

CapMetro

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS NOVEMBER 2023 (#24-02)

Terry Follmer, VP of Internal Audit

Distribution List:

CapMetro Board of Directors
Dottie Watkins, President and CEO
Kerri Butcher, Deputy CEO
Cheyenne Krause, Chief of Staff
Donna Simmons, EVP of Administration, Diversity and Inclusion Officer
Sharmila Mukherjee, EVP, Chief Strategic Planning & Development
Gardner Tabon, EVP, Chief Safety Officer
Dave Kubicek, EVP Capital Construction, Engineering and Design
Samantha Alexander, EVP, Chief Experience & Engagement Officer
Catherine Walker, EVP, Chief Financial Officer & Risk Officer
Andrew Skabowski, EVP, Chief Operating Officer
Kevin Conlan, Deputy Chief Financial Officer
Chad Ballentine, VP, Demand Response & Innovative Mobility
Ken Cartwright, VP, Capital Projects
Muriel Friday, VP, Rail Operations
Rafael Villarreal Jr., Senior Director, Bus Operations
Miles Turpin, VP of Bus Operations & Maintenance
Tanya Acevedo, SVP, Chief Information Officer
Nadia Nahvi, Controller
Muhammad Abdullah, VP of Procurement & Chief Contracting Officer
Andrew Murphy, Senior Director, Vehicle Maintenance
Chester Soares, Director, Enterprise Application and Data Services
Jacqueline Evans, Director of Diversity & Compliance
Julie Lampkin, Director of Demand Response Operations
Benjamin Sims, VP, Head of People & Culture
Sherine Spence, Director of People & Culture
Alyce May, Manager of Payroll & Accounts Payable
Ben Hodges, Accounting Manager
Jean Melgares, Systems Safety Manager

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 November 22, 2023. The follow-up included 4 audit reports with a total of 19 recommendations. The audit objective and conclusion on the implementation of the corrective action plans follows.

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 November 22, 2023, for the outstanding Corrective Action Plans (CAP's) resulting from internal audit projects.

Conclusion on Corrective Action Plans

We followed up on 19 recommendations from 4 different audit reports and have concluded that 12 recommendations remain open, and Management has action plans to implement the items listed as "In Process of Being Implemented." Table 1 listed below provides a summary breakdown of audit reports with open recommendations for November 2023.

Project #	Report Date	Report Name	Total # of Audit Recommendations	Implemented as Recommended	In Process of Being Implemented	Rejected - Management Has Accepted the Risk	% Action Plan Implemented
20-03	3/9/2020	OrbCAD Incident/Accident Process Review	3	0	3	0	0%
21-07	8/20/2021	Payroll & Benefit Controls Audit	5	3	2	0	60%
21-09	12/1/2021	Transit Store and Ticket Controls Audit	6	3	3	0	50%
22-05	9/22/2022	Public Transportation Agency Safety Plan (PTASP) Audit	5	1	4	0	20%
TOTAL:			19	7	12	0	37%

In our opinion, Management has made reasonable progress in implementing the recommendations and open Corrective Action Plans. Additional details related to all open recommendations can be found in Appendix A, including the recommendations and open Corrective Action Plans. This audit was conducted in accordance with the US Government Accountability Office’s Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

Mazen Shehadeh, Internal Auditor II (Project Lead)

Terry Follmer, VP of Internal Audit

We want to thank Management for their support and satisfactory 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 of audits, we identified 12 open recommendations. Listed below are the open recommendations, along with the name of the audit report, report date, original recommendation, and Management's updated target completion date and comments.

20-03 ORBCAD INCIDENT/ACCIDENT PROCESS REVIEW (3/09/2020 Report Issued with 3 Recommendations)

RECOMMENDATION 1 – (Disconnected Systems & No Comprehensive Database)

The Director of Contract Oversight, IT Director of Transit Technology Systems and the Director of Risk Management will consider the following improvements:

- a) Establishing a single comprehensive database for all incident/accident data.
- b) Require MV to enter all data into the chosen single comprehensive database.
- c) Automate the flow of data from OrbCAD into the required Excel templates (e.g., Operator Report, Supervisor Report, etc.) that are saved to SharePoint, thus requiring the Supervisor to only record new data and not have to rekey all data that is already captured in OrbCAD.

