Scope

This report reflects the status, as of November 2014, of outstanding corrective action plans (CAP’s) resulting from internal audits.

Status highlights

Internal Audit tracked 12 audits during the Fall 2014 status cycle which included a total of 108 individual CAP’s of which 83 (74.1%) are fully implemented or substantially complete. The timeliness of implementing CAP’s on schedule has fallen slightly, from 62.3% to 59.3%. This is attributed to two audits (both over 90% timely) which were closed in a previous cycle and no longer included in current calculations, as well as delays caused by staffing vacancies. Six 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:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>■</td>
<td>Significant delays or conditions which impede implementation of planned corrective actions.</td>
</tr>
<tr>
<td>▲</td>
<td>Moderate delays or conditions exist which slow implementation of corrective actions.</td>
</tr>
<tr>
<td>●</td>
<td>Implementation of corrective actions is complete or progressing on schedule.</td>
</tr>
<tr>
<td>♦</td>
<td>Delayed recommendation is now getting “back on track.”</td>
</tr>
</tbody>
</table>

IT Governance Audit

REPORT #11-07 APRIL 13, 2011

IT Key Performance Measures: Improving both the monitoring and reporting of IT Metrics is a part of the IT Department’s Strategic Plan and Objectives. In July 2014, the CIO provided the Operations Committee with its first update on IT metrics for customer facing systems. While not all planned measures have been formalized, significant progress has been made and the next Committee update is planned for February 2015.

IT Department Processes: Developing and refining technology procedures are part of the Chief Information Officer’s “continuous improvement” approach. While substantial progress has been made, previous target dates for formalizing all key IT processes have not been met (March 2012, June 2012 and most recently, September 2014.) Disaster recovery and business continuity procedures, two high risk areas, have not yet been formalized.

Periodic reviews of IT Governance are required by professional auditing standards. A second IT Governance audit is included in the approved FY2015-FY2016 Audit Services Plan and will revisit any unaddressed areas from this review. As such, this audit is now closed.

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1 Five audits had only inconsequential implementation progress and are have not been highlighted in this semi-annual report: Property Management & Space Planning Audit (Report #11-06), First Transit Contract Audit (Report #11-12), Operating Budget Management Audit (Report #12-04), Risk Management Audit (Report #12-07), and Fuel Controls Audit (Report #13-03).
Herzog Contract Management Audit

**REPORT #12-02, APRIL 12, 2012**

**Rail contract monitoring tool continues to be refined:** The Quality Assurance Surveillance Program (QASP) is used by the Rail Department staff to manage contractor monitoring activities. The QASP continues to be refined and will serve as a starting point for monitoring compliance for the new rail services contract that will be awarded in FY2015. This action plan is complete.

**Quality Control Plan not finalized:** Herzog was required to submit a Quality Control (QC) plan to outline the contractor’s work programs to ensure quality service. However, the Rail Department has not accepted the draft plan as it lacks sufficient detail. The next contract RFP being procured in FY2015 requires a similar plan be delivered within 120 days of notice to proceed. As such, this current action plan item will be closed without full implementation, and this audit is now closed.

Facilities Maintenance & Oversight Audit

**REPORT #13-08, OCTOBER 15, 2013**

**Tracking facilities compliance requirements:** A risk-prioritized list of facility related regulatory and compliance requirements and associated monitoring responsibilities has been developed for the 2910, North Operations, 624 and Thompson Lane facilities. Formalizing oversight will help assure continuity of compliance / operations over time.

**MAP-21 Transit Asset Management (TAM) & State of Good Repair (SOGR):** The VP, Property & Asset Management was hired in November 2014 and is now responsible for overseeing the development, implementation and ongoing management of the asset management and state of good repair programs for agency facilities. (Oversight of vehicle and rail assets remains with the BPS and Rail Departments, respectively.)

Originally, Operations planned on using Microsoft Dynamics ERP system to manage “transit assets.” However, it has been since determined that this solution will not work. Instead, TAM requirements will be addressed in a future standalone project. A board committee update on TAM activities is planned for March 2015.

Because the original audit CAP was intended to facilitate the future implementation of the Dynamics AX asset management functions, the purpose of the CAP is past and this item will be closed.

All other CAPs have been implemented, and this audit is now closed.

Vehicle Maintenance & Oversight Audit

**REPORT #13-14, MARCH 19, 2014**

**Staffing vacancy delays implementation of some CAP’s:** Implementation of five CAPs has been delayed as a result of a key position which has been vacant since May 2014. The Bus & Paratransit Services management has revised timelines to complete implementation of these CAPs by June 2015.

Bus and Paratransit Services Contractor Payment Audit

**REPORT #14-01, MARCH 19, 2014**

**Performance metric methodologies and data sources:** Contractor invoice records are now documented in a systematic manner and the correct data sources are used to calculate contractual incentives and disincentives.

This audit is now closed.

Rail Capital Projects Audit

**REPORT #14-04, JULY 16, 2014**

**Justification for rail capital spending:** Business cases for proposed rail capital projects were prepared and approved in accordance with the CIP Policy. The majority of rail capital projects approved for FY2015 were for “State of Good Repair.” Moving forward, opportunities exist to refine proposed project performance metrics which generally do not specify a means to measure and validate actual results.
Rail materials being correctly categorized among capital and operating expenses: In evaluating $129,067 of rail materials expended during May through December 2014, 99.4% of these materials were correctly categorized among capital (67.7%) and operating expenses (31.8%) categories. In addition, a $78,081.28 adjustment was made to reclassify operating expenses to the related capital project. Accurate accounting for expenses assists in properly managing and projecting capital and operating expense budgets.

