Scope

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

Status highlights

Internal Audit tracked 12 audits during the Spring 2014 status cycle which included a total of 126 individual CAP’s of which 92 (73.0%) are now either fully implemented or substantially complete. The timeliness of implementing CAP’s on schedule continues to rise over the last twelve months, from 58.7% to 64.6%, 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:

- 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.”

Capital Planning & Management Performance Audit

REPORT #09-06, March 22, 2010

**Capital investment analysis:** The Capital Improvement Program (CIP) Policy requires that “[e]ach project will be evaluated against the original investment criteria…[using] the performance measurement methodology outlined in the original project analysis.” The level of analysis can be tailored based upon the project’s complexity and nature. The Finance Department recently attempted to validate the return on recently closed capital projects. However, this effort has not resulted in useful information. Without “SMART” (specific, measurable, attainable, realistic and time-bound) performance metrics and the access to the data necessary to perform the calculation, the exercise does not meet the CIP Policy’s intent.

The need to validate a capital project’s original justification is repeated in the recent Rail Capital Projects audit, and its implementation status will be tracked under the most recent audit.

This audit is now closed.

IT Governance Audit

REPORT #11-07, APRIL 13, 2011

**IT processes and performance measures:** Progress in formalizing IT processes and performance measures continues and remains on track to meet the revised target date of September 2014 (Original dates: March 2012
and June 2012, respectively.) Proposed metrics will be presented to the IT Steering Committee and should align with the Technology Strategic Plan and the adopted “COBIT”\(^1\) framework.

### Property Management & Space Planning Audit

**REPORT #11-06, JULY 13, 2011**

**Administrative building improvements not currently recommended for funding:** While the current long range financial plan does not include funding for administrative facility expansion, the Capital Metro Administrative Facility Plan which was completed in December 2013 included data needed for informed decision-making regarding anticipated space options and related costs.

**Right-of-Way (ROW) business plan not meeting original intent:** The ROW Business Plan was anticipated to set ROW revenue goals, gain agreement on business processes involving partner departments, and determine funding, staffing, and other resource needs. ROW licensing and permitting represent a potential profit center, but its full revenue-generating potential has not been reliably quantified. In order “to maximize the value and return on investment,” a commitment to deploy additional resources (i.e. FTE and/or contract personnel as well as systems) to evaluate the fee structure and inventory, review, and renegotiate existing agreements is needed. This status will remain open pending a FY2015 budget decision by the business unit and the EVP/CFO.

### Herzog Contract Management Audit

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

**Rail contract monitoring to be consolidated within a single tracking tool:** The Quality Assurance Surveillance Program (QASP) was developed to direct and document rail contractor monitoring activities. Several key positions in Rail Department have recently been filled, including the Director of Rail Operations (February 2014) and Program Manager, Rail Maintenance of Way (March 2014), who have responsibility for implementing and performing processes to monitor contractor performance. The Operations Analyst is coordinating to ensure that key performance plans, such as the Bridge Safety Management Program and the maintenance-of-way plan, are consolidated within the QASP by September 2014 which will also address a complementary Strategic Task to be completed prior to the conclusion of the Rail operations contract in March 2015.

**Quality Control Plan to be detailed and adopted:** The Rail Department staff is working with the recently hired Herzog general manager to finalize and implement a Quality Control (QC) Plan, a required contract deliverable which is also the last remaining corrective action plan item from the audit. The contractor’s QC Plan documents the contractor’s procedures for reviewing preventive maintenance inspections. Although a framework for the QC Plan has been drafted by the contractor, it has not been formally accepted as it lacks the detailed procedures that provide the tasks, frequencies, and responsible positions necessary for effective oversight monitoring. These details will be provided by July 2014 with plan adoption to follow by September 2014.

### MetroAccess Eligibility Audit

**REPORT #12-08, AUGUST 14, 2012**

**Pathway assessment program funding requested for FY2015 budget:** Funding for one full-time equivalent employee and external assistance to implement pathway assessments was requested for FY2015. Pathway assessments will generate data which will be used by reservations agents to validate whether requested trips comply with a client’s eligibility criteria. Currently, clients whose eligibility for paratransit services is contingent upon the presence of barriers to accessing fixed-route stops must be granted all requested trips because there are no tools to verify whether these barrier(s) exist.

