SEMI-ANNUAL IMPLEMENTATION STATUS
INTERNAL AUDIT REPORT #16-02
JANUARY 13, 2016

Scope
This report reflects the status, as of November 2015, of outstanding corrective action plans (CAP’s) resulting from internal audits and other audit projects.

Status highlights
Internal Audit tracked six audits during the Fall 2015 status cycle which included a total of 56 individual CAP’s of which 41 (73.2%) are fully implemented or substantially complete. The timeliness of implementing CAP’s on schedule has crept down, now 55.1% from 58.9% previously.1

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 status 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:

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

Property Management & Space Planning Audit
REPORT #11-06, JULY 13, 2011

Plan to increase Right-of-way licensing revenues approved: The recently approved Right-of-way Operations Business Plan has a goal “to maximize the value and net operating income specific to the real property assets owned by the Capital Metro taxpayers.” Beginning in January 2016, department staff will identify and contact licensees to renegotiate at least one private crossing, current non-revenue agreement, or defaulted agreement each month. The business plan projects license and permitting revenues of $523,000 during FY2016 with a net operating income of $428,500. Progress towards this goal will be reported quarterly to the Deputy CEO.

This audit is now closed.

1 Audit Project #15-16, External Network Vulnerability Assessment, resulted in 66 individual corrective actions which have been addressed by the IT Department. However, these favorable implementation totals have been excluded to prevent skewing the overall results and trends.
Vehicle Maintenance & Oversight Audit

REPORT #13-14, MARCH 19, 2014

Road call data validated: Road calls are logged for mechanical failures which occur while the vehicle is in active revenue service. A “Road Call Accuracy System” (RCAS) was implemented in August 2015 and is now used by all service providers who maintain Capital Metro vehicles. Because road calls both incur contractual penalties and directly impact the customers’ experience, BPS management closely monitors and validates these incidents. Road call data is used to identify process improvements which can help prevent repeat failures and help ensure that maintenance is being conducted in a proactive manner.

Third party maintenance support planned: BPS has been allocated funding in FY2016 to contract for 3rd Party Maintenance support. The selected contractor will be used to help BPS identify opportunities for continued improvement in its maintenance standard and/or service provider maintenance practices. The contractor is expected to begin work in Summer 2016. This action addresses the original audit intent to more closely monitor maintenance trends and proactively use the results to improve the vehicle maintenance program.

This audit is now closed.

Rail Capital Projects Audit

REPORT #14-04, JULY 16, 2014

Capital Metro project management standards delayed: Progress developing uniform project management standards for the Authority has been delayed but is expected to resume in 2016. Standardizing best practices, tools, and templates provides a framework for effective project management and increases the manager’s ability to deliver projects on time, within scope and on budget. During 2015, however, three project managers received external Project Management Institute training.

Fit for Duty Audit

REPORT #15-01, JULY 15, 2015

Strengthened oversight monitoring: BPS adjusted its monitoring protocols used during periodic reviews of service providers to increase the chance of detection of exceptions/non-compliance. As part of this, “Action Items” are centrally logged and tracked to follow-up on each contractor’s successful resolution of identified deficiencies.

Commuter Rail Training Program approved: Herzog provided an updated training plan as required by their new contract. The new training program, which Capital Metro staff have reviewed and determined its sufficiency, now incorporates specific references to Federal Railroad Authority compliance areas such as “Hours of Service” limits.

Background verification requirements emphasized: All service providers were officially reminded in writing that all background check requirements must be successfully completed and verified prior to allowing an existing employee to switch jobs or move into a new position.

Treasury & Fare Revenue Audit

REPORT #15-02, APRIL 15, 2015

Corrective action plans delayed due to financial system implementation: Position funding for an additional manager has been approved in the FY2016 budget and an assessment is underway to determine appropriate job duties. In addition to other duties, this position will provide the staff resources needed to manage fare revenue functions and overseeing agreements with credit card processors, the farebox vendor and the TVM vendor. Responsibility for drafting revenue management and processing procedures has been temporarily reassigned and draft procedures are expected to be completed by March 31, 2016.

Reconciliation of TVMs credit/debit card sales: TVMs will continue to accept credit/debit card sales. Reconciliations of credit and debit transactions are now being performed and identified material variances are currently being investigated.

Farebox Key Control Procedures & Audits Completed: Farebox key control procedures are in place and Bus & Paratransit staff has completed periodic independent verifications of contractor key inventories. According to the farebox manufacturer, “a very important part of equipment security is a closely monitored key control program. No matter how secure the locks and keys may be, if unauthorized personnel have access to keys, they will have access to the collected revenues.”
Revenue systems roles/access confirmed for business users: IT completed a comprehensive audit of business user access for all revenue systems (Bytemark, Genfare and Indra.) Results were submitted for the Controller’s review and approval. The Treasury supervisor no longer has “administrative” rights in the Indra (TVM) system.

Network Vulnerability Assessment
SECURITY SENSITIVE DOCUMENT, JULY 7, 2014

Top IT security risks have been remediated: IT reports that the “Top 10” identified risk vulnerabilities have been successfully remediated. The primary focus for remediation identified by the security consultant was to upgrade the Ektron Web Content Management Solution (CMS), which was successfully completed in August 2015.

End-User Security Training: IT security training has been added as a component of Capital Metro’s “New Employee Orientation.” The IT Department is currently assessing end user security training solutions and hopes to roll out mandatory agency-wide security training for all employees by March 31, 2016.

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.

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3 GAO-12-331G Government Auditing Standards, 2011 Revision, Section 7.05.
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
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
    Shanae Davis, VP, Property & Asset Management
    Lea Sandoz, Controller
    Rafael Villarreal Jr., Director of Contract Oversight – Bus and Paratransit Services
## Appendix: Implementation Status Detail

<table>
<thead>
<tr>
<th>Report Date</th>
<th>Project Name</th>
<th>Implementation Status</th>
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### Totals

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</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 Implemented**: 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.