

MISCELLANEOUS REVENUE PROJECTS - RECOMMENDATIONS TRACKING

Project Number	Project Name	Report Date	Issue & Risk	Recommendation	Management Action Plan	Target Completion Date	Status
1 23A-17	RideShare Program - Revenue Compliance Review	2/6/2024	<p>1. Implement Contract Testing by CapMetro: Internal Audit noted that CapMetro management is not performing any verification or validation of the following data provided by Enterprise (Appendix B):</p> <ul style="list-style-type: none"> • Vanpool counts, new additions, or terminations which impacts the Enterprise monthly Invoice. • NTD submission for participation. 	a) The RideShare Program Manager should consider periodic (e.g. semi-annual) validation, analysis, and testing of the van pools and related participants/coordinators via sampling contracts and related details. This could include but is not limited to reviewing contracts, proof of participants (e.g. signed contract, driver's license on file, etc.).			
2				b) CapMetro Customer Care could call at least annually some of the Vanpool Coordinators to discuss their experience as well as validate their participation and other RideShare participants. See recommendations 3a) below.			
3			<p>2. Ensure All Reports & Deliverables are Received Internal Audit noted that there are some reports and deliverables (Appendix C) that are not received or not received timely:</p> <ul style="list-style-type: none"> • Biennial Safety Training Reports - To be conducted on Base Year 2 and Option Year 2 and report due upon request. • Accident/Incident Reports - To be provided as they occur. • Periodic Safety Refresher Training - To be provided quarterly in October, January, April and July of each contract year. 	a)The RideShare Program Manager should ensure that all the deliverables are received and on time.			
4			<p>3. Increase CapMetro Automation & Cross-functional Collaboration: Internal Audit noted that there are opportunities to collaborate with other CapMetro teams to achieve the program goals in an efficient and effective way.</p>	The RideShare Program Manager should consider collaborating with: a) Customer Care should call some of the RideShare participants at least annually to gauge their satisfaction with the program and to benchmark performance of the program over time. This survey could also be used to satisfy recommendation in #1b) listed above.			
5				b) Initiate a Power BI database and dashboard reports where the monthly Enterprise RideShare reports can be loaded, which automatically updates the database and displays various graphs/charts and performance over time. The Contractor datasets could be integrated into EDAP for internal analysis and to automate the reporting and generate timely and consistent data across all RideShare reports.			
6 24-04A	Watco Freight Contract Revenue	2/6/2024	<p>1. Not Receiving & Analyzing Watco's Annual Audit Financial Statements When requested by the Internal Audit Department, Watco was reluctant to share their annual audited financial statements which is required to be provided per contract. Through the help of the Legal, Procurement and Rail Operations Departments we were able to obtain their audited financial statements from Grant Thornton for the years 2013 to 2022. Internal Audit did a simple analysis of the Balance Sheet and Income Statement, and our analysis identified some concerns.</p>	1a. Annually, the Rail Operations should obtain Watco's parent company annual audited financial statements and should perform at least a five year analysis on key financial metrics (e.g. liquidity; solvency; etc.) and discuss performance with Watco management and ensure any concerns are addressed.			

7				1b. Rail Operations should compare/contrast (e.g. revenue changes; profitability changes; etc..) the Watco's parent company audited financial statement against the AWRR (Austin Western RR) statements that are reported to CapMetro monthly to understand any trends and why the AWRR performance may be significantly different than Watco's consolidated financial statements. CapMetro management should use this analysis to ask questions of Watco for things that don't make sense and/or may be a risk to CapMetro.			
8			<p>2. Lack of Independent Revenue Validations by CapMetro</p> <p>The last attempt by CapMetro to independently validate Watco Revenues was performed by RSM accounting firm for the books and records for the period ending 12/31/2019, which was one of the recommendations in the CapMetro internal audit report dated 4/25/2019.</p>	2a. At least once every two years CapMetro should hire a CPA firm to perform "agreed upon procedures" related to testing the completeness and accuracy of the revenues that are reported and shared with CapMetro per the revenue sharing agreement.			
9				2b. Continue to obtain annual audit financials and analyze for risks, trends and correlation with the revenues being shared with CapMetro. Unusual and flagged items should be discussed with Watco management.			
10				2c. Obtain car counts from the AEI readers which will help independently validating approximately 1/3 of the revenues that Watco shares with CapMetro.			
11				2d. The Railcom system (www.railinc.com) is the official clearing house of all freight rail records, so CapMetro should consider subscribing to this database and performing independent checks. Additionally, this database could be shared with the CPA firm for the reviews listed in 2a) above.			
12			<p>3. Unexplained Changes in Cash Flows, Expenses & Broken AEI Reader</p> <p>We analyzed the cash flows and expenses for the last five years and noted the following unexplained variances that requires more analysis by CapMetro and a clear explanation from Watco as follows:</p> <ul style="list-style-type: none"> - Watco's Investment in Giddings & Recoupment Time - UP Asset Utilization Offset - Broken AEI Reader 	<p>We recommend that CapMetro perform ongoing analysis of Watco freight revenues and at least quarterly have formal meetings to discuss variances and forecasted changes in revenues and expenses, as well as any changes in the equipment and data sources that are used to prepare the financials that are shared with CapMetro. In particular, the following financial and operational matters need to be resolved:</p> <p>3a) Giddings recoupment by Watco of \$3 million has almost doubled in time from the original estimate of 5.5 years to 9 years, so ongoing monitoring and discussions should continue.</p>			
				3b) The UP (Union Pacific) Asset Utilization Offset has resulted in UP locomotive pass through charges to CapMetro of \$3.5 million since 11/2019 which has impacted CapMetro cash revenue received by about \$583,000. CapMetro management should continue to challenge these pass through charges that are not specified in the contract and request that these charges be reversed and CapMetro be reimbursed for these unauthorized charges.			