Transit Advertising Audit

REPORT #14-15, JUNE 20, 2014

Advertising receivables now current: Increased coordination between the Finance and Marketing Department staff has reduced the balance of past due (over 90 days) receivables to less than one percent.

Transit advertising installation and removal costs verified: During the original audit, Internal Audit was unable to test transit advertising installation revenues and removal costs, since invoices did not reference the related contract numbers. Subsequent to the audit, advertising contract numbers are now recorded on all new invoices. A judgmental selection of the installation/removal costs for two current contracts verified costs were materially accurate, with only a few immaterial discrepancies.

This audit is now closed.

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 on file

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
    Dottie Watkins, VP, Bus and Paratransit Services
    Leslie Browder, EVP / Chief Financial Officer
    Kerri Butcher, Chief Counsel
    Gerardo Castillo, Senior VP, Chief of Staff
    Melvin Clark, VP, Rail Operations
    Ken Cartwright, VP, Capital Projects
    Donna Simmons, VP Administration & Risk Management Compliance Officer
    Joe Iannello, Chief Information Officer
    Shanea Davis, VP, Property & Asset Management
    Dan Dawson, VP, Marketing & Communications
    John Hodges, Interim VP, Real Estate & Master Planning
    Chad Ballentine, Director, Paratransit Services
    Earl Atkinson, Director, Contracts & Procurement

3 GAO-12-331G Government Auditing Standards, 2011 Revision, Section 7.05.
Mike Nyren, Director, Risk Management
Andrew Murphy, Coordinator, Quality Assurance, Bus & Paratransit Services
Lea Sandoz, Controller
Kamal Butala, Accounting Manager
Jason Wolfe, Director, Rail Operations
Juliana Harris, Manager, HR & Talent
Frank Ordaz, Director, Financial Planning
Vincent Sandoval, Director, Real Estate & ROW
# Appendix: Implementation Status Detail

<table>
<thead>
<tr>
<th>Report Date</th>
<th>Project Name</th>
<th>Implementation Status</th>
<th>Timely</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/13/11</td>
<td>IT Governance Audit – <em>Audit closed</em></td>
<td>19 0 2 0 0 0</td>
<td>42.9%</td>
</tr>
<tr>
<td>7/13/11</td>
<td>Property Management &amp; Space Planning Audit</td>
<td>9 0 4 0 0 0</td>
<td>58.3%</td>
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<tr>
<td>9/14/11</td>
<td>First Transit Contract Audit – <em>Audit closed</em></td>
<td>6 1 0 0 0 0</td>
<td>57.1%</td>
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<tr>
<td>4/12/12</td>
<td>Herzog Contract Audit – <em>Audit closed</em></td>
<td>6 0 1 1 0 0</td>
<td>57.1%</td>
</tr>
<tr>
<td>4/12/12</td>
<td>Operating Budget Management Audit</td>
<td>7 0 1 0 0 0</td>
<td>71.4%</td>
</tr>
<tr>
<td>1/15/13</td>
<td>Risk Management Audit</td>
<td>8 0 3 0 0 0</td>
<td>54.5%</td>
</tr>
<tr>
<td>5/14/13</td>
<td>Fuel Controls Audit</td>
<td>3 0 2 0 0 0</td>
<td>60.0%</td>
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<tr>
<td>10/15/13</td>
<td>Facilities Maintenance &amp; Oversight Audit</td>
<td>11 0 1 1 1 0</td>
<td>69.2%</td>
</tr>
<tr>
<td>3/19/14</td>
<td>Vehicle Maintenance &amp; Oversight Audit</td>
<td>3 0 1 1 4 1</td>
<td>37.5%</td>
</tr>
<tr>
<td>3/19/14</td>
<td>BPS Contractor Payment Audit – <em>Audit closed</em></td>
<td>2 0 0 0 0 0</td>
<td>100%</td>
</tr>
<tr>
<td>6/11/14</td>
<td>Transit Advertising Audit – <em>Audit closed</em></td>
<td>3 0 0 0 0 0</td>
<td>100%</td>
</tr>
<tr>
<td>7/16/14</td>
<td>Rail Capital Projects Audit – <em>New audit</em></td>
<td>6 0 1 0 0 4</td>
<td>85.7%</td>
</tr>
<tr>
<td></td>
<td><strong>TOTALS</strong></td>
<td><strong>83 1 16 3 5 4</strong></td>
<td><strong>59.3%</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Current Update</strong></td>
<td><strong>Quantity</strong></td>
<td><strong>Percentage</strong></td>
</tr>
<tr>
<td></td>
<td><strong>November 2014</strong></td>
<td><strong>74.1% 0.9% 14.3% 2.7% 4.5% 3.6%</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Previous Update</strong></td>
<td><strong>Quantity</strong></td>
<td><strong>Percentage</strong></td>
</tr>
<tr>
<td></td>
<td><strong>May 2014</strong></td>
<td><strong>72.2% 0.8% 11.1% 4.8% 4.0% 7.1%</strong></td>
<td></td>
</tr>
</tbody>
</table>

### 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.

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4 First Transit Contract audit: The lone remaining CAP item is being addressed in the current “Treasury and Fare Revenue Audit” (Project # 15-02). Therefore, this audit is now closed.