



**Agenda - Final revised**  
**Capital Metropolitan**  
**Transportation Authority**  
**Finance, Audit and Administration**  
**Committee**

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, January 15, 2025**

**10:00 AM**

**Rosa Parks Boardroom**

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Any items marked with \* have been updated or revised.

This meeting will be livestreamed at [capmetrotx.legistar.com](http://capmetrotx.legistar.com)

**I. Call to Order**

**II. Public Comment**

**III. Action Items**

1. Approval of minutes from the December 9, 2024 Finance, Audit and Administration Committee meeting.
- \*2. Approval of a resolution adopting amendments to CapMetro's Fare Policy, and approving the Title VI Fare Equity Analysis related to proposed changes to CapMetro's Fare Payment Systems.

**IV. Presentations**

1. UT Intern Projects - Fall 2024 Semester - Non-Procured Purchases and Inventory Controls
2. Internal Audit Report on McKalla Station Capital Project Controls
3. Internal Audit FY2025 Audit Plan Status - January 2025
4. Executive Finance and Administration Monthly Update - January 2025  
Update on recent activities, procurement processes, statistical data, personnel changes, communications and public outreach

**V. Items for Future Discussion**

**VI. Adjournment**

**ADA Compliance**

*Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email [ed.easton@capmetro.org](mailto:ed.easton@capmetro.org) if you need more information.*

*Committee Members: Matt Harriss, Chair; Leslie Pool, Becki Ross and Dianne Bangle.*

*The Board of Directors may go into closed session under the Texas Open Meetings Act. In accordance with Texas Government Code, Section 551.071, consultation with attorney for any legal issues, under Section 551.072 for real property issues; under Section 551.074 for personnel matters, or under Section 551.076, for deliberation regarding the deployment or implementation of security personnel or devices; arising regarding any item listed on this agenda.*



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2024-1368

**Agenda Date:** 1/15/2025

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Approval of minutes from the December 9, 2024 Finance, Audit and Administration Committee meeting.



**Minutes**  
**Capital Metropolitan**  
**Transportation Authority**  
**Finance, Audit and Administration**  
**Committee**

2910 East 5th Street  
 Austin, TX 78702

**Monday, December 9, 2024**

**10:00 AM**

**Rosa Parks Boardroom**

**I. Call to Order**

10:00 a.m. Meeting Called to Order

<b>Present</b>	Leslie Pool, Becki Ross, and Dianne Bangle
<b>Absent</b>	Matt Harriss

**II. Public Comment**

There was no public comment this month.

**III. Action Item:**

1. Approval of minutes from the November 13, 2024 Finance, Audit and Administration Committee meeting.

A motion was made by Ross, seconded by Pool, that this Minutes be adopted. The motion carried by the following vote:

**Aye:** Pool, Ross, and Bangle

**IV. Presentations:**

1. CapMetro Retirement Plans 2023 Valuations and Audits
2. Internal Audit FY2025 Audit Plan Status - December 2024
3. Internal Audit Semi-Annual Follow Up on Open Audit Reports
4. Executive Finance and Administration Monthly Update - December 2024  
*Update on recent activities, statistical data, personnel changes, communications and public outreach*

**V. Items for Future Discussion**

## VI. Adjournment

10:40 a.m. Meeting Adjourned

### ADA Compliance

*Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email [ed.easton@capmetro.org](mailto:ed.easton@capmetro.org) if you need more information.*

*Committee Members: Matt Harriss, Chair; Leslie Pool, Becki Ross and Dianne Bangle.*

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# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2024-1353

**Agenda Date:** 1/15/2025

**SUBJECT:**

Approval of a resolution adopting amendments to CapMetro’s Fare Policy, and approving the Title VI Fare Equity Analysis related to proposed changes to CapMetro’s Fare Payment Systems.

**FISCAL IMPACT:**

Funding for this action is available in the FY2025 Operating Budget.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

- 1. Customer       2. Community
- 3. Workforce       4. Organizational Effectiveness

**Strategic Objectives:**

- 1.1 Safe & Reliable Service       1.2 High Quality Customer Experience       1.3 Accessible System
- 2.1 Support Sustainable Regional Growth       2.2 Become a Carbon Neutral Agency
- 2.3 Responsive to Community and Customer Needs       2.4 Regional Leader in Transit Planning
- 3.1 Diversity of Staff       3.2 Employer of Choice       3.3 Expand Highly Skilled Workforce
- 4.1 Fiscally Responsible and Transparent       4.2 Culture of Safety       4.3 State of Good Repair

**EXPLANATION OF STRATEGIC ALIGNMENT:** A more robust and reliable fare collection system will enhance the customer experience, reduce downtime, and better match current backend processes. Further, the CapMetro Fare Policy is required to be reviewed annually and staff has identified opportunity

**BUSINESS CASE:** CapMetro is updating our fare collection system to better support our customers with high quality, transit-supportive technology. The software used to support our current system is no longer supported by the vendor and will be retired on March 5, 2025. In accordance with Title VI of the Civil Rights Act of 1964 and CapMetro’s Title VI policy, a Title VI Equity Analysis has been performed for the proposed changes to customer payment systems to assess whether the implementation these changes has a disparate impact on minority populations or a disproportionate burden on low-income individuals.

Additionally, CapMetro’s Fare Policy was reviewed and opportunities to provide clarity within the policy were identified, such as consolidating a previous Board resolution related to fares within the CapMetro Fare Policy.

COMMITTEE RECOMMENDATION: The item was presented and recommended for approval by the Finance, Administration and Audit Committee on January 15, 2025.

EXECUTIVE SUMMARY: CapMetro launched a new fare system in early 2023. Updating our fare collection system is important because our current system is no longer supported by the current vendor and is being retired on March 5, 2025. There will be numerous changes and improvements as part of the system update, all of which are aimed to provide a better experience for our customers and operators.

CapMetro will be rolling out new software and onboard fare validators and making changes to the types of passes available. Along with these changes a Title VI Analysis has been performed to ensure that there is no disparate impact on minority populations or a disproportionate burden on low-income individuals. The CapMetro Fare Policy is being updated alongside this rollout to support the changes and provide cleanup/consolidation of multiple policy documents into one Fare Policy.

The CapMetro Team is leveraging this opportunity to make the following improvements:

- **New validators:** New validators are being installed immediately on CapMetro vehicles with improved scanning technology, including visual and audio indicators if a customer's fare has been accepted or denied (a feature described as "helpful" by frontline staff and operators).
- **New and improved apps:** The CapMetro app will be retired and replaced with the Transit and Umo apps. Customers will use Transit to plan their trips and Umo to pay for fares. This is part of an iterative process to reduce the number of customer apps.
- **Tap to Pay:** Customers will be able to tap to pay with a credit or debit card, Apple Pay and Google Pay.
- **New reloadable fare card:** New reloadable fare cards will be available and will still have fare capping.
- The digital 31-day and 7-day passes will not be available for purchase through the app and retired over attrition. Customers using the app instead use fare capping to derive the same benefit as the retiring time-based passes.
- The HMIS fare program will be continued, and all customers will be re-issued a new 1-year fare card. CapMetro staff are working closely with service providers to prepare for this process.

This action includes Board approval of the Title VI Analysis, and adoption of amendments to the Fare Policy.

DBE/SBE PARTICIPATION: Does not apply

PROCUREMENT: Does not apply

RESPONSIBLE DEPARTMENT: Finance

**RESOLUTION  
OF THE  
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY  
BOARD OF DIRECTORS**

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2024-1353**

WHEREAS, pursuant to the Texas Transportation Code Section 451.061(D), the Capital Metropolitan Transportation Authority is required to impose reasonable and nondiscriminatory fares, tolls, charges, rents and other compensation for the use of the transit authority system sufficient to produce revenue, together with the tax revenue received by the authority, in an amount adequate to pay all expenses necessary to operate and maintain the transit authority system; and

WHEREAS, updates to current systems are necessary to support the rollout of new fare collection hardware and software; and

WHEREAS, these updates also necessitate updates to the CapMetro Fare Policy and Fare Structure; and

WHEREAS, CapMetro has conducted a Fare Equity Analysis for the proposed fare change as is required by FTA Title VI Circular 4702.1B and finds no disparate impact or disproportionate burden on minority and low-income populations.

NOW, THEREFORE, BE IT RESOLVED that the CapMetro Board of Directors hereby adopts the amendments to CapMetro's Fare Policy, and approves the Title VI Fare Equity Analysis related to proposed changes to CapMetro's Fare Payment Systems.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
**Secretary of the Board  
Becki Ross**



CapMetro

# Fare Technology System Updates

January 15, 2025

# Presentation Overview

- 1) What's changing
- 2) Customer impacts
- 3) Retail Network impacts
- 4) Title VI findings

# Key Highlights

- Fares are not changing; the way we collect fares is changing.
- New validators! New validators are being installed immediately with improved scanning technology, including visual and audio indicators if a customer's fare has been accepted or denied (a feature that has been praised by operators as helpful).
- New and improved app! The CapMetro app will be retired and replaced with the Transit and Umo app. Customers will use Transit to plan their trips and Umo to pay for fares. This is part of an iterative process to reduce the number of customer apps.
- Tap to Pay! Customers will be able to tap to pay with a credit or debit card, Apple Pay and Google Pay.
- New reloadable fare card! New reloadable fare cards will be available and will still have fare capping.
- The digital 31-day and 7-day passes will not be available for purchase through the app.
- The HMIS fare program will be continued, and all customers will be re-issued a new 1-year fare card. CapMetro staff are working closely with service providers to prepare for this process.

# What's Changing: Technology

## Hardware

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- New validators on buses
- New handheld validators on trains

## Fare Payment

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- New CapMetro Reloadable Fare card
- Tap to Pay on Validators with:
  - Apple Pay
  - Google Pay
  - Credit and Debit

## CapMetro App

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- The CapMetro app will be retired in March, and customers will need to download the Umo app

# What's Changing: Passes and Cards

## Going Away:

- 7-day Pass
  - Digital: Removed from app in late February
  - Physical: Selling until we run out
- 31-day Pass
  - Digital: Removed from app on Jan 31
  - Physical: Selling until we run out

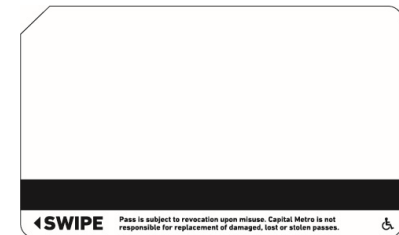
## Needs Action:

- We'll help customers transfer balances to the new system starting in February
- Plastic cards, including AMP cards and passes registered in the HMIS



## Stays the Same:

- Reduced Fare and MetroAccess ID cards can still be tapped on the farebox or show their ID to the operator for a cash fare discount
- Paper cards with a black stripe on the back



# Benefits of the New Technology System

## Tap-to-Pay

- Tap on the validator to pay with:
  - Apple Pay
  - Google Pay
  - Credit and Debit
- You can take advantage of daily fare capping, which ensures you'll never pay more than the cost of a day pass in a calendar day

## Faster Boarding

- Upgraded validators enable faster scanning of the app and tap-to-pay, keeping the line moving as you board

## Sustainability

- Reducing single-use passes
- More usage of app and tap-to-pay will reduce the number of passes printed

## Long-Term Vision

- Simplifying cards and passes supports plans to make fare collection a smoother and easier experience
- Progress towards one app goal

