Scope

This report reflects the status as of May 2016 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 44 individual CAP’s of which 37 (84%) are fully implemented or substantially complete. The timeliness of implementing CAP’s on schedule has slightly improved since the last status update.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. Appendix A provides a 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.”

Rail Capital Projects Audit

REPORT #14-04, JULY 16, 2014

- Rail Quality Assurance/Quality Control (QA/QC) Standards implemented: Formal inspection and acceptance of rail projects acknowledges that the quality work performed was acceptable and the asset can be safely placed in service. Checklists are being used to document the follow-up and resolution of noted deficiencies.

- Continued delays in developing organizational project management standards: Originally scheduled to be completed in February 2015, this effort was pushed back again as many of the Project Management Framework team members were heavily involved in the AX financial system implementation. The cross-functional team is now working on project management processes with the goal of implementing project classifications, project processes and project management training requirements by the end of 2016. Developing corporate project management standards directly addresses Strategic Objective #4 (Improve Organizational Practices) and is an historical enterprise risk area.

Fit for Duty Audit

REPORT #15-01, JULY 15, 2015

- Background Investigations, Driving Requirements and Reporting Oversight Strengthened: A revised policy emphasizes that background evaluations will be performed to ensure both initial and continued employment eligibility. Under the policy, Procurement Department Contract Administrators will annually verify background check certifications for each of the contractor’s staff. These changes help ensure that contracted staff remain eligible to perform their duties even after they switch positions or job duties.

¹ Audit Project #15-16, External Network Vulnerability Assessment, included 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.
Contractor Training Programs:  Fixed Route Service Providers’ “New Hire” and “Refresher” training plans have been updated to meet contract requirements and plan modifications are approved by Capital Metro. The Commuter Rail contractor’s training program was previously updated. Related monitoring requirements are in the Rail Department’s Compliance Monitoring Plan. Once Rail Department oversight activities can be verified by Internal Audit this audit will be closed.

Treasury & Fare Revenue Audit

Revenue Processing Procedures Updated: Expanded and updated revenue processing procedures, including reconciliations of bank card sales and fare media, have been completed. The Controller has trained Department staff on the new procedures, which are centrally located in the SharePoint document management platform.

Recruiting for Revenue & Fares Manager: Job applications are being reviewed for this key position. In their May 2016 report, the farebox manufacturer emphasized this position’s value. “Higher-level guidance is critical in communicating the vision for the fare collection and data services for the agency. … Fare collection policy affects … virtually every constituency.” This position will be responsible for maintaining revenue processing procedures and jointly leading efforts to implement a new fare collection system.

Rail Ticket Vending Machines (TVMs) will only accept cash and stored value smartcards starting in FY2017: Debit/credit card transactions will be discontinued due to the high costs associated with maintaining the TVM machines. (The CIO’s 5-year cost estimate was $4.6 million.) This reverses an earlier decision to continue to allow bank card transactions. The project is being managed by the Marketing Department due to the anticipated customer impacts.

MV Transportation fare collections experiencing problems: MV, the North Operations service provider, has not performed or documented their investigations of certain system alarms, e.g., memory clears which can be used to obscure a theft of funds from a fare box. Genfare, the farebox manufacturer, is currently investigating unexplained and ongoing variances between system reported collections and actual cash counts for this location. In addition, Genfare will provide maintenance training to MV Transportation staff in order to improve the quality of their fare collection operations.

Network Vulnerability Assessment

End-User Security Training: The IT Department rolled out an on-going mandatory agency-wide security training for all employees in May 2016. Next year, they plan on expanding security training to include all contractor staff that have a “Cap Metro” network account.

This project is now closed.

Strategic Plan Performance Measure Certification Audit

Improved controls over ridership performance reporting: As of 2016, Automatic Passenger Counters (APCs) were fully operational. Ridership reporting procedures are currently being updated to reflect the new processing method.

Incomplete reporting of Strategic Plan Ridership KPIs: System-wide ridership (YTD and percentage change) is reported to the Board monthly. However, Board approved strategic ridership performance metrics are not consistently reported and performance goals have only been set for two of the eight ridership KPIs. (See Appendix B for details.)

Opportunities still exist to be more open and transparent about Capital Metro’s performance and success in meeting its strategic goals and objectives. Decision-making bodies, such as transit boards, need access to accurate information when making decisions intended to improve performance.
Procurement Card (P-Card) Audit

REPORT #15-14, OCTOBER 14, 2015

Procurement Card and Business Meal Policies updated and strengthened: Revised policies will be covered during P-Card end user and supervisor training which is scheduled to commence in June 2016 and should be completed by the end of the fiscal year.

