



## CLS ORDER SYSTEM RAILROAD RIGHT-OF-WAY, RWIC, PERMITS & LICENSES (24-08)

Terry Follmer, Chief Audit Executive

**Distribution List:**

Capital Metro Board of Directors  
Dottie Watkins, President & CEO  
Kerri Butcher, Deputy CEO  
Donna Simmons, EVP, Administration  
Sharmila Mukherjee, EVP, Chief Strategic Planning & Development Officer  
Catherine Walker, EVP, Chief Financial & Risk Officer  
Andrew Skabowski, EVP & Chief Operating Officer  
Dave Kubicek, EVP Capital Construction, Engineering & Design  
Tanya Acevedo, SVP, Chief Information Officer  
Muhammad Abdullah, VP Procurement & Chief Contracting Officer  
Anita Deibert, Manager Acquisition & Contract Administrator  
Terry Dudley, Contracts Administrator III  
Muriel Friday, VP, Rail Operations  
Scott Phebus, Finance Manager, Rail Operations  
Wesley Brown, Project Manager, Rail Operations  
Ken Cartwright, VP Facility Management & Capital Construction  
Vincent Sandoval, Director, Real Estate & ROW  
Brian Roybal, Project Manager  
Shannon Gray, Manager, Real Estate & ROW  
Ginney Worley, Specialist Real Estate  
Brad Bowman, Chief Counsel  
Ayeola Williams, Deputy Counsel  
Chester Soares, Director of Enterprise Applications and Data Services  
David McNiff, Manager Technology Systems  
Antonio Smith, Application System Analyst II  
Nadia Nahvi, Controller  
Ben Hodges, Accounting Manager  
Charlie Natal, Accountant II  
Kendra Shelton, Program Manager, Technical Accounting  
Brandi Mohler, Director, Revenue & Fares  
Pablo Sandoval, Program Manager, Revenue & Fares  
Robert Moreno, Manager Internal Audit

# Contents

- Executive Summary.....1**
  
- Results .....4**
  - 1. Missing Interfaces Between Systems Require Manual Workarounds
  - 2. Controls Over Delinquent Receivables Require Improvement
  - 3. Herzog Has Charged RWIC Overtime Not In Compliance with the Contract
  - 4. RWIC Hours Worked by Herzog Exceeded Hours Prepaid by Customers
  - 5. Real Estate ROW Standard Operating Procedures Have Not Been Updated
  - 6. Certificates Of Insurance Are Not Obtained For Recurring Annual License Agreements
  
- Appendices ..... 10**
  - A. ROW Installation Minimum Insurance Requirements
  - B. ROW License Renewal Minimum Insurance Requirements
  - C. RWIC Process and Data Flow
  - D. Venn Diagram of Data in Each ROW Process
  - E. Platinum Portal Screen for Customer ROW Requests
  - F. Example of Standard Oracle Invoice
  - G. Example of Oracle Generated Report Used to Identify CLS Link Customer Payments
  - H. ROW Application and Invoice Statistics
  - I. Potential Overbilled RWIC Overtime Hours
  - J. Herzog Monthly Time Report & Error Examples – July 2023
  - K. Herzog July 2023 Invoice
  - L. AR Customer Aging Report for CLS Link Invoices – June 2024
  - M. Account Receivable Policy FIN 109

## Executive Summary

The fiscal year 2024 Audit Plan included the advisory review of the eleven Miscellaneous Revenues, one of which is the Railroad Right-of-Way (ROW), RWIC, Permits, and Licenses. ROW revenues in FY23 were \$979,587 and in FY24 were \$1,334,596. The audit results including the objective, scope, and conclusion are as follows.

## Background

In 1986, CapMetro acquired from the City of Austin (COA) approximately 162 miles of railroad track, and track structures, right of way (ROW), and COA's existing customers' ROW license agreements which in most cases are perpetual licenses with automatic renewals with an annual license fee to CapMetro. The ROW is managed administratively by the Real Estate Department, operationally by the Rail Department, and the Finance Department bills all revenues through the Oracle system. The Real Estate Department manages the administrative functions for ROW which includes managing over 1,300 existing ROW contractor license agreements, though only 260 are classified as "Revenue" agreements (approx. \$700K annually), and processing new ROW access requests. Most of the ROW licenses are for cables/conduit (e.g., fiber optics, telecommunications, etc.), pipes (e.g., oil, gas, water, sewage, etc.) and other structures that cross CapMetro owned territory both above ground and below ground. There are four types of ROW requests: license agreement, permit, road crossing and roadway-worker-in-charge (RWIC). Customers installing a new project within CapMetro's ROW are required to complete a license application and provide a current certificate of insurance meeting CapMetro's minimum coverage requirements (see **Appendix A** for Installation COI), and an updated COI is required as part of their annual license renewal (see **Appendix B** for renewal COI minimum requirements). Any customers, including license agreement holders requiring physical access to the CapMetro ROW are required to have a permit. Roadway crossings are less frequent but are typically applicable to grant access to private landowner property. Customers are required to request an RWIC employee for any projects that may occur close to the railroad track. Federal Railroad Administration and Rail Operations Department safety guidelines require that any contractor operating within twenty-five feet of the railroad track must have a dedicated RWIC employee assigned to protect the contractor while working near the railroad track. The RWIC employee is in constant contact with Rail Dispatch and notifies the contractor when trains will be traveling through the area. The CapMetro Rail Operations oversees the day-to-day operational aspects of the rail line, including assignment of RWIC employees from Herzog or Watco that ensure safety and compliance on each project. Note, Herzog RWIC employees oversee commuter ROW rail projects and Watco RWIC employees oversee freight ROW rail projects.

The right-of-way order processing and billing process involves three separate systems which are not integrated with each other and require multiple manual inputs and email communications. The starting point for all new customers and transactions is CapMetro's ROW website page [www.capmetro.org/railrow](http://www.capmetro.org/railrow) which will then take the customer to one of the CLS systems:

- Platinum portal (Platinum) – customer-facing application order entry system <https://cmta-platinum.clsrow.com/#/>. The customer enters all of their information and requests into the CLS Platinum portal.
- Contract Land System Link (CLS Link) – ROW system for managing license agreements, permits, and RWIC projects. Because the CLS Platinum is not interfaced to the CLS portal a CapMetro Real Estate employee must rekey a subset of the original data from Platinum into the CLS Link in order to create the actual customer order which is interfaced with Oracle. Note, for new customers, the new account must be manually created in Oracle first and then Oracle customer # is manually keyed into CLS Link.
- Oracle – financial system used for invoicing and collections.

The Contract Land Staffing LLC (CLS) [company https://contractlandstaff.com/](https://contractlandstaff.com/) - provides both the Platinum portal and the CLS Link systems that run on a CLS cloud but are not interfaced to each other, and annual ROW revenues are approximately \$1M annually which are billed in Oracle. CLS is an independent right-of-way and land services company providing service solutions since 1985, and CLS Link is their technology solution for land and asset management.

Customers initiate their ROW access request on CapMetro's website using the Platinum portal application online at [www.capmetro.org/railrow](http://www.capmetro.org/railrow). See example of process flowchart at **Appendix C** and Platinum portal ROW application screen at **Appendix E**. For new customers, the Real Estate Specialist uses the customer populated demographic details entered in Platinum and emails the information to the AR Accountant to create a customer account number in Oracle. The AR Accountant returns an email with the assigned customer number to the Real Estate Specialist who uses the customer provided project information from Platinum and the Oracle account number to manually populate the CLS Link system. Once all new CLS Link customer accounts are updated with the Oracle customer account number, the Real Estate Specialist can initiate the billing process, by creating a batch file of obligations in CLS Link. Nightly, a computer job is run in Oracle to retrieve the obligation file from CLS Link which is used to generate the customer invoice. See **Appendix F** for example of Oracle Invoice.

