CapMetro

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS November 2024 (25-09)

Terry Follmer, Chief Audit Executive

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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 November 12, 2024. The follow-up included 5 audit reports with a total of 22 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 12, 2024 for the outstanding Corrective Action Plans (CAP's) resulting from internal audit projects.

Conclusion on Corrective Action Plans

We followed up on 22 recommendations from 5 different audit reports and have concluded that 11 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 2024.

Table 1: Summary Status of Open Recommendations						
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	4	1	0	80%
23-05	7/17/2024	Demand Response Operations	3	1	2	0	0%
TOTAL:			22	11	11	0	50%

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:

Amy Parekh, Internal Auditor II (Project Lead)
Terry Follmer, Chief Audit Executive

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 13 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:** 5/01/2025. Keolis staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like TrackIt and automation of initial Incident/Accident records coming from the Dispatch system. In the meantime, with the change in vendors to Keolis the accident reporting is being done in TrackIt (https://trackittransit.com/) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to Sharepoint. Only Accident reporting is in TrackIt and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced. Risk Master is being sunsetted and Demand Response and Rail will move to TrackIT by Q3 FY25. Procurement is underway to replace OrbCAD, and it will take 18-24 months.

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:** 5/01/2025. Keolis has transferred to Track-IT, they should no longer be doing anything manually through Excel. The data originates in OrbCAD and it cannot be changed. After review of the accident, it is sometimes de-escalated and categorized as an incident in Track-IT. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like TrackIt and automation of initial Incident/Accident records coming from the Dispatch system. In the meantime, with the change in vendors to Keolis the accident reporting is being done in TrackIt (https://trackittransit.com/) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to Sharepoint. Only Accident reporting is in TrackIt and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced.

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:** 5/01/2025. Supervisors do manual sheets in excel and they do digital forms in Track-IT, however CapMetro only reviews the forms submitted to Track-IT as the CapMetro TrackIT site went live on 10/01/2024. Manual forms from operators

(handwritten operator reports) are given to dispatch and retained on file. Keolis safety team will scan forms as a PDF and upload them to SharePoint. Keolis safety team will link (attach) the corresponding PDFs with into TrackIT. New Keolis director of transportation is working on a process to update operator reporting. TrackIT Data from Jan-Aug. 2024 is incomplete, Callie and Amanda on the Keolis safety team members are currently reviewing and submitting the data retroactively. Keolis Director of safety started 3-4 months ago and then assigned Callie and Amanda to oversee Track-IT reporting at the beginning of August. This month, the Keolis supervisors were not submitting their incidents into Track-IT which has caused a delay in CapMetro receiving the data in TrackIT. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like TrackIt and automation of initial Incident/Accident records coming from the Dispatch system.   In the meantime, with the change in vendors to Keolis the accident reporting is being done in TrackIt (https://trackittransit.com/) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to Sharepoint. Only Accident reporting is in TrackIt and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced.

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:** 12/31/2024.
     Oracle's financial modules were implemented in October of 2022. A payroll processing checklist was created and is utilized each pay period to ensure that file feeds from benefits carriers were successfully loaded into Oracle and qualifying life events are processed. Prior to the Oracle implementation, benefits premiums were audited and any variances were resolved. Oracle was configured to calculate LTD buy-up deductions and GTL imputed income which eliminated manual entry of those rates and that associated risk of error. Oracle has been configured to ensure that 401k/457b employee contributions plus catch-up contributions do not exceed IRS maximums. A year-end audit of 401k and 457b contributions will occur in 2024 to ensure that the configuration works as expected in production.

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:** 04/01/2025.
     A new Director of Total Rewards was hired on September 30, 2024 and is currently reviewing proposed changes to the Leave Policy to ensure that recommendations are incorporated and roles and responsibilities are clearly identified. Because current priorities are related to launching open enrollment and the annual compensation planning process, the policy will be reviewed by the Director of Total Rewards by December 31, 2024 and then routed for review and approvals.

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:** 01/31/2025.
  Visiting the North Carolina office and manufacturing site for:
  1) SOP review and walk/tour to ensure the risk is minimized
  2) Obtain and review the background checks with respect to the manufacturing processes
  Written SOPs these are being further developed and vetted. We should be able to finish this by the Jan 31st date as well.

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:** 5/31/2025.
  The process recommendations have been addressed through implementation in the Oracle ERP system and documentation is in progress and will be completed by 5/31/2025. Job descriptions have been updated in the system. We will revisit this recommendation with the implementation of UMO, CapMetro's new payment processing system. Written SOPs these are being further developed and vetted.

