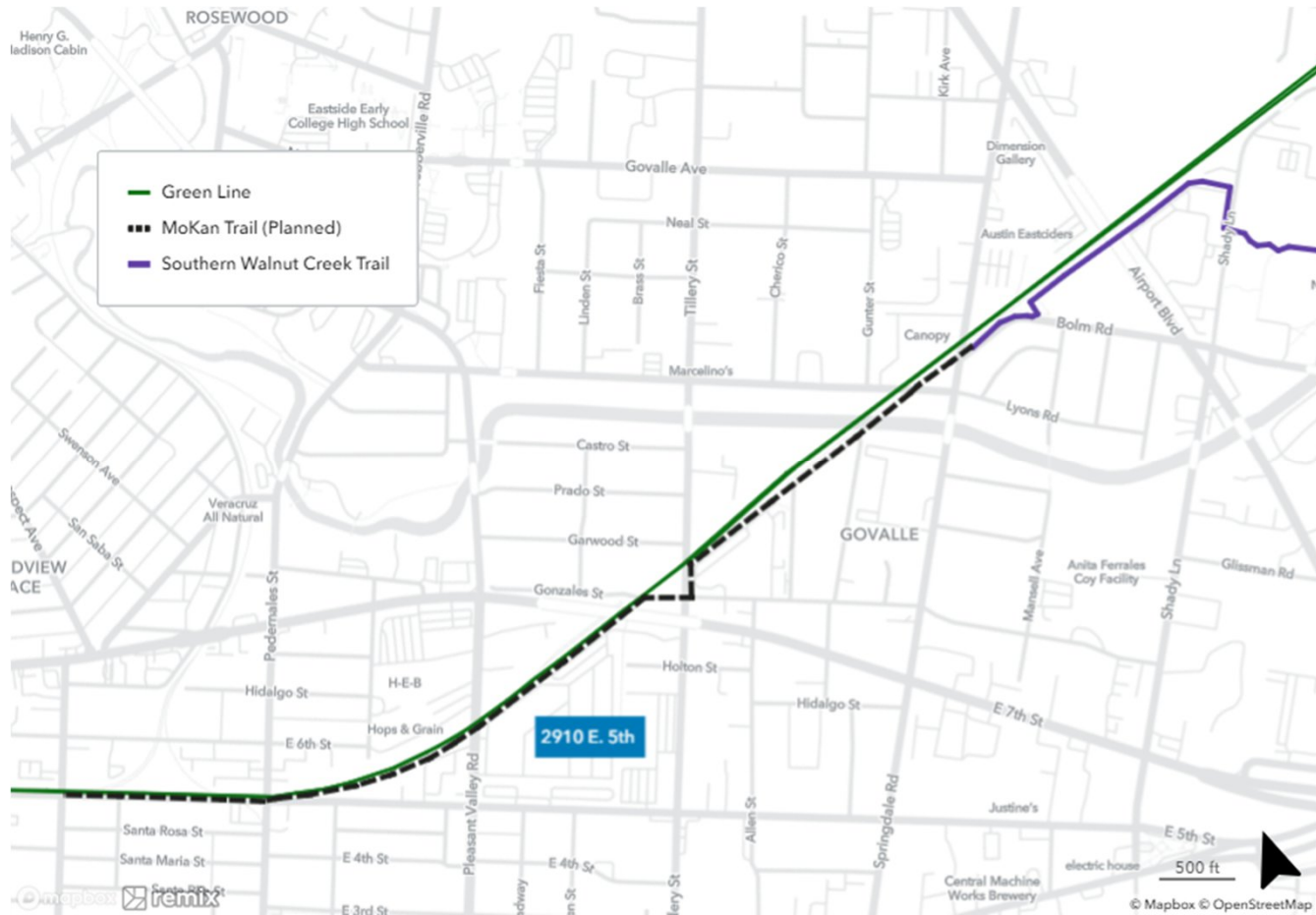
**Secretary of the Board
Becki Ross**



MoKan Trail License Agreement

December 2023

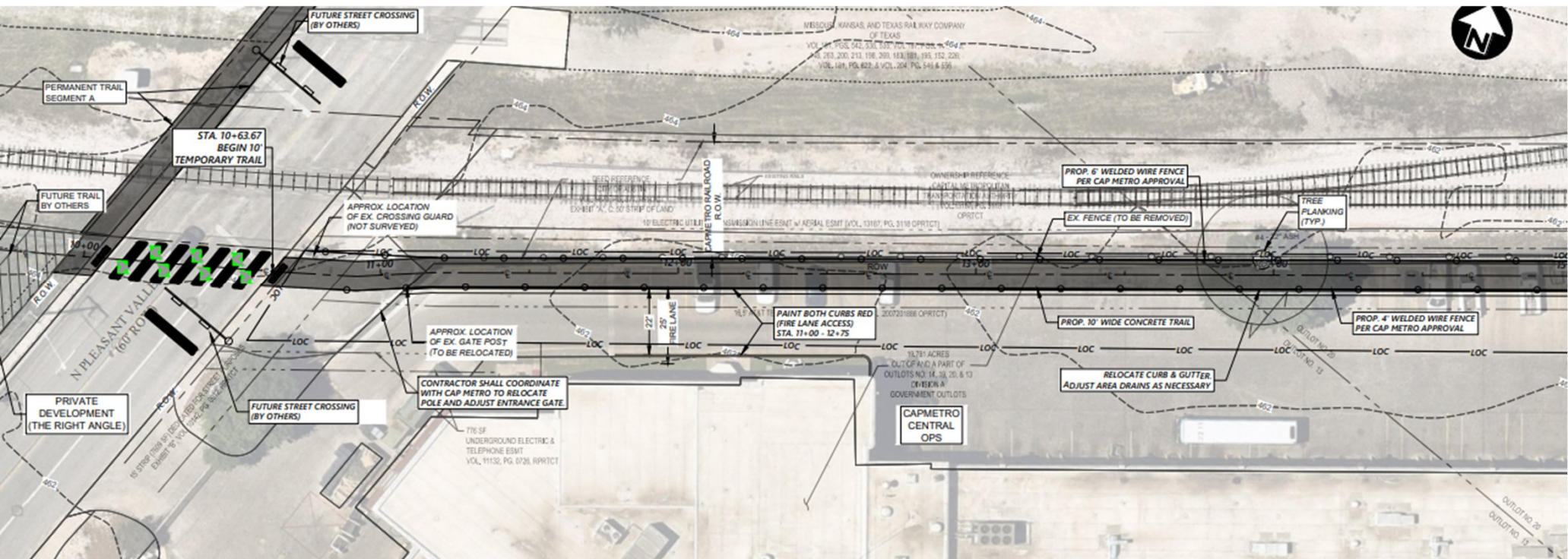
MoKan Trail Overview



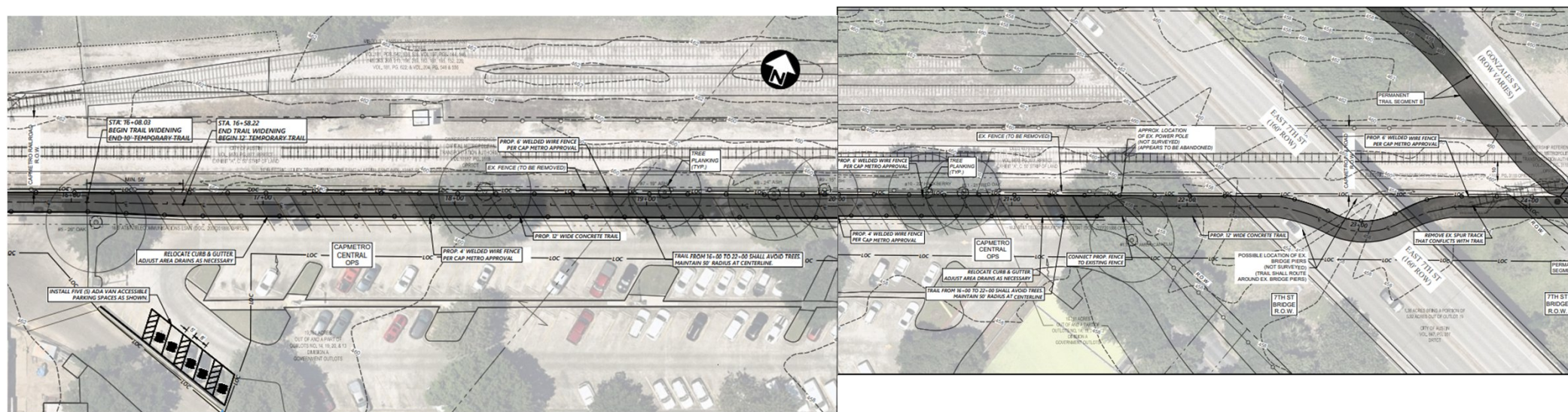
Library Connection: Phase I (in construction)



Trail Schematics: Pleasant Valley to 2910



Trail Schematic: 2910 to Gonzales Street



Relocated
ADA Parking
Spaces

Today's Action

- Authorizes the approval of a Temporary Master License Agreement with the City for the Mogan Trail between approximately Pleasant Valley Road and Springdale
 - Needed now to facilitate trail construction at 2910
 - Will be added to as the project is engineered and designed by the City
 - Will define roles and responsibilities related to construction, maintenance and operations for trail
- Waives usage fees for the agreement due to the transit-supportive nature of the trail and benefit to CapMetro staff and customers

CapMetro

Thank you!

CapMetro

Photos Along Alignment

Captured Spring 2023

Pleasant Valley Looking Southwest



Connection to the Library – looking Northeast



Proposed location of SUP – looking North



Approximate location of westbound trail – looking west



Proposed location of trail looking Northeast



Proposed location of trail looking southeast



Existing trail and rail at Guthrie (on Tillery) – looking northeast



MoKan connection under 7th – looking southwest



Proposed trail connection under 7th Street to library – looking southwest



Proposed trail connection at library – looking southwest





Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-1030

Agenda Date: 12/4/2023

Internal Audit Semi-Annual Follow Up on prior audit recommendations

A decorative graphic at the top of the page consisting of several overlapping, semi-transparent blue and grey shapes that create a sense of depth and movement, resembling a stylized landscape or architectural elements.