				3c) The AEI Reader should be repaired and used to validate the monthly car counts reported by Watco, thus allowing CapMetro to independently verify approximately one-third of the revenues shared with CapMetro.			
13	24-09A	Bright Horizons	12/23/2023	<p>1. Risk of Loss Collections The Internal Audit and the Legal Departments interpretation of the contract is that Bright Horizon has all risk of loss as it relates to the collection of student tuition, therefore the collection and deposit process should change with Bright Horizons taking full responsibilities related to the collection and deposit process.</p>	1. CapMetro should receive a single payment each month from Bright Horizons for the monthly gross tuition billed regardless of what is collected. CapMetro should no longer be involved in depositing individual tuition checks to the CapMetro Account since Bright Horizons has all risk of loss.		
14				<p>2. Management Fee Increases Internal audit noted that the contract states that management fee is subject to a "minimum escalation by no more than 5%". The management fee increased by 22% from FY 22 to FY23, however, there was no change in tuition rates.</p>	2. As part of the annual budget process, an agreed upon "Management Fee" is agreed upon between CapMetro and Bright Horizons. CapMetro management should consider both the management fee rates and tuition rates before agreeing to terms. Management should evaluate the effects of management fee increases on operations prior to accepting terms.		
15				<p>3. Revenue Unreconciled Difference for FY22 & 23 For FY22 and FY23, tuition and fees charged per the Bright Star records exceeded the accounts receivable amounts in Oracle by approximately \$18,000. There is no reconciliation of the revenues by Bright Horizons or CapMetro .</p>	3. Management should reconcile the revenues in Bright Horizons "Bright Star" system to the revenues recorded in CapMetro's Oracle system on at least a quarterly basis if not monthly.		
16				<p>4. Lack of Monthly Financial Reporting From Bright Horizons. At the time of the audit, Bright Horizons had not been providing monthly financial reports per the contract.</p>	4. Management should obtain the monthly financial statements to monitor the financial status of the childcare center and ensure Bright Horizons operates within the approved annual budget.		
17	24-05A Presentation	Investment Income	12/4/2023	1) Oracle Enterprise Resource Planning system is not fully utilized to process all outgoing wires.	1) Utilize Oracle Enterprise Resource Planning system to process all outgoing wires since it goes through a more thorough workflow approval process and matching of invoices to the relevant Purchase Orders.		
18				2) Initiations, approvals and account changes need to be reviewed.	2) Review the signers and authorizations for JP Morgan to ensure that only appropriate individuals are responsible for initiations, approvals and account changes.		
19				3) Segregation of duties and daily cash wire limits along with appropriate levels of authorization should be reviewed.	3) Review the segregation of duties and daily cash wire limits along with appropriate levels of authorization.		
20				4) Surplus cash at Cash Concentration account is not invested overnight.	4) Implement end of day automatic overnight sweep from Cash Concentration account to a designated money market fund to invest surplus cash. The invested funds are automatically returned the morning of the next trade day.		
21				5) Collateralization for amounts exceeding FDIC covered amount (\$250,000, Total DDA) need to be reviewed.	5) Review if cash deposits are adequately collateralized by National Collateral Management Group (NCMG) for amounts exceeding FDIC covered amount (\$250,000, Total DDA).		
22	24-03A Presentation	Sales Tax	12/1/2023	<p>1. No Verification of Avenu Insights invoice Invoices received after non-compliant taxpayer paid appropriate taxes.</p>	1a. Use the UT Intern model or build a new model to perform quarterly spot tests on Avenu Insights' quarterly invoices in order to recalculate Avenu Insights contingency fee.		

23				1b. An employee in the Finance Department should trace the Avenu Insights memo for delinquent taxpayers to the Confidentiality Report from the Texas Comptrollers Office before making payments to Avenu Insights for the contingency fee.			
24			<p>2. Validation of Texas Comptroller Payments CapMetro does not have procedures in place to confirm Texas Comptroller's Office payments are timely and the appropriate amount.</p>	2a. A Finance Department employee should periodically trace the gross amount of taxes due to CapMetro from the Confidentiality Report prepared by the Texas Comptroller's Office to the amount deposited to CapMetro's bank account for sales and use taxes collected.			
25							