# Customer Impacts: Overview

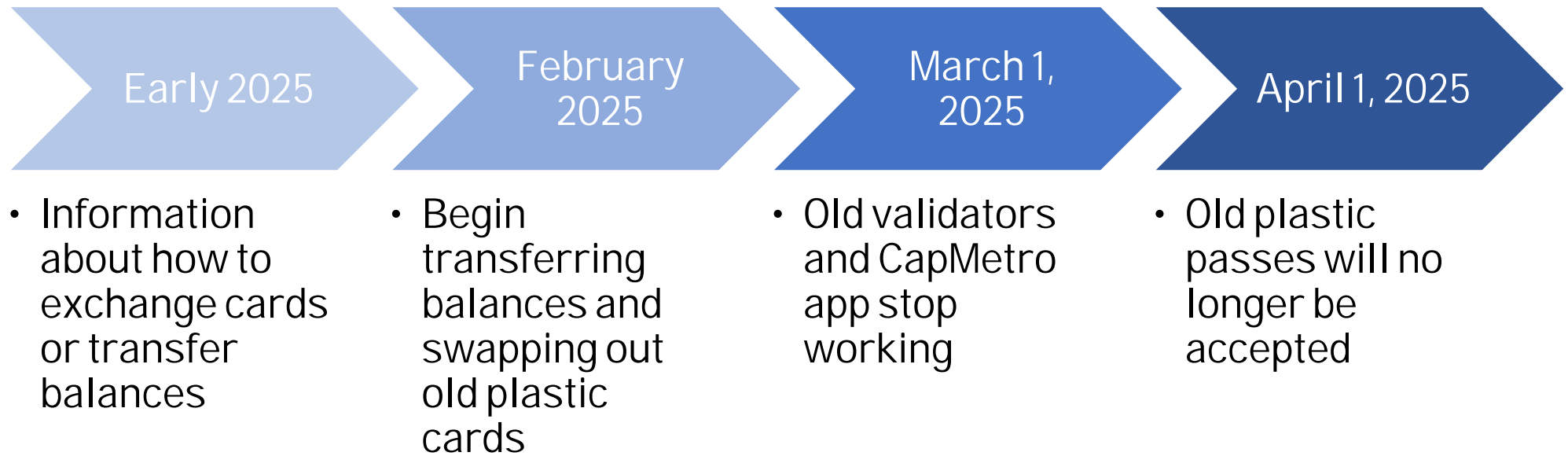
## Customers Using: CapMetro App

- The CapMetro App will be retired in March
- To pay digitally, customers will need to download and use the Umo app
- We'll help customers transfer their balance to the new system starting in February

## Customers Using: Physical Passes

- Plastic passes will not work on our validators after March 1
- We'll help customers exchange current cards and passes to the new system starting in February 2025
  - Details on how to switch will be provided through CapMetro Alerts and our website soon

# Customer Impacts: High-Level Timeline





# Customer Impacts to RFID and MAID Cardholders

These changes do not affect the use of the Reduced Fare or MetroAccess ID Cards, or the eligibility requirements for them.

Reduced Fare ID (RFID) and MetroAccess ID (MAID) cardholders will still be able to tap their card on the farebox or show their ID to the operator for a cash fare discount. They can also buy passes at the Transit Store at the reduced price.

## Customer Impacts to Access Riders

These changes do not affect the Access service.

Customers will still be able to pay over the phone, use the Spare App, buy single rides, or buy physical passes at participating retailers or at the Transit Store.

# Customer Impacts to Pickup Riders

Pickup customers who use the CapMetro App to pay for their rides will need to download the Umo app. The Pickup app will continue to operate for booking trips and paying for fares.

If Pickup customers pay with the Umo app, they will need to show the operator their device to confirm their payment. For any customers who use the CapMetro App to pay, all passes and/or stored value will need to be transferred to the Umo app starting in February 2025.

## Customer Impacts to Rail Riders

Rail riders will have their fares validated with handheld validators given to conductors.

For any customers who use the CapMetro App to pay, all passes and/or stored value will need to be transferred to the Umo app. For customers with plastic passes, we'll help swap cards for new CapMetro Reloadable Fare Cards in February 2025. Details on how to switch will come soon.

## Customer Impacts to AMP & Equifare Users

Users of physical or digital AMP Cards - including those paying Equifare rates - will need to exchange all passes and/or stored value.

We'll help customers swap physical AMP cards for new CapMetro Reloadable Fare Cards and exchange digital cards/passes to the Umo app starting in February 2025. Details on how to switch will come soon.

# Customer Impacts to Clients of Service Providers

Customers who receive a free pass through a social services provider will work directly with the provider on the process to switch cards or passes, as needed. The process to switch these cards or passes will be managed directly with providers and the customers they serve.

We're working with staff members from these organizations to outline the impacts of the change and make their experience as smooth as possible.

# Ticket Vending Machines and Retail Network

The new CapMetro Reloadable Fare Cards will be able to be reloaded at Ticket Vending Machines and at participating retailers.

Customers who have used these options to reload cards in the past will not be impacted, other than needing to exchange their pass.

## Title VI Analysis

To end the sale of the 7-day and 31-day passes, CapMetro is required to complete a Title VI analysis.

For transparency, CapMetro is also using this opportunity to study the need for a Title VI analysis of the technology and media changes.



## Why Title VI Applies to CapMetro

Title VI prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance.

\*Subsequent Federal regulations extended this protection to discrimination on the basis of income.

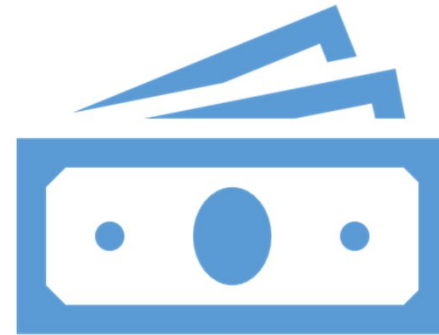
# What is a Title VI Analysis?

Does this change unfairly impact:



Minority  
Populations?

“Disparate  
Impact”



Low Income  
Populations?

“Disproportionate  
Burden”

# Preliminary Title VI Report Summary of Findings

- No Disparate Impact or Disproportionate Impact found for:
  - Retiring the 7 Day or 31 Day Passes
- Greater Benefits for Minority and Low-Income Customers:
  - CapMetro's threshold for disparate impact is 2%
  - This report is under that threshold for both minority versus non-minority riders, and for low-income versus non-low-income riders

CapMetro

Thank you!

# Board Timeline

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July 2024

Board approval to execute the UMO contract for a Fare Backend System

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October 2024

Contract Executed

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November 2024 – February 2025

Installation of New Hardware

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November 11<sup>th</sup> – January 15<sup>th</sup>

Title VI Analysis and Public Hearings

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January 27<sup>th</sup> – CapMetro Board Meeting

This will explain the Title VI final findings

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March 2<sup>nd</sup> Proposed Implementation Date of UMO

Customers who want to pay digitally will need to have downloaded the new app to ride.

**Capital Metropolitan Transportation Authority (CapMetro) Fare Policy**  
**Approved by the CapMetro Board of Directors on July 25, 2022**

**1. PURPOSE**

The purpose of this policy is to establish goals, objectives and guidelines to assist the CapMetro Board of Directors (the “**Board**”) and staff in making decisions regarding changes to transit fares. All such decisions will be made in accordance with CapMetro’s enabling legislation, Texas Transportation Code Chapter 451, as amended, and Federal Transit Administration (FTA) fare requirements, including 49 CFR Section 609 related to reduced fares for elderly and handicapped persons. When considering increasing or restructuring fares, CapMetro will conduct a comprehensive review of ways to reduce costs and increase ridership, and the corresponding effects on fare box recovery, to minimize the effects of any fare changes on CapMetro’s customers.

**2. SCOPE**

This policy applies to all transit fares established by CapMetro. This policy does not apply to CapMetro provided transit amenities, such as bike shares or park and rides.

**3. GOAL**

The goal of this policy is to support CapMetro’s overall strategic mission to provide quality public transportation choices for our community that meet the needs of our growing region. To accomplish this mission, CapMetro must develop and use its resources in a manner that ensures sustainable business growth.

**4. OBJECTIVES**

The following objectives are designed to support CapMetro’s Fare Policy goal and balance the desire to keep fares affordable for CapMetro customers with the need to maximize fare revenue to help maintain and expand transit operations.

A. **Customer/Community Objectives:** The Board and staff will consider the impact that fare changes have on customers and the community within the scope of the following three customer/community objectives:

- i. **Promote utilization of all modes of CapMetro transportation:** CapMetro seeks to encourage and facilitate transit ridership within CapMetro’s service area by setting fares that are accessible to the widest possible range of existing and potential rider groups.
- ii. **Establish equitable fares:** To be equitable, fares should take into account the socioeconomic makeup of CapMetro customers and their utilization of the different types of services.

- a. **Fare Equity Analysis:** CapMetro will perform a fare equity analysis to assess effects of proposed fare changes on riders and describe actions to avoid,

minimize or mitigate such effects.

- b. Agency Discounted Pass Program: CapMetro will provide discounted passes to qualifying non-profit, not-for-profit and governmental agencies that assist low-income persons and families. Qualifying agencies may provide passes purchased under this program to agency clients at no more than the discounted price. The Board may establish the discount (currently 50%) provided to agencies under this program when approving CapMetro's annual operating budget. The Board may establish limits for the Discounted Pass Program, by establishing a monthly allotment system based on: (i) the number of clients served by an agency; ii) the agency's annual budget; and/or (iii) a maximum amount any agency may purchase in any given month.
  - c. Basic Transportation Needs Fund: CapMetro may establish a charitable fund to assist persons and families who cannot afford the established transit fares. Such a fund can be created and maintained in partnership with social services providers and community-based organizations.
  - d. Transit Pass for the Unhoused Community: CapMetro may establish a program that offers transit passes at no cost to individuals experiencing homelessness if those individuals are receiving services from social service providers participating in Travis County HMIS (Homeless Management Information System).
  - e. Equifare Program: CapMetro may establish a program that offers discounted fares for low income-eligible customers.
  - f. Fare Capping: CapMetro may establish a fare capping structure to increase the affordability of fares by capping the amount that a customer pays on a daily or monthly basis at the equivalent day or month pass price.
  - g. Authorized Free Fares: The CapMetro board on September 28, 2018 authorized free fares on all Capital Metro service on the following days:
    - National general Election days in November of even numbered years
    - July 4<sup>th</sup> after 5pm
    - New Year's Eve after 5pm
- iii. **Enhance mobility & access**: Fares should enhance the ability of customers to access the system and move through it with ease. To do so, fares should be frictionless, easy to understand, and provide uniformity throughout the system.
- B. **Financial Objectives**: The Board and staff will consider the financial impact a fare or fare structure change has on the long-term sustainability of CapMetro within the scope of the following financial objectives:
- i. **Support predictable fare revenue stream**: Because fare revenue is a critical component of CapMetro's operating budget, any fare or fare structure change should ensure the total fare revenue stream is maintained at an appropriate level to meet Capital Metro's immediate and long-term financial requirements within changing economic conditions.
  - ii. **Provide sufficient fare revenues to meet statutory obligations**: As required by

CapMetro’s enabling statute, Transportation Code Section 451.061(a), any fare or fare structure change must produce sufficient fare revenues, together with tax revenue to: (1) pay all the expenses necessary to operate and maintain the system; (2) pay when due all principal of and interest on, and sinking fund and reserve fund payments agreed to be made with respect to, all bonds that are issued by CapMetro; and (3) fulfill the terms of any other agreement with bond holders.

iii. **Recover operating costs:** The proportion of the amount of revenue generated through fares by paying customers as a fraction of the total operating expenses is the fare recovery ratio. Generally, the fare recovery ratio is influenced by three main factors:

- a. **Fare levels:** The fare levels or structure influence the average fare collected per passenger and the overall fare revenue collected. By increasing fares or reducing the discounts set for fare categories, fare revenue can be increased. Similarly, fare reductions will result in a net loss of revenues. Changes in the fare structure also impact riders, with increased fares generally reducing ridership and reduced fares generally increasing ridership. Fare adjustments should be made with consideration to transit customers affected.
- b. **Productivity:** The productivity of transit service is measured in terms of ridership per mile or hour of service. CapMetro attempts to balance route productivity with service policies aimed at developing new markets, serving remote areas, and accommodating disadvantaged populations. Decisions regarding route productivity should be made with consideration to social needs of the community and the transit customers affected.
- c. **Efficiency:** Operating costs are partly within control CapMetro and partly a result of prevailing economic conditions. Cost efficiencies are achieved through careful budgeting, monitoring, and controlling expenditures and can be measured by operating costs per hour.

