



METRO

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS – MAY 2019 (19-06)

Terry Follmer, VP of Internal Audit

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Executive Summary

As part of our annual Audit Plan approved by the Capital Metro Board, we conducted the semi-annual status review of all open audit recommendations as of May 31, 2019. The follow up included four audit reports with a total of 12 outstanding recommendations. The audit objective and conclusion on the implementation of the corrective action plans follow.

Audit Objective & Scope

The objective of the audit was to determine whether management has successfully implemented action plans in response to the recommendations provided in internal audit reports. In order to monitor the disposition of audit recommendations, the Internal Audit Department conducts two follow-up audits (semi-annual) per fiscal year (May and November). This report reflects the status as of May 31, 2019, for the outstanding corrective action plans (CAP's) resulting from internal audits projects.

Conclusion on Corrective Action Plans

We followed up on 12 recommendations from four different audit reports and have concluded that only two recommendations remain open from one audit report and management is in the process of implementing these recommendations. Table 1 listed below, provides a summary breakdown of audit reports with open recommendations as of 5/31/19.

Table 1: Summary Status of Open Recommendations

Project #	Report Date	Project Name	Total # of Audit Recommendations	Implemented as Recommended	In Process of being Implemented	Rejected / Management has accepted the risk	% Implemented
19-01	12/11/2018	Commuter Rail DMU Maintenance Program - Oversight of Herzog	7	5	2	0	71.4%
		TOTAL	7	5	2	0	71.4%

In our opinion, management has made reasonable progress in implementing the recommendations and open corrective action plans. Additional details related to the open recommendations can be found in Appendix A.

This audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

Jeannette Lepe, Internal Auditor II (Project Lead)
Terry Follmer, VP of Internal Audit

We want to thank management for their support and good progress in implementing the open corrective action plans.

APPENDIX A – DETAILS OF OPEN AUDIT RECOMMENDATIONS

Prior Recommendations and Audit Results

As required by the Institute of Internal Auditors' International Professional Practices Framework, we have reviewed all open audit recommendations. Based on our review, we identified two open recommendations directly associated with the audit project 19-01 (DMU Maintenance Program). Listed below is the name of the audit project and report date, original recommendation and target completion date, open action plans, and revised target completion dates and updated action plans if applicable.

19-01 DMU MAINTENANCE PROGRAM - OVERSIGHT OF HERZOG (12/11/2018 Report Issued)

RECOMMENDATION 3 – (Compliance with Contract Monitoring Plan - CMP): The Director of Rail Operations will implement the following CMP improvements:

- a) Provide clarity in the CMP as to who are the Project Managers, and how this oversight will be split between the individuals responsible for rail operations, dispatch, signaling, and maintenance.
- b) An improved Audit Inspection Report form will be developed and implemented covering contract compliance and quality assurance monitoring activities. The types of inspections and how often this form should be completed and filed will be defined and implemented.
- c) Develop Rail Operation Policies and Procedures that are specific to the Herzog contract covering: quality performance review and sampling requirements; preventive maintenance and DMU overhauls; asset management and recordkeeping including part costs in accordance with the contract; safety; invoice certification; and how to use the Audit Inspection Report.
- d) The CMP will be redesigned to ensure appropriate contractual internal controls and data is being recorded, managed, and monitored to oversee contract compliance effectively.
- e) The CMP will be reviewed and updated annually.

OPEN ACTION PLANS: (*David Deck - VP Rail Operations*) Management agreed with the recommendation above.

Management's Updated Target Completion Date & Comments: N/A – this action plan is not due until 06/30/2019.

RECOMMENDATION 5 – (Contract Staffing Changes & Reporting): The VP of Rail will work with Herzog to achieve the following staff reporting changes:

- a) The Monthly Staffing Report will include a column showing new hires and terminations and will be sent to the IT Service Desk and Security Departments to ensure all Herzog personnel changes for the month have been made.
- b) Herzog will submit staffing changes in real time directly to the IT Service Desk, Security and Rail Operations. An IT Access Request form will be submitted for any new hires, terminations or requested access changes to systems.

OPEN ACTION PLANS: (*David Deck – VP Rail Operations*) Management agreed with the recommendation above.

Management's Updated Target Completion Date & Comments: 07/01/2019
Management has requested Herzog to include a column showing new hires and terminations on the Monthly Staffing Report which will be sent monthly to the IT Service Desk.