All customer fees (e.g., application; permit; RWIC; license; etc.) must be prepaid before the initial first year ROW license is granted. Note, the initial license agreements are prepaid, but there are also recurring annual license renewals that cannot be forced to be prepaid which creates a collection risk for year two and the perpetual licenses. As payments are received, they are posted to the customer account in Oracle. Oracle creates a report of the payments received, which the Real Estate Specialist manually retrieves to identify which customer payments have been received. See **Appendix G** for example of the report. Upon identification of payment, the customer application status is advanced for licenses or permits. For RWIC requests, the Real Estate Specialist communicates the customer project information to the Rail Operations Project Manager via email. The email includes the number of days and hours per day the customer has requested. The Rail Department PM forwards the email to the CapMetro contractor to assign an RWIC employee from either Herzog or Watco depending on if it is commuter rail line or freight rail line, respectively. For 2022, the Real Estate department had 279 new applications (Permit; RWIC, License) and 263 new applications in 2023. See details at **Appendix H**.

## Audit Objective & Scope

The objective of the audit was to review the design and operating effectiveness of internal controls to ensure the completeness and accuracy of the ROW orders processed in the CLS systems and the billing and collections that occur in the Oracle system. The scope covered ROW orders processed for 2023 and 2024, as well as the RWIC hours billed to CapMetro from Herzog for this period.

## Opinion

In our opinion, internal controls over ROW the billing and collections process require improvement in the following areas:

1. Missing Interfaces Between Systems Require Manual Workarounds
2. Controls Over Delinquent Receivables Require Improvement
3. Herzog Has Charged RWIC Overtime Not In Compliance With The Contract
4. RWIC Hours Worked by Herzog Exceeded Hours Prepaid by Customers
5. Real Estate ROW Standard Operating Procedures Have Not Been Updated
6. Certificates of Insurance Are Not Obtained For Recurring Annual License Agreements

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>MISSING INTERFACES BETWEEN SYSTEMS REQUIRE MANUAL WORKAROUNDS</u></b></p> <p>The right-of-way process uses two separate CLS systems for order entry that are not interfaced to each other. Customers must first enter their order into the Platinum system, and when the Real Estate Specialist sees the new customer order, she must rekey a subset of this data into a second system called CLS Link to create the actual order. More details on the business processes and data flow can be seen at <b>Appendix C</b> (Process Flowchart) and <b>Appendix D</b> (Venn diagram – data collected by system).</p> <ul style="list-style-type: none"> <li>• ORDER ENTRY IN TWO CLS SYSTEMS - Each ROW license, permit and RWIC requests require customers to enter their customer and project information into the Platinum portal for each application. The Real Estate Specialist (RE Specialist) then accesses the Platinum system to obtain the customer information to manually key into the CLS Link system for creating the customer record and initiating the invoicing process. Additionally, AR Accountant manually keys in customer billing information obtained from Platinum into Oracle to set up customer accounts.</li> <li>• BILLING &amp; COLLECTIONS IN ORACLE - CLS Link pushes an order obligation file to Oracle to create an invoice for license, permits, and RWIC requests. Customer payments are processed in Oracle. For RWIC requests, the Real Estate Specialist runs an Oracle payments report to identify the paid RWIC requests. See report example at <b>Appendix G</b>. The Real Estate Specialist emails the customer RWIC project information to the Rail Operations Project Manager, who forwards the same email to the CapMetro contractor (Herzog or Watco) to schedule and assign RWIC employees to the project.</li> </ul> <p>The manual processes and lack of interfaces and/or automated workflows described above increase the risk of errors, delays in processing and limits the transparency of project status since requests and confirmations are happening through emails which then have to manually input into CLS and Oracle.</p>	<p>Internal Audit recommends the Controller, Director of Revenues &amp; Fares, Director of Enterprise Application &amp; Data Services, and the Director of Real Estate and ROW evaluate the following process improvements:</p> <p><u>a) New ROW Orders</u> - If new orders are entered by customers into the CLS Platinum system can be interfaced to CLS Link, so that the Real Estate Specialist does not have to enter all new orders from scratch to create an order in the CLS Link system. Thus, creating a single database in the CLS Link system instead of having two separate databases in CLS Platinum and CLS Link that do not talk to each other.</p> <p><u>b) New ROW Customers</u> - For new customers in CLS Link, opportunities to automate the creation of new customer requests into Oracle, so that the A/R Accountant does not have to enter all data from scratch. Currently manual emails between Real Estate Specialist and AR Accountant are needed to notify each other and then manual key into CLS Link and Oracle.</p> <p><u>c) Prepaid RWIC Hours</u> – create workflow automation notifying Rail Operations when RWIC orders have been prepaid. Currently manual emails must be sent to Rail Operations with all details (e.g., requested RWIC dates, number of prepaid RWIC hours, milepost #, etc.). Include a closed loop in the workflow so that actual hours worked by Herzog are reported back and compared to prepaid hours. If actual RWIC hours exceed prepaid hours, include a process to create an extra billing for the extra hours worked. The revenue leak for this was \$23,600. See issue #3 below.</p>	<p>Management agrees and has developed the action plan below.</p> <p>The CLS contract will expire on 1/9/25. Management is implementing a 1-year stop-gap extension that is currently pending approval. IT will have to research, evaluate systems, strategy, and budgeting to determine and prioritize the best solution for this recommendation.</p> <p><b><u>Target Completion Date:</u></b> To be determined</p>