CapMetro will monitor the fare recovery ratio and use this information during the annual budget development process to recommend fare or fare structure changes. CapMetro will also monitor the productivity and efficiency of the operations as well as ridership and propose adjustments as necessary. Since fares help offset the operating costs of providing public transportation services, CapMetro’s goal is to eventually recover a minimum of 20% of transit operating costs with passenger-paid and third-party fares.

iv. **Minimize fare collection costs:** CapMetro’s fare structure and fare collection technologies should be developed and operated to minimize the costs associated with fare collection and revenue processing without compromising accuracy.

## 5. FARE CHANGE PROCESS

The following guidelines outline the required process for developing, evaluating, and implementing fare or fare structure changes:

- A. Recommendations for changing fares or fare structure will be developed by Capital Metro staff



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in keeping with this policy.

- B. Any proposed change in fares or fare structure will include a fare equity analysis of the impact of the change on low-income and minority populations as required by Title VI of the Civil Rights Act, as amended, FTA C4702.1A and submitted to FTA for review and comment.

- C. In addition to the fare equity analysis, CapMetro will complete an operations and ridership analysis to evaluate the overall cost of operating service and levels of ridership.
  - D. Per CapMetro’s enabling statute, Transportation Code Section 451.061(d-1), any change in the “Base Fare” defined as the single-ride, local bus, adult cash fare, is subject to the review by the Capital Area Metropolitan Planning Organization (CAMPO). CapMetro may not implement a change to its base fare for a minimum of 60 days following approval by the CapMetro Board, and may not implement a Base Fare change if CAMPO rejects the proposed change by a majority vote of the CAMPO Board.
  - E. A public hearing is required for any change to fares or fare structure, with a minimum 21-calendar day notice prior to such hearing.
  - F. All fare or fare structure changes must be approved by the CapMetro Board.
  - G. Once a fare change is approved by the Board, appropriate ads notifying the public of the change should be placed with local media outlets and on the CapMetro website at least thirty (30) days prior to the effective date of the fare change. The notice will be posted in English as well as any non-English languages as determined by CapMetro’s language assistance plan. In addition, notices will be placed on all revenue vehicles and at major transit centers. CapMetro may also notify customers through press releases or on its social media.
  - H. Generally, fare or fare structure changes will become effective in conjunction with service changes in January or August.
- ◆ Multiple-year planned fare changes including the current year and up to two (2) future increases may be approved, provided the public is notified and has an opportunity to comment. The timing and magnitude of subsequent changes will not be binding if economic conditions change. Deviations to approved future fare or fare structure changes, including accelerating the timing for implementation, will require a new Title VI fare equity analysis, public outreach process, including public hearing(s) and CAMPO review, as applicable.

## 6. FARE POLICY REVIEW

CapMetro will review this policy and its fares and fare structure annually with the expectation that fares or fare structure may be adjusted as necessary to keep pace with the rate of increase in the cost of transit operations and to ensure compliance with Transportation Code Section 451.061 and other applicable law.

**Capital Metropolitan Transportation Authority (CapMetro) Fare Policy  
Approved by the CapMetro Board of Directors on July 25, 2022**

**1. PURPOSE**

The purpose of this policy is to establish goals, objectives and guidelines to assist the CapMetro Board of Directors (the “**Board**”) and staff in making decisions regarding changes to transit fares. All such decisions will be made in accordance with CapMetro’s enabling legislation, Texas Transportation Code Chapter 451, as amended, and Federal Transit Administration (FTA) fare requirements, including 49 CFR Section 609 related to reduced fares for elderly and handicapped persons. When considering increasing or restructuring fares, CapMetro will conduct a comprehensive review of ways to reduce costs and increase ridership, and the corresponding effects on fare box recovery, to minimize the effects of any fare changes on CapMetro’s customers.

**2. SCOPE**

This policy applies to all transit fares established by CapMetro. This policy does not apply to CapMetro provided transit amenities, such as bike shares or park and rides.

**3. GOAL**

The goal of this policy is to support CapMetro’s overall strategic mission to provide quality public transportation choices for our community that meet the needs of our growing region. To accomplish this mission, CapMetro must develop and use its resources in a manner that ensures sustainable business growth.

**4. OBJECTIVES**

The following objectives are designed to support CapMetro’s Fare Policy goal and balance the desire to keep fares affordable for CapMetro customers with the need to maximize fare revenue to help maintain and expand transit operations.

- A. **Customer/Community Objectives:** The Board and staff will consider the impact that fare changes have on customers and the community within the scope of the following three customer/community objectives:
  - i. **Promote utilization of all modes of CapMetro transportation:** CapMetro seeks to encourage and facilitate transit ridership within CapMetro’s service area by setting fares that are accessible to the widest possible range of existing and potential rider groups.
  - ii. **Establish equitable fares:** To be equitable, fares should take into account the socioeconomic makeup of CapMetro customers and their utilization of the different types of services.
    - a. **Fare Equity Analysis:** CapMetro will perform a fare equity analysis to assess effects of proposed fare changes on riders and describe actions to avoid,

minimize or mitigate such effects.

- b. Agency Discounted Pass Program: CapMetro will provide discounted passes to qualifying non-profit, not-for-profit and governmental agencies that assist low-income persons and families. Qualifying agencies may provide passes purchased under this program to agency clients at no more than the discounted price. The Board may establish the discount (currently 50%) provided to agencies under this program when approving CapMetro’s annual operating budget. The Board may establish limits for the Discounted Pass Program, by establishing a monthly allotment system based on: (i) the number of clients served by an agency; ii) the agency’s annual budget; and/or (iii) a maximum amount any agency may purchase in any given month.
  - c. Basic Transportation Needs Fund: CapMetro may establish a charitable fund to assist persons and families who cannot afford the established transit fares. Such a fund can be created and maintained in partnership with social services providers and community-based organizations.
  - d. Transit Pass for the Unhoused Community: CapMetro may establish a program that offers transit passes at no cost to individuals experiencing homelessness if those individuals are receiving services from social service providers participating in Travis County HMIS (Homeless Management Information System).
  - e. Equifare Program: CapMetro may establish a program that offers discounted fares for low income-eligible customers.
  - f. Fare Capping: CapMetro may establish a fare capping structure to increase the affordability of fares by capping the amount that a customer pays on a daily or monthly basis at the equivalent day or month pass price.
  - g. Authorized Free Fares: The CapMetro board on September 28, 2018 authorized free fares on all Capital Metro service on the following days:
    - National general Election days in November of even numbered years
    - July 4<sup>th</sup> after 5pm
    - New Year’s Eve after 5pm
- iii. **Enhance mobility & access**: Fares should enhance the ability of customers to access the system and move through it with ease. To do so, fares should be frictionless, easy to understand, and provide uniformity throughout the system.
- B. **Financial Objectives**: The Board and staff will consider the financial impact a fare or fare structure change has on the long-term sustainability of CapMetro within the scope of the following financial objectives:
- i. **Support predictable fare revenue stream**: Because fare revenue is a critical component of CapMetro’s operating budget, any fare or fare structure change should ensure the total fare revenue stream is maintained at an appropriate level to meet Capital Metro’s immediate and long-term financial requirements within changing economic conditions.
  - ii. **Provide sufficient fare revenues to meet statutory obligations**: As required by

CapMetro’s enabling statute, Transportation Code Section 451.061(a), any fare or fare structure change must produce sufficient fare revenues, together with tax revenue to: (1) pay all the expenses necessary to operate and maintain the system; (2) pay when due all principal of and interest on, and sinking fund and reserve fund payments agreed to be made with respect to, all bonds that are issued by CapMetro; and (3) fulfill the terms of any other agreement with bond holders.

iii. **Recover operating costs:** The proportion of the amount of revenue generated through fares by paying customers as a fraction of the total operating expenses is the fare recovery ratio. Generally, the fare recovery ratio is influenced by three main factors:

- a. **Fare levels:** The fare levels or structure influence the average fare collected per passenger and the overall fare revenue collected. By increasing fares or reducing the discounts set for fare categories, fare revenue can be increased. Similarly, fare reductions will result in a net loss of revenues. Changes in the fare structure also impact riders, with increased fares generally reducing ridership and reduced fares generally increasing ridership. Fare adjustments should be made with consideration to transit customers affected.
- b. **Productivity:** The productivity of transit service is measured in terms of ridership per mile or hour of service. CapMetro attempts to balance route productivity with service policies aimed at developing new markets, serving remote areas, and accommodating disadvantaged populations. Decisions regarding route productivity should be made with consideration to social needs of the community and the transit customers affected.
- c. **Efficiency:** Operating costs are partly within control CapMetro and partly a result of prevailing economic conditions. Cost efficiencies are achieved through careful budgeting, monitoring, and controlling expenditures and can be measured by operating costs per hour.

CapMetro will monitor the fare recovery ratio and use this information during the annual budget development process to recommend fare or fare structure changes. CapMetro will also monitor the productivity and efficiency of the operations as well as ridership and propose adjustments as necessary. Since fares help offset the operating costs of providing public transportation services, CapMetro’s goal is to eventually recover a minimum of 20% of transit operating costs with passenger-paid and third-party fares.

iv. **Minimize fare collection costs:** CapMetro’s fare structure and fare collection technologies should be developed and operated to minimize the costs associated with fare collection and revenue processing without compromising accuracy.

## 5. FARE CHANGE PROCESS

The following guidelines outline the required process for developing, evaluating, and implementing fare or fare structure changes:

- A. Recommendations for changing fares or fare structure will be developed by Capital Metro staff

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in keeping with this policy.

- B. Any proposed change in fares or fare structure will include a fare equity analysis of the impact of the change on low-income and minority populations as required by Title VI of the Civil Rights Act, as amended, FTA C4702.1A and submitted to FTA for review and comment.