CapMetro

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS NOVEMBER 2023 (#24-02)

Terry Follmer, VP of Internal Audit

Distribution List:

CapMetro Board of Directors
Dottie Watkins, President and CEO
Kerri Butcher, Deputy CEO
Cheyenne Krause, Chief of Staff
Donna Simmons, EVP of Administration, Diversity and Inclusion Officer
Sharmila Mukherjee, EVP, Chief Strategic Planning & Development
Gardner Tabon, EVP, Chief Safety Officer
Dave Kubicek, EVP Capital Construction, Engineering and Design
Samantha Alexander, EVP, Chief Experience & Engagement Officer
Catherine Walker, EVP, Chief Financial Officer & Risk Officer
Andrew Skabowski, EVP, Chief Operating Officer
Kevin Conlan, Deputy Chief Financial Officer
Chad Ballentine, VP, Demand Response & Innovative Mobility
Ken Cartwright, VP, Capital Projects
Muriel Friday, VP, Rail Operations
Rafael Villarreal Jr., Senior Director, Bus Operations
Miles Turpin, VP of Bus Operations & Maintenance
Tanya Acevedo, SVP, Chief Information Officer
Nadia Nahvi, Controller
Muhammad Abdullah, VP of Procurement & Chief Contracting Officer
Andrew Murphy, Senior Director, Vehicle Maintenance
Chester Soares, Director, Enterprise Application and Data Services
Jacqueline Evans, Director of Diversity & Compliance
Julie Lampkin, Director of Demand Response Operations
Benjamin Sims, VP, Head of People & Culture
Sherine Spence, Director of People & Culture
Alyce May, Manager of Payroll & Accounts Payable
Ben Hodges, Accounting Manager
Jean Melgares, Systems Safety Manager

Internal Audit Report #24-02 | November 22, 2023

Executive Summary

As part of our annual Audit Plan approved by the Capital Metro Board, we conducted the semi-annual status review of all open audit recommendations as of November 22, 2023. The follow-up included 4 audit reports with a total of 19 recommendations. The audit objective and conclusion on the implementation of the corrective action plans follows.

Audit Objective & Scope

The objective of the audit was to determine whether Management has successfully implemented action plans in response to the recommendations provided in internal audit reports. In order to monitor the disposition of audit recommendations, the Internal Audit Department conducts two follow-up audits (semi-annual) per fiscal year (May and November). This report reflects the status as of November 22, 2023, for the outstanding Corrective Action Plans (CAP's) resulting from internal audit projects.

Conclusion on Corrective Action Plans

We followed up on 19 recommendations from 4 different audit reports and have concluded that 12 recommendations remain open, and Management has action plans to implement the items listed as "In Process of Being Implemented." Table 1 listed below provides a summary breakdown of audit reports with open recommendations for November 2023.

Table 1: Summary Status of Open Recommendations							
Project #	Report Date	Report Name	Total # of Audit Recommendations	Implemented as Recommended	In Process of Being Implemented	Rejected - Management Has Accepted the Risk	% Action Plan Implemented
20-03	3/9/2020	OrbCAD Incident/Accident Process Review	3	0	3	0	0%
21-07	8/20/2021	Payroll & Benefit Controls Audit	5	3	2	0	60%
21-09	12/1/2021	Transit Store and Ticket Controls Audit	6	3	3	0	50%
22-05	9/22/2022	Public Transportation Agency Safety Plan (PTASP) Audit	5	1	4	0	20%
TOTAL:			19	7	12	0	37%

In our opinion, Management has made reasonable progress in implementing the recommendations and open Corrective Action Plans. Additional details related to all open recommendations can be found in Appendix A.

More details regarding the recommendations and open Corrective Action Plans can be found below in the detailed audit report. This audit was conducted in accordance with the US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

Mazen Shehadeh, Internal Auditor II (Project Lead)
Terry Follmer, VP of Internal Audit

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

APPENDIX A – DETAILS OF OPEN AUDIT RECOMMENDATIONS

Prior Recommendations and Audit Results

As required by the Institute of Internal Auditors' International Professional Practices Framework, we have reviewed all open audit recommendations. Based on our review of audits, we identified 12 open recommendations. Listed below are the open recommendations, along with the name of the audit report, report date, original recommendation, and Management's updated target completion date and comments.

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

RECOMMENDATION 1 – (Disconnected Systems & No Comprehensive Database)

The Director of Contract Oversight, IT Director of Transit Technology Systems and the Director of Risk Management will consider the following improvements:

- a) Establishing a single comprehensive database for all incident/accident data.
- b) Require MV to enter all data into the chosen single comprehensive database.
- c) Automate the flow of data from OrbCAD into the required Excel templates (e.g., Operator Report, Supervisor Report, etc.) that are saved to SharePoint, thus requiring the Supervisor to only record new data and not have to rekey all data that is already captured in OrbCAD.

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

- **Management's Updated Target Completion Date and Comments:** 5/01/2024.
MV staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. We are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system. In the meantime, with the change in vendors to Keolis we are evaluating incident/accident automation system that they use called TrackIt (<https://trackittransit.com/>) as well as other solutions. All of the systems being evaluated have the capability to address the audit recommendations.

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

The Director of Contract Oversight, IT Director of Transit Technology Systems, and the Director of Risk Management should consider and evaluate the following process improvements:

- d) Develop controls to ensure that data recorded in OrbCAD matches the data captured in the RiskMaster system. If events are reclassified from incident to accident or vice versa, ensure that both systems are updated with final classification between Incident or Accident.

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

- **Management's Updated Target Completion Date and Comments:** 5/01/2024.
MV staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. We are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system. In the meantime, with the change in vendors to Keolis we are evaluating incident/accident automation system that they use called TrackIt (<https://trackittransit.com/>) as well as other solutions. All of the systems being evaluated have the capability to address the audit recommendations.