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>2. <u>CONTROLS OVER DELINQUENT RECEIVABLES REQUIRE IMPROVEMENT</u></b></p> <p>The June 2024 Aged Accounts Receivable report (See <b>Appendix L</b>) shows past due accounts over 150 days was \$531,770, with ROW related customers being \$443,663 (83%), of which 51% are greater than 2 years old. We reviewed the controls over accounts receivables and collections and identified the following weaknesses:</p> <ul style="list-style-type: none"> <li>• Policy FIN-109 Accounts Receivable (<b>Appendix M</b>) - is dated 1/2016 and requires updating. It does not include the following: establishing credit evaluations and limits; charging late payment fees as listed in license agreements; escalation process for past due accounts (e.g. charging interest, filing liens, canceling licenses, litigation, etc.); delegations of authority for credit limit and write-offs, notifying management of delinquent account balances.</li> <li>• The Finance Department has not developed written procedures to support the Accounts Receivable Policy.</li> <li>• We noted the license agreements dated 2012 and later stipulate a “late charges of 5% of the outstanding balance would be assessed on payments received 10 days after the payment due date”, however, the Finance Department has never enforced late charges and has not designed a process or system controls to make this happen.</li> <li>• License agreements and invoices do not stipulate a charge for interest on delinquent accounts. (See Oracle Invoice at <b>Appendix F</b>).</li> <li>• For some delinquent customers, the AR Accountant does not have current customer AP contact information in Oracle to send invoices which could delay A/R collection timeline.</li> <li>• The Collections module was not included in the Oracle ERP system implementation.</li> <li>• CapMetro does not have a process to check CapMetro ROW territory for unauthorized cables/conduit (e.g., fiber optics, telecommunications, etc.), pipes (e.g., oil, gas, water, sewage, etc.) and other structures. Real Estate management believes there are customers who have installed infrastructure on the CapMetro ROW without following the ROW process or providing any payments to CapMetro.</li> </ul> <p>The weaknesses identified above increase the risk that customer accounts will not be collected timely, and accounts receivable balances will continue to grow. Unauthorized ROW pipes, cables, conduits both above ground and below ground create a liability hazard.</p>	<p>Internal Audit recommends that management consider the following:</p> <p>a) The CFO and Controller should update FIN Policy 109 to include processes for establishing customer credit evaluations and limits, charging late fees, escalation process for past due accounts, delegations of authority for credit limits and write-offs and notifying management of delinquent account balances.</p> <p>b) The CFO and Controller should develop SOPs that describe how delinquent accounts will be managed. The procedures should include frequency of customer communications, dispute resolution procedures, and establish debt collections procedures such as discontinuing new business with delinquent account customers, issuing breach of contract notices, obtaining liens, contracting with collection agencies, and account write-off or settlement procedures.</p> <p>c) The CFO and Controller should consider charging the 5% fee for late payments as defined in the customer license agreement.</p> <p>d) The CFO and Chief Counsel should consider modifying the standard terms and conditions listed in new license agreement contracts and on invoices to include a statement that allows late fees and interest to be charged by Capital Metro on delinquent accounts.</p> <p>e) The Controller and AR Accountant should establish agreed upon procedures with the Manager of Real Estate &amp; Right-of-Way to obtain updated customer AP contact information annually to maintain current billing information.</p> <p>f) The CFO, Controller and Director of Revenue &amp; Fares should consider implementation of the Oracle Collections module.</p> <p>g) The Director of Real Estate &amp; ROW should consider hiring a third-party consulting firm, on a consignment basis, to reconcile installed infrastructure with active CapMetro license agreements to identify any non-compliant or unauthorized infrastructure.</p>	<p>Management agrees and has developed the action plan below.</p> <p>For items a), b), and c) Finance will update FIN Policy 109 and will develop departmental SOPs for accounts receivable. Finance will benchmark available collection options and enforcement actions used by other transit agencies and incorporate best practices into the SOPs. The SOPs will define roles and responsibilities and guidelines for collection options and enforcement actions by March 31, 2025.</p> <p>d) Legal will research the regulatory requirements for placing liens, charging interest or other potential options to include in future license agreement language to strengthen the CapMetro collection position by January 31, 2025.</p> <p>e) Finance will include the agreed upon procedures as part of the roles and responsibilities developed for the SOPs. March 31, 2025.</p> <p>f) Finance will discuss and evaluate implementation of Oracle collections module. Date TBD</p> <p>g) Real Estate Management will consider bringing in a consultant to evaluate ROW infrastructure for compliance with CapMetro standards. Legal will help Real Estate define and develop SOPs for correcting potential non-compliant or unauthorized infrastructures. June 30, 2025.</p> <p><b>Target Completion Date:</b> Multiple dates</p>

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>3. <u>HERZOG HAS CHARGED RWIC OVERTIME NOT IN COMPLIANCE WITH THE CONTRACT</u></b></p> <p>Herzog employees provide Roadway Worker in Charge (RWIC) services for contractors working on the CapMetro right of way. The base contract included three RWIC workers and a modification (Mod 37 signed 10/1/2020 and later Mod 56 signed 1/17/23) added 2 additional RWIC employees to bring the total to 5 designated RWIC employees. The original base contract did not allow overtime to be charged to CapMetro, but the modifications did allow overtime to be billed to CapMetro for the two new RWIC employees to CapMetro if these two Herzog employees exceeded 80 RWIC hours per week and was pre-approved by CapMetro in advance.</p> <p>Our testing disclosed that Herzog billed overtime for all employees, not just those assigned to the modification. From July 2022 to July 2023, Herzog incorrectly billed for 493.5 hours of non-eligible overtime and 44 hours of overtime not assigned to any employee totaling \$35,226. See summary of overbilling details at <b>Appendix I</b>.</p> <p>In our review of the monthly Herzog RWIC invoice support for the two employees assigned to the contract modification, we found additional overtime calculation errors resulting in overbilling 303 hours of overtime (\$19,729). See details at <b>Appendix I</b>. In some instances, Herzog billed for overtime though the employee had not worked 40 regular hours per week, or the calculation periods were misaligned to combine hours for multiple weeks in determining the excess of 40 hours. See <b>Appendix J</b> for the July time report and examples of errors and <b>Appendix K</b> for July Herzog invoice. Subsequent RWIC invoices for August 2023 through December 2023 were rejected by the Rail Department and were not paid.</p> <p>Without timely reconciliations of Herzog RWIC employee weekly hours and overtime calculations, the potential errors and overbilling to CapMetro could continue.</p>	<p>Internal Audit recommends that the VP of Rail consider the following actions:</p> <p>a) Require Herzog to create and provide an improved monthly RWIC hours worked report that contains names of the five full time RWIC employees covered in our contract, which RWIC orders they worked on and how many hours on each order, clear designation as to which three Herzog employees cannot bill CapMetro for OT, and which two Herzog employees are allowed to bill CapMetro for OT.</p> <p>b) Report the Herzog overtime billing errors to the Contract Administrator in the Procurement Department and pursue a refund for the overbilled amounts of \$54,955 (\$35,226 + \$19,729).</p>	<p>Management agrees and has developed the action plan below.</p> <p>a) The Rail PM has received an email from Herzog identifying the employees assigned to the base contract and to Mod56. All requests for overtime for Mod56 are now sent to the Rail PM for approval via email and the approval/denial response is provided back to Herzog via email. Rail PM tracks the hours for each project individually. The Rail PM will request that Herzog provide weekly employee time reporting for all employees with approved overtime by January 31, 2025.</p> <p>b) The VP of Rail will determine if Herzog has documentation authorizing any of the overtime billed by January 31, 2025. Due to the volume of overtime activity related to the McKalla Station, management has agreed to split the cost of any overtime that may not have been billed correctly. The VP of Rail will request a refund of the overtime billed by March 31, 2025. Additionally, the contract modification language will be strengthened to reduce ambiguity for the overtime requirements.</p> <p><b><u>Target Completion Date:</u></b> March 31, 2025</p>



<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>4. <u>RWIC HOURS WORKED BY HERZOG EXCEEDED HOURS PREPAID BY CUSTOMERS</u></b></p> <p>CapMetro’s policy for RWIC services is for customer requests to be made in 8- or 10-hour increments and must be prepaid, and Herzog performs the RWIC service.</p> <p>We reviewed the controls related to the RWIC prepaid services and hours worked by Herzog and identified the following weaknesses:</p> <ul style="list-style-type: none"> <li>As noted in recommendation #1c above, there is no automated workflow for prepaid RWIC hours, so manual emails are sent by the Real Estate Specialist to Rail Operations and Herzog requesting RWIC hours.</li> <li>There is no “closed loop” process to reconcile and report RWIC prepaid hours to actual hours worked by Herzog.</li> <li>Our testing of 2022 and 2023 RWIC hours identified that actual RWIC hours exceeded prepaid hours by 236 hours resulting in lost revenues of \$23,600 that were never billed.</li> <li>There are no performance metrics created manually or in the CLS Link and Oracle systems, for example: prepaid hours versus actual hours by order/invoice (over/under/equal) and any difference; date RWIC hours were requested by customer to be completed versus actual; licensee accounts missing their certificate of insurance at the annual renewal and if/when provided.</li> </ul> <p>The weaknesses identified above increase the risk of extra RWIC hours worked beyond what was prepaid will not be billed; inappropriate Herzog OT hours billed to CapMetro will not be identified; problem accounts that have not provided COI and/or are delinquent will not be flagged for follow-up, and opportunities to improve customer service.</p>	<p>Internal Audit recommends that Management consider the following actions to reconcile RWIC hours:</p> <p>a) The VP of Rail Operation should establish procedures for Herzog to notify both Rail Operations and Real Estate when the customer exceeds or expects to exceed the number of prepaid hours on a project and instruct the customer to complete a request for additional RWIC hours.</p> <p>b) The VP of Rail Operations, the Director of Real Estate and ROW and the Manager of Real Estate and ROW should coordinate the completion of reconciliation procedures to ensure all RWIC charges are billed by having the Rail Operations PM compare the actual RWIC hours worked to the requested prepaid hours by project and notify Real Estate Specialist of any additional billing requirements.</p>	<p>Management agrees and has developed the action plan below.</p> <p>a) The Rail PM will create SOPs which document the process for assigning RWIC projects to contractors. The SOPs will clarify the process for routine RWIC assignments and define responsibilities when customer requests additional hours.</p> <p>b) Real Estate will update reconciliation procedures that need to be updated and will meet with the Rail department to ensure responsibilities are coordinated.</p> <p><b><u>Target Completion Date:</u></b> March 31, 2025</p>