- C. In addition to the fare equity analysis, CapMetro will complete an operations and ridership analysis to evaluate the overall cost of operating service and levels of ridership.
  - D. Per CapMetro’s enabling statute, Transportation Code Section 451.061(d-1), any change in the “Base Fare” defined as the single-ride, local bus, adult cash fare, is subject to the review by the Capital Area Metropolitan Planning Organization (CAMPO). CapMetro may not implement a change to its base fare for a minimum of 60 days following approval by the CapMetro Board, and may not implement a Base Fare change if CAMPO rejects the proposed change by a majority vote of the CAMPO Board.
  - E. A public hearing is required for any change to fares or fare structure, with a minimum 21-calendar day notice prior to such hearing.
  - F. All fare or fare structure changes must be approved by the CapMetro Board.
  - G. Once a fare change is approved by the Board, appropriate ads notifying the public of the change should be placed with local media outlets and on the CapMetro website at least thirty (30) days prior to the effective date of the fare change. The notice will be posted in English as well as any non-English languages as determined by CapMetro’s language assistance plan. In addition, notices will be placed on all revenue vehicles and at major transit centers. CapMetro may also notify customers through press releases or on its social media.
  - H. Generally, fare or fare structure changes will become effective in conjunction with service changes in January or August.
- ◆ Multiple-year planned fare changes including the current year and up to two (2) future increases may be approved, provided the public is notified and has an opportunity to comment. The timing and magnitude of subsequent changes will not be binding if economic conditions change. Deviations to approved future fare or fare structure changes, including accelerating the timing for implementation, will require a new Title VI fare equity analysis, public outreach process, including public hearing(s) and CAMPO review, as applicable.

## 6. FARE POLICY REVIEW

CapMetro will review this policy and its fares and fare structure annually with the expectation that fares or fare structure may be adjusted as necessary to keep pace with the rate of increase in the cost of transit operations and to ensure compliance with Transportation Code Section 451.061 and other applicable law.



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee  
**Agenda Date:** 1/15/2025

**Item #:** AI-2024-1358

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UT Intern Projects - Fall 2024 Semester - Non-Procured Purchases and Inventory Controls



# CapMetro Internal Audit

## UT Intern Audit Projects Fall 2024:

**Inventory Controls (Parts, Fuel, Electricity)  
and**

**Non-PO Procurements (P-Cards and Check Requests)**

January 15<sup>th</sup>, 2025

# CapMetro – UT Audit Intern Program

- CapMetro joined UT Audit Intern Program in the 2018 Fall semester.
- UT's #1 ranked Masters of Professional Accounting has an Auditing-2 class that requires a volunteer internship with Austin based companies at 5 hours per week on assigned projects.
- Course Syllabus Objective: "...introduce students to the current scope of internal auditing that extends far beyond the traditional external audit attestation of financial statements."
- Audit project objectives and deliverables are identified and set at the beginning of the project in the planning stage.
- The audit projects require a combination of auditing skills, business acumen, and consulting capabilities.
- UT Audit Interns work under the guidance of the Chief Audit Executive (CAE) and staff.

# Deliverables from UT Interns

	Process Review	Flowcharting	Contract/Policy Review	Invoice Testing	Presentation with Recommendations
Inventory Controls (Parts, Fuel, Electricity)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Non-PO Procurements (P-Cards and Check Requests)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

# Inventory Controls (Parts, Fuel, Electricity) Audit Objective and Scope

Objective:

- Identify process improvements and internal controls opportunities.

Scope:

The scope covered Parts, Fuel, and Electricity for Bus, Rail, Demand Response, and Facilities (from October 2023 to October 2024) for the following areas:

- Parts (our analysis included both CapMetro owned and managed parts \$ 8.4M as well as MTM/Herzog owned and managed Parts \$ 12.3M)
- Fuel (the average monthly Fuel expenses and taxes cost from Nov.2023 to Oct. 2024 is \$ 1.3M)
- Electricity (the average monthly electricity cost from Nov.2023 to Oct. 2024 is \$ 108K)

# Parts Inventory

## Findings:

- No Physical Inventory Policy, however, there is SOP for Cycle Counts.
- It's difficult to identify slow-moving inventory without having lots of false-positives because expected slow moving parts have not been flagged in Hexagon to be excluded from data analytics.
- Automation of Cycle Counts – Technology should be leveraged (barcoding and smart devices) to improve the efficiency and accuracy of Cycle Counts. Currently, its all conducted manually on paper records and keyed into Hexagon.

## Recommendations:

- Develop and implement a physical inventory Policy that states your cycle count goal.
- Identify a way in Hexagon to flag expected slow moving parts so that data analytics can be performed with reduced false positives.
- Reassess barcoding and smart devices to streamline inventory cycle counts and data entry.

# Fuel

## Findings:

- Management has implemented the GasBoy system at most locations to control and track fueling, and monitor Fuel IDs by location, type, and quantity. However, there are no written Fuel Policies and SOPs need to be updated.
- The GasBoy system tracks fuel dispensed for most locations. However, the Demand Response at North Base and the Rail Department have not installed the GasBoy system, therefore the EKOS database that is used for fuel analysis is incomplete.

## Recommendations:

- Develop and implement a Fuel Policy and update SOP's.
- We were informed that in 2025 the GasBoy system will be installed at the North Base Demand Response location. In regards to Rail, evaluate options (e.g. data import; manual data entry into EKOS; implementing GasBoy; etc.) to add the Rail Department diesel fueling to the EKOS database.

# Electricity

## Findings:

- There are no Electricity Policies and/or SOPs for monitoring and managing electricity bills and usage by meter.

## Recommendations:

- Develop and implement an Electricity Policy and SOPs for monitoring and managing electricity bills by meter including data analysis.

# Non-PO Procurements (P-Cards and Check Requests)

These transactions typically do not go through any formal bid process and there is usually no PO issued, therefore there is a higher risk of potential over payment or unauthorized transactions.

- 1. P-Cards:** highest risk, as there is no pre-authorization required
- 2. Check Requests:** slightly lower risk as transaction still goes through an approval process

Year	Check Request Total Spending	P-Card Total Spending	TOTAL
CY 2023	\$56,768,926	\$3,061,386	\$59,830,312
CY 2024 (extrapolated)	\$62,861,817	\$2,162,040	\$65,023,857
<b>TOTAL</b>	<b>\$119,630,743</b>	<b>\$5,223,426</b>	<b>\$124,854,169</b>



# Non-PO Procurements (P-Cards and Check Requests) Audit Objective and Scope

## Scope:

- Current P-Card and Check Request Policies and Procedures.
- P-Card and Check Request data analysis from 2018-2024.
- Discussions with Finance team members to learn about their involvement in the P-Card and Check Request review process.

## Objectives:

- Review of policies and procedures to identify opportunities for process improvement, transparency, and improved risk management.
- Flowcharting business processes.
- Data analytics on transactions for the past 6 years.

## Check Requests by Department

### 2023

Department	Sum of invoice count	Sum of Distribution
Finance	261	\$23,276,184
Non-Allocated Benefits	66	\$15,857,748
Mobility Interlocal Agreements	69	\$3,501,237
Real Estate and Facility Planning	128	\$3,406,378
Project Connect	170	\$3,391,985
Facilities Maintenance	810	\$2,284,944
Capital Design and Construction	119	\$1,392,767
Facility Programming and Management	353	\$845,421
Bus Operations and Maintenance	285	\$606,238
Community Engagement	81	\$433,162

### 2024

Department	Sum of invoice count	Sum of Distribution
Capital Design and Construction	68	\$21,127,121
Non-Allocated Benefits	62	\$18,316,616
Finance	161	\$5,448,063
Mobility Interlocal Agreements	45	\$3,768,536
Real Estate and Facility Planning	91	\$3,628,998
Facility Programming and Management	109	\$2,811,031
Facilities Maintenance	677	\$2,283,189
Project Connect	89	\$1,550,196
Bus Operations and Maintenance	478	\$968,650
Unspecified [Freight Charges/Misc.]	35	\$931,090

## Check Requests by Supplier

### 2023

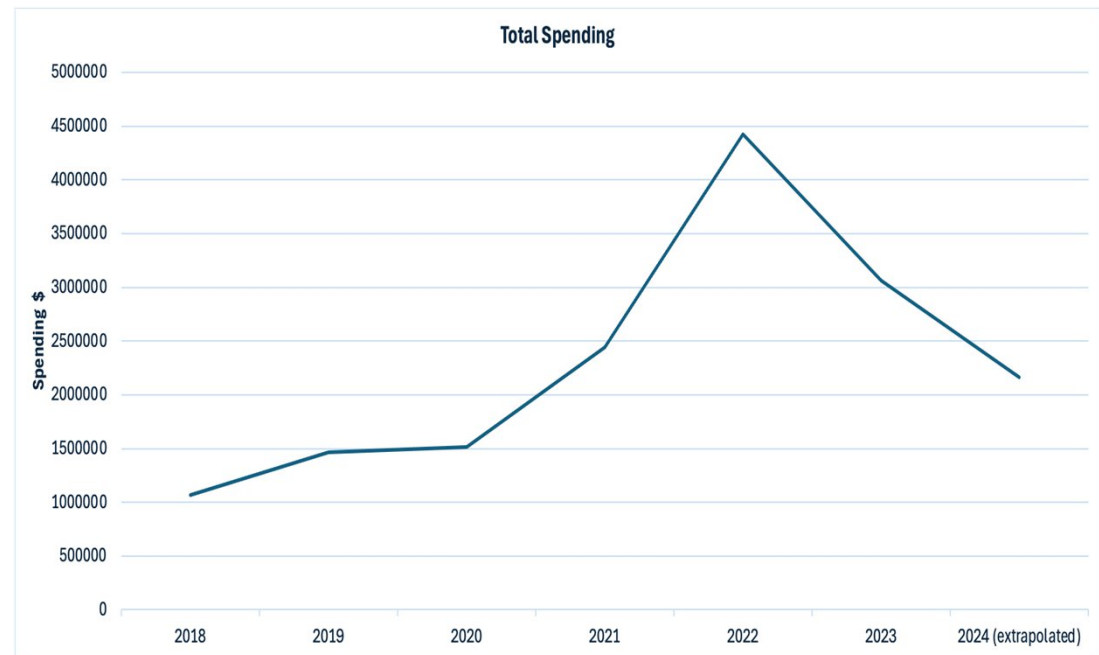
Supplier Name	Sum of Distribution
AUSTIN TRANSIT PARTNERSHIP LOCAL GOVERNMENT CORPORATION	\$15,000,000
LINCOLN FINANCIAL GROUP	\$10,401,021
UNITEDHEALTHCARE	\$9,108,583
<b>CITY OF AUSTIN</b>	\$4,350,390
CERIDIAN TAX SERVICE	\$3,675,679
STARTRAN INC RETIREMENT FUND OPER ACCT	\$3,666,663
TRAVIS COUNTY TREASURER	\$950,776
CIM FUND IX AIV-2, LP	\$753,419
CL TRIANGLE LLC	\$620,765
Met Phase I 95, Ltd.	\$481,758

### 2024

Supplier Name	Sum of Distribution
HERITAGE TITLE COMPANY OF AUSTIN INC	\$19,954,684
LINCOLN FINANCIAL GROUP	\$12,469,430
UNITEDHEALTHCARE	\$8,625,095
STARTRAN INC RETIREMENT FUND OPER ACCT	\$3,999,996
<b>CITY OF AUSTIN</b>	\$2,692,958
KFG Cameron Center, LLC	\$2,085,513
<b>CITY OF LEANDER</b>	\$1,004,000
AUSTIN ENERGY	\$948,608
CITY OF LAGO VISTA	\$925,531
TRAVIS COUNTY TREASURER	\$861,162

# P-Card Total Annual Spending

Year	Number of Users	Spending
2018	56	\$1,070,204
2019	57	\$1,465,587
2020	74	\$1,517,296
2021	73	\$2,444,097
2022	120	\$4,423,132
2023	155	\$3,061,386
2024 (through October)	171	\$1,801,700
2024 (extrapolated)	171	\$2,162,040