RECOMMENDATION 3 – (Automate Reporting Out of Systems)

The Director of Contract Oversight, IT Director Transit Technology Systems, and the Director of Risk Management, should consider and evaluate the following improvements:

- a) Request the IT Departments Report Writing Team to develop required pre-printed reports (e.g., monthly reports as well as daily Operator/Supervisor Reports, etc.) out of OrbCAD and/or RiskMaster based upon which system is designated the system of record with all comprehensive data.
- b) Review for additional monitoring needs (i.e., Capital Metro and MV) and develop additional reports as necessary to improve MV oversight and improve efficiencies.

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

- **Management's Updated Target Completion Date and Comments:** 5/01/2024.
MV staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. We are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system. In the meantime, with the change in vendors to Keolis we are evaluating incident/accident automation system that they use called TrackIt (<https://trackittransit.com/>) as well as other solutions. All of the systems being evaluated have the capability to address the audit recommendations.

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

RECOMMENDATION 2 – (Improve Accuracy of Benefit Calculations)

The Controller and Senior Director of People & Culture should consider the following improvements:

- a) Create an internal P&C Department Procedures Guide for staff to follow, which should include each benefit category offered by CapMetro, internal processes that staff should follow, deadlines, specific calculations, review and approval process, etc. (part of recommendation 1b above).

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
Management has recently implemented the Oracle system that will further automate Payroll and Benefit processes. Additionally, standard operating procedures will be written for the new system.

RECOMMENDATION 3 – (P&C Policies – Compliance & Approved Exceptions)

The Controller and Senior Director of People & Culture should consider the following improvements to Leave Policy (HRC-440):

- d) Ensure parental and other types of leave are timely communicated to the payroll personnel so that time and attendance records can be properly updated.

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
Management has recently implemented the Oracle system that will further automate Payroll and Benefit processes. Additionally, standard operating procedures will be written for the new system.

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

RECOMMENDATION 2 – (Risk Management of Tickets & Ticket Vendor)

The Chief Risk Officer, the Senior Director/Chief Contracting & Compliance Officer, and the Controller should consider the following improvements:

- b) Update the Procurement Manual to ensure that contracts that impact safety or handle financial instruments (e.g. tickets) with a monetary value require the vendor to do annual criminal background and credit checks on their employees.
- e) Perform an inspection of the ticket factory to ensure CapMetro tickets and printing controls are adequate.

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

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.

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

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

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

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

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
The process recommendations have been addressed through implementation in the Oracle ERP system and documentation is in progress and will be completed by 5/01/2024. Job descriptions are in progress and will be completed by 5/01/2024 but will still need to be reviewed by compensation before being updated in our system.

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

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

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

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

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
5a), 5b) and 5c); The process recommendations have been addressed through implementation in the Oracle ERP system and documentation is in progress and completed by 5/01/2024. Job descriptions are in progress and will be completed by 5/01/2024 but will still need to be reviewed by compensation before being updated in our system.

22-05 PUBLIC TRANSPORTATION AGENCY SAFETY PLAN (PTASP) AUDIT (9/22/2022 Report Issued with 5 Recommendations)

RECOMMENDATION 2 – (Update and Further Develop the Safety Plan)

The Director of Safety should complete the following:

- c) Send out yearly safety risk surveys to members of management as outlined in the Safety Plan.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 9/01/2024.
To give ample and appropriate time to respond to feedback provided in surveys, Safety will issue surveys every two years.

RECOMMENDATION 3 – (Enhance Controls Related to Employee Safety Reporting System "ESRS")

The Director of Safety should complete the following:

- b) Assign and document the ESRS operations process owner in the Safety Plan for further clarification. The process owner should work towards lowering the time it takes to resolve safety concerns, so it is closer to the 14-day goal or, alternatively, revise the target goal.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 3/01/2024.
3b) This was to be integrated into the GRC system. However, we will now develop and issue a procedure based on current capabilities. To be implemented on or before March 2024.

RECOMMENDATION 4 – (Safety Performance Targets & Reporting)

The Director of Safety should complete the following:

- b) Present safety performance targets to executive management and service providers on a quarterly basis to help improve CapMetro's safety awareness.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 3/30/2024.
4b) Our current contractor, MV, is/was not able to provide current data. We've discussed the matter with our incoming contractor, Keolis, they are committed to provided data needed in this in other areas in a timely fashion. That said, beginning March 2024, the SMT will receive quarterly updates.

RECOMMENDATION 5 – (Further Develop the Safety Training Program)

The Director of Safety should complete the following:

- a) Further formalize the safety training program by defining and documenting the safety curriculum within the standard training program. Additionally, define and document the frequency, type of training by position, and any refresher trainings.
- b) Change the training process to include input from the Safety Department every year to ensure current safety issues are addressed and implemented in the training program, as necessary.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 6/01/2024.
5a) & 5b) Safety will be collaborating with the incoming contractor, Keolis, and CapMetro Bus Operations and Bus Maintenance departments, to further efforts in this area. To be completed by or before June 2024.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-1029