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>5. <u>REAL ESTATE ROW STANDARD OPERATING PROCEDURES HAVE NOT BEEN UPDATED</u></b></p> <p>On CapMetro’s website <a href="http://www.capmetro.org/railrow">www.capmetro.org/railrow</a> the Real Estate Department staff has developed an overview of ROW procedures for explanation of the process to customers. The annual ROW billings are approximately \$1M per year across 445 orders and transactions. We reviewed the internal controls related to the ROW order processing, billing and collections and noted the following weaknesses:</p> <ul style="list-style-type: none"> <li>• Internal written procedures need to be completed detailing how the Real Estate Specialist processes customer orders in the two CLS systems, ensures proper billing in Oracle, reviews problem accounts that are either delinquent and/or have not provided the updated annual certificate of insurance, etc.</li> <li>• SOPs covering the needed reconciliation of prepaid RWIC hours to actual hours worked by Herzog/Watco have not been developed.</li> <li>• SOPs for the monthly reconciliation of Herzog RWIC hours to each customer order fulfilled as well as Herzog OT hours billed to CapMetro have not been developed.</li> <li>• Policy on the CapMetro website requires that all RWIC hours be ordered and prepaid in 8- or 10-hour increments, however, two contractors (Reagan National Advertising and Lamar Outdoor/Austin Crane Service), are allowed to request RWIC hours in less than 8-hour increments. We noted that there is no policy and/or procedure addressing who can approve exceptions and which departments and personnel should be notified of any exemptions.</li> <li>• The process documentation references the prior Microsoft Dynamics AX system and has not been updated to reflect the implementation of the Oracle system.</li> </ul> <p>Lack of current documentation can lead to inconsistent and/or unauthorized procedures being followed.</p>	<p>Internal Audit recommends the Director of Real Estate &amp; ROW, and the Manager of Real Estate &amp; ROW should consider updating the ROW procedures document for changes to be consistent with the Oracle system and to formalize any approved exceptions to the standard procedures.</p>	<p>Management agrees and has developed the action plan below.</p> <p>SOPs will be updated and will incorporate any changes required by a potential new system implementation.</p> <p><b><u>Target Completion Date:</u></b> May 31, 2025</p>

<i>Issues &amp; Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p><b>6. <u>CERTIFICATES OF INSURANCE ARE NOT OBTAINED FOR RECURRING ANNUAL LICENSE AGREEMENTS</u></b></p> <p>Customers requiring access to the CapMetro right-of-way (ROW) to install infrastructure (e.g., pipelines, underground pipelines or fiber optic cables or overhead telecom lines) must provide proof of insurance via a certificate of insurance (COI) before installing the equipment and annually thereafter as part of the annual license renewal process. Real Estate currently manages over 1300 license agreements. We reviewed the internal controls over COIs on new licenses as well as renewals and noted the following weaknesses:</p> <ul style="list-style-type: none"> <li>• We sampled five ROW licenses for year one and noted one COI could not be located for year one, and all five license agreements were missing COIs for the outgoing years.</li> <li>• There is no SOP related to COIs and no one from the Real Estate department is requesting and/or obtaining COIs as part of the perpetual license renewal process. There is no request for customers to provide valid COIs on the license agreement anniversary date.</li> <li>• The CapMetro website does not mention the requirements for the customer to provide a valid COI with the minimum coverage levels, however, each individual license contract does specify the minimum required COI insurance amounts to be provided annually.</li> </ul> <p>The weaknesses noted above increase the risk that proper insurance is not being obtained to protect CapMetro in the event of a liability event.</p>	<p>Internal Audit recommends that the Director of Real Estate &amp; ROW consider the following:</p> <p>a) SOPs will be developed covering activities to ensure initial COI is obtained as well as annual COI updates as part of the license renewal process. Protocols will be developed as to how to manage customers who refuse to provide annual COI's and/or have deficiencies in the insurance limits provided.</p> <p>b) The CapMetro website will be updated to explain COI requirements for the customer in year one as well as the annual COIs as part of the perpetual renewal process.</p> <p>c) All active license accounts will be reviewed, and customers will be notified of any missing COIs or deficiencies in insurance coverage amounts. COI records either online in CLS Link and/or Oracle and/or manual records will be developed tracking COIs for each active license account going forward.</p>	<p>Management agrees and has developed the action plan below.</p> <p>a) Real Estate Management will work with Finance to add the request for COI to the annual customer invoices.</p> <p>b) Real Estate Management will work with Marketing to add COI requirements to the CapMetro website.</p> <p>c) Real Estate Management will seek temporary resources to identify the backlog of customers without current COIs and will request an updated COI. Documentation obtained will be loaded into CLS.</p> <p><b><u>Target Completion Date:</u></b> May 31,2025</p>

# Appendix A

## ROW Installation Minimum Insurance Requirements



### EXHIBIT A

#### CAPMETRO MINIMUM COVERAGE REQUIREMENTS FOR CONTRACTORS

1. Commercial General Liability Insurance Coverage with limits of not less than One Million Dollars and No/100 Dollars (\$1,000,000) with combined single limit of \$2,000,000 with coverage that includes:

- Premises/operations
- Independent contractors
- Personal Injury
- Contractual Liability pertaining to the liabilities assumed in the agreement
- Underground (when ground surface is disturbed)

Such insurance shall include a contractual endorsement pertaining to the liabilities assumed in the Agreement. **All Coverages shall be listed on front of the certificate and listing the Contractor as the certificate holder and CapMetro as an additional insured.**

2. Comprehensive Automobile insurance coverage with minimum limits of not less than One Million Dollars and No/100 Dollars (\$1,000,000) with combined single limit of \$2,000,000.

3. Workers' Compensation with Statutory limits.

4. Employer Liability Insurance with minimum limits of \$1,000,000. Such insurance shall include a contractual endorsement which acknowledges all indemnification requirements under the Permit.

5. Railroad Protection in the minimum amount of \$5,000,000 when construction activities (*e.g., excavation, demolition, utility installations, operation of cranes and other construction equipment that have the potential to enter the right-of-way...*) are within 50-feet of the nearest railroad track.

Note: Such policies of insurance and certificates shall provide (i) that CapMetro is named as an additional insured, (ii) that the named insured's insurance is primary and non-contributory with any insurance maintained by CapMetro, (iii) a contractual waiver of subrogation where required by written contract or agreement, and (iv) that CapMetro shall receive notice of any cancellation of the policy.

All insurance policies shall be written by reputable insurance company or companies acceptable to Licensor with a current Best's Insurance Guide Rating of A+ and Class XIII or better. All insurance companies shall be authorized to transact business in the State of Texas.