This audit is now closed.

**Eligibility for paratransit services is being studied by the State of Texas:** House Bill 1545, passed during the 83\(^{rd}\) Legislative Session, directs the Governor’s Committee on People with Disabilities to study the feasibility of standardizing the process throughout the State for certifying an individual’s eligibility for paratransit services. The

\(^1\) COBIT 5 (Control Objectives for Information and Related Technology) provides a comprehensive framework that assists enterprises in achieving their objectives for the governance and management of enterprise IT.
results of this study, due by January 1, 2015, could impact the current eligibility processes that have been adopted by the Authority.

Risk Management Audit
REPORT #12-07, JANUARY 15, 2013

Track Total Cost of Risk (TCOR) and Benchmark Key Performance Indicators (KPIs): TCOR includes yearly insurance premiums, workers' compensation and liability claim payments, as well as related administrative expenses. A 5-year TCOR history was first reported to the Operations, Planning and Safety Committee in June 2014. The FY2013 TCOR ($3,517,478) was 1.81% of percent of operating budget, the lowest of the five year period. An external review to benchmark risk management KPIs and best practices is expected to be completed by April 2015 and will be used to drive further reporting enhancements.

Safety & Security Plans: To comply with MAP-21, Capital Metro is requiring all contractors to prepare a comprehensive Safety Management System (SMS) plan which addresses safety requirements that are specific to the Capital Metro organization and risks. The new SMS plans are intended to replace existing plan templates, which have generally not been customized for the Authority and actively used by the operations contractors.

Fuel Controls Audit
REPORT #13-03, MAY 14, 2013

Fuel corrective action plans delayed: Delays in CAP implementation arose due to the departure of the former Sr. Contract Performance Manager and continued large variances in fuel reconciliations. Responsibility for implementation of the remaining CAP's has been temporarily reassigned to the Bus & Paratransit Services Vice President. The BPS vacancy should be filled prior to the Fall 2014 status update.

Facilities Maintenance & Oversight Audit
REPORT #13-08, SEPTEMBER 10, 2013

MAP-21 Transit Asset Management & State of Good Repair (SOGR): A planned “business process review” of asset management data and technology infrastructure for SOGR was not performed. As a result, data and technology needs for transit asset management must be evaluated as part of the ProjectMax ERP implementation project (Microsoft Dynamics AX). A final decision/data model for managing SOGR has not been determined but should be addressed as part of the Spear/Dynamics AX system integration.

The related Strategic Task (“Maintain Assets to a State of Good Repair”) has not been updated since August 2013. Project management and related responsibilities for implementing MAP-21 Transit Asset Management requirements have been spread among a number of individuals; the impending retirement of the VP, Real Estate & Asset Management increases the risk associated with this initiative.

Facility Inspections & Resolution of Corrective Action: The inspection process has been refined to allow the inspector to perform a more detailed review on a fewer number of work orders. Identified deficiencies are now tracked to ensure that the contractor's corrective actions successfully resolved the condition(s) noted. As needed, the preventive maintenance (PM) instruction templates are also refined/updated using the results of quality assurance oversight, e.g., to be more explicit and/or require the contractor to record pertinent measurements as evidence of step completion.

Vehicle Maintenance & Oversight Audit
REPORT #13-14, MARCH 19, 2014

Vehicle maintenance corrective action plans delayed: Although most CAP's are not yet due, delay in implementation was partially attributed to the early termination with BPS contractor Veolia and the departure of the former Sr. Contract Performance Manager. Responsibility for implementation of the CAP’s has been temporarily reassigned to the Bus & Paratransit Services Vice President. The BPS vacancy should be filled prior to the Fall 2014 status update.
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.”² Internal auditors are required to follow-up to determine whether appropriate corrective actions have been taken.³

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.

_______________________________
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 & RMCO
    Joe Iannello, Chief Information Officer
    John Hodges, VP, Real Estate & Asset Management
    Dan Dawson, VP, Marketing & Communications
    Capital Metro Leadership Team

³ GAO-12-331G Government Auditing Standards, 2011 Revision, Section 7.05.
### Appendix: Implementation Status Detail

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**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.