OPEN ACTION PLANS: (*Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 5/01/2024.
MV staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. We are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system. In the meantime, with the change in vendors to Keolis we are evaluating incident/accident automation system that they use called TrackIt (<https://trackittransit.com/>) as well as other solutions. All of the systems being evaluated have the capability to address the audit recommendations.

RECOMMENDATION 2 – (Improve QA Oversight, Analysis, and Monitoring)

The Director of Contract Oversight, IT Director of Transit Technology Systems, and the Director of Risk Management should consider and evaluate the following process improvements:

- d) Develop controls to ensure that data recorded in OrbCAD matches the data captured in the RiskMaster system. If events are reclassified from incident to accident or vice versa, ensure that both systems are updated with final classification between Incident or Accident.

OPEN ACTION PLANS: *(Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect)* Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 5/01/2024. MV staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. We are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system. In the meantime, with the change in vendors to Keolis we are evaluating incident/accident automation system that they use called TrackIt (<https://trackittransit.com/>) as well as other solutions. All of the systems being evaluated have the capability to address the audit recommendations.

RECOMMENDATION 3 – (Automate Reporting Out of Systems)

The Director of Contract Oversight, IT Director Transit Technology Systems, and the Director of Risk Management, should consider and evaluate the following improvements:

- a) Request the IT Departments Report Writing Team to develop required pre-printed reports (e.g., monthly reports as well as daily Operator/Supervisor Reports, etc.) out of OrbCAD and/or RiskMaster based upon which system is designated the system of record with all comprehensive data.
- b) Review for additional monitoring needs (i.e., Capital Metro and MV) and develop additional reports as necessary to improve MV oversight and improve efficiencies.

OPEN ACTION PLANS: *(Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect)* Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 5/01/2024. MV staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. We are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system. In the meantime, with the change in vendors to Keolis we are evaluating incident/accident automation system that they use called TrackIt (<https://trackittransit.com/>) as well as other solutions. All of the systems being evaluated have the capability to address the audit recommendations.

21-07 PAYROLL & BENEFIT CONTROLS AUDIT (8/20/2021 Report Issued with 5 Recommendations)

RECOMMENDATION 2 – (Improve Accuracy of Benefit Calculations)

The Controller and Senior Director of People & Culture should consider the following improvements:

- a) Create an internal P&C Department Procedures Guide for staff to follow, which should include each benefit category offered by CapMetro, internal processes that staff should follow, deadlines, specific calculations, review and approval process, etc. (part of recommendation 1b above).

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
Management has recently implemented the Oracle system that will further automate Payroll and Benefit processes. Additionally, standard operating procedures will be written for the new system.

RECOMMENDATION 3 – (P&C Policies – Compliance & Approved Exceptions)

The Controller and Senior Director of People & Culture should consider the following improvements to Leave Policy (HRC-440):

- d) Ensure parental and other types of leave are timely communicated to the payroll personnel so that time and attendance records can be properly updated.

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*) Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
Management has recently implemented the Oracle system that will further automate Payroll and Benefit processes. Additionally, standard operating procedures will be written for the new system.

21-09 TRANSIT STORE AND TICKET CONTROLS AUDIT (12/1/2021 Report Issued with 6 Recommendations)

RECOMMENDATION 2 – (Risk Management of Tickets & Ticket Vendor)

The Chief Risk Officer, the Senior Director/Chief Contracting & Compliance Officer, and the Controller should consider the following improvements:

- b) Update the Procurement Manual to ensure that contracts that impact safety or handle financial instruments (e.g. tickets) with a monetary value require the vendor to do annual criminal background and credit checks on their employees.
- e) Perform an inspection of the ticket factory to ensure CapMetro tickets and printing controls are adequate.

OPEN ACTION PLANS: *(Rick Medina, Manager of Cash Operations, Finance Department)*
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.