\*2018-2022 data courtesy of past CapMetro UT interns

## Amazon Spend - Personal Accts vs Corporate Acct

Year	Amazon Purchases on Personal Accounts	Amazon Purchases on Corporate Account	Total Purchases on P-Card	Percentage of Amazon Purchases on Personal Accounts
2018	\$47,726	\$14,100	\$1,070,204	4.5%
2019	\$140,898	\$50,445	\$1,465,587	9.6%
2020	\$110,008	\$69,597	\$1,517,296	7.3%
2021	\$160,437	\$101,538	\$2,444,097	6.6%
2022	\$184,100	\$179,917	\$4,423,132	4.2%
2023	\$148,808	\$141,801	\$3,061,386	4.9%
2024	\$113,447	\$113,171	\$2,162,040 (extrapolated)	5.2%
<b>Total</b>	<b>\$905,423</b>	<b>\$670,569</b>	<b>\$16,143,742</b>	<b>Avg. 5.6%</b>

# Total Sales Tax Paid on P-Card Purchases

Year	Total Amount Spent on P-Cards	Total Sales Tax Paid on P-Cards	Average Tax Percentage Paid
<b>CY 2023</b>	\$3,061,386	\$47,517	1.5%
<b>CY 2024 through October</b>	\$1,801,700	\$34,605	1.9%
<b>Total</b>	<b>\$4,863,086</b>	<b>\$82,122</b>	<b>Avg. 1.7%*</b>

\*We paid sales tax on an average of 20% of all transactions (1.7% divided by 8.25% )

# P-Card Spending on Payment Processors

Calendar Year	PayPal	Venmo	Facebook	Google/Tile	Grand Total per Year
2018	\$190	\$0	\$1,877	\$0	\$2,067
2019	\$1,050	\$0	\$9,228	\$21	\$10,299
2020	\$1,664	\$1,442	\$1,714	\$70	\$4,890
2021	\$459	\$1,571	\$8,457	\$16	\$10,503
2022	\$89,733	\$0	\$4,357	\$138	\$94,228
2023	\$28,240	\$0	\$8,316	\$139	\$36,695
2024 through Oct.	\$21,610	\$0	\$4,534	\$0	\$26,144
<b>Total</b>	<b>\$142,947</b>	<b>\$3,013</b>	<b>\$38,484</b>	<b>\$385</b>	<b>\$184,826</b>

# Recommendations

- Accountability starts with the department heads who review and approve all P-Cards and Check Requests.
- Require annual training for all P-Card holders and frequent users of Check Requests to create a streamlined review process.
- Bi-monthly meeting between Procurement and Finance to review and discuss P-Card and Check Request transactions.
- The UT interns developed some improvements to the manual Check Request form, which management should consider implementing. Automation of this new Check Request Form in the Oracle system will help reduce the potential for errors and will provide more visibility on the details of each transaction.
- Automate form [FIN7](#) (Purchasing Card Cardholder Agreement) and form [FIN28](#) (Purchasing Card Request) in the Oracle system.

**CapMetro**

**Questions?**





# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee  
**Agenda Date:** 1/15/2025

**Item #:** AI-2024-1360

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Internal Audit Report on McKalla Station Capital Project Controls



## MCKALLA STATION – CAPITAL PROJECT CONTROLS (24-12)

Terry Follmer, Chief Audit Executive

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Robert Moreno, Manager, Internal Audit

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2. Construction Capitalization Process
3. Capitalization Policies Require Updates and SOPs Are Needed
4. Delegations of Authority Not Defined for Temporary Construction Easement Acquisitions
5. Capital Project Funding Source Not Formally Documented

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- A. Temporary Construction Easement (TCE) Flowchart for McKalla Station
- B. Example Introduction Letter and Initial Offer Letter to Landowners
- C. Example Rescission Letter and Offer Letter to Landowners
- D. McKalla Station - Temporary Construction Easement (TCE) Parcel Listing
- E. Excerpt From CPG Policies and Procedures Manual Regarding Funding Sources
- F. Finance Policy FIN-104 Fixed Assets Capitalization & Disposal Policy
- G. Finance Policy FIN-105 Capitalization of Labor on Capital Projects

## Executive Summary

The fiscal year 2024 Audit Plan approved by the CapMetro Board of Directors included an assurance review of the McKalla Station Capital Project Controls to ensure compliance with contracts, policies, procedures and regulatory requirements. The audit results including the objective, scope and conclusion are as follows.

## Background

The McKalla Rail Station is a new regional rail transit station constructed as part of Project Connect to provide increased mobility and transit options for the North Burnet neighborhood. It was a \$58.8M capital project of a new rail station located adjacent to Q2 Stadium that opened in February 2024. There were two primary construction projects, McKalla MLS Red Line Station (PLN2103) and McKalla Double Track, Drainage and Signals (PLN2207). The rail station construction was a design-build contract approved by the Board in March 2022 for \$16.6M and was awarded to Stacy and Whitbeck. Design-build is a delivery method in which a contractor is responsible for both the design and construction phases to streamline the project. Additional funding approved by the Board brought the rail station total not to exceed \$21M. The second project, track and drainage, was approved by the Board in October 2022 not to exceed \$29M and was awarded to Jay Reese.

McKalla Station was part of the original Project Connect plan and pursued a variety of funding sources. ATP committed to providing \$25M to the project. Q2 also committed \$3M over 15 years. The City of Austin provided funding of \$750K for betterments, or upgrades, to planned wastewater lines (increased diameter size) and a shared-use path. Initially, there was an expectation that federal funds would be pursued for the McKalla project. CapMetro applied for two federal fund grants, the BUILD 2020 (\$11.3M) and INFRA (\$17.7M), however, the grant applications were denied in October 2020 and July 2021 respectively. Management informed us that though expenditures on the current project did not qualify for current federal grants, the expenditures could potentially be considered as CapMetro matching fund contributions for future grants if federal standards are followed. The standards applied to projects using federal funds are higher than if only local funds are used. For example, if local funds are used, Chapter 451 of the Texas Transportation Code requires two appraisals for real estate acquisitions. If federal funds are used, the Uniform Relocation Assistance and Real Properties Acquisition Act of 1970 (Uniform Act) requires an appraisal and an additional appraisal review.

The Capital Projects Group (CPG) managed the project, following the guidelines established in their CPG Policies and Procedures Manual and a variety of systems. The core systems used were Planview, eBuilder, Oracle for Accounting and Contract Land Staffing (CLS) which is used for right-of-way licenses, permits and roadway worker in charge (RWIC) fees. Additionally, other departments contributed to the success of the project, for example, the Real Estate Department was responsible for obtaining required permitting, title documents, surveys, and appraisals for temporary construction easements ensuring that contractors had access to the properties along the area where the work was being performed. The Real Estate department engaged multiple contractors to provide technical expertise and management of real estate transactions. The Rail Department was responsible for assigning RWIC, per Federal Railroad Administration and Company policy, to ensure contractor rail safety protocols were followed. Legal Department reviewed contractual documents and Intra-local Agreements.

## **Audit Objective & Scope**

The objective of the audit was to review construction process for compliance with contracts, policies, procedures and regulatory requirements, contract close-out and lien releases. The scope included all invoices for Jay Reese and Stacy & Whitbeck submitted from August 2022 through May 2024 as well as the contract closeout process. We also reviewed other capital project costs charged to the McKalla project to ensure that the process for capital project initiation and capitalization followed CapMetro policies and procedures. We reviewed processes at the initiation of the project such as temporary construction easements acquisition and the contract closeout processes, including and release of retention payments and vendor lien releases.

## **Opinion**

In our opinion, internal controls are generally in place and properly functioning over the capital project processes. We identified some areas where internal controls could be further enhanced as follows:

1. Real Estate Appraisal Documentation Not Obtained for Professional Services
2. Construction Capitalization Process
3. Capitalization Policies Require Updates and SOPs Are Needed
4. Delegations of Authority Not Defined for Temporary Construction Easement Acquisitions
5. Capital Projects Funding Source Not Formally Documented

More details regarding the issues/risks and recommendations can be found below in the detailed audit report.

This audit was conducted in accordance with 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. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

- Robert Moreno, Manager of Internal Audit
- Terry Follmer, Chief Audit Executive

Recommendations to strengthen controls and improve accountability were provided to management. Management agrees with the internal audit recommendations and has provided target completion dates which are included in the detailed audit report below. A follow-up audit is performed semi-annually (i.e., May and November) to ensure management action plans for all issued audit reports are completed in a timely manner.

We appreciate the cooperation and assistance provided to us throughout this audit.

# Audit Report

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>1. <u>REAL ESTATE APPRAISAL DOCUMENTS NOT OBTAINED FOR PROFESSIONAL SERVICES</u></b></p> <p>CapMetro identified 14 property parcels to be considered for potential temporary construction easements (TCE) for the McKalla project. FTA requires an appraisal and an independent review of the appraisal while state regulations require two appraisals on each property to ensure fair market value is established. Appraisals and surveys totaling over \$300K were performed for the 14 parcels. Ultimately only three of the 14 parcels needed a TCE to be purchased. <b>See Appendix A</b> for TCE flowchart, <b>Appendix B &amp; C</b> for examples of letters to landowners and <b>Appendix D</b> for TCE parcels identified.</p> <p>We requested copies of the appraisal documentation from the Real Estate department, but the documentation was not available. The completed appraisal documents had not been uploaded to CapMetro SharePoint site but were retained by HDR Engineering.</p> <p>The Real Estate department subsequently obtained the documents. Upon review of the documents, we noted that some parcel documentation (i.e. second appraisal or appraisal reviews) was missing from the documents provided.</p> <p>Lack of documentation of work performed, reduces management’s ability to:</p> <ul style="list-style-type: none"> <li>a) Effectively review and approve contractor invoices, and</li> <li>b) Ensure complete and accurate records are maintained for CapMetro and for potential future federal grants.</li> </ul>	<p>Internal Audit recommends that Management implement the following:</p> <ul style="list-style-type: none"> <li>a) The Director of Real Estate and ROW should consider implementing a process to obtain all work product from vendors before approving invoices to ensure that the service is complete, accurate and saved to SharePoint.</li> <li>b) The Director of Capital Construction Management should consider defining the responsibility for managing real estate project documentation to the Director of Real Estate and ROW within the Capital Project Group Procedures and Policy Manual.</li> </ul>	<p>Management agrees and has developed the action plan below.</p> <ul style="list-style-type: none"> <li>a) The Director of Real Estate and ROW will update the Task Order Status spreadsheet to include tracking receipt and SharePoint update of professional service deliverables.</li> <li>b) The Director of Capital Construction Management will update the Capital Project Group Procedures and Policy manual.</li> </ul> <p><b><u>Target Completion Date:</u></b> December 31, 2024</p>