Agenda Date: 12/4/2023

Internal Audit Fall 2023 UT Audit Intern Project Results



Internal Audit UT Intern Audit Projects Fall 2023

December 4, 2023

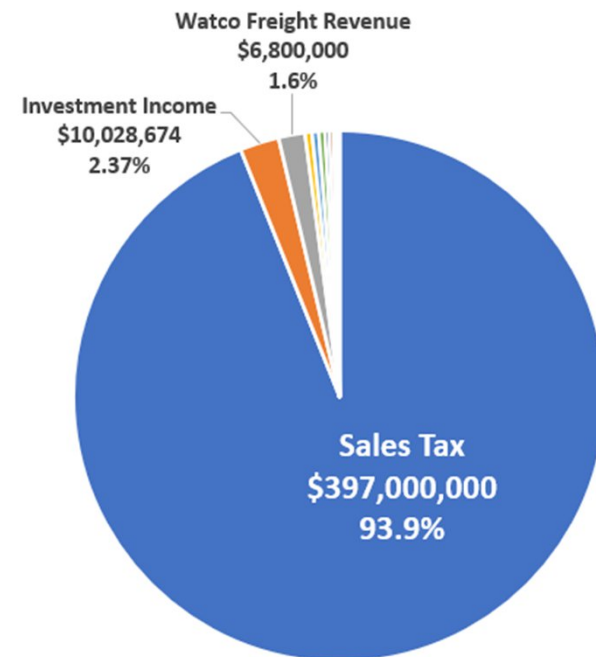
CapMetro – UT Audit Intern Program

- CapMetro joined UT Audit Intern Program in the 2018 Fall semester.
- UT's #1 ranked Masters of Professional Accounting Audit class requires volunteer audit work at about 5 hours per week on assigned projects.
- Course Syllabus Objective: "...introduce students to the current scope of internal auditing that extends far beyond the traditional external audit attestation of financial statements."
- Teams of three students are assigned to each audit project.
- Audit project objectives and deliverables are identified and set at the beginning of the project in the planning stage.
- The audit projects require a combination of auditing skills, business acumen, and consulting and advisory capability.
- UT Audit Interns work under the guidance of the VP of Internal Audit and staff.

Miscellaneous Revenues – Audit Projects

Miscellaneous Revenue	
Revenue Area	Ball Park Annual Revenue
Sales Tax	\$397,000,000
Investment Income	\$10,028,674
Watco Freight Revenue	\$6,800,000
Advertising	\$1,772,751
Satillo Lease	\$1,731,714
Bulk Ticket Sales	\$1,587,000
MetroBike	\$1,100,000
Rideshare	\$1,053,000
RWIC/ROW/Permits	\$809,000
Bright Horizons - Daycare	\$720,000
Film, Video & Photography	\$750
Total	\$422,602,889

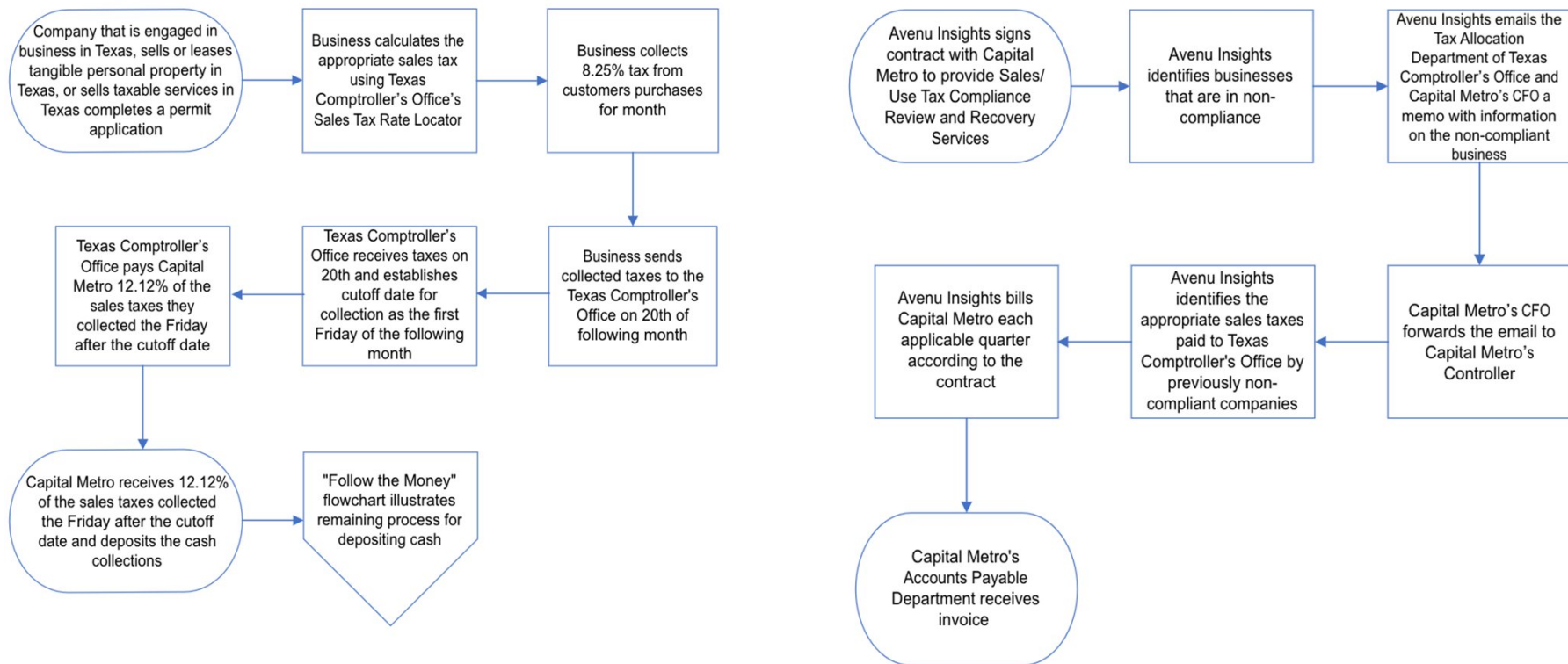
Ball Park Miscellaneous Revenue 2023



Deliverables

	Process Review	Flowcharting	Contract/Policy Review	Data Analytics	Presentation with Recommendations
Sales Tax Revenue	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Watco Freight Revenue	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Investment Income	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Flowchart – CapMetro Collection of Sales Taxes



