Wednesday, November 8, 2023
10:00 AM
Rosa Parks Boardroom

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 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.

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

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

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

VI. Items for Future Discussion

VII. 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.
Approval of minutes from the October 11, 2023 Finance, Audit and Administration Committee meeting.
I. Call to Order

10:13 a.m. Meeting Called to Order

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

II. Public Comment

Zenobia Joseph provided public comment.

III. Action Items

1. Approval of minutes from the September 13, 2023 Finance, Audit and Administration Committee meeting.

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

Aye: Pool, Ross, Harriss, and Bangle

2. Approval of a resolution adopting revisions to the CapMetro Investment Policy.

A motion was made by Ross, seconded by Pool, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 10/23/2023. The motion carried by the following vote:

Aye: Pool, Ross, Harriss, and Bangle

3. Approval of a resolution approving revisions to the President & CEO Total Compensation Policy.

A motion was made by Bangle, seconded by Pool, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 10/23/2023. The motion carried by the following vote:

Aye: Pool, Ross, Harriss, and Bangle
4. Approval of a resolution authorizing the President & CEO, or her designee, to finalize
and execute an Interlocal Agreement with the University of Texas at Austin, for
participation in the University’s IC2 Institute Readiness Training Program (RTP) for an
amount not to exceed $60,000 for a term of one year beginning October 1, 2023, thru
September 30, 2024, and a 12-month option term.

A motion was made by Pool, seconded by Bangle, that this Resolution be
recommended for the action item agenda to the Board of Directors, due back on
10/23/2023. The motion carried by the following vote:

Aye: Pool, Harriss, and Bangle

Nay: Ross

5. Approval of a resolution adopting the FY2024 Annual Internal Audit Plan.

A motion was made by Ross, seconded by Pool, that this Resolution be recommended
for the action item agenda to the Board of Directors, due back on 10/23/2023. The
motion carried by the following vote:

Aye: Pool, Ross, Harriss, and Bangle

IV. Presentations

1. Annual Economic Update & Portfolio Review

2. Internal Audit FY23 Plan Status

V. Items for Future Discussion

VI. Adjournment

11:22 p.m. Meeting Adjourned

ADA Compliance

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(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.
SUBJECT:
Approval of a resolution updating the Charter Statement for the Finance, Audit and Administration Committee.

FISCAL IMPACT:
This action has no fiscal impact.

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: Capital Metro’s two board committees assist the Board of Directors in providing strong governance and play a key advisory role to the full board. Their expertise and in-depth look at issues before the board is vital to our long-term strategic planning.

BUSINESS CASE: Does not apply

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on November 7, 2023.

EXECUTIVE SUMMARY: In 2010, each of the committees of the Board of Directors adopted Committee Charter Statements defining their areas of responsibility. A periodic review of these charters was requested by the Board upon adoption and allows the committees to ensure that the charters still meet the needs and
parameters of each committee. This charter was last reviewed by the Board in February, 2022.

After reviewing the current charter, staff is recommending minor updates to the document which are detailed in the attached redline.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Board of Directors
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

WHEREAS, the Board of Directors has established committees made up of members of the Board to consider specified areas of interest to the Authority; and

WHEREAS, the Board of Directors has adopted Committee Charter Statements that define the roles and responsibilities of each of these committees; and

WHEREAS, the Board of Directors desires to review the Committee Charter Statement to ensure that it reflects current roles and responsibilities.

NOW, THEREFORE, BE IT RESOLVED that the Capital Metropolitan Transportation Authority Board of Directors hereby updates the Committee Charter Statement for the Finance, Audit and Administration Committee with minor changes detailed in the attached document.

____________________
Date: ____________________

Secretary of the Board
Becki Ross
I. PURPOSE
The Finance, Audit and Administration Committee (the “FAA Committee”) has been established by the Capital Metropolitan Transportation Authority ("Capital Metro") Board of Directors (the “Board”) to assist in fulfilling its oversight responsibilities for accounting and financial reporting processes, the system of internal controls, the audit processes, and systems for monitoring compliance with laws, regulations, and the Capital Metro Code of Ethics.

Executive management is responsible for preparing complete and accurate financial statements, managing business and financial risk, and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. The Board of Directors has oversight responsibility in these areas and is charged with establishing and supporting an adequate control environment within the organization for ensuring accountability and demonstrating proper stewardship over public funds.

II. AUTHORITY
The FAA Committee has authority to conduct or authorize investigations into and study any matter within its scope of responsibility and make recommendations for action to the full Board. It is empowered to:

1. Ensure the independence of any registered public accounting firm employed by Capital Metro.
2. Resolve any disagreements between management and the auditor regarding financial reporting.
3. Provide oversight and direction of the internal audit function.
4. Use independent counsel, accountants, auditors, or others to advise the FAA Committee or to assist in the conduct of an investigation.
5. Seek any information it requires from employees—all of whom are directed to cooperate with FAA Committee requests—or external parties.

III. MEMBERSHIP
The FAA Committee shall consist of at least three (3) members of the Board of Directors. The Chairperson of the Board will nominate the FAA Committee Chairperson and members annually, subject to confirmation by the Board. The FAA Committee shall elect a Committee Vice Chairperson from among its members at its first meeting of the year to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.

Each member of the FAA Committee must be financially literate, as the Board interprets such qualification in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment. In addition, one member of the FAA Committee must be a metropolitan planning organization appointee with at least 10 years of experience as a financial or accounting professional.

Committee members shall be free of any relationship that would interfere with his or her individual exercise of independent judgment in accordance with Capital Metro’s Code of Ethics and applicable law.

IV. EDUCATION
Capital Metro executive management is responsible for providing the FAA Committee with educational resources related to accounting principles and procedures, risk management, ethics, and other information that may be requested by the FAA Committee. Capital Metro executive management shall assist the FAA Committee in maintaining appropriate financial and compliance literacy.

V. MEETINGS
The FAA Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. FAA Committee members are expected to attend each meeting. The FAA Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. CapMetro staff will post meeting agendas and backup materials for Board members and the public to view no later than seven (7) calendar days before the committee meeting.

VI. RESPONSIBILITIES
The FAA Committee will carry out the following responsibilities:

1. Financial & Other Reporting: The FAA Committee shall provide reasonable assurance to the Board that financial information reported by management substantively portrays Capital Metro’s financial condition, results of operations, plans, and long-term commitments. The FAA Committee may review other reports requiring Board approval prior to submission to public sector entities. The FAA Committee will:
   • Review fiscal, investments, and other financial management policies and practices including but not limited to:
     o Operating & Capital Budgeting
     o Procurement and contracting
     o Revenue (e.g., grants, fare structure, new revenue opportunities including partnerships with external entities)
     o Debt and investments
     o Disadvantaged Business Enterprise (DBE) Program
     o Insurance and risk management
   • Review financial statements, including interim financial statements, auditor's opinions and management letters and consider whether they are complete, consistent with information known to FAA Committee members, and reflect appropriate accounting principles.

2. Internal Control: The FAA Committee shall understand Capital Metro’s key financial reporting risk areas and the internal control structure. The FAA Committee will:
   • Consider the effectiveness of Capital Metro’s internal control systems, including information technology security and control.
   • Understand the scope of internal and external auditors’ review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.
   • Review and provide oversight for technology investments and processes that support the Authority’s strategic financial goals and objectives.
• Review the reports and results of internal and external audits.

