Scope

This report reflects the status, as of November 2013, of outstanding corrective action plans (CAP’s) resulting from internal audits.

Status highlights

Internal Audit tracked 12 audits during the Fall 2013 status cycle which included a total of 148 individual CAP’s of which 111 (75.0%) are now either fully implemented or substantially complete. The timeliness of implementing CAPs on schedule continues to rise sharply over the last twelve months, from 44.5% to 62.3%, to the highest aggregate mark since tracking began in Fall 2009. Two of the 12 audits are now fully implemented or otherwise complete and have been closed.

CAP implementation updates are listed in chronological order by date of audit report issuance. The status highlights were selected based upon the auditor’s professional judgment and do not represent every change within the last six months. The report’s Appendix provides a detailed summary of the implementation status of all CAP’s.

To facilitate a review of this report, status coding is as follows:

- Red: Significant delays or conditions which impede implementation of planned corrective actions.
- Yellow: Moderate delays or conditions exist which slow implementation of corrective actions.
- Green: Implementation of corrective actions is complete or progressing on schedule.
- Blue: Delayed recommendation is now getting “back on track.”

Revenue Collections & Controls Audit

REPORT #10-08, JANUARY 12, 2011

Mystery Rider Program Implemented: A mystery rider protocol has been established which evaluates quarterly each contractor’s operators’ compliance with “fare collection” requirements. Overall FY2013 mystery rider results reflect a 95% “good” rating for revenue fare collection compliance.

This audit is now closed.

IT Governance Audit

REPORT #11-07, APRIL 13, 2011

Board Operations Committee Charter expanded to address IT governance: In June 2013, the Operations Committee Charter was updated to formally recognize the Committee’s responsibilities for overseeing IT governance, e.g., ensuring that IT systems and structures help promote and sustain the Authority’s strategic objectives.

Progress in formalizing IT processes continues and remains on track to meet the revised target date of September 2014.
Property Management & Space Planning Audit
REPORT #11-06, JULY 13, 2011

Right-of-way Business Plan to be finalized in FY2014: The ROW Business Plan is intended to “establish more effective controls over use of and activity within the railroad right-of-way as well as to capture the [related] revenue.” The plan will be used to set and attain ROW revenue goals, gain agreement on business processes involving partner departments (e.g. Rail, Real Estate, Finance, Legal), and determine funding, staffing, and other resource needs.

The plan, originally scheduled to be completed in May 2012, has been deferred until June 2014. Transit Oriented Development (TOD) and MAP-21 Transit Asset Management priorities have, instead, taken precedence.

Operating Budget Management Audit
REPORT #12-04, APRIL 12, 2012

Financial Performance Benchmarking: Reporting and benchmarking financial KPIs will begin after a new cost allocation model has been implemented. The current allocation model is outdated; a new allocation model that reflects Capital Metro’s current business model is being developed and should be in place by March 31, 2014.

Financial Transparency: The Authority’s detailed long-range financial projections, as well as supporting assumptions, were incorporated as part of the approved FY2014 operating and capital budget. The 2012 Annual Report to the Community, which was recently released in October 2013, provides complementary financial information in a summarized fashion.

Herzog Contract Management Audit
REPORT #12-02, APRIL 12, 2012

Rail Contract Monitoring Program in place but has gaps in coverage and use due to staff vacancies: The Quality Assurance Surveillance Program (QASP) was developed to direct and document rail contractor monitoring activities. Technical problems with the QASP, identified at time of the Spring 2013 update, have since been corrected. However, during a period of high staff turnover (two of eight total FTE’s remain vacant), updates to the QASP to evidence ongoing monitoring activities have fallen behind. The “Project Manager, Rail Maintenance of Way and Mechanical” position will be filled in February 2014. This key position is responsible for management oversight of maintenance of way and passenger rail equipment contractors and tasked with updating and refining the QASP. Plans to consolidate other contract plans and references into the QASP by September 2013 have been delayed until staffing vacancies are filled and a new target date can be set.