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>2. <u>CONSTRUCTION CAPITALIZATION PROCESS</u></b></p> <p>McKalla Station was a \$58.8M construction project that went live in February 2024 and final payments were made to vendors in May 2024. As of September 30, 2024, the related assets had not been recorded in the Oracle ERP and Hexagon EAM systems, and the two systems had not been reconciled.</p> <p>We reviewed the construction capitalization controls used to update the Oracle and Hexagon systems and identified the following weaknesses:</p> <ul style="list-style-type: none"> <li>• There is FIN-104, Fixed Asset Capitalization &amp; Disposal Policy (Appendix F), however there is no SOP detailing procedures for Accounting and Capital Project Group (CPG) staff as to how/when construction is to be capitalized and recorded into the Hexagon and Oracle systems.</li> <li>• There are no training or periodic meetings between CPG and Accounting to discuss construction status and capitalization process.</li> <li>• The monthly PlanView Upcoming Go-Live project report has project percentage of completion from budget, but it is missing the percentage of actual project completion.</li> <li>• Required reports and reporting procedures between CPG and Finance have not been defined.</li> </ul> <p>The situations above increase the risk that assets may not be capitalized timely and assets between Hexagon and Oracle cannot be reconciled.</p>	<p>Internal Audit recommends that the Controller and the VP of Facilities Management &amp; Capital Construction should consider the following improvements:</p> <ol style="list-style-type: none"> <li>a) Define and develop SOPs for construction processes to ensure CPG and Accounting Departments are getting timely and appropriate information to ensure capitalization records in both Hexagon and Oracle systems can be properly updated. From here, develop Policies and SOP's that codify the process and ensure appropriate staff within CPG and Accounting are trained and understand how their activities support each other.</li> <li>b) Periodic meetings (e.g. monthly and/or quarterly) should be scheduled between CPG and Accounting to ensure proper communications and coordination of projects.</li> <li>c) The monthly PlanView Upcoming Go-Live report should be updated to include a field that captures the actual project percentage of completion.</li> <li>d) Capitalized assets in Hexagon should be reconciled to Oracle asset records monthly. Any unexpected differences should be investigated and adjusted in Hexagon and/or Oracle.</li> </ol>	<p>Management agrees and has developed the action plan below.</p> <ol style="list-style-type: none"> <li>a. Capital Projects Group and Finance will develop SOPs for documenting and recording fixed assets in the respective Hexagon and Oracle systems. After the SOPs have been created, the policies will be developed that incorporate the SOP.</li> <li>b. Capital Projects and Accounting have initiated monthly meetings in October to discuss project activity.</li> <li>c. Enterprise Project Portfolio Management group is developing a process workflow in Planview which would include an approval by both Accounting and Capital Projects before a project can be advanced from the "Execute" status to the "Close" status.</li> <li>d. Accounting has begun reconciling Oracle capital assets to Hexagon assets. As Oracle asset numbers are created, the information will be forwarded to Capital Projects to add to the asset in the Hexagon system as a cross reference.</li> </ol> <p><b><u>Target Completion Date:</u></b> June 30, 2025</p>

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>3. <u>CAPITALIZATION POLICIES REQUIRE UPDATES AND SOPs ARE NEEDED</u></b></p> <p>There are two Finance policies related to capitalization of assets, FIN-104 Fixed Asset Capitalization and Disposal Policy (See <b>Appendix F</b>) and FIN-105 Capitalization of Labor on Capital Projects (See <b>Appendix G</b>). We noted the following issues with the polices:</p> <ul style="list-style-type: none"> <li>• Policy FIN-104 was last updated in October 2019 and references the prior Fixed Asset accounting module from the Microsoft Dynamics AX system. Policy FIN-105 was last updated in 2013 and includes hyperlinks to forms FN11 Capital Labor Hours Log (Employee) and FN12 Capital Labor Hours Log (Project Manager). However, the hyperlinks to these forms are broken and it appears the documents have been renamed as FIN9 and FIN10 respectively.</li> <li>• Neither policy FIN-104 nor FIN-105 define which accounting standards they follow, for example US GASB or other Federal guidelines or FTA requirements.</li> <li>• FIN104 provides a brief description of Construction Work In Progress (CWIP) but does not elaborate on any specifics. There are no SOPs to provide further instructions on the CWIP process. Additionally, there are no SOPs for FIN-105.</li> <li>• There are three manual forms used in the fixed asset documentation process. FIN2 Property Acquisition Form, FIN5 Property Disposal Form, and FIN6 Property Transfer Form each include a field from the previous EAM system titled SPEAR ID #.</li> </ul>	<p>Internal Audit recommends that the Controller consider the following improvements:</p> <ol style="list-style-type: none"> <li>a) Updating FIN-104 and FIN-105 to reflect current accounting requirements, practices, and document form hyperlinks. The policy should include basic definitions of assets to guide users outside the Finance department. Instructions should be communicated with other departments to ensure that all parties are aware of and understand the requirements.</li> <li>b) Identify and document the relevant accounting standards to be used and incorporated into the Finance policies.</li> <li>c) Develop SOPs and procedures documents for the capitalization process which will define the expectations for all parties to follow to ensure items are properly categorized.</li> <li>d) Determine whether the forms (FIN2, FIN5, FIN6) are still necessary for documenting assets and if so, update the fixed assets forms to correspond to the current Hexagon EAM fixed assets system.</li> </ol>	<p>Management agrees and has developed the action plan below.</p> <p>Finance will develop SOPs for fixed asset capitalization during this process, the fixed asset policies and forms will be updated to correspond.</p> <p><b><u>Target Completion Date:</u></b></p> <p>June 30, 2025</p>

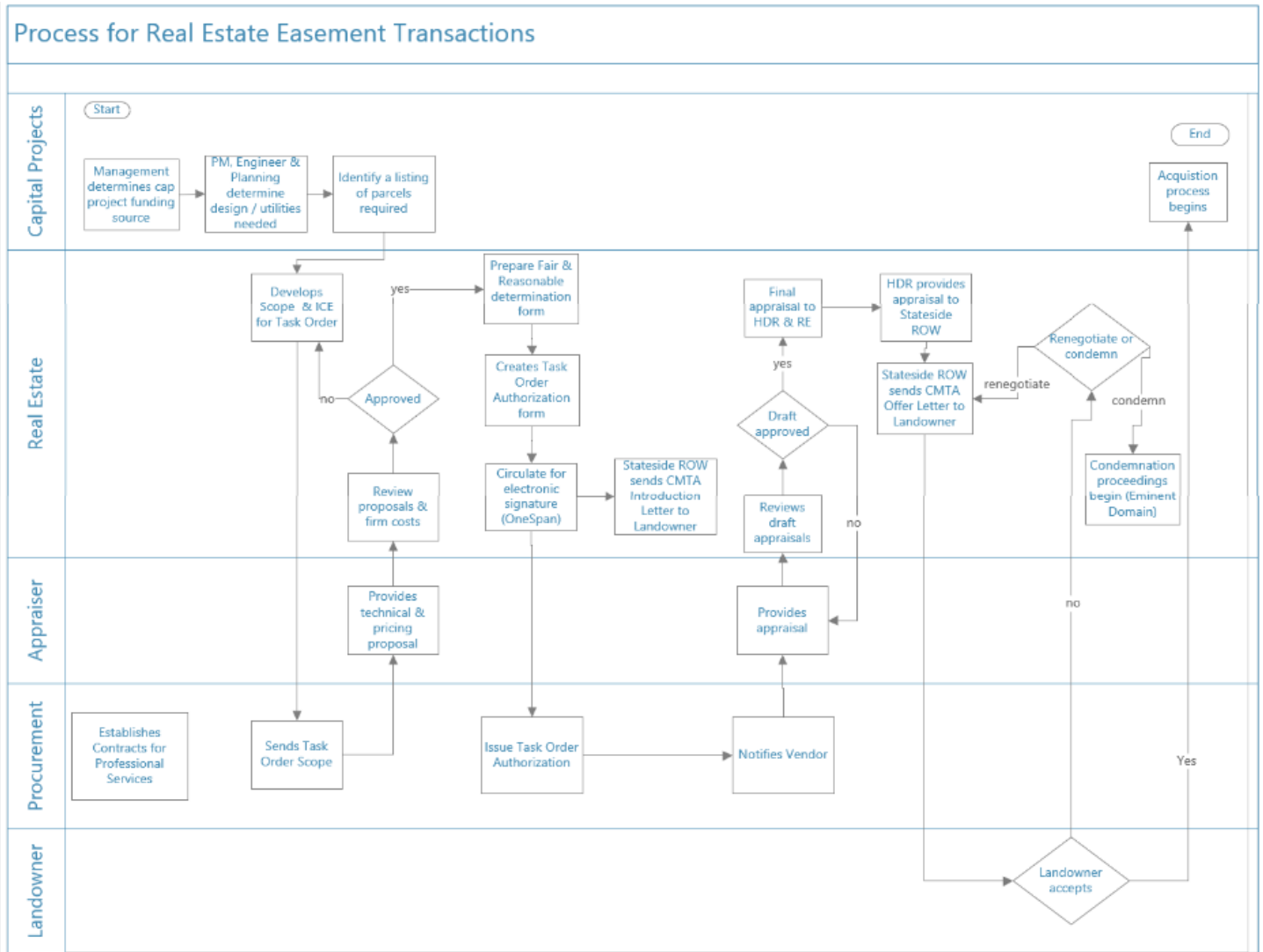


<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>4. <u>DELEGATIONS OF AUTHORITY NOT DEFINED FOR TEMPORARY CONSTRUCTION EASEMENT ACQUISITIONS</u></b></p> <p>The Capital Projects Group Policies &amp; Procedures Manual references Board approval for real estate transactions over \$150K. The Procurement Policy &amp; Procedures documents the approval process for various procurement transactions; however, real estate transactions are excluded. Real estate transactions are unique and highly subjective. Management has not defined delegations of authority to specify approvals for various real estate transaction types less than \$150K.</p> <p>CapMetro acquired three Temporary Construction Easements (TCE) for the McKalla project. We identified a transaction for the acquisition of a property in which the higher of two appraisals indicated a market value of \$20K. However, the landowner made a counteroffer of \$30K, 50% over the appraised market value, which was accepted by CapMetro to keep project construction moving forward. There is no policy to define who can approve TCE or transactions that may be above appraised market value.</p> <p>Without pre-defined authority limits for property acquisitions, there is a potential that unreasonable or unauthorized amounts could be paid to acquire temporary construction easements.</p>	<p>Internal Audit recommends that the VP, Facility Management &amp; Capital Construction should work with the Legal Department to develop acceptable approval limits for routine and exception transactions (e.g. paying more than appraised value) within the overall CapMetro delegations of authority approval matrix.</p>	<p>Management agrees and has developed the action plan below.</p> <p>VP, Facility Management and Capital Construction will obtain clarification from Legal regarding the Delegation of Authority. If the delegation needs to be revised, the VP will pursue it with Legal.</p> <p><b><u>Target Completion Date:</u></b></p> <p>December 31, 2024</p>

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>5. <u>CAPITAL PROJECT FUNDING SOURCES NOT FORMALLY DOCUMENTED</u></b></p> <p>CapMetro Management determines whether the Agency will pursue federal funds. Any use of federal funds triggers the requirement to follow the Uniform Relocation Assistance and Real Properties Acquisition Act of 1970 (Uniform Act). The CapMetro Capital Projects Group Policy and Procedures Manual acknowledges that the use of federal funds necessitates special procedures are to be followed. See <b>Appendix E</b> for Excerpt from Manual.</p> <p>However, there is no notation in the policy manual that specifies that capital projects should be identified by the expected funding source to be pursued as it will affect the process flow needed for that project (e.g. if and how many appraisals are needed).</p> <p>Inadequate or ambiguous communication of the funding source could cause unnecessary spending to occur if higher than necessary federal standards are followed. Conversely, if the higher standards are not followed when required, it may restrict the ability to obtain federal funding.</p>	<p>Internal Audit recommends that the Capital Projects VP should consider developing procedures to include the anticipated funding source to be used in project documentation such as the Project Charter.</p>	<p>Management agrees and has developed the action plan below.</p> <p>Project Managers will document the funding source in the Project Charter.</p> <p><b><u>Target Completion Date:</u></b></p> <p>December 31, 2024</p>

## Appendix A

### Temporary Construction Easement (TCE) Flowchart for McKalla Station



# Appendix B

## Example Introduction Letter and Initial Offer Letter to Landowners



August 2, 2022

County: Travis Parcel: W14  
Project: McKalla Double Track

Via Regular Mail and Certified Mail Return Receipt Requested: 7019 0700 0001 6302 2703

MCKALLA STATION LP  
3800 N Lamar Blvd., Ste. 350  
Austin, TX 78756-4019

Re: Consultant Introduction and Texas Landowner's Bill of Rights

Dear Property Owner,

Capital Metropolitan Transportation Authority (CMTA) is moving forward with the McKalla Double Track project. CMTA has contracted Stateside Services to acquire the necessary property for the project.