3. Internal Audit: The FAA Committee shall provide direct oversight of Capital Metro’s internal audit function. To facilitate the effectiveness and independence of the internal audit function, the internal audit function is ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

• Make recommendations to the full Board of Directors regarding the appointment and removal of the Chief Audit Executive (CAE).
• Review annually with management and the CAE the charter, audit plans, activities, staffing, and organizational structure of the internal audit function.
• Ensure there are no unjustified restrictions or limitations on the internal audit function.
• Review audit results, reports, and recommendations and ensure adequate management follow-up and resolution.
• Meet with the CAE to discuss any matters that the FAA Committee or internal audit believes should be discussed.
• Request internal auditors to perform special studies, investigations, or other services in matters of interest or concern to the FAA Committee or Board that may be outside the scope of the approved Audit Services Plan. Such projects could include investigation of areas of high control risk, potential or suspected fraud or other irregularities, compliance with laws, regulations, policies and procedures, or evaluation of external auditors.
• Conduct an annual performance review and evaluation of the CAE.
• Review the effectiveness of the internal audit function through periodic external quality assurance reviews.

4. External Audit: The FAA Committee shall assure independence in fact and in appearance of all external financial assurance services. External auditors are ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

• Review the external auditors’ proposed audit scope and approach, including coordination of audit effort with internal audit.
• Consider the facts and circumstances of each case in order to determine if firm or audit partner rotation is needed in order to ensure an independent financial audit in accordance with the Policy on Rotation of Auditors.
• Approve in advance any non-audit services by external auditors or their consulting practice/affiliates.
• Ensure that external auditors do not (1) provide non-audit services that involve performing management functions or making management decisions, or (2) audit their own work or provide non-audit services that are significant or material to the subject matter of the audits.
• Meet with the external auditors to discuss any matters that the FAA Committee or auditors believe should be discussed in detail.
• Review with management and the external auditors the results of the audit, including any serious difficulties or disputes with management encountered during assurance work.

5. Compliance: The FAA Committee shall provide reasonable assurance to the Board of Directors that its policies are being carried out and that systems are in place to ensure compliance with laws and regulations. The FAA Committee will:
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Ethics to company personnel and for monitoring compliance therewith.
- Obtain regular updates from the Board Ethics Officer and the Staff Ethics Officer regarding ethics and compliance matters.

6. Reporting Responsibilities:  The FAA Committee will:
   - Report and recommend action, as appropriate to the Board of Directors about FAA Committee activities, issues, and related recommendations.
   - Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
   - Review any other reports Capital Metro issues that relate to FAA Committee responsibilities.

7. Other Responsibilities:  The FAA Committee will:
   - Perform other activities related to this charter as requested by the Capital Metro Board of Directors.
   - Review and assess the adequacy of the FAA Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
   - Confirm annually that all responsibilities outlined in this charter have been carried out.
I. PURPOSE
The Finance, Audit and Administration Committee (the “FAA Committee”) has been established by the Capital Metropolitan Transportation Authority (“Capital MetroCapMetro”) Board of Directors (the “Board”) to assist in fulfilling its oversight responsibilities for accounting and financial reporting processes, the system of internal controls, the audit processes, and systems for monitoring compliance with laws, regulations, and the Capital MetroCapMetro Code of Ethics.

Executive management is responsible for preparing complete and accurate financial statements, managing business and financial risk, and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. The Board of Directors has oversight responsibility in these areas and is charged with establishing and supporting an adequate control environment within the organization for ensuring accountability and demonstrating proper stewardship over public funds.

II. AUTHORITY
The FAA Committee has authority to conduct or authorize investigations into and study any matter within its scope of responsibility and make recommendations for action to the full Board. It is empowered to:

1. Ensure the independence of any registered public accounting firm employed by Capital MetroCapMetro.
2. Resolve any disagreements between management and the external auditor regarding financial reporting.
3. Provide oversight and direction of the internal audit function.
4. Use independent counsel, accountants, auditors, or others to advise the FAA Committee or to assist in the conduct of an investigation.
5. Seek any information it requires from CapMetro employees—or external parties.

III. MEMBERSHIP
The FAA Committee shall consist of at least three (3) members of the Board of Directors.

The Chairperson of the Board will nominate the FAA Committee Chairperson and members annually, subject to confirmation by the Board. The FAA Committee shall elect a Committee Vice Chairperson from among its members at its first meeting of the year to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.

Each member of the FAA Committee must be financially literate, as the Board interprets such qualification in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment. In addition, one member of the FAA Committee must be a metropolitan planning organization appointee with at least 10 years of experience as a financial or accounting professional.

Committee members shall be free of any relationship that would interfere with his or her individual exercise of independent judgment in accordance with Capital MetroCapMetro’s Code of Ethics and applicable law.
IV. EDUCATION

Capital Metro executive management is responsible for providing the FAA Committee with educational resources related to accounting principles and procedures, risk management, ethics, employee health and benefit plans and other information that may be requested by the FAA Committee. Capital Metro executive management shall assist the FAA Committee in maintaining appropriate financial and compliance literacy.

V. MEETINGS

The FAA Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. FAA Committee members are expected to attend each meeting. The FAA Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. CapMetro staff will post meeting agendas and backup materials for Board members and the public to view no later than seven (7) calendar days before the committee meeting.

VI. RESPONSIBILITIES

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   - Review fiscal, investments, and other financial management policies and practices including but not limited to:
     - Operating & Capital Budgeting
     - Procurement and contracting
     - Revenue (e.g., grants, fare structure, new revenue opportunities including partnerships with external entities)
     - Debt and investments
     - Disadvantaged Business Enterprise (DBE) Program
     - Insurance and risk management
   - Review financial statements, including interim financial statements, auditor's opinions and management letters, and consider whether they are complete and consistent with information known to FAA Committee members, and reflect appropriate accounting principles.

2. Internal Control: The FAA Committee shall understand Capital Metro’s key financial reporting risk areas and the internal control structure. The FAA Committee will:
   - Consider the effectiveness of Capital Metro’s internal control systems, including information technology security and control.
   - Understand the scope of internal and external auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.
• Review and provide oversight for technology investments and processes that support the Authority’s strategic financial goals and objectives.
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• Review annually with management and the CAE the charter, audit plans, activities, staffing, and organizational structure of the internal audit function.
• Ensure there are no unjustified restrictions or limitations on the internal audit function.
• Review audit results, reports, and recommendations and ensure adequate management follow-up and resolution.
• Meet with the CAE to discuss any matters that the FAA Committee or internal audit believes should be discussed.
• Request internal auditors to perform special studies, investigations, or other services in matters of interest or concern to the FAA Committee or Board that may be outside the scope of the approved Audit Services Plan. Such projects could include investigation of areas of high control risk, potential or suspected fraud or other irregularities, compliance with laws, regulations, policies and procedures, or evaluation of external auditors.
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• Approve in advance any non-audit services by external auditors or their consulting practice/affiliates.
• Ensure that external auditors do not (1) provide non-audit services that involve performing management functions or making management decisions, or (2) audit their own work or provide non-audit services that are significant or material to the subject matter of the audits.
• Meet with the external auditors to discuss any matters that the FAA Committee or auditors believe should be discussed in detail.
• Review with management and the external auditors the results of the audit, including any serious difficulties or disputes with management encountered during assurance work.
5. Compliance: The FAA Committee shall provide reasonable assurance to the Board of Directors that its policies are being carried out and that systems are in place to ensure compliance with laws and regulations. The FAA Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Ethics to company personnel and for monitoring compliance therewith.
- Obtain regular updates from the Board Ethics Officer and the Staff Ethics Officer regarding ethics and compliance matters.