Quality Control Plan to be implemented by incoming Herzog General Manager: The Rail Department staff will work with the newly hired Herzog general manager to finalize and implement a Quality Control Plan, a required contract deliverable which is also the last remaining corrective action plan item from the audit. The contractor’s Quality Control Plan documents the contractor’s procedures for reviewing preventive maintenance inspections. It should be noted, however, that maintenance quality assurance responsibilities performed by the BPS Quality Assurance staff beginning in November 2012 (testing PMI timeliness, work order quality, and fuel, service, and process audits) have yielded acceptable contractor performance results.
MetroAccess Eligibility Audit

REPORT #12-08, AUGUST 14, 2012

**Applicant reservations goal achieved:** The MetroAccess Eligibility staff are now meeting the target goal to schedule applicants within 14 calendar days. This standard exceeds the ADA requirement to communicate eligibility decisions within 21 days of receiving a completed application. This goal has been met consistently for the previous seven months and reporting to the Board on this performance metric will continue in perpetuity.

**Customer satisfaction surveys implemented:** New customer satisfaction surveys began in December 2013 using telephone interviews conducted by an independent third party. In the initial survey, 20 respondents rated an average of 9.1 on a 10-point scale for satisfaction with the service received during their eligibility visit.

**Reservation agents review trips requested for compliance with verifiable conditions.** The reservation agents consistently use scripted instructions to prompt each conditionally eligible client to state how the requested trip complies with their assessed conditions. The reservations agent, when able, verifies the condition’s applicability before scheduling the trip. By contrast, “honor system” conditions, such as the presence of hilly terrain or missing sidewalks, cannot be verified currently but will be considered when pathway assessments are planned to begin in FY 2015.

Risk Management Audit

REPORT #12-07, JANUARY 15, 2013

**Vehicle Inventory Reconciled:** The Finance Department supplied Risk Management a reconciled list of vehicles which was then submitted to Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for purposes of obtaining accurate and complete vehicle insurance coverage.

**Accident Definition & Reporting Criteria Policy formalized:** Most significantly, the new policy requires National Safety Council standards be used when determining accident preventability and includes standard definitions of accidents/incidents across providers and modes. Additionally, for bus and paratransit contractors that have a performance metric tied to accident preventability rulings, the BPS contract project managers perform monthly audits to validate the rulings comply with the NSC standards.

**Accident Data Quality Reviews and Trend Analysis Implemented:** Data quality reviews and trend analysis are performed using the existing accident database. Funding for a new Risk Management Information System (RMIS) has been budgeted in FY2014; a new RMIS system should improve the Authority’s ability to perform trend analysis.

Fuel Controls Audit

REPORT #13-03, MAY 14, 2013

**Revised fuel reconciliations show smaller variances; purchase of additional fuel monitoring equipment no longer necessary:** Revised fuel delivery reconciliations for McDonald, MV, and Veolia now show smaller, acceptable variances than what was previously noted during the internal audit. Based upon this, it was not necessary to purchased additional fuel measurement equipment for these locations.

**Minimum requirements for contractors’ fuel plans not formalized and communicated:** Evidence of standardizing and communicating the minimum requirements for contractors’ Fuel Plans has not been provided to Internal Audit. When reviewing First Transit’s fuel reconciliations, Internal Audit was unable to verify key data used in the reconciliations and also noted that the diesel fuel reconciliations, a contractor responsibility, have fallen behind by two months. Unleaded fuel reconciliations are either not performed or not documented. These are examples of performance standards that should be emphasized. First Transit has replaced its Sr. Director of Maintenance in August 2013 and is launching the new MetroRapid service, which could have impacted their performance.
Transit Store Audit

REPORT #13-03, SEPTEMBER 10, 2013

Transit Store responsibilities streamlined and reassigned: The Transit Store Supervisor now performs revenue reconciliations as well as processes bank deposits. The physical transport of cash and checks has also been streamlined; a security officer now picks up a locked/counted deposit bag and takes it to the Treasury for processing along with other revenues. Both Internal Audit and the Controller worked with the Transit Store staff and concur with the reassignment of responsibilities as they improve practices used prior to the hiring of the Transit Store Supervisor.