Revised July 2024

# Appendix B

## ROW License Renewal Minimum Insurance Requirements

### Exhibit "B" CAPITAL METRO INSURANCE REQUIREMENTS

Licensee shall, at its own cost and expense, procure the insurance set forth in Exhibit B-1 attached hereto and made a part hereof, and promptly pay when due all premiums for the insurance. The insurance shall be kept in full force during the life of the Agreement.

Licensee's insurance shall be: primary and non-contributory with respect to any insurance which might be carried by Licensor and contain a contractual waiver of subrogation.

Licensee shall furnish to Licensor certificate(s) of insurance evidencing the required coverage and endorsement(s) and, upon request, a certified duplicate original of any of those policies.

Licensee shall notify Licensor in writing of any material alteration of such policies, including any change in the retroactive date in any "claims-made" policy or substantial reduction of aggregate limits, if such limits apply or cancellation thereof at least thirty (30) days prior thereto.

All insurance policies shall be written by reputable insurance company or companies acceptable to Licensor with a current Best's Insurance Guide Rating of A+ and Class XIII or better. All insurance companies shall be authorized to transact business in the State of Texas.

### CAPITAL METRO MINIMUM COVERAGE REQUIREMENTS

**Coverages shall be listed on front of the certificate, and listing Licensee as certificate holder and Licensor as an additional insured.**

1. Commercial General Liability Insurance Coverage with limits of not less than One Million Dollars and No/100 Dollars (\$1,000,000) per occurrence and a combined Aggregate of Two Million Dollars and No/100 Dollars (\$2,000,000) with coverage that includes:
  - Premises/operations
  - Independent contractors
  - Personal Injury
  - Contractual Liability pertaining to the liabilities assumed in the agreement
  - Underground (when ground surface is disturbed)

Such insurance shall include a contractual endorsement pertaining to the liabilities assumed in the Agreement.

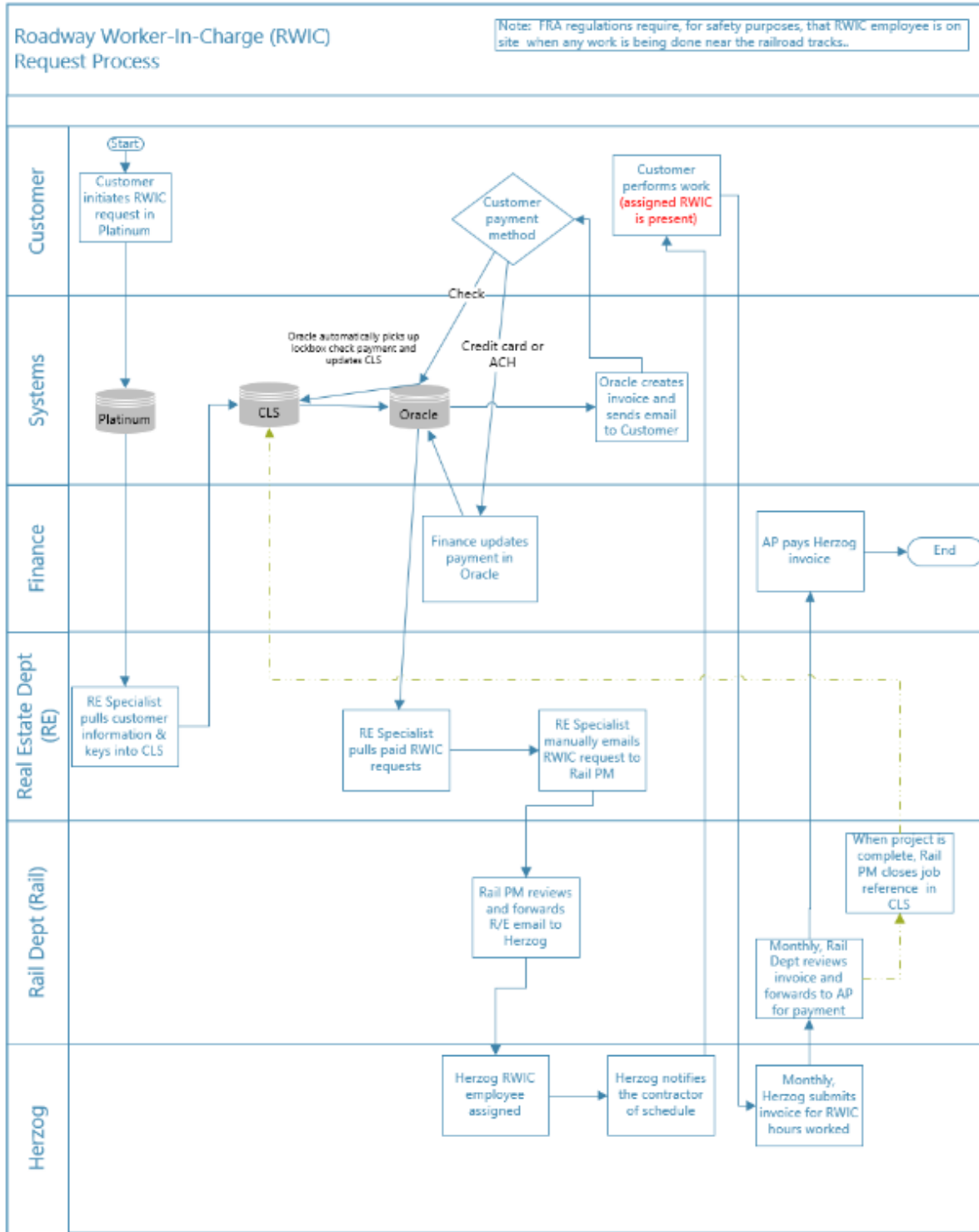
2. Comprehensive Automobile insurance coverage with minimum limits of not less than One Million Dollars and No/100 Dollars (\$1,000,000) with combined single limit of Two Million Dollars and No/100 Dollars (\$2,000,000).
3. Workers' Compensation with Statutory limits
4. Employer Liability Insurance with minimum limits of \$1,000,000

Such insurance shall include a contractual endorsement which acknowledges all indemnification requirements under the Agreement.

**Note:** Such policies of insurance and certificates provided by Licensee shall provide (i) that Licensor is named as an additional insured (except for workers' compensation insurance), (ii) that the named insured's insurance is primary and non-contributory with any insurance maintained by Capital Metro, (iii) a contractual waiver of subrogation where required by written contract or agreement, and (iv) that Capital Metro shall receive notice of any cancellation of the policy.

# Appendix C

## RWIC Process and Data Flow



Note: Flowchart assumes ROW License and Permit have been obtained.