You will soon be contacted by appraisers with Hornsby & Company and Aegis Group, Inc. to set-up an appointment to inspect and appraise your property. We encourage you to accompany the appraisers on this inspection if possible.

Once the appraisal of your property has been completed, you will be contacted by Brent Patterson, Right of Way Agent with Stateside Services, to discuss an offer for the temporary construction easement on behalf of CMTA. Once you have received the offer letter, please contact Brent with any questions or information you may need. Brent can be reached at 817-369-3191. For your reference, please find enclosed a copy of the Texas Landowner's Bill of Rights.

Should you have questions or concerns anytime during this process, please feel free to contact Shannon Gray, Manager, Real Estate and Right of Way with CMTA at 512-369-7735 or email at [Shannon.Gray@capmetro.org](mailto:Shannon.Gray@capmetro.org).

Sincerely,

*Ken Cartwright*

Ken Cartwright  
Vice President, Capital Construction & Facility Management  
Capital Metropolitan Transportation Authority

Enclosures:

Texas Landowner's Bill of Rights  
Travis County Appraisal District (TCAD)/Exhibit

November 15, 2022

County: Travis Parcel No.: W14  
Project: McKalla Double Track

McKalla Station, LP,  
a Texas limited partnership  
c/o Austin Trantham  
3800 N. Lamar Blvd., Ste 350  
Austin, TX 78756-4019

By Certified Mail, Return Receipt Requested No.:  
9402 7112 0620 3844 3922 30

Dear McKalla Station, LP

You have indicated a willingness to sign a *Temporary Construction Easement Agreement* ("TCE") for your property which consists of 6,550 SF (0.1504 acres) located 10401 McKalla Place, Austin, TX 78758.

It is important to confirm this agreement in order to avoid any possible misunderstanding as to the details of the purchase or the process by which the Capital Metropolitan Transportation Authority (CMTA) will make payment. The payment of **\$106,896.00** as herein agreed will constitute full payment to be made by CMTA for the TCE to be conveyed to the CMTA for a term of November 15, 2022 through the earlier of November 15, 2024 or the date the work is completed.

CMTA and the owner(s) have agreed to the following provisions.

Until payment is made by CMTA, title and possession of the property to be conveyed remains with you. You shall bear all risk of loss to any and all such property prior to such payment. Either you or CMTA shall have the right to terminate this agreement by providing written notice to the other party.

CMTA, without cost to the owner, will pay the cost of recording all instruments conveying the rights to the CMTA.

It is suggested that you carefully review the proposed *Temporary Construction Easement Agreement* (attached as Exhibit "A") and satisfy yourself (selves) as to its provisions. With your signing of this agreement and execution of the *Temporary Construction Easement Agreement*, the CMTA will proceed with the issuance of a check which will be made out jointly to you and to Community National Title.

This company has been designated as the CMTA's closing agent and is responsible to see that CMTA obtains title approved by CMTA. They will not endorse the check and make payment until CMTA title approval is secured. At the same time, you have the right to withhold endorsement of the check and not accept payment until you are fully satisfied on all details of the transaction.

# Appendix C

## Example Rescission Letter and Offer Letter to Landowners



Capital Metropolitan Transportation Authority  
2910 East Fifth Street | Austin, Texas 78702  
TEL 512.389.7400 | FAX 512.369.6596 | capmetro.org

March 7, 2023

County: Travis  
Federal Project No.: N/A  
Project: Red Line – McKalla Station Double Track  
Parcel No.: W14

McKalla Station, LP,  
a Texas limited partnership  
c/o Austin Transillum  
3800 N. Lamar Blvd., Ste 350  
Austin, TX 78756-4019

By Certified Mail, Return Receipt Requested No.:  
9414 7112 0620 3978 6974 35

Dear McKalla Station, LP,

The Capital Metropolitan Transportation Authority ("CMTA") made an offer to purchase rights on a portion of your property identified as Parcel W14, located at 10401 McKalla Place, Austin, Texas 78758. For your reference, enclosed please find a copy of the Initial Offer Letter dated November 15, 2022, from Stateside Right of Way, on behalf of CMTA.

CMTA has rescinded this offer, as the rights for the temporary construction easement are no longer needed to complete track upgrades.

If you have any questions, please get in touch with Brent Patterson at 817-917-2043 or Brentp@statesiderow.com.

Sincerely,

*Kenneth Cartwright*

Ken Cartwright  
Vice President, Capital Construction & Facility Management  
Capital Metropolitan Transportation Authority

Enclosure(s):

- Initial Offer Letter dated November 15, 2022

c: Vincent Sandoval, Project Manager  
Capital Metropolitan Transportation Authority



Capital Metropolitan Transportation Authority  
2910 East Fifth Street | Austin, Texas 78702  
TEL 512.389.7400 | FAX 512.369.6596 | capmetro.org

November 22, 2022

County: Travis  
Project: McKalla Double Track

Parcel No.: E22

EKB2320, L.P.,  
a Texas limited partnership  
1000 N. Weston Lane  
Austin, TX 78733-3444

By Certified Mail, Return Receipt Requested No.:  
9402 7112 0620 3873 9990 59

Dear EKB2320, L.P.,

You have indicated a willingness to sign a *Temporary Construction Easement Agreement* ("TCE") for your property which consists of 1,100 SF (0.0252 acre) located 2320 Donley Drive, Austin, TX 78758.

It is important to confirm this agreement in order to avoid any possible misunderstanding as to the details of the purchase or the process by which the Capital Metropolitan Transportation Authority (CMTA) will make payment. The payment of **\$20,345.00** as herein agreed will constitute full payment to be made by CMTA for the TCE to be conveyed to the CMTA for a term of November 22, 2022 through the earlier of May 22, 2024 or the date the work is completed.

CMTA and the owner(s) have agreed to the following provisions.

Until payment is made by CMTA, title and possession of the property to be conveyed remains with you. You shall bear all risk of loss to any and all such property prior to such payment. Either you or CMTA shall have the right to terminate this agreement by providing written notice to the other party.

CMTA, without cost to the owner, will pay the cost of recording all instruments conveying the rights to the CMTA.

It is suggested that you carefully review the proposed *Temporary Construction Easement Agreement* (attached as Exhibit "A") and satisfy yourself (selves) as to its provisions. With your signing of this agreement and execution of the *Temporary Construction Easement Agreement*, the CMTA will proceed with the issuance of a check which will be made out jointly to you and to Community National Title.

This company has been designated as the CMTA's closing agent and is responsible to see that CMTA obtains title approved by CMTA. They will not endorse the check and make payment until CMTA title approval is secured.

Rescission of Offer

## Appendix D

### McKalla Station - Temporary Construction Easement (TCE) Parcel Listing

#### MCKALLA TRACK AND DRAINAGE TEMPORARY CONSTRUCTION EASEMENT PARCELS

#	Parcel #	Property ID	Property Owner:	Address:	Easement Area (SF)	Appraisal Costs	Appraisal Review Costs	Appraisal Received	TCE Acquired	Amount Paid for TCE
1	E1	426293	Met Parking LTD	2107 Rundberg Ln	10960	\$ 8,124	\$ 2,896	Yes		n/a
2	W2	442955	Met Phase 195 LTD	2311 Rundberg Ln	732	\$ -	\$ -	n/a		n/a
3	W3	442954	Met Phase 195 LTD	2311 Rundberg Ln	439	\$ -	\$ -	n/a		n/a
4	E4	426292	Met Phase 195 LTD	2222 Rundberg Ln	5861	\$ 18,550	\$ 2,896	Yes	Yes	\$ 34,302
5	W5	442952	Met Phase 195 LTD	9715 Burnet Rd	1531	\$ 21,193	\$ 2,896	Yes		n/a
6	E6	255066	FCGH-RUT 16 LTD	2209 Rutland Dr	4612	\$ -	\$ -	n/a		n/a
7	W7	255059	Icon IPC TX	2315 Rutland Drive	187	\$ -	\$ -	n/a		n/a
8	E8	255065	First Metric LTD	2209 Rutland Dr	816	\$ -	\$ -	n/a		n/a
9	W9	255050	JNCB Properties LLC	2300 Rutland Dr	1926	\$ -	\$ -	n/a		n/a
10	E10	255067	HPI-RR Rut 1 & 2 LLC	10220 Metropolitan Dr	8850	\$ -	\$ -	n/a		n/a
11	W11	255058	Roger Beasley Mazda Inc	10301 McKalla Pl	7324	\$ 15,125	\$ 5,955	Yes	Yes	\$ 35,624
12	E12	255069	CLI CB Owner LLC	10300 Metropolitan Dr	10290	\$ 4,062	\$ -	n/a		n/a
13	W13	255051	Piedra Holdings LLC	10315 McKalla Pl	1980	\$ 20,964	\$ 5,955	Yes		n/a
14	W14	255052	Kenty Sterling	10401 McKalla Pl	6555	\$ 15,560	\$ 5,955	Yes		n/a
15	W15	255054	10423 McKalla Place LP	10423 McKalla Pl	6807	\$ 17,248	\$ 5,955	Yes		n/a
16	E16	255070	Ferguson Enterprises LLC	10500 Metropolitan Dr	8736	\$ 15,560	\$ 5,464	Yes		n/a
17	W17	547839	City of Austin	10414 McKalla Pl	9398	\$ 19,180	\$ 2,896	Yes		n/a
18	E18	256578	Coca-Cola Southwest	2311 Denton Dr	9167	\$ 21,193	\$ 2,896	yes		n/a
20	W20	547967	Gref Copeland LP	2511 W Braker Ln	3424	\$ 19,180	\$ 5,955	yes		n/a
21	W21	547968	Bright Horizons Childrens Center LLC	2411 W Braker Ln	3282	\$ 8,124	\$ 5,955	yes		n/a
22	E22	258270	EKB2320 LP	2320 Donley Dr	1100	\$ 20,964	\$ 5,955	yes	Yes	\$ 30,000
			<b>Totals</b>			<b>\$ 225,025</b>	<b>\$ 61,631</b>			<b>\$ 99,926</b>

## Appendix E

### Excerpt from CPG Policies and Procedure Manual Regarding Funding Sources

#### B. Project Funding Sources

##### 1. Grant funding

Capital Metro applies for and receives types of grants that are utilized for the construction of capital and operating projects. Projects utilizing these funds have unique requirements and documentation needs and Project Managers must comply with all requirements that are necessary for these projects. Please consult with the Grants Departments for each project utilizing grant funds.

##### 2. Local funding


Capital Metro uses local revenue, generated from a portion of the City Sales Tax for the completion of capital and operating projects. These funds may also be utilized in combination with grant funds on certain projects.