RideShare Audit

REPORT #16-04, MARCH 9, 2016

Metro RideShare program becoming more regional: One of the original RideShare goals was to “Apply a regional focus … by better serving commuters who live outside the service (OSA) area….” The audit highlighted conditions which impacted the Authority’s ability to achieve this goal. In May, the Board approved expanding the RideShare Program to allow out of service area riders to join at no cost to Capital Metro, i.e., with no rider subsidy. Program staff anticipates initiating OSA outreach efforts by September 2016.

Metro RideShare vanpool subsidies now verified: Subsidies for “In Service Area” and “Out of Service Area” participants are validated monthly by the RideShare Program Manager. Internal Audit’s review of March and April 2016 subsidies found that the correct subsidy is being charged per vanpool; moreover, all required drivers had a valid parking addendum on file.

This audit is now closed.

Other Project Updates:

Business Continuity Planning

INTERIM RESULTS MEMO, JANUARY 13, 2016

Vulnerability assessments underway: A vulnerability assessment of Capital Metro facilities identified opportunities to enhance security of people, assets, operations, and infrastructure. Two additional assessments (rail and bus/paratransit operations) will follow. Information gained from these reviews will be used to craft Continuity of Operations Plan (COOP) and emergency response plans. This fall, the Director of Security will brief Board members on the status of these planning efforts.

MV Transportation Contract Monitoring Plan (CMP)

CLIENT ASSISTANCE MEMO, DECEMBER 14, 2015

MV Fixed Route Services CMP improvements: Requirements for monitoring contractor staff background checks and fueling were added to address previously missing elements. A CMP prioritization field was added to help target limited resources on higher risk items which should be monitored to ensure that MV fulfills its obligations. The CMP has also been expanded to recognize the role parties outside of BPS (e.g., Procurement, Security, or Risk) play in monitoring contractor compliance.
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.

Regards,
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 Ianello, Chief Information Officer
Muhammad Abdullah, Director Procurement
Lea Sandoz, Controller
Rafael Villarreal Jr., Director of Contract Oversight – Bus and Paratransit Services
Pat Vidaurri, Manager Performance & Strategic Initiatives

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\(^3\) GAO-12-331G Government Auditing Standards, 2011 Revision, Section 7.05.
## Appendix A: 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></td>
<td></td>
<td>Complete</td>
<td>Substantially Complete</td>
</tr>
<tr>
<td>7/16/14</td>
<td>Rail Capital Projects Audit</td>
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<td>0</td>
</tr>
<tr>
<td>7/15/15</td>
<td>Fit for Duty Audit</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>4/15/15</td>
<td>Treasury &amp; Fare Revenue Audit</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>8/12/15</td>
<td>Strategic Plan KPI Certification Audit</td>
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<td>10/14/15</td>
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<tr>
<td>3/9/16</td>
<td>RideShare Audit</td>
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<tr>
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<th>Current Update</th>
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<th>Previous Update</th>
<th>Quantity</th>
<th>Percentage</th>
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<td></td>
<td>Spring 2016</td>
<td>30</td>
<td>68.2%</td>
<td>Fall 2015</td>
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<td>15.9%</td>
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<td></td>
<td>2</td>
<td>3.6%</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 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.
## Appendix B: Strategic Plan Ridership Performance Measures

<table>
<thead>
<tr>
<th>Approved Strategic Plan Performance Measure</th>
<th>FY2016 Goal</th>
<th>Last Reported</th>
<th>Source/Comments</th>
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<tbody>
<tr>
<td>Ridership (System-wide % Change)</td>
<td>2.44%</td>
<td>-3.5% (YTD May 2016)</td>
<td>May 2016 Monthly Ridership Report</td>
</tr>
<tr>
<td>Passengers per Hour</td>
<td>NA</td>
<td>17.5 (Q2 2016)</td>
<td>Quarterly Ridership Report to Board</td>
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<tr>
<td>Passengers per Mile</td>
<td>NA</td>
<td>NA</td>
<td>Data available in Finance Department’s Cost Allocation Spreadsheet</td>
</tr>
<tr>
<td>Regional Ridership</td>
<td>12,320 CARTS</td>
<td>-</td>
<td>Annual reporting planned</td>
</tr>
<tr>
<td>• CARTS</td>
<td>NA</td>
<td>275,755 (YTD May 2016)</td>
<td>May 2016 Monthly Ridership Report</td>
</tr>
<tr>
<td>• Vanpool</td>
<td>NA</td>
<td>275,755 (YTD May 2016)</td>
<td></td>
</tr>
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<td>TOD Ridership Capture</td>
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<tr>
<td>Ridership / New Service Initiatives</td>
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NA – No information available.