6. Reporting Responsibilities: The FAA Committee will:

- Report and recommend action, as appropriate to the Board of Directors about FAA Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
- Review any other reports Capital MetroCapMetro issues that relate to FAA Committee responsibilities.

7. Other Responsibilities: The FAA Committee will:

- Perform other activities related to this charter as requested by the Capital MetroCapMetro Board of Directors.
- Review and assess the adequacy of the FAA Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

History:
See most recent FAA Committee approvals at:
2015-56
DOCUMENT_RECORDS_MGT-#335187-2009 Board Resolutions Nos. 057-068 (Resolution CMTA-2009-60 p. 23/29)
DOCUMENT_RECORDS_MGT-#209034-2007 Board Resolution November Nos. 084-089
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1. Ensure the independence of any registered public accounting firm employed by CapMetro.
2. Resolve any disagreements between management and the external auditor regarding financial reporting.
3. Provide oversight and direction of the internal audit function.
4. Use independent counsel, accountants, auditors, or others to advise the FAA Committee or to assist in the conduct of an investigation.
5. Seek any information it requires from CapMetro staff—all of whom are directed to cooperate with FAA Committee requests—or external parties.

III. MEMBERSHIP
The FAA Committee shall consist of at least three (3) members of the Board of Directors.

The Chairperson of the Board will nominate the FAA Committee Chairperson and members annually, subject to confirmation by the Board. The FAA Committee shall elect a Committee Vice Chairperson from among its members at its first meeting of the year to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.

Each member of the FAA Committee must be financially literate, as the Board interprets such qualification in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment. In addition, one member of the FAA Committee must be a metropolitan planning organization appointee with at least 10 years of experience as a financial or accounting professional.

Committee members shall be free of any relationship that would interfere with his or her individual exercise of independent judgment in accordance with CapMetro’s Code of Ethics and applicable law.
IV. EDUCATION
CapMetro executive management is responsible for providing the FAA Committee with educational resources related to accounting principles and procedures, risk management, ethics, employee health and benefit plans and other information that may be requested by the FAA Committee. CapMetro executive management shall assist the FAA Committee in maintaining appropriate financial and compliance literacy.

V. MEETINGS
The FAA Committee will meet at least four (4) times a year, with authority to convene additional meetings as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. FAA Committee members are expected to attend each meeting. The FAA Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. CapMetro staff will post meeting agendas and backup materials for Board members and the public to view no later than seven (7) calendar days before the committee meeting.

VI. RESPONSIBILITIES
The FAA Committee will carry out the following responsibilities:

1. Financial & Other Reporting: The FAA Committee shall provide reasonable assurance to the Board that financial information reported by management substantively portrays CapMetro’s financial condition, results of operations, plans, and long-term commitments. The FAA Committee may review other reports requiring Board approval prior to submission to public sector entities. The FAA Committee will:
   - Review fiscal, investment, and other financial management policies and practices including but not limited to:
     - Operating & Capital Budgeting
     - Procurement and contracting
     - Revenue (e.g., grants, fare structure, new revenue opportunities including partnerships with external entities)
     - Debt and investments
     - Disadvantaged Business Enterprise (DBE) Program
     - Insurance and risk management
   - Review financial statements, including interim financial statements, auditor’s opinions and management letters, and consider whether they are complete and consistent with information known to FAA Committee members, and reflect appropriate accounting principles.

2. Internal Control: The FAA Committee shall understand CapMetro’s key financial reporting risk areas and the internal control structure. The FAA Committee will:
   - Consider the effectiveness of CapMetro’s internal control systems, including information technology security and control.
   - Understand the scope of internal and external auditors’ review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.
• Review and provide oversight for technology investments and processes that support the Authority’s strategic financial goals and objectives.
• Review the reports and results of internal and external audits.

3. Internal Audit: The FAA Committee shall provide direct oversight of CapMetro’s internal audit function. To facilitate the effectiveness and independence of the internal audit function, the internal audit function is ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

• Make recommendations to the full Board of Directors regarding the appointment and removal of the Chief Audit Executive (CAE).
• Review annually with management and the CAE the charter, audit plans, activities, staffing, and organizational structure of the internal audit function.
• Ensure there are no unjustified restrictions or limitations on the internal audit function.
• Review audit results, reports, and recommendations and ensure adequate management follow-up and resolution.
• Meet with the CAE to discuss any matters that the FAA Committee or internal audit believes should be discussed.
• Request internal auditors to perform special studies, investigations, or other services in matters of interest or concern to the FAA Committee or Board that may be outside the scope of the approved Audit Services Plan. Such projects could include investigation of areas of high control risk, potential or suspected fraud or other irregularities, compliance with laws, regulations, policies and procedures, or evaluation of external auditors.
• Conduct an annual performance review and evaluation of the CAE.
• Review the effectiveness of the internal audit function through periodic external quality assurance reviews.

4. External Audit: The FAA Committee shall assure independence in fact and in appearance of all external financial assurance services. External auditors are ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

• Review the external auditors’ proposed audit scope and approach, including coordination of audit effort with internal audit.
• Consider the facts and circumstances of each case in order to determine if firm or audit partner rotation is needed in order to ensure an independent financial audit in accordance with the Policy on Rotation of Auditors.
• Approve in advance any non-audit services by external auditors or their consulting practice/affiliates.
• Ensure that external auditors do not (1) provide non-audit services that involve performing management functions or making management decisions, or (2) audit their own work or provide non-audit services that are significant or material to the subject matter of the audits.
• Meet with the external auditors to discuss any matters that the FAA Committee or auditors believe should be discussed in detail.
• Review with management and the external auditors the results of the audit, including any serious difficulties or disputes with management encountered during assurance work.
5. Compliance: *The FAA Committee shall provide reasonable assurance to the Board of Directors that its policies are being carried out and that systems are in place to ensure compliance with laws and regulations. The FAA Committee will:*

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the Code of Ethics to company personnel and for monitoring compliance therewith.
- Obtain regular updates from the Board Ethics Officer and the Staff Ethics Officer regarding ethics and compliance matters.

6. Reporting Responsibilities: *The FAA Committee will:*

- Report and recommend action, as appropriate to the Board of Directors about FAA Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
- Review any other reports CapMetro issues that relate to FAA Committee responsibilities.

7. Other Responsibilities: *The FAA Committee will:*

- Perform other activities related to this charter as requested by the CapMetro Board of Directors.
- Review and assess the adequacy of the FAA Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
SUBJECT:
Approval of a resolution affirming the Internal Audit Charter.

FISCAL IMPACT:
This action has no fiscal impact.