Commission Testing – Avenu Insights

Testing results of last 5 invoices received from Avenu Insights indicated appropriate contingency fee rates

Invoice Information								Contingency Fee Rates per Contract		
Invoice Dat	Invoice #	Taxpayer Name	Gross Amount	Contingency Fee Rate	Amount Billed to CapMetro	Billed Quarter	Due Date	Date Start	Date End	
3/31/2021	INV		\$ 2,727.60	23%	\$ 627.35	Q1, 2021	4/30/2021	8/14/2013	2/14/2019	30%
3/31/2021	INV		\$ 3,456.75	23%	\$ 795.05	Q1, 2021	4/30/2021	3/27/2019	3/26/2021	23%
3/31/2021	INV		\$ 1,604.58	23%	\$ 369.05	Q1, 2021	4/30/2021	3/27/2023	3/26/2022	22%
			\$ 7,788.93		\$ 1,791.45			3/27/2022	3/26/2023	21%
								3/27/2023	3/26/2024	20%

Avenu Insights Memo to Comptroller's Office		Confidentiality Report			
Claim File Da	Taxpayer Name	Report Date	Taxpayer Name	PRD END	TAX PAID
11/3/2020		Jun-22		201909 - 202011	\$ 2,727.60
9/11/2020		Feb-21		201608 - 202010	\$ 3,456.75
11/3/2020		Feb-21		201807 - 202012	\$ 1,604.58

Testing					
Taxpayer Name	Confidentiality Report Gross Amount	Contingency Fee Rate %	Contingency Fee % Billed	Applicable Contingency Fee	Contingency Fee Billed
	\$ 2,727.60	23%	Accurate	\$ 627.35	Accurate
	\$ 3,456.75	23%	Accurate	\$ 795.05	Accurate
	\$ 1,604.58	23%	Accurate	\$ 369.05	Accurate

Recommendations – Sales Tax Revenues

- Member on Controller's Team validate quarterly invoices from Avenu Insights with the memo and confidentiality report before making payment
- Build a model for Controller's team to perform quarterly spot tests on Avenu Insights' invoices
- Member on Controller's Team should report to Procurement and Internal Audit when deficiencies are found during testing
- Periodically request Confidentiality Report directly from the Texas Comptroller's Office and perform a review of the data to identify any possible discrepancies

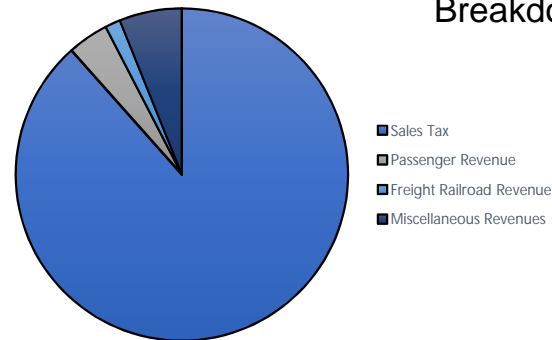
Watco Freight Revenues - Overview

Back in 2015, Capital Metro signed a revenue-share agreement with Watco to lease out its railway tracks

Historical Context

- Since Capital Metro owns a 162 route-mile common carrier railroad between Llano and Giddings, they are federally required to provide freight services
- The partnership was formed with Watco in 2015 because of this. An agreement was signed where Capital Metro leased railway tracks in and around the city of Austin to Watco for 20 years
- Watco is a rail holding company with a subsidiary called Austin Western Railroad (AWRR)
- AWRR provides logistics and freight services

Revenue Breakdown



- Watco Freight revenue generates ~\$5 million every year
- It is the third largest independent revenue driver excluding contributions and grants

Six Revenue Streams

16.5% of Gross Revenues

Commuter Rail Per Car Fee

45G Tax Credit

Dispatch Fees

Freight Switch Maintenance Fees



Agenda



Audit Background



Objectives & Scope



Audit Techniques



Findings



Recommendations



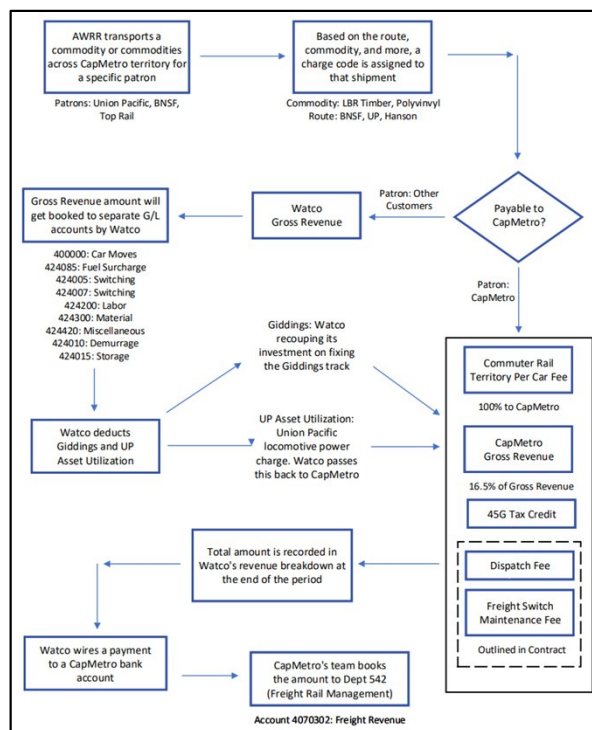
Q&A

Flowchart of Freight Revenues

To better understand Watco and Capital Metro's revenue share agreement, a process flow was created