Transition to QuickBooks 2013: The transition to QuickBooks 2013 is complete including the integrated credit card readers.

This audit is now closed.

Facilities Maintenance & Oversight Audit

REPORT #13-08, SEPTEMBER 10, 2013

MAP-21 Transit Asset Management & “State of Good Repair”: A task order to perform a needs assessment to identify the requirements and the steps necessary comply MAP-21 was executed on November 4, 2013. While the contractor’s scope does not currently include a business process review, the planned deliverables can be used to set the groundwork moving forward.

The remaining corrective action plans are due and will be evaluated during the next status reporting cycle in May 2014.

Why status updates are important

United States General Accountability Office (GAO) standards specify that management is responsible for “addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations.” Internal auditors are required to follow-up to determine whether appropriate corrective actions have been taken.

Closing

Internal Audit is grateful to Capital Metro management and staff who have worked to implement improvements in controls and processes. Their cooperation and assistance is instrumental to the success of the Authority.

Signature

Caroline M. Beyer, CPA, CISA, CRMA
VP, Internal Audit

cc: Capital Metro Board of Directors
    Linda Watson, President / CEO
    Elaine Timbes, Deputy Chief Executive Officer and Chief Operating Officer
    Donna Simmons, Interim Chief Financial Officer
    Kerri Butcher, Chief Counsel
    Gerardo Castillo, Senior VP, Chief of Staff
    Capital Metro Leadership Team

2 GAO-12-331G Government Auditing Standards, 2011 Revision, Section 7.05.
## Appendix: Implementation Status Detail

<table>
<thead>
<tr>
<th>Report Date</th>
<th>Project Name</th>
<th>Implementation Status</th>
<th>Timely</th>
</tr>
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<tbody>
<tr>
<td>3/22/10</td>
<td>Capital Planning &amp; Management Perform. Audit</td>
<td>Complete 12 Substantially Complete 1 In Process 0 Closed / WD 1 Not Implem. 0 Not Due 0</td>
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<td>1/12/11</td>
<td>Revenue Collections &amp; Controls Audit – Audit Closed</td>
<td>24 0 0 6 0 0</td>
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<td>17 0 3 0 0 1</td>
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<tr>
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<td>9/14/11</td>
<td>First Transit Contract Audit</td>
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<td>4/12/12</td>
<td>Herzog Contract Audit</td>
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<td>4/12/12</td>
<td>Operating Budget Audit</td>
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<tr>
<td>9/10/13</td>
<td>Transit Store Audit</td>
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<td>100%</td>
</tr>
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</table>

| TOTALS | Current Update November 2013 | Quantity | 107 | 4 | 11 | 9 | 3 | 14 | 62.6% |
|        |                             | Percentage | 72.3% | 2.7% | 7.4% | 6.1% | 2.0% | 9.5% |

| TOTALS | Previous Update May 2013 | Quantity | 105 | 7 | 7 | 11 | 2 | 14 | 58.7% |
|        |                         | Percentage | 71.9% | 4.8% | 4.8% | 7.5% | 1.4% | 9.6% |

### Action item status categories:

- **Complete**: Intent of the corrective action plan item has been met and no further corrective action is required. In some instances, Internal Audit monitors to ensure continuity.

- **Substantially Complete**: Greater degree of progress towards completion than "In Process" and may not require further steps beyond continued performance, monitoring, and/or experience with the actions.

- **Closed / WD**: Open corrective action plan item was withdrawn or otherwise closed without implementation because the reported condition or risk no longer exists.

- **In Process**: Some progress towards implementation of corrective action plan has been made but additional actions are required before intent is met.

- **Not Implem.**: No measurable progress towards implementation of corrective action plan (excludes action plan items for which the target date has not yet been reached).

- **Not Due**: The original CAP implementation date has not been reached and/or other conditions needed to assess implementation status have not occurred.

- **Timely**: This represents the relative percentage of all corrective action plans for which intent was met by the stated target date. The total figure represents a weighted average for all applicable updates.