STRATEGIC PLAN:
Strategic Goal Alignment:
☒ 1. Internal/External Customer Service Excellence  ☐ 2. Stakeholder Engagement
☐ 3. Financial and Environmental Sustainability  ☐ 4. Staff Development
☐ 5. Agency Growth Management

Strategic Objectives:
☐ 1.1 Safety & Risk  ☒ 1.2 Continuous improvement  ☐ 1.3 Dynamic Change
☐ 1.4 Culture of Innovation  ☐ 2.1 Be an Employer of Choice  ☐ 2.2 Organization Development
☐ 2.3 Organization Culture  ☐ 3.1 Resource optimization  ☐ 3.2 Safety Culture
☐ 3.3 Environmental Leadership  ☐ 4.1 Educate & Call to Action  ☐ 4.2 Build Partnerships
☐ 4.3 Value of Transit  ☐ 4.4 Project Connect

EXPLANATION OF STRATEGIC ALIGNMENT: The mission of the Internal Audit department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps CapMetro accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

BUSINESS CASE: Does not apply.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on November 7, 2023.

EXECUTIVE SUMMARY: The Internal Audit Charter identifies the purpose, authority, and responsibility of the CapMetro Internal Audit function, consistent with professional auditing. When it adopted the Internal Audit
Charter, the Board of Directors asked that the Charter be reviewed periodically and updated as necessary. The last of these reviews was performed in February, 2022.

After a careful review, staff is recommending only minor updates to the document format for this charter, which no substantive changes suggested.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Internal Audit
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

AI-2023-1003

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors has adopted an Internal Audit Charter that identifies the purpose, authority, and responsibility of the CapMetro Internal Audit function, consistent with professional auditing standards.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Internal Audit Charter attached hereto is formally affirmed.

Date: ______________________

Secretary of the Board
Becki Ross
INTERNAL AUDIT MISSION

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

ROLE

Internal Audit assists the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditors have no direct responsibilities or any authority over any of the activities or operations they review. They should not develop and install procedures, prepare records, or engage in activities which would normally be reviewed by internal auditors. This does not preclude internal auditors from serving in an advisory capacity in the implementation of improvements or the establishment or re-designing of activities, policies, procedures, or information systems. Additionally, this restriction shall not prevent internal auditors from performing analysis and recommending alternative courses of action to management.

INDEPENDENCE AND ORGANIZATIONAL REPORTING

Internal Auditors should be free both in fact and appearance from personal, external, and organizational impairments to independence.

In order to be free of all operational and management responsibilities that would impair the ability to review independently all aspects of the Authority’s operations, the Chief Audit Executive (CAE) shall report functionally to the Board of Directors (BOD) through the Finance, Audit and Administration (FAA) Committee. The CAE shall report to the FAA Committee as needed to discuss audit issues and results. At least annually, the CAE will confirm to the FAA Committee, the organizational independence of the internal audit activity and, as necessary, revise the Internal Audit and/or the FAA Charters.

PROFESSIONAL STANDARDS

Internal Audit must follow Generally Accepted Government Auditing Standards (GAGAS), as issued by the U.S. General Accountability Office (GAO). Also, Internal Audit conforms to the International Professional Practices Framework (IPPF) consisting of the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards as promulgated and periodically revised by the Institute of Internal Auditors. These core principles include:
1. Demonstrates integrity
2. Demonstrates competence and due professional care
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6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organizational improvement

ASSURANCE SERVICES

Assurance services provide an objective evaluation of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.

These activities may include:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and whether the Authority is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing and appraising the efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing information systems throughout the system development lifecycle.
- Assessing management's actions taken in response to reported audit findings.
- Reviewing and evaluating the organization’s governance processes.
- Reviewing and evaluating the organization’s risk management processes.
- Receiving and investigating allegations of fraud, waste and abuse.
- Reporting periodically on the Internal Audit activity’s purpose, authority, responsibility, and performance relative to its plan.

NON-AUDIT SERVICES (ADVISORY & CONSULTING)

Consulting services include advisory and related client service activities, the nature and scope of which are agreed with the client and are intended to add value and improve the Authority’s governance, risk management, and control processes.

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AUTHORITY

Authorization is granted for full and free access to all records (either manual or electronic), physical properties, activities, and personnel relevant to a review. This includes full access to all systems that input, process, store, and report any and all information of the operations of the Authority which are not limited or otherwise restricted. Documents and information given to internal auditors will be handled in the same prudent manner as by those employees normally accountable for them.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit maintains a Quality Assurance and Improvement Program (QAIP) to evaluate the operations of the internal auditing function. The QAIP includes audit supervision / review to ensure conformance with internal auditing standards, policies, and audit programs. Internal assessments will be performed at least annually to assess conformance with the Internal Audit Charter, the Standards, Code of Ethics, GAGAS, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. In addition, an independent external quality assurance review will be performed at least once every three years. The results of the QAIP activities, including both internal and external assessments, will be provided to the FAA Committee.

CONTINUING PROFESSIONAL DEVELOPMENT

Each fiscal year, the Internal Audit Department will be allocated a budget for training and educational materials to comply with internal auditing professional standards and ensure current audit techniques, policies, and practices.

INTERNAL AUDIT RESULTS

Audit results are reported to the FAA Committee and President / CEO at the conclusion of each audit project and may include management’s responses and corrective action plans (CAPs). The FAA Committee accepts audit reports/results and, when appropriate, authorizes their distribution.

In certain instances, a report may be of limited interest or of a sensitive nature. In these circumstances, the results will be shared only with those persons designated by the FAA Committee. No internal audit report shall directly reference or quote confidential information that is protected under the Texas Public Information Act.

INTERNAL AUDIT FOLLOW-UP

The CAE shall monitor the disposition of CAPs. Audit follow-ups shall verify the resolution status of all significant recommendations resulting from past internal audits. The CAE shall report, at least annually, on implementation status to the FAA Committee.

FINANCE, AUDIT & ADMINISTRATION COMMITTEE

The Finance, Audit & Administration (FAA) Committee shall provide guidance and oversight of both internal and external audit activities. FAA Committee responsibilities include the following duties, based upon standard corporate and governmental practices:

Responsibilities for Internal Audit:

- Review and approve Internal Audit Charter.
- Review Internal Audit risk assessment, plans and budgets.
- Review and/or approve requests for internal audit projects and significant interim changes to the internal audit plan.
• Monitor internal audit results and follow-up reports on previously reported recommendations and CAPs.
• Conduct an annual performance review and evaluation of the CAE.
• Inform and advise the full BOD on internal audit results and recommendations.

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• Monitor external auditor coverage, activities, and contracts for external audits.
• Monitor financial and regulatory reporting decisions.

BOARD ACCESS TO INTERNAL AUDIT
The FAA Committee shall be the access point for all requests for internal audits. Individual Board members desiring specific audit projects should coordinate requests through this committee for review, approval, and scheduling.

INTERNAL AUDITOR ACCESS TO THE BOARD
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The CAE will have direct access to the BOD and/or the FAA Committee about issues or concerns. The intent of this provision is to emphasize the independence of internal auditing and provide the CAE with direct access to the BOD should serious matters arise which are beyond the course of normal operations.