##### 3. Partnership Funding

Capital Metro frequently collaborates with local and regional entities on projects, often contributing or receiving a portion of project funding from an outside entity such as any one of the cities within the Capital Metro service area, or entities such as Capital Area Rural Transit System (CARTS), Central Texas Regional Mobility Authority (CTRMA) or the Capital Area Metropolitan Planning Organization (CAMPO). Such collaborative projects and funding sources are required to jointly execute an Interlocal Agreement.

# Appendix F pg1

## Finance Policy FIN-104 Fixed Assets Capitalization & Disposal Policy

	<b>FIXED ASSETS CAPITALIZATION &amp; DISPOSAL POLICY</b>  <b>FIN-104</b>  <b>Finance</b>	<b>Issued:</b> April 2007 <b>Revised:</b> October 2019  <b>Approved by:</b> Randy Clarke President/CEO
<b>PURPOSE</b>		
The Fixed Assets Capitalization and Disposal Policy is intended to classify assets and create guidelines for the capitalization and disposal of assets for financial reporting purposes for Capital Metro. This policy applies to all Capital Metro employees.		
<b>POLICY</b>		
Fixed assets for capitalization and financial reporting purposes are all items purchased that have a useful life of more than one year, are of a tangible nature and have a value of \$5,000 or more, net cost, not including trade-ins or any taxes, licenses, etc.		
Computer software is classified as an intangible asset. Related installation or implementation costs can be capitalized if a software license is purchased, has a useful life of more than one year, and has a value of \$5,000 or more.		
Items of less than \$5,000 are not considered fixed assets unless they form an integral and essential part of another piece of equipment or structure that meets the fixed asset qualifications.		
Individual assets that cost less than \$5,000, but that operate as part of a network system (i.e., telephone system, computer system) will be capitalized by creating subcomponents, that in aggregate make up the system, if the estimated average useful life of the individual asset is one (1) year or more. A network is determined to be where individual components may be below the \$5,000 but are interdependent and the overriding value to Capital Metro is on the entire network and not the individual assets.		
<b>CLASSIFICATION OF FIXED ASSETS</b>		
Land and Improvements	Purchased land is carried in the Fixed Assets accounting module at acquired cost. Costs include, but are not limited to, expenses for services incidental to the acquisition and other charges incurred in preparing the land for use for improvements to be capitalized, the improvement must be considered permanent and must add value or improve the use of the land. In the event Capital Metro issues debt to finance a land purchase, the cost to be capitalized would include both the acquisition cost and any capitalizable interest expense from the outstanding debt.	
Buildings	All buildings are valued at purchase price or construction cost. Costs include all charges applicable to the building acquisition including fees for brokers, appraisers, engineering consultants, and architects. In the event Capital Metro issues debt to finance a building purchase, the cost to be capitalized would include both the acquisition cost and any capitalizable interest expense from the outstanding debt.	
Equipment and Machinery	All items of tangible property not permanently affixed to real property, which are needed in carrying out the operations of Capital Metro. Installation cost is included in the capitalized amount. Computer software is an intangible item and may be on-site or cloud based. Implementation costs are capitalizable if a license agreement is purchased. Future license agreements for that software or monthly hosting charges are considered Operating Expenses.	
Vehicles	All equipment that must be titled and bear a license tag.	



## Appendix F pg2

### Finance Policy FIN-104 Fixed Assets Capitalization & Disposal Policy - continued

Construction Work in Progress (CWIP)	This is used in conjunction with Capital Projects. Capital Project costs are accumulated until completion, when cumulative costs are transferred to the appropriate fixed asset account. The capitalization policy does not apply in these cases, and all costs must be recorded to give accurate values.
Additions and Modifications to Existing Assets	Costs are often incurred in connection with fixed assets after the original acquisition costs have been established. In general, any expenditure, which is an addition to a fixed asset, as an integral part of the asset, and/or that changes its useful life, is classified as a capital expenditure. If a component part, such as an engine or transmission, is rebuilt or replaced, the remaining undepreciated amount of the original component will be expensed, and the new component will be depreciated over the remaining life of the asset. If the original component part cost cannot be determined, the cost of the new part will be expensed. The additions of an air-conditioning system to a building or replacing/rebuilding an engine or transmission for a bus are some examples of capitalized expenses.
<b>ITEMS NOT CONSIDERED TO BE FIXED ASSETS</b>	
To clarify the question of asset classification, the following list of specific examples is provided.	
Land	Any costs associated with finding a piece of land, regardless of amount, that does not result in the purchase of a specific property are not capitalized and must be expensed. This includes any legal fees, appraisals or assessments.
Maintenance and Repair Replacements	<p>The replacement costs of component part(s) of a fixed asset, not the entire asset itself, during a maintenance and repair operation which also enhances the performance or life of the asset are not generally considered to be capital asset additions or modifications. For example, replacing an original disk drive with a higher capacity disk drive in a microcomputer, or changing worn or damaged brakes on a bus is considered to be a maintenance and repair expense.</p> <p>With respect to asset improvements, costs over \$5,000 should be capitalized if:</p> <ul style="list-style-type: none"> <li>A. The estimated life of the asset is extended by more than 25%, or</li> <li>B. The costs result in an increase in the capacity of the asset, or</li> <li>C. The efficiency of the asset is increased by more than 10%, or</li> <li>D. Significantly changes the character of the asset, or</li> <li>E. In the case of streets and roads - if the work done impacts the "base" structure.</li> </ul> <p>Otherwise, the costs should be expensed as repair and maintenance.</p>
Supplies	Any supply, regardless of costs, that is not permanent and will be consumed within a year is not considered a fixed asset.
Training	Any training costs associated with the implementation, or upgrade, of a fixed asset, regardless of cost, will be expensed.
<b>CAPITALIZATION POLICY</b>	
Acquisitions	Fixed Assets are recorded at cost. Costs are accumulated, usually in a CWIP general ledger account, until a qualified asset is placed in service and created in the Capital Metro financial software. If the costs are not associated with a qualified fixed asset, the funds are moved to an


Page 2 of 3  
FIXED ASSETS CAPITALIZATION AND DISPOSAL POLICY – FIN-104

	operating expense general ledger account.
Depreciation	Assets are depreciated over their useful lives using the straight-line method.
Disposals of Local or Grant Financed Assets	Disposal of assets are conducted within GASB and Federal guidelines.
<b>INVENTORY</b>	
An inventory count will be conducted biennially in accordance with FTA guidance.	

**REFERENCED PROCEDURES:**  
Fixed Asset Capitalization & Disposal Procedure – FIN-104

# Appendix G

## Finance Policy FIN-105 Capitalization of Labor on Capital Projects

	<b>CAPITALIZATION OF LABOR ON CAPITAL PROJECTS FIN-105</b>  Finance	Issued:        April 2007 Revised:       April 2013  Approved by: President & CEO
<b>PURPOSE</b>		
This policy, Capitalization of Labor on Capital Projects, applies to all Capital Metro employees and establishes guidelines for capitalization of labor on capital projects.		
<b>POLICY</b>		
Capital Metro permanent and temporary employees who spend time on capital projects may be required to submit those hours to the Project Manager on a monthly basis. The Project Manager is responsible for the project budget. In that budget, the project manager will estimate the number of hours the project team and others will spend implementing the project.		
<b>PROCEDURES</b>		
<p>The Project Manager responsible for the project budget will estimate the number of hours the project team and others will spend implementing the project. Employees who spend 10 or more hours in a given month on a capital project will complete the Capital Labor Hours Log on the last working day of the month. This spreadsheet will be forwarded to the Project Manager who will combine all the employees' time on the Project Manager Capital Labor Log. This spreadsheet will be forwarded to the Accounting Manager by the 3<sup>rd</sup> working day of the month.</p> <p>Capital labor will be tracked when the implementation of the capital project begins and will end when the project is put into service or production and system stabilization has occurred. During the scope and procurement stage, no labor will be capitalized.</p> <p>Steering Committee members and the Contract Administrator will not capitalize hours spent on the project unless approved by the Executive Vice President, Finance &amp; Administration or his/her designee.</p> <p>Travel and training related expenses will not be capitalized.</p>		
<b>FORMS</b>		
<ul style="list-style-type: none"> <li>• <a href="#">FN 11- Capital Labor Hours Log (Employee)</a></li> <li>• <a href="#">FN 12 - Capital Labor Hours Log (Project Manager)</a></li> </ul>		



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee  
**Agenda Date:** 1/15/2025

**Item #:** AI-2024-1356

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Internal Audit FY2025 Audit Plan Status - January 2025

# FY25 INTERNAL AUDIT PLAN

## Department Scorecard

	Projects	Status & % Complete	Additional Details
	<b><u>FAA COMMITTEE &amp; INTERNAL AUDIT CHARTER COMPLIANCE</u></b>		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/16; 11/13; 12/9; 1/15; 2/12; 3/12; 4/14; 5/7; 6/11; 7/16; 8/13; 9/10; 10/8	In-Process	Ongoing
2	Semi-annual Implementation Status Report - November 2024	Completed	December
3	Semi-annual Implementation Status Report - May 2025		
4	FY2025 Risk Assessment & development of FY26 Audit Plan		
	<b><u>FY25 Audit Assurance &amp; Advisory Projects</u></b>		
1	Keolis Payroll Pass Through Controls	In-Process	
2	MTM Payroll Pass Through Controls - New Contract in Demand Response		
3	Oracle Risk Mgt module - Analyze Oracle segregation of duties	In-Process	
4	Oracle Survey - User Satisfaction & Opportunities		
5	Capital Projects - Costs & Reporting Controls		
6	Police Dept Standup (Recordkeeping & Compliance Requirements)		
7	Inventory Controls (Fuel & Parts) & Utilities (Electricity)	In-Process	UT Interns - Jan
8	A/P Non-PO & P-Card Controls	In-Process	UT Interns - Jan
9	Brinks Contract and Outsourced Treasury Controls		
10	Keolis - Bus Maintenance & Training		
11	Automation of Bus Incidents/Accidents Reporting (TrackIt System)	In-Process	
12	Safety Management System (SMS) - Management of Change	Draft Report	February
13	Bus Charging Infrastructure & EV Program	Draft Report	
14	Bytemark Contract for e-Tickets & Collections - Administrative Fees	In-Process	
15	United Healthcare - Eligibility & Payment Support	In-Process	
16	McKalla Station - Capital Project Controls	Completed	January
17	CLS System for Right of Way Revenues (Permits, RWIC, Licenses)	Draft Report	February
18	BikeShare Program	In-Process	
19	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2024 baseline		
20	Annual Cybersecurity Review (Verizon)		
21	FTA Triennial Audit		
22	QAR (Quality Assessment Review) - IIA and GAS Standards		
23	Quadrennial Performance Audit	In-Process	February
	<b><u>CONTINGENT AUDIT PROJECTS - FY25</u></b>		
1	Lease Vehicle Program - non-Revenue Vehicles		
2	Microsoft Sharepoint & Active Directory		
3	Real Estate - Life Cycle Management & Controls		
4	Grant Reporting Procss (Small Starts, Single Audit, Subrecipients)		
5	Board Policies/Goals - Monitoring & Reporting (e.g. OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		

	NEW PROJECTS ADDED TO FY25 AUDIT PLAN by Terry Follmer		
1			
2			



# Capital Metropolitan Transportation Authority

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Finance, Audit and Administration Committee  
**Agenda Date:** 1/15/2025

**Item #:** AI-2024-1355

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Executive Finance and Administration Monthly Update - January 2025

*Update on recent activities, procurement processes, statistical data, personnel changes, communications and public outreach*