# Appendix D

## Venn Diagram of Data in Each ROW Process

**ROW and RWIC Application:  
Data Flow**

**Origin of Input Key**

RE 1 ROW License Application

RE 3 ROW Permit Application

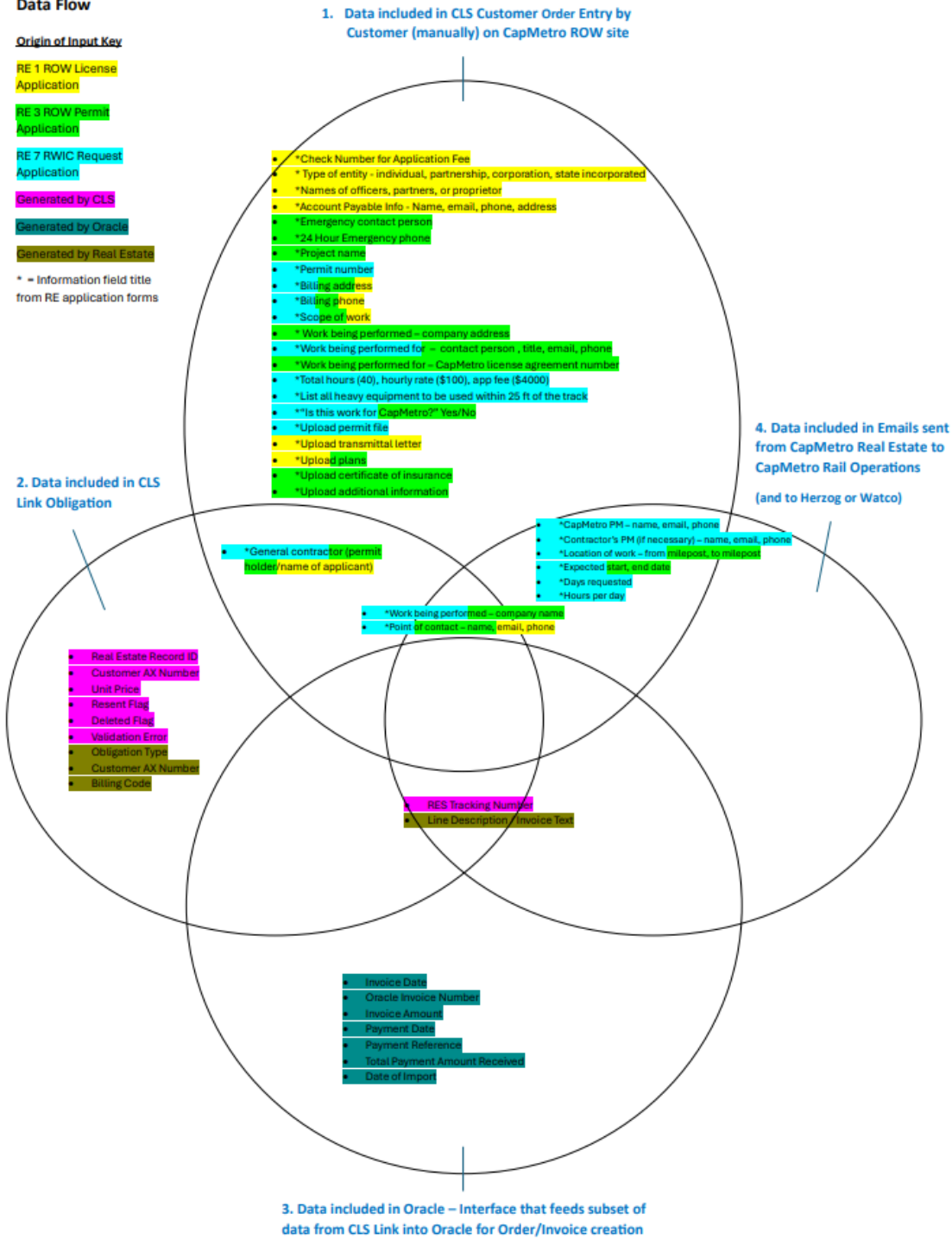
RE 7 RWIC Request Application

Generated by CLS

Generated by Oracle


Generated by Real Estate

\* - Information field title from RE application forms



# Appendix E

## Platinum Portal Screen for Customer Requests



Start an application

Start an application

My applications

**RE1 - Request for right-of-way license agreement**

Prior to any contractor entering Capital Metro's Railroad Right-of-Way (ROW), the applicant must submit a complete Request for Right-of-Way License Agreement (application) and a \$750 nonrefundable application fee payable to Capital Metro. Click the button below to start your application.

[START HERE](#)

**RE3 - Application for Railroad Right-of-Way Permit**

Prior to any contractor entering Capital Metro's Railroad Right-of-Way (ROW), the applicant must submit a "permit to be on railroad right-of-way application" and a \$750 nonrefundable application fee payable to Capital Metro.

[START HERE](#)

**RE4 - Film, video & photography request**

Prior to any applicant, employee or student entering Capital Metro's Railroad Right-of-Way (ROW), the applicant must submit a film, video & photography application and a \$300 nonrefundable application fee (\$30 for qualified students\*), payable to Capital Metro.

[START HERE](#)

**RE6 - Application for Road Crossing**

Prior to any contractor entering Capital Metro's Railroad Right-of-Way (ROW), the applicant must submit a "railroad crossing application" and a \$750 nonrefundable application fee payable to Capital Metro.

[START HERE](#)

**RE7 - Roadway worker in charge (RWIC) request**

Permit applications must be followed by an RWIC request. Click the button below to secure an RWIC during the installation of licensed facilities. Additionally, your contractor must coordinate and complete the "Roadway Worker Protection Certification Training" administered by Capital Metro.

[START HERE](#)

[Terms and conditions](#)

[Privacy policy](#)

©2018 Contract Land Staff, LLC



## Appendix F

### Example of Standard Oracle Invoice



2910 E 5th Street  
AUSTIN, TEXAS 78702

<b>Bill-to</b>	<b>Ship-to</b>	<b>INVOICE</b>
SMITH CONTRACTING CO., INC 15308 GINGER STREET AUSTIN, TX 78728		395010

Purchase Order	Line Total	750.00
Invoice Date 08/03/2024	Sales Tax	0.00
Shipped Date	Shipping	0.00
		Total
		750.00
		Payments
		0.00
		Credits
		0.00
		Financial Charges
		0.00

<b>Payment Terms</b> 30 Net	<b>Due Date</b> 09/02/2024	<b>Balance Due \$750.00</b>
-----------------------------	----------------------------	-----------------------------

No.	Product	Description	UOM	Quantity	Unit Price	Amount
1		260-75-4721 Smith Contracting Co.		1	750	750.00
					Line Total	750.00

<b>Send payment to</b>	
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY P.O.Box 736492 Dallas , TX 75373-6492	Comments: 260-75-4721 City of Austin Corridor Mobility Project - Burnet Road Austin Energy Kramer Site Drainage.
<b>Special Instructions</b>	To help us save trees, contact our billing department to set e-mail as your preferred delivery method.
Overnight/Courier Address: JPMorgan Chase (TX1-0029) Attn: CapMetro PO Box # 736492 14800 Frye Road, 2 <sup>nd</sup> Floor Ft Worth, TX 76155	Customer Account Number 000000847  To pay by credit card please visit <a href="https://capmetro.egovpayments.com/">https://capmetro.egovpayments.com/</a>
<b>Salesperson</b>	If you would like to pay invoices via EFT, please email <a href="mailto:ar@capmetro.org">ar@capmetro.org</a> for bank details