Process begins by AWRR receiving a contract to make a shipment, and them assigning a charge code to it based off certain criteria

After splitting their gross revenue into different G/L accounts, Watco will apply deductions to get to Capital Metro's revenue amount



AWRR then determines whether the full shipment amount is directly payable to Capital Metro or included in Watco's gross revenue

Watco adds together all the different revenue streams and wires a payment to Capital Metro team who then books this amount

Areas to Evaluate

Process Flowchart

- Revenue Validation
- 45G Tax Credit
- Giddings Investment
- UP Asset Utilization

Prior Audits

- Dispatch Fees
- Material & Labor Revenue
- Contract Documents Request List (CDRL)



Agenda



Audit Background



Objectives & Scope



Audit Techniques



Findings



Recommendations



Q&A

Testing – Watco Freight Revenue

Conducted testing on the revenues and deductions listed in the flowchart and prior RSM report.

Dispatch Fees Testing

Issue 1	Dispatch Fees (Prior issues with the rate change in October) Everything is correct for the year ending December 2023. The proper switch in fees was made in October			
Time Frame	Contract Rate	CMTA Payable	Check	
January - September	6,018.58	6,018.58	-	
October - December	5,710.46	5,710.46	-	

Item #	Monthly Base Rate	Effective 10.1.16	Effective 10.1.17	Effective 10.1.18	Effective 10.1.19	Re-Calc (Switch removal) eff 10-1-19	Effective 10-1-20	Effective 10-1-2021	Effective 10-1-2022	Effective 10-1-2023
6b - Commuter Rail Territory Freight Switch Maintenance Fee	\$ 800.00	\$ 812.56	\$ 829.05	\$ 849.59	\$ 867.66	\$650.75	\$640.89	\$682.79	\$722.23	\$685.26
6c - Dispatch Fee	\$ 5,000.00	\$ 5,078.51	\$5,181.55	\$ 5,309.93	\$ 5,422.88	\$5,422.88	\$5,340.72	\$5,689.92	\$6,018.58	\$5,710.46

Material & Labor Revenue Testing

Issue 2	Material and Labor Revenue (Issues with the SAP Gross Detail versus Payable Amount) Everything was correct for the year ending 2023			
Material and Labor Revenue	SAP Gross Detail	CMTA Payable Amount	Check	
Material Totals Match	111,614.41	111,614.41	-	
Labor Totals Match	17,068.97	17,068.97	-	

Everything checked out for fiscal year 2023

45G Tax Credit

- The 45G Tax Credit, also known as the Railroad Track Maintenance Tax Credit, is a federal credit that is equal to 40% (previously 50%) of railroad track maintenance expenditures incurred by the taxpayer
- 10% of that credit goes to AWRR or Watco and 90% goes to Capital Metro

10.6 Tax Credit

Ninety (90) percent of any federal, state or local tax credits or tax subsidies realized by the Freight Services Contractor for the operation and maintenance of the eligible freight service across the Service Property or performance of other obligations outlined in this Contract shall be provided to the Authority. The Freight Services Contractor shall retain ten (10) percent for administrative purposes.

- This tax credit breakdown is enumerated in the initial contract
- Our team's only question was why they needed 10% for administrative purposes



Agenda



Audit Background



Objectives & Scope



Audit Techniques



Findings



Recommendations



Q&A

Recommendations-Watco Freight Revenue

In order to address these findings, our team has come up with a number of solutions

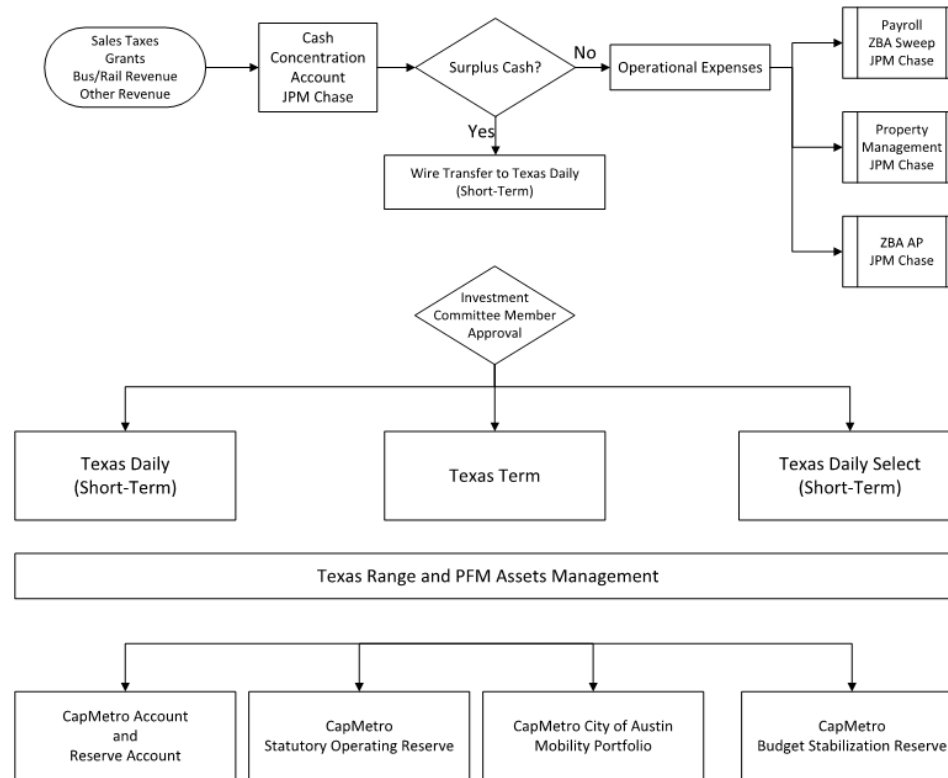
- Use Watco's contractual obligations to require the provision of the company's audited financial statements
- Meet with Watco to assess which part of the contract allows for the UP Asset Utilization deduction. If it is not stipulated anywhere, discuss whether a modification should be made and if any remediation to Capital Metro is necessary for revenue lost
- Require a future audit of the Watco Freight revenue stream by an external accounting firm, similar to RSM's engagement in 2021
 - Depending on the audit objectives, purchase Railinc data for that year to allow for independent validation of Watco's revenues
- Enforce the contract monitoring plan to ensure all required documents from the Contract Document Request List (CDRL) are provided on the determined basis
 - Ensure recipients of the documents in the CDRL are established and include a tracking system