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. Stored Value Cards
        5. Free Passes
        6. Discount Pass Program
        7. MetroWorks
        8. Ticket Vending Machines
        9. Mobile App
        10. Family Passes
        11. Web Portal
        12. AMP Card

    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:** 5/31/2025.
  SOPs have been mostly completed, but still need to be formatted to the right form to have it all consistent throughout the entire document.
  Square System has been replaced by Core BTI Payment. Core BTI Payment is integrated with our Oracle ERP system. Cash Operations Manager and Transit Store Supervisors are responsible for the inventory management and reporting of the sales. All of that is administered through Core BTI Payment and Flowbird System. No other responsibilities needed. Job descriptions have been updated in the system. We will revisit this recommendation with the implementation of UMO, CapMetro's new payment processing system. Written SOPs these are being further developed and vetted.

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

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:** 12/01/2024.
     5a) & 5b) Safety will be collaborating with the new bus contractor, Keolis, and CapMetro Bus Operations and Bus Maintenance departments, to further the efforts in this area. To be completed by or before December 2024.

23-05 DEMAND RESPONSE OPERATIONS AUDIT (07/17/2024 Report Issued with 3 Recommendations)

Recommendation 1- **(QASP AUDIT TRACKER – COMPLETION AND EVIDENCE)**
The VP of Demand Response and Director of DR Operations & Contract Oversight should consider the following enhancements QASP Audit Tracker and contract compliance program:

a) Facilities Maintenance – work with executive management to see if a dedicated Facilities resource can be assigned and a Facilities QA Checklist can be developed that supports the QASP Audit Tracker
b) Vehicles Maintenance – work with Vehicles Maintenance to align their Vehicles QA Checklist with the QASP Audit Tracker   From here ensure the vehicles section of the monthly FYTD QASP Audit Tracker is being properly completed and evidence (e.g. pictures, Hexagon/Spare Reports, etc.) is collected as needed.
c) Evidence – define which evidence (e.g. pictures, Hexagon/Spare Reports, etc.) should be reviewed/collected for each of the contract compliance steps in the QASP Audit Tracker and provide links to appropriate file locations
d) Criteria & Ratings – simplify, define and align the rating systems used in the QASP Audit Tracker, the Vehicles QA Checklist, and to be developed Facilities QA Checklist.

OPEN ACTION PLANS: (*Art Jackson, VP of Demand Response; Randy Slaughter, Program Manager of Paratransit Contracts*) Management agrees and has developed the action plan below.
- **Management's Target Completion Date**: Jan 1st, 2025
Key Action: Demand Response is working diligently on a Contract Monitoring Plan (CMP) that will replace the QASP for FY25 contract. This CMP will capture all contractor and internal CapMetro audits/deliverables for the contracted services. This plan will resolve each of the opportunities found from this audit related to the QASP.
Detailed Actions:
  - The Facilities Leadership is working assigning a resource to support Demand Response facilities. There will be a dedicated Facilities resource in place and an organized Facilities QA checklist that is reviewed Quarterly between DR & Facilities throughout the contract lifecycle.
  - Vehicle Maintenance has been completing their deliverables for the contract on time and documenting their findings in their own designated SharePoint location. Demand Response will ensure the Vehicle Maintenance Audits and other contract deliverables are effectively tracked within the FY25 Contract Monitoring Plan.
  - Any contract compliance items that require evidence will be properly documented by each department supporting the contract scope area and will be integrated back to Demand Response's FY25 Contract Monitoring Plan.
  - As the FY25 Contract Monitoring Plan is developed with supporting departments, Demand Response will ensure proper criteria & ratings are defined based on the contract compliance requirements. These criteria & rating systems specific to

each compliance area will be represented in the FY25 Contract Monitoring Plan.

Recommendation 2- **(ENHANCE APPROVAL PROCESS FOR PDC EXEMPTION REQUESTS)**
The VP of DR and the Director DR Ops & Contract Oversight develop an approval process to include

a) Establishing standardized criteria and threshold for approving PDC exemptions, with approval level increasing based on the dollar value of the exemption request.
b) Establishing a process to document all PDC exemption requests, justifications and the final determination of the exemption.

Standardized criteria will help ensure that all exemptions are evaluated equally.

OPEN ACTION PLANS: (*Randy Slaughter, Program Manager of Paratransit Contracts*)
Management agrees and has developed the action plan below.
- **Management's Target Completion Date**: 12/31/2024
    o Demand Response does have a process for exception requests and an exception request form. DR will update this process to include thresholds for approval (based on dollar value). It will have a threshold for the Director to approve, and a threshold for the VP to approve.
    o Demand Response will ensure all exception requests, justifications, and determination documentation are effectively posted in SharePoint based on the month of the request.