# Appendix G

## Example of Oracle Generated Report Used to Identify CLS Link Customer Payments

### Imported CLS Invoices/Payments Applied Report

Invoice Date	Customer Name	Customer Number	Real Estate Record ID	Oracle Invoice Number	Obligation Type	RES Tracking Number	Description	Invoice Amount	Payment Date	Payment Reference	Total Payment Amount	Date of Import	Payment Voucher
07/31/2024	MUNIZ CONTRACTING	000000086	66084	994010	RWIC	521-29-1550 RE7 Muniz COA ADA Tille	521-29-1550 Muniz COA Tillery and	6,000.00				07/31/2024	
07/31/2024	PEDERNALES ELECTRIC COOPER	000000591	66083	994009	Permit Application	809-67-5664 RE3 183 CTRMA Expansion	809-67-5664 RE3 183 Expansion	750.00	08/08/2024	2024221003-1	750	07/31/2024	3201
07/29/2024	Skyblue Utilites Inc	55008		993009			197-57-7675 Skyblue Utilites Leande	-750.00				07/29/2024	
07/27/2024	REAGAN NATIONAL ADVERTIS	000000123	66082	992010	RWIC	733-76-4695 Reagan for 8/9	733-76-4695 RE7 Reagan Advertising	800.00	07/26/2024	477391	800	07/27/2024	3136
07/27/2024	KINGSLAND WATER SUPPLY	000000395	66081	992009	License Fee	Contact: Donna Herring	M1408007 Kingsland Water Supply	2,103.83	08/13/2024	15885	2103.83	07/27/2024	3269
07/24/2024	REAGAN NATIONAL ADVERTIS	000000123	66071	991012	RWIC	264-39-5624 Reagan for 08/01	264-39-5624 RE7 Reagan Advertising	400.00	07/23/2024	477364	400	07/24/2024	3128
07/24/2024	ASPHALT INC DBA LONE STAR	000000658	66070	991011	RWIC	745283J RE7 DOT 745283J	545-30-7038 RE7 ASPHALT INC.	2,400.00	08/10/2024	ASPHALT0809	2400	07/24/2024	3209
07/24/2024	LAMAR ADVERTISING	000000400	66069	991010	RWIC	250-16-8375 RE7 Lamar Advertising An	250-16-8375 RE7 Lamar Advertising	400.00	08/08/2024	2024221003-2	400	07/24/2024	3202
07/24/2024	U S SPRINT COMMUNICATIONS	000000036	52464	991009	License Fee	Contact: Alan Ramirez	M8609004 U. S. Sprint Communicati	643.46				07/24/2024	
07/20/2024	TRC Environmental Corporatio	55005	66068	990011	Permit Fee	345-60-7145 RE3 TRC for TxDot Bridge	345-60-7145 RE3 TRC for TxDot Bridg	2,500.00	08/12/2024	2024225003-2	2500	07/20/2024	3212
07/20/2024	TRC Environmental Corporatio	55005	66067	990010	Permit Fee	154-32-4323 RE3 TRC for TxDot Bridge	154-32-4323 RE3 TRC for TxDot Bridg	2,500.00	08/12/2024	2024225003-1	2500	07/20/2024	3211
07/20/2024	Skyblue Utilites Inc	55008	66066	990009	Permit Fee	197-57-7675 RE3 Skyblue Utilites Lean	197-57-7675 Skyblue Utilites Leande	2,500.00	09/09/2024	3715	2500	07/20/2024	3340
07/19/2024	SURVEYING AND MAPPING, LL	000000552	66065	989011	Permit Fee	635-33-8109 RE3 SAM	635-33-8109 RE3 SAM COA	2,500.00	09/30/2024	2024274003-1	2500	07/19/2024	3409
07/19/2024	Skyblue Utilites Inc	55008	66064	989010	Permit Fee	197-57-7675 RE3 Skyblue Utilites Lean	197-57-7675 Skyblue Utilites Leande	750.00				07/19/2024	
07/19/2024	REAGAN NATIONAL ADVERTIS	000000123	56108	989009	License Fee		M0708005 Reagan Signs	12,900.00	07/18/2024	134073	12900	07/19/2024	3100
07/18/2024	XO COMMUNICATIONS	000000072	53976	988011	License Fee		M1108018 XO Communications	2,701.31				07/18/2024	
07/18/2024	GRANDE COMMUNICATIONS	000000360	53410	988010	License Fee		M0208021 Grande Communications	11,787.17				07/18/2024	
07/18/2024	CITY OF LIBERTY HILL	000000296	51572	988009	License Fee	Contact: Zachary Gil	M1508028 City of Liberty Hill	3,276.99	08/22/2024	32600	3276.99	07/18/2024	3279
07/16/2024	Linetec Services LLC	57005	66063	987011	Permit Fee	209-36-8479 RE3 Linetech for AE	209-36-8479 RE3 Linetech Services	2,500.00	07/24/2024	eGov072224	2500	07/16/2024	3096
07/16/2024	Linetec Services LLC	57005	66062	987010	Permit Application	209-36-8479 RE3 Linetech for AE	209-36-8479 RE3 Linetech Services	750.00	07/24/2024	eGov072224	750	07/16/2024	3097
07/16/2024	Linetec Services LLC	57005	66061	987009	RWIC	567-69-7879 RE7 Linetech for AE	567-69-7879 RE7 Linetech Services	2,000.00	07/24/2024	eGov072224	2000	07/16/2024	3098
07/15/2024	LCRA	000000401	60242	986010	License Fee	M2203021 LCRA Transmission Services	M2203021	2,678.06	08/29/2024	34146	2678.06	07/15/2024	3310
07/15/2024	TEX MIX LAND, LTD	000000955	59244	986009	License Fee	M2108025 Tex-Mix Land, Ltd.	M2108025 Tex-Mix	2,771.79	08/15/2024	46758	2771.79	07/15/2024	3249
07/14/2024	LEVEL 3 COMMUNICATIONS	000000403	40387	985009	License Fee	Contact: Danett Kennedy	M0108024 Level 3 Communications	736.70				07/14/2024	
07/13/2024	CHANEY-COX	000000996	66060	984010	RWIC	592-63-4611 RE7 Chaney-Cox Crofford	592-63-4611 RE7 Chaney-Cox Croffo	1,600.00				07/13/2024	
07/13/2024	TEXACO DOWNSTREAM PROPE	000000643	53194	984009	License Fee	Contact: Aubrey Waddail	M1708023 Texaco Downstream Prog	3,073.14				07/13/2024	
07/11/2024	REAGAN NATIONAL ADVERTIS	000000123	66059	983011	RWIC	506-27-9146 Reagan for 07/17	506-27-9146 RE7 Reagan Advertising	800.00	07/09/2024	477283	800	07/11/2024	3051
07/11/2024	ASPHALT INC DBA LONE STAR	000000658	66058	983010	RWIC	475-12-4022 RE7 DOT 745294W	475-12-4022 RE7 ASPHALT INC.	3,200.00	07/16/2024	ASPH071524	3200	07/11/2024	3067
07/11/2024	ASPHALT INC DBA LONE STAR	000000658	66057	983009	RWIC	867-42-8636 RE7 DOT 745288T	867-42-8636 RE7 ASPHALT INC.	7,200.00	07/16/2024	ASPH071524	7200	07/11/2024	3067

## Appendix H

### ROW Application and Invoice Statistics

#### Number of orders for License, Permit, and RWIC (2019-2024)

	RE1- License	RE3- Permits	RE7 -RWIC	Total
2019	28	51	119	198
2020	38	82	229	349
2021	51	76	178	305
2022	42	71	166	279
2023	45	77	141	263
2024 (through May)	20	29	56	105
	224	386	889	1499

Source: Platinum Applications (RE1, RE3 & RE7)

#### Invoices Issued by Type

Billed In Oracle in 2023	Type	Quantity	Amount
	License	266	\$678,480
	Permit	73	\$124,300
	RWIC	106	\$258,861
<b>Total</b>		<b>445</b>	<b>\$1,061,641</b>