INTERNAL AUDIT SERVICES PLAN
The CAE shall present for approval to the BOD, a risk-based audit plan which documents the priorities of the internal audit function and is consistent with the Authority’s strategic goals and objectives. A risk/opportunity assessment shall be used to identify and justify internal audit resources, audit priority, and scheduling of audit projects. Audit planning will consider the risk of fraud and abuse.

The Internal Audit Services Plan will be reviewed at least annually and proposed plan revisions will be presented to the FAA Committee which has the authority to approve plan modifications. The intent is to provide flexibility to ensure that the most significant risks and opportunities can be addressed in a timely fashion.

CAE APPOINTMENT, EVALUATION & REMOVAL
The BOD shall appoint a qualified, professionally certified individual to perform internal auditing services for a term of five years. The BOD will be responsible for conducting an annual personnel evaluation of the CAE. However, the BOD may delegate this responsibility to the FAA Committee. The BOD may remove the CAE only on the affirmative vote of at least three-fourths of the members of the BOD.

EFFECTIVE DATE
This charter and the policies therein became effective immediately upon adoption by the Board of Directors of the Capital Metropolitan Transportation Authority.

History:
## Internal Audit Charter

| Approved by FAA Committee: | Last Approved: 112/2820/20232  
|---------------------------|---------------------------|
|                           | CMTA Resolution #:  
|                           | AI-20232-1003651         |

### INTERNAL AUDITOR MISSION

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

### ROLE

Internal Audit assists the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal auditors have no direct responsibilities or any authority over any of the activities or operations they review. They should not develop and install procedures, prepare records, or engage in activities which would normally be reviewed by internal auditors. This does not preclude internal auditors from serving in an advisory capacity in the implementation of improvements or the establishment or re-designing of activities, policies, procedures, or information systems. Additionally, this restriction shall not prevent internal auditors from performing analysis and recommending alternative courses of action to management.

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### PROFESSIONAL STANDARDS

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6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
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ASSURANCE SERVICES

Assurance services provide an objective evaluation of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.

These activities may include:

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- Assessing management's actions taken in response to reported audit findings.
- Reviewing and evaluating the organization’s governance processes.
- Reviewing and evaluating the organization’s risk management processes.
- Receiving and investigating allegations of fraud, waste and abuse.
- Reporting periodically on the Internal Audit activity’s purpose, authority, responsibility, and performance relative to its plan.

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Consulting services include advisory and related client service activities, the nature and scope of which are agreed with the client and are intended to add value and improve the Authority’s governance, risk management, and control processes.

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QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

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CONTINUING PROFESSIONAL DEVELOPMENT

Each fiscal year, the Internal Audit Department will be allocated a budget for training and educational materials to comply with internal auditing professional standards and ensure current audit techniques, policies, and practices.

INTERNAL AUDIT RESULTS

Audit results are reported to the FAA Committee and President / CEO at the conclusion of each audit project and may include management’s responses and corrective action plans (CAPs). The FAA Committee accepts audit reports/results and, when appropriate, authorizes their distribution.

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INTERNAL AUDIT FOLLOW-UP

The CAE shall monitor the disposition of CAPs. Audit follow-ups shall verify the resolution status of all significant recommendations resulting from past internal audits. The CAE shall report, at least annually, on implementation status to the FAA Committee.

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CAE APPOINTMENT, EVALUATION & REMOVAL

The BOD shall appoint a qualified, professionally certified individual to perform internal auditing services for a term of five years. The BOD will be responsible for conducting an annual personnel evaluation of the CAE. However, the BOD may delegate this responsibility to the FAA Committee. The BOD may remove the CAE only on the affirmative vote of at least three-fourths of the members of the BOD.

EFFECTIVE DATE

This charter and the policies therein became effective immediately upon adoption by the Board of Directors of the Capital Metropolitan Transportation Authority.

History:
See most recent FAA Committee approvals at: CMTA Resolution # AI-2018-707, dated September 17, 2018
CMTA 2015-56, dated June 22, 2015
INTERNAL AUDIT MISSION

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ROLE

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EFFECTIVE DATE

This charter and the policies therein became effective immediately upon adoption by the Board of Directors of the Capital Metropolitan Transportation Authority.
SUBJECT:
Approval of a resolution approving of the Fiscal Year 2023 performance review for Terry Follmer, Vice President of Internal Audit.

FISCAL IMPACT:
Funding for this action is available in the FY2024 Operating Budget

STRATEGIC PLAN:

Strategic Goal Alignment:
☐ 1. Internal/External Customer Service Excellence   ☒ 2. Stakeholder Engagement

Strategic Objectives:
☐ 1.1 Safety & Risk   ☐ 1.2 Continuous improvement   ☐ 1.3 Dynamic Change
☐ 1.4 Culture of Innovation   ☒ 2.1 Be an Employer of Choice   ☒ 2.2 Organization Development
☐ 2.3 Organization Culture   ☐ 3.1 Resource optimization   ☐ 3.2 Safety Culture
☐ 3.3 Environmental Leadership   ☐ 4.1 Educate & Call to Action   ☐ 4.2 Build Partnerships
☐ 4.3 Value of Transit   ☐ 4.4 Project Connect

EXPLANATION OF STRATEGIC ALIGNMENT: As a leader in the organization, the performance review is used for improving the organizational development of the Internal Audit department and the Vice President of Internal Audit.

BUSINESS CASE: Completion of performance reviews at least annually is important in order to provide feedback on completion of annual goals, input for improvement opportunities, and to support merit pay adjustments.

COMMITTEE RECOMMENDATION: Does not apply.

EXECUTIVE SUMMARY: By statute, Capital Metro’s Vice President of Internal Audit reports directly to the Board
of Directors. The Board has delegated development of the performance plan and the performance review process for the Vice President of Internal Audit to the Finance, Audit, and Administration Committee.

The Committee’s review of the performance of the Vice President of Internal Audit for Fiscal Year 2023 has resulted in a performance rating of __________.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: People and Culture
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

AI-2023-998

WHEREAS, the Vice President of Internal Audit reports to the Board of Directors; and

WHEREAS, the annual review of the Vice President of Internal Audit’s performance has been delegated by the Board to the Finance, Audit, and Administration Committee.

NOW, THEREFORE, BE IT RESOLVED that the Fiscal Year 2023 performance review for Terry Follmer, Vice President of Internal Audit, has resulted in a performance rating of __________.