Investment Portfolio

<u>Total Portfolio Value</u>	<u>September 30, 2023</u>	<u>June 30, 2023</u>
TexasDAILY	\$66,556,717.96	\$93,863,127.29
TexasDAILY Select	\$101,116,127.97	\$99,734,712.11
TexasTERM Holdings*	\$146,659,410.96	\$201,659,410.96
PFMAM Managed Account	\$89,475,746.00	\$91,632,945.50
Total	\$403,808,002.89	\$486,890,195.86

Cash/Investment Flowchart



Process Improvements– Cash/Investments

- 1) Utilize Oracle Enterprise Resource Planning system to process all outgoing wires since it goes through a more thorough workflow approval process and matching of invoices to the relevant Purchase Orders.
- 2) Review the signers and authorizations for JP Morgan to ensure that only appropriate individuals are responsible for initiations, approvals and account changes.
- 3) Review the segregation of duties and daily cash wire limits along with appropriate levels of authorization.
- 4) Implement end of day automatic overnight sweep from Cash Concentration account to a designated money market fund to invest surplus cash. The invested funds are automatically returned the morning of the next trade day.
- 5) Review if cash deposits are adequately collateralized by National Collateral Management Group (NCMG) for amounts exceeding FDIC covered amount (\$250,000, Total DDA)

CapMetro

Questions?



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-1004

Agenda Date: 12/4/2023

Internal Audit FY2024 Audit Plan Status

FY24 INTERNAL AUDIT PLAN

Department Scorecard

	Projects	Status & % Complete	Additional Details
	<u>FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE</u>		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/11; 11/8; 12/4; 1/17; 2/14; 3/18; 4/10; 5/8; 6/12; 7/10; 8/12; 9/11		
2	Semi-annual Implementation Status Report - November 2023	Completed	December
3	Semi-annual Implementation Status Report - May 2024		
4	FY2024 Risk Assessment & development of FY25 Audit Plan		
	<u>FY24 Audit Assurance & Advisory Projects</u>		
1	CapMetro/ATP Billing Processes		
2	Payroll Pass Through Controls - New Contract in Bus with Keolis	In-Process	
3	Hexagon (Infor) Enterprise Asset Mgt System - post go live review	In-Process	January
4	Paratransit & Demand Response Operations	In-Process	Janaury
5	FastPath - Analyze Oracle segregation of duties	In-Process	
6	MV Contract - Payroll Pass Through Charges	In-Process	
7	Miscellaneous Revenue Controls	In-Process	
8	GRC - automate Incidents/Accidents Reporting (Bus)	In-Process	
9	GHG & Carbon Footprint Reporting	Completed	UT Interns - Dec
10	Sales Taxes - Revenue Controls	Completed	UT Interns - Dec
11	Investment Income - Revenue Controls	Completed	UT Interns - Dec
12	Watco Freight Revenue - Revenue Controls	Completed	UT Interns - Dec
13	GRC - Contract Performance Management System Advisory (Bus, Rail, DR) - Quadrennial Performance Audit recommendations		
14	GRC (Governance Risk & Compliance) System Implementation (Risk Register; Safety Dept; Internal Audit Dept; etc.)		
15	Safety Management System (SMS) - Management of Change		
16	Bus Charging Infrastructure & EV Program		
17	AMP Cards & New Fare Systems		
18	United Healthcare & Other Self-Insured Benefits (TPA Payments)		
19	McKalla Station - Design Build Effectiveness		
20	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2023 baseline		CISA follow-up review (Spring)
21	Annual Cybersecurity Review (Mandiant)		
22	Quadrennial Performance Audit - Selection Process but FY25 Budget/Execution		
	<u>CONTINGENT AUDIT PROJECTS - FY24</u>		
1	Microsoft Sharepoint & Active Directory		
2	Salary Adjustment & Merit Process		
3	Rail-FRA PTC Change Management Requirements (Herzog)		
4	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		
5	Capital Project Controls (McKalla Station; MetroRapid; DR N Facility Build;)		
6	Spare Labs.com - Demand Response System Implementation		
7	Lease Vehicle Program - non-Revenue Vehicles		

	<u>NEW PROJECTS ADDED TO FY24 AUDIT PLAN by Terry Follmer</u>		
1			
2			