RECOMMENDATION 5 – (Define E-Ticket Policies, Procedures, and Responsibilities)

The Controller and Cash Operations Manager should consider the following improvements:

- a) Develop an E-ticket policy defining the roles and responsibilities related to e-tickets in the Bytemark system.
- b) Develop SOPs defining the roles and responsibilities of the employees with administrative access to the Bytemark system to ensure only required employees have that level of access.
- c) Update the job descriptions to support the procedures outlined in sections a and b.

OPEN ACTION PLANS: *(Rick Medina, Manager of Cash Operations, Finance Department)*
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
The process recommendations have been addressed through implementation in the Oracle ERP system and documentation is in progress and will be completed by 5/01/2024. Job descriptions are in progress and will be completed by 5/01/2024 but will still need to be reviewed by compensation before being updated in our system.

RECOMMENDATION 6 – (Develop SOP for Each Type of Ticket and Distribution Method)

The Controller, Manager of Cash Operations, and the Manager of Accounting & Revenue should consider implementing the following improvements:

- a) Develop Standard Operating Procedures for the following ticket types:
 1. General Fare Tickets
 2. Consigned Inventory
 3. Returned Tickets
 4. Cash on Delivery
 5. Stored Value Cards
 6. Free Passes
 7. Discount Pass Program
 8. MetroWorks
 9. Ticket Vending Machines
 10. Mobile App
 11. Family Passes
 12. Web Portal
- b) Develop and define responsibilities for the Square system (point-of-sale) and Flowbird system (TVM's).
- c) Update employee job descriptions to ensure key ticket and system controls have been assigned and defined.

OPEN ACTION PLANS: *(Rick Medina, Manager of Cash Operations, Finance Department)*
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/01/2024.
5a), 5b) and 5c); The process recommendations have been addressed through implementation in the Oracle ERP system and documentation is in progress and completed by 5/01/2024. Job descriptions are in progress and will be completed by 5/01/2024 but will still need to be reviewed by compensation before being updated in our system.

22-05 PUBLIC TRANSPORTATION AGENCY SAFETY PLAN (PTASP) AUDIT (9/22/2022 Report Issued with 5 Recommendations)

RECOMMENDATION 2 – (Update and Further Develop the Safety Plan)

The Director of Safety should complete the following:

- c) Send out yearly safety risk surveys to members of management as outlined in the Safety Plan.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management’s Updated Target Completion Date & Comments:** 9/01/2024.
To give ample and appropriate time to respond to feedback provided in surveys, Safety will issue surveys every two years.

RECOMMENDATION 3 – (Enhance Controls Related to Employee Safety Reporting System “ESRS”)

The Director of Safety should complete the following:

- b) Assign and document the ESRS operations process owner in the Safety Plan for further clarification. The process owner should work towards lowering the time it takes to resolve safety concerns, so it is closer to the 14-day goal or, alternatively, revise the target goal.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management’s Updated Target Completion Date & Comments:** 3/01/2024.
3b) This was to be integrated into the GRC system. However, we will now develop and issue a procedure based on current capabilities. To be implemented on or before March 2024.

RECOMMENDATION 4 – (Safety Performance Targets & Reporting)

The Director of Safety should complete the following:

- b) Present safety performance targets to executive management and service providers on a quarterly basis to help improve CapMetro’s safety awareness.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management’s Updated Target Completion Date & Comments:** 3/30/2024.
4b) Our current contractor, MV, is/was not able to provide current data. We’ve discussed the matter with our incoming contractor, Keolis, they are committed to provided data needed in this in other areas in a timely fashion. That said, beginning March 2024, the SMT will receive quarterly updates.

RECOMMENDATION 5 – (Further Develop the Safety Training Program)

The Director of Safety should complete the following:

- a) Further formalize the safety training program by defining and documenting the safety curriculum within the standard training program. Additionally, define and document the frequency, type of training by position, and any refresher trainings.
- b) Change the training process to include input from the Safety Department every year to ensure current safety issues are addressed and implemented in the training program, as necessary.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.

- **Management’s Updated Target Completion Date & Comments:** 6/01/2024.
5a) & 5b) Safety will be collaborating with the incoming contractor, Keolis, and CapMetro Bus Operations and Bus Maintenance departments, to further efforts in this area. To be completed by or before June 2024.