____________________________________________
Date: __________________________

Secretary of the Board
Becki Ross
CapMetro Retirement Plan 2022 Audits and Valuations
Employee Retirement Plan Update
Board Finance, Audit & Administration Committee

November 8, 2023
Agenda

• Pension Plan Summary
• Valuation Report on Closed Bargaining Employee Pension Plan
  • AON
• Valuation Report on CapMetro Pension Plan for Administrative Employees
  • USI Consulting Group
• 2022 Audit Report on CapMetro 401K and Pension Plan
  • RSM US
• 2022 Audit Report on Bargaining Employee Pension Plan
  • Harper & Pearson Company
# Pension Plan Status Summaries

<table>
<thead>
<tr>
<th></th>
<th>Pension Plan for Administrative Employees of Capital Metro</th>
<th>Pension Plan for Bargaining Employees of StarTran, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year Created</strong></td>
<td>2005</td>
<td>CapMetro assumed sponsorship in 2004</td>
</tr>
<tr>
<td><strong>Active Participants</strong></td>
<td>498</td>
<td>113</td>
</tr>
<tr>
<td><strong>Retirees Receiving Benefits</strong></td>
<td>163</td>
<td>573</td>
</tr>
<tr>
<td><strong>Assumed Annual Rate of Return</strong></td>
<td>6.75%</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>Return on Market Value of Assets</strong></td>
<td>-14%</td>
<td>-19%</td>
</tr>
<tr>
<td><strong>Total Liability as of 1/1/23</strong></td>
<td>$63,497,267</td>
<td>$62,989,803</td>
</tr>
<tr>
<td><strong>Total Assets as of 1/1/23</strong></td>
<td>$53,512,742</td>
<td>$39,904,358</td>
</tr>
<tr>
<td><strong>Funded Percentage as of 1/1/23</strong></td>
<td>84.3%</td>
<td>63.3%</td>
</tr>
<tr>
<td><strong>Annual Contribution</strong></td>
<td>$4,976,280</td>
<td>$4,000,000</td>
</tr>
</tbody>
</table>

**NOTE:** All values are actuarial values as of 1/1/23
## Significant Plan Provisions

<table>
<thead>
<tr>
<th></th>
<th>Pension Plan for Administrative Employees of Capital Metro</th>
<th>Pension Plan for Bargaining Employees of StarTran, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status</strong></td>
<td>Active since 2005</td>
<td>Frozen since 2012</td>
</tr>
<tr>
<td><strong>Benefit Formula</strong></td>
<td>1.5% of final average pay times years of service</td>
<td>$60 per month per year of service</td>
</tr>
<tr>
<td><strong>Investment Policy Targets</strong></td>
<td>60% equities/40% fixed income, alternatives and cash</td>
<td>65% equities/35% fixed income and real estate</td>
</tr>
<tr>
<td><strong>Funding Policy</strong></td>
<td>100% within 20 years</td>
<td>100% or more by 2040</td>
</tr>
<tr>
<td><strong>Administrative Committee</strong></td>
<td>5 CapMetro members (retiree, accounting, benefits, executive, employee representative)</td>
<td>3 ATU members/3 CapMetro representatives (CEO office, Finance, Administration)</td>
</tr>
<tr>
<td><strong>Early Unreduced Retirement</strong></td>
<td>Rule of 80 (age plus years of service = 80) and 62 years old</td>
<td>22.5 years of service and 55 years old</td>
</tr>
<tr>
<td><strong>Disability Benefit</strong></td>
<td>Age 55 and Qualified for SS Disability</td>
<td>15 years of service and Qualified for SS Disability</td>
</tr>
</tbody>
</table>
Retirement Plan for Bargaining Units of StarTran, Inc. (Bargaining Plan)
Executive Summary of 2023 Actuarial Valuation Results

November 8, 2023
### Funding Requirements

#### Funding Ratios

<table>
<thead>
<tr>
<th>Asset Basis</th>
<th>1/1/2022</th>
<th>1/1/2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Value (4 Year Smoothing)</td>
<td>60.00%</td>
<td>63.35%</td>
</tr>
<tr>
<td>Market Value (GASB)</td>
<td>66.82%</td>
<td>53.77%</td>
</tr>
</tbody>
</table>

#### Contributions¹

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially Determined</td>
<td>$2.2</td>
<td>$2.1</td>
</tr>
<tr>
<td>Funding Policy</td>
<td>$4.0</td>
<td>$4.0</td>
</tr>
</tbody>
</table>

### Accounting Requirements

#### Net Liability (GASB 68 Accounting)

<table>
<thead>
<tr>
<th>($ Millions)</th>
<th>12/31/2021</th>
<th>12/31/2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$21.4</td>
<td>$29.1</td>
</tr>
</tbody>
</table>

#### Annual GASB 68 Expense

<table>
<thead>
<tr>
<th>($ Millions)</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$0.2</td>
<td>$2.2</td>
</tr>
</tbody>
</table>

¹Based on funding policy adopted December 17, 2019, the actuarially determined contribution under this policy is the Normal Cost plus the greater of 1) $4 million minus the non-investment administrative expenses incurred during the year, and 2) closed-period 16-year amortization of the Unfunded Actuarial Accrued Liability as of January 1, 2023 with 3% annual increases.
• Market Value of Assets (MVA) and Actuarial Value of Assets (AVA) performed worse than assumed 6.50%. The MVA actual return was -19.0% compared to 6.1% on the AVA. The Actuarial Value of Assets earned a higher return because of smoothing and deferred recognition of the 2022 actuarial losses on the MVA.

• Assumptions:
  • EROA remained at 6.50% consistent with capital market expectations;
  • Discount rates for Funding and GASB also remained at 6.50%, consistent with EROA;
  • Only assumption changes made were updated interest crediting rate and lump sum conversion rate.

• Data
  • $280k liability gain due to experience in 2022

• Funding level:
  • If the plan sponsor contributes $4 million annually per the funding policy and actual plan experience is equal to assumed, the plan would be expected to become fully funded on the actuarially determined contribution basis in 11 years.
  • The $4 million funding policy contribution is significantly higher than the Texas PRB recommended actuarially determined contribution of $2.1 million for 2023.
<table>
<thead>
<tr>
<th></th>
<th>January 1, 2022</th>
<th>January 1, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Participants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>123</td>
<td>113</td>
</tr>
<tr>
<td>Average Age</td>
<td>55.6</td>
<td>56.2</td>
</tr>
<tr>
<td>Average Service</td>
<td>16.0</td>
<td>16.3</td>
</tr>
<tr>
<td>(eligibility service for early</td>
<td></td>
<td></td>
</tr>
<tr>
<td>retirement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account Balances</td>
<td>$1,959,899</td>
<td>$1,658,322</td>
</tr>
<tr>
<td><strong>Inactives With Deferred Benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number¹</td>
<td>286</td>
<td>269</td>
</tr>
<tr>
<td>Average Current Age</td>
<td>57.5</td>
<td>58.1</td>
</tr>
<tr>
<td><strong>Inactives Receiving Payment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number²</td>
<td>562</td>
<td>573</td>
</tr>
<tr>
<td>Average Current Age</td>
<td>69.2</td>
<td>69.5</td>
</tr>
<tr>
<td>Average Monthly Benefit</td>
<td>$700</td>
<td>$695</td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>971</td>
<td>955</td>
</tr>
</tbody>
</table>

¹ As of January 1, 2022, this includes 22 beneficiaries with deferred benefits. As of January 1, 2023, this includes 22 beneficiaries with deferred benefits.

² As of January 1, 2022, this includes 53 beneficiaries receiving payments. As of January 1, 2023, this includes 59 beneficiaries receiving payments.
<table>
<thead>
<tr>
<th>Changes in Market Value of Assets (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2021 Value</td>
</tr>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td>Expenses</td>
</tr>
<tr>
<td>Administrative (non-investment) expenses only</td>
</tr>
<tr>
<td>Contributions</td>
</tr>
<tr>
<td>Return</td>
</tr>
<tr>
<td>12/31/2022 Value</td>
</tr>
</tbody>
</table>
## Demographic Summary

### Participant Counts

<table>
<thead>
<tr>
<th>Category</th>
<th>January 1, 2022</th>
<th>January 1, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>443</td>
<td>498</td>
</tr>
<tr>
<td>Former Employees Entitled to a Future Benefit</td>
<td>279</td>
<td>316</td>
</tr>
<tr>
<td>Retirees and Beneficiaries</td>
<td>143</td>
<td>163</td>
</tr>
<tr>
<td>Total Valuation Participants</td>
<td>865</td>
<td>977</td>
</tr>
</tbody>
</table>

### Valuation Compensation

<table>
<thead>
<tr>
<th>Category</th>
<th>January 1, 2022</th>
<th>January 1, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation Compensation</td>
<td>$38,516,483</td>
<td>$44,096,190</td>
</tr>
</tbody>
</table>
# Actuarial Value of Assets

## Market Value of Assets

<table>
<thead>
<tr>
<th>Plan Year Ending</th>
<th>Gain/(Loss)</th>
<th>Unrecognized Portion</th>
<th>Unrecognized Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$(11,846,416)</td>
<td>80%</td>
<td>$(9,477,133)</td>
</tr>
<tr>
<td>2021</td>
<td>$2,669,398</td>
<td>60%</td>
<td>1,601,639</td>
</tr>
<tr>
<td>2020</td>
<td>3,310,159</td>
<td>40%</td>
<td>1,324,064</td>
</tr>
<tr>
<td>2019</td>
<td>4,127,954</td>
<td>20%</td>
<td>825,591</td>
</tr>
<tr>
<td><strong>Total Deferral</strong></td>
<td></td>
<td></td>
<td><strong>$(5,725,839)</strong></td>
</tr>
</tbody>
</table>

## Actuarial Value of Assets

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial Value</strong></td>
<td><strong>$53,512,742</strong></td>
</tr>
</tbody>
</table>

- Total Deferral: $$(5,725,839)$$
## Contribution Determination

<table>
<thead>
<tr>
<th></th>
<th>January 1, 2022</th>
<th>January 1, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability</td>
<td>$55,619,926</td>
<td>$63,497,267</td>
</tr>
<tr>
<td>Actuarial Value of Assets</td>
<td>(48,372,024)</td>
<td>(53,512,742)</td>
</tr>
<tr>
<td>Unfunded Actuarial Liability</td>
<td>$7,247,902</td>
<td>$9,984,525</td>
</tr>
</tbody>
</table>

## Contribution Determination

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Cost</td>
<td>$3,142,945</td>
</tr>
<tr>
<td>Amortization</td>
<td>533,405</td>
</tr>
<tr>
<td>Interest</td>
<td>248,154</td>
</tr>
<tr>
<td>Provision for Administrative Expenses</td>
<td></td>
</tr>
<tr>
<td>Annual Contribution</td>
<td>$3,924,504</td>
</tr>
<tr>
<td>Percent of Valuation Compensation</td>
<td>10.2%</td>
</tr>
</tbody>
</table>
Historical Plan Liability, Assets, and Funding Percentage
Historic Return on Assets

-20.00%
-15.00%
-10.00%
-5.00%
0.00%
5.00%
10.00%
15.00%
20.00%
25.00%

2019 2020 2021 2022 2023

Market Value of Assets
Actuarial Value of Assets
## Accounting Summary

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2021</th>
<th>December 31, 2022</th>
<th>December 31, 2023 Est.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Rate</td>
<td>6.16%</td>
<td>6.75%</td>
<td></td>
</tr>
<tr>
<td>Total Pension Liability</td>
<td>$62,470,000</td>
<td>$65,990,000</td>
<td></td>
</tr>
<tr>
<td>Net Fiduciary Position</td>
<td>(53,340,000)</td>
<td>(47,790,000)</td>
<td></td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$9,130,000</td>
<td>$18,200,000</td>
<td></td>
</tr>
<tr>
<td>Pension Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>$3,720,000</td>
<td>$4,300,000</td>
<td>$4,600,000</td>
</tr>
<tr>
<td>Interest Cost</td>
<td>3,450,000</td>
<td>3,790,000</td>
<td>3,830,000</td>
</tr>
<tr>
<td>Expected Asset Return and Expenses</td>
<td>(3,130,000)</td>
<td>(3,570,000)</td>
<td>(3,210,000)</td>
</tr>
<tr>
<td>Net Deferred (Inflows)/Outflows</td>
<td>(1,520,000)</td>
<td>750,000</td>
<td>(940,000)</td>
</tr>
<tr>
<td>Pension Expense</td>
<td>$2,520,000</td>
<td>$5,270,000</td>
<td>$4,280,000</td>
</tr>
</tbody>
</table>
Discount Rates and Future Compensation Increases
- Funding – 6.75% and 4.00% for 2023, 7.00% for 2024, and 4.00% thereafter
- Accounting – 6.75% and 4.00% for 2023, 7.00% for 2024, and 4.00% thereafter

Mortality
- Funding – ERISA prescribed rates for single employer plans
- Accounting – Pri-2012 white collar with improvement scale 2021

Retirement Rates
- Age 60-61: 5%
- Age 62-64: 10%
- Age 65: 50%
- Age 66-69: 15%
- Age 70: 100%

No Disability Rates Assumed
Valuation Assumptions (cont’d)

- Turnover Rates
  - <1 Year of service: 17%
  - 1 Year of service: 14%
  - 2 years of service: 12%
  - 3 Years of service: 9%
  - 4 Years of service: 6%
  - 5+ Years of service: 6% below age 35 falling to 4% age 50

- Funding Method is Entry Age Normal Level % of Salary

- All other assumptions and methods used in this presentation for funding and GASB Accounting will be available in Appendix B of our 2023 valuation report.
Click to edit Master title style

CAPITAL METRO TRANSPORTATION AUTHORITY RETIREMENT PLANS

FY 2022 AUDIT RESULTS
Report to the Finance, Audit and Administration Committee
November 11, 2023
To the Members of the Capital Metro Finance, Audit and Administration Committee

We are pleased to present this report related to our audits of the financial statements of Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees and the Savings and Retirement Plan (the Plans) as of and for the year ended December 31, 2022. Our report shares the results of our audit work as required by professional standards, which we believe will help you in executing your oversight responsibility for the Plans’ financial reporting process.

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Plans and Capital Metropolitan Transportation Authority (Capital Metro).

This report is intended solely for the information and use of the Board of Directors; the Finance, Audit and Administration Committee; and management, and is not intended to be, and should not be, used by anyone other than these specified parties.
Agenda

EXECUTIVE SUMMARY

REQUIRED COMMUNICATIONS

- ACCOUNTING POLICIES AND PRACTICES
- SIGNIFICANT ACCOUNTING ESTIMATES
- AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS
- OBSERVATIONS ON THE AUDIT PROCESS
Audit Status
The 2022 audits are completed.
We issued unmodified opinions on the financial statements of the Plans.

Audit Overview
The financial statement audit includes the results of both the Defined Contribution (401k) and Defined Benefit Plan (Pension).

Significant Changes to the Planned Audit Strategy
There were no significant changes to the planned audit strategy as communicated to the Finance, Audit and Administration Committee in our report.

Significant Risks
We did not identify other significant risks subsequent to those we communicated to you in our reports dated June 29, 2023.

Audit Adjustments or Uncorrected Misstatements
During our audits, we did not identify audit adjustments or uncorrected misstatements.

Deficiencies in Internal Control
We did not identify any material weaknesses or significant deficiencies required to be reported.
The following required communications summarize our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### Accounting Policies and Practices

The Plans did not adopt any significant new accounting policies nor change any significant accounting policies during the current period.

#### Matter to Report

<table>
<thead>
<tr>
<th>Matter to Report</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to the planned scope and timing of the audit</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>We have issued a separate communication dated June 29, 2023, regarding the planned scope and timing of our audit and identified significant risks.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting policies and practices</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Preferability of accounting policies and practices</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Under accounting principles generally accepted in the United States of America, management may select among alternative accounting practices in certain circumstances. In our view, in such circumstances, management has selected the preferable accounting practice.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adoption of, or change in, accounting policies</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Plans. The Plans did not adopt any significant new accounting policies nor change any significant accounting policies during the current period.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant accounting policies</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant unusual transactions</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>We did not identify any significant unusual transactions.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
REQUIRED COMMUNICATIONS

Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses its knowledge and experience about past and current events and certain assumptions about future events.

Valuation of investments

Accounting policy

Except for the Lincoln Stable Value Fund, a group fixed annuity contract valued at amortized cost, the investments of the Plans are valued at fair value based on quoted market prices.

Management’s estimation process

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investments in mutual funds are reported at fair value based on the quoted price per share of the fund. The Lincoln Stable Value Fund is reported at amortized cost.

Basis for our conclusion on the reasonableness of the estimate

We tested the fair value of the investments and concluded that the valuation methods and estimates are reasonable.
Significant Accounting Estimates (Continued)

<table>
<thead>
<tr>
<th>Net pension liability assumptions</th>
</tr>
</thead>
</table>

**Accounting policy**

Capital Metro contributes to the Capital Metro Retirement Plan for Administrative Employees (DB Plan), a single-employer employee retirement plan. As the Plan Sponsor, Capital Metro measures the pension expense and net pension asset/liability based on approved demographic and economic assumptions. The DB Plan disclosed the net pension liability in Note 4 to the financial statements.

**Management’s estimation process**

The pension liability was measured as of December 31, 2022. This calculation is prepared by an independent actuarial company engaged by Capital Metro, and Capital Metro’s management reviewed and considered the appropriateness of the assumptions.

**Basis for our conclusion on the reasonableness of the estimate**

We obtained the DB Plan’s actuarial valuation report, and we confirmed that the reported balances agreed with the actuarial report. We tested the significant assumptions and conclusions for reasonableness and tested the underlying data for completeness and accuracy. We concluded the estimates used by management are reasonable.
There were no audit adjustments made to the final trial balance presented to us as part of our audits.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
## Observations About the Audit Process

<table>
<thead>
<tr>
<th>Matter to Report</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Observations about the audit process</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant issues discussed with</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagreements with management</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant difficulties encountered in</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>performing the audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultations with other accountants</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficult or contentious matters that</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>required consultation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- No significant issues arising from the audits were discussed or the subject of correspondence with management.
- There were no disagreements with management.
- We did not encounter any significant difficulties in dealing with management during the audits.
- We are not aware of any consultations management had with other accountants about accounting or auditing matters.
- We did not encounter any significant and difficult or contentious matters that required consultation outside our engagement team.
Joel Perez
Partner
Audit Services
joel.perez@rsmus.com

Tino Robledo
Senior Director
Audit Services
tino.robledo@rsmus.com

Heath Jackson
Senior Manager
Audit Services
heath.jackson@rsmus.com
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES OF STRATRAN, INC.

REPORT TO THE MEMBERS OF THE FINANCE AUDIT AND ADMINISTRATION COMMITTEE OF THE BOARD OF DIRECTORS

Retirement Plan Audit for the year ended December 31, 2022

October 23, 2023
We conducted our audit in accordance with auditing standards generally accepted in the United States.

The Plan’s Trustees are responsible for the preparation and fair presentation of financial statements to conform with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion.
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit finds, and certain internal control related matters that we identified during our audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis and the schedules of changes in the Plan's net pension liability, employer's contribution and investment returns be presented to supplement the financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.
## Significant Estimates

<table>
<thead>
<tr>
<th>Significant Estimates</th>
<th>Basis for Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Pension Liability</td>
<td>The Plan has an actuarial valuation performed annually for funding and financial reporting purposes in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, <em>Financial Reporting for Pension Plans, and Amendment of GASB Statement No. 27</em></td>
</tr>
<tr>
<td>Fair Value of Investments</td>
<td>Money market funds, common stocks and mutual funds are valued at the net asset value of the shares held by the Plan at year end and/or quoted market prices. Government securities and corporate bonds are valued using quotes from independent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates, where applicable. There are no significant transfers in and/or out of the fair value categories during 2022.</td>
</tr>
</tbody>
</table>
The Plan’s financial statement audit results:

• Opinion on the financial statements: **Unmodified**

• The financial statements present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2022, and the changes in fiduciary net position for the year in conformity with accounting principles generally accepted in the United States.

• **Reportable deficiencies** on internal control were noted and communicated to the Board of Trustees and management.
Questions and Answers

Thank you for your time and attention.

Kevin Bienvenu, CPA
Finance, Audit and Administration Committee
AI-2023-1004

**Agenda Date:** 11/8/2023

Internal Audit FY2024 Audit Plan Status
# FY24 INTERNAL AUDIT PLAN

## Department Scorecard

<table>
<thead>
<tr>
<th>Projects</th>
<th>Status &amp; % Complete</th>
<th>Additional Details</th>
</tr>
</thead>
</table>

### FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE

1. Finance, Audit & Administration (FAA) Committee Meetings: 10/11; 11/8; 12/4; etc.
2. Semi-annual Implementation Status Report - November 2023
4. FY2024 Risk Assessment & development of FY25 Audit Plan

### FY24 Audit Assurance & Advisory Projects

1. CapMetro/ATP Billing Processes
2. Payroll Pass Through Controls - New Contract in Bus with Keolis
3. Hexagon (Infor) Enterprise Asset Mgt System - post go live review
4. Paratransit & Demand Response Operations
5. FastPath - Analyze Oracle segregation of duties
6. MV Contract - Payroll Pass Through Charges
7. Miscellaneous Revenue Controls
8. GRC - automate Incidents/Accidents Reporting (Bus, Rail, DR)
9. GHG & Carbon Footprint Reporting
10. Sales Taxes - Revenue Controls
11. Investment Income - Revenue Controls
12. Watco Freight Revenue - Revenue Controls
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
21. Annual Cybersecurity Review (Mandiant)
22. Quadrennial Performance Audit - Selection Process but FY25 Budget/Execution

### CONTINGENT AUDIT PROJECTS - FY24

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

### NEW PROJECTS ADDED TO FY24 AUDIT PLAN by Terry Follmer

1.  
2.  

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