Source: Oracle – CLS Link Imported Invoice/Payment Report

# Appendix I

## Potential Overbilled RWIC Overtime Hours

A. RWIC OT hours in Herzog time reports - all employees														
MOD 56 signed in January adding 2 RWIC employees														
	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	
	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	OT Hrs	
MOD 37/56 Ken Perry	15	70.5	76	33	68	47	108	98	48	75	60	92.5	56	
MOD 37/56 Manuel Gonzales	50	73	14	31	66	62	119	74	102	74	66.5	65.5	116	
Jamal Allen	-	-	-	-	-	-	-	-	-	-	-	-	-	
Albert Mendoza	-	-	-	-	-	5	-	-	-	-	-	-	-	
Elias Hernandez	-	-	-	-	-	30	8	-	-	5.5	8	-	7.5	
Mister Mathis	-	5	65	16	40	12	-	-	-	-	-	-	-	
Ron Bean	-	-	-	-	-	-	-	-	-	-	-	-	52	
Jakob Robinson	-	-	-	-	-	-	14	10	-	13	18	14	-	
Anthony Arrevalos	-	-	-	-	-	-	-	8.5	-	29	18	93	22	
<b>TOTAL</b>	<b>65</b>	<b>148.5</b>	<b>155</b>	<b>80</b>	<b>174</b>	<b>156</b>	<b>249</b>	<b>190.5</b>	<b>150</b>	<b>196.5</b>	<b>170.5</b>	<b>265</b>	<b>253.5</b>	
<b>Total OT Hrs for Perry &amp; Gonzales</b>	<b>65</b>	<b>143.5</b>	<b>90</b>	<b>64</b>	<b>134</b>	<b>109</b>	<b>227</b>	<b>172</b>	<b>150</b>	<b>149</b>	<b>126.5</b>	<b>158</b>	<b>172</b>	
<b>Total Disallowable OT Hrs (not Perry or Gonzales)</b>	<b>0.00</b>	<b>5.00</b>	<b>65.00</b>	<b>16.00</b>	<b>40.00</b>	<b>47.00</b>	<b>22.00</b>	<b>18.50</b>	<b>0.00</b>	<b>47.50</b>	<b>44.00</b>	<b>107.00</b>	<b>81.50</b>	493.50
a- more hours billed than incurred												44.00		44.00
<b>Potential overpayment (OT Hrs x OT Rate)</b>	<b>-</b>	<b>\$ 314.70</b>	<b>\$ 4,091.10</b>	<b>\$ 1,007.04</b>	<b>\$ 2,517.60</b>	<b>\$ 2,958.18</b>	<b>\$ 1,473.34</b>	<b>\$ 1,238.95</b>	<b>\$ -</b>	<b>\$ 3,181.08</b>	<b>\$ 2,946.68</b>	<b>\$ 10,112.47</b>	<b>\$ 5,458.06</b>	<b>\$ 35,299.19</b>
a - invoice included more OT hours than reported as incurred in June 23														
B. OT Hours overstated/(understated) calculation errors for Perry & Gonzales - based on 40 hours per week from time reports														
	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	
MOD 37/56 Ken Perry	15	9	19	0	42	0	0	9	0	8	0	0	8	
MOD 37/56 Manuel Gonzales	(10)	4	14	0	38	0	0	18	17.5	19	0.5	8	84	
Total OT Hr Calculation Errors	5	13	33	0	80	0	0	27	17.5	27	0.5	8	92	303
<b>Potential overpayment (OT Hrs x OT Rate)</b>	<b>\$ 314.70</b>	<b>\$ 818.22</b>	<b>\$ 2,077.02</b>	<b>\$ -</b>	<b>\$ 5,035.20</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,808.19</b>	<b>\$ 1,171.98</b>	<b>\$ 1,808.19</b>	<b>\$ 33.49</b>	<b>\$ 535.76</b>	<b>\$ 6,161.24</b>	<b>\$ 19,763.98</b>
OT hourly rate Mod 37	\$62.94							OT hourly rate Mod 56	\$66.97					
<b>Total potential overpayment</b>													<b>\$55,063.17</b>	

1. RWIC Hrs and RWIC OT Hrs Billed were obtained from Herzog Invoice supporting documentation.
2. Contract Mod#56 signed in January 2023, allowed approved overtime in excess of 80 RWIC hours for two RWIC employees to be billed at \$66.7/hr .
3. Using the Herzog invoice support, IA reviewed the weekly Herzog employee time reported to evaluate the overtime calculation.

# Appendix J

## Herzog Monthly Time Report & Error Examples – July 2023

Herzog July Monthly Employee Hours Report Submitted With Invoice			
07/01/2023 - 7/31/2023			
Total Internal Hour:	532.00		
<b>Austin Crane</b>		<b>Stacy &amp; Whitebeck</b>	
Ron Bean 10.00 7/10/2023 RWIC @ MP 81.55, MP 84.74		Anthony Arevalos 12.00 7/10/2023 RWIC @ MP 66, RE7#339-54-7595	
<b>Austin Energy</b>		J46059 Worked 56 total hour 40R 180T, charging CapMetro 120T hrs	
Ron Bean 12.00 7/5/2023 RWIC @ MP 78.60, RE7#658-24-6241		Ron Bean 12.00 7/8/2023 RWIC @ Mokalla, RE7#382-18-5866	
Ron Bean 12.00 7/6/2023 RWIC along Central Sub, RE7#658-24-6241		J46059 Worked 12 total hour 40R 240T 150Ahrs, charging CapMetro 240T hrs, 120T Stacy Whitebeck, Austin Energy 40T, Prim 10T	
Ron Bean 12.00 7/7/2023 RWIC along Central Sub, RE7#658-24-6241		Manuel Gonzales 11.50 7/3/2023 RWIC @ Mokalla, MP 63 to MP 67, RE7#332-18-5866	
J46059 Worked 56 total hour 40R 180T, charging CapMetro 180T hrs, 90T CapMetro, 7I		Manuel Gonzales 12.00 7/5/2023 RWIC @ Mokalla, RE7#332-18-5866	
Jamal Allen 8.00 7/27/2023 RWIC @ MP 64.13 & MP 71.13, RE7#733-49-821		Manuel Gonzales 12.00 7/6/2023 RWIC @ Mokalla, RE7#382-18-5866	
J46059 Worked 80 total hour 32R 400T 80Ahrs, charging CapMetro 400T hrs		Manuel Gonzales 12.00 7/7/2023 RWIC @ Mokalla, RE7#382-18-5866	
<b>HWJ</b>		Ken Perry 12.00 7/5/2023 RWIC @ Mokalla, RE7#676-33-5733	
Anthony Arevalos 8.00 7/5/2023 RWIC @ Crestview Station, RE7#255-18-2854		Ken Perry 12.00 7/6/2023 RWIC @ Mokalla, RE7#676-33-5733	
<b>Jay Reese</b>		Ken Perry 12.00 7/7/2023 RWIC @ Mokalla, RE7#676-33-5733	
Manuel Gonzales 8.00 7/2/2023 RWIC @ Mokalla Station, RE7#595-45-2677		Ken Perry 12.00 7/8/2023 RWIC @ Mokalla, RE7#676-33-5733	
J46059 Worked 82 total hour 40R 220T, charging CapMetro 220T hrs		Ken Perry 12.00 7/9/2023 RWIC @ Mokalla, RE7#676-33-5733	
Ron Bean 3.00 7/18/2023 RWIC @ Braker Lane		J46059 Worked 68 total hour 40R 200T 80Ahrs, charging CapMetro 200T hrs	
Ron Bean 4.00 7/18/2023 RWIC @ Braker Lane		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866	
J46059 Worked 56 total hour 40R 180T, charging CapMetro 180T hrs, 70T Jay Reese, 3		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866	
Anthony Arevalos 8.00 7/19/2023 RWIC @ MP 66, RE7#616-14-4143		Manuel Gonzales 7/12/2023 RWIC @ Mokalla, RE7#382-18-5866	
Manuel Gonzales 12.00 7/19/2023 RWIC @ Mokalla, RE7#595-45-2677		Manuel Gonzales 7/14/2023 RWIC @ Mokalla, RE7#382-18-5866	
Manuel Gonzales 12.00 7/20/2023 RWIC @ Mokalla, RE7#595-45-2677		Manuel Gonzales 7/15/2023 RWIC @ Mokalla, RE7#382-18-5866	
Manuel Gonzales 10.00 7/24/2023 RWIC @ Mokalla, RE#595-45-2677		Manuel Gonzales 7/16/2023 RWIC @ Mokalla, RE7#382-18-5866	
Manuel Gonzales 10.00 7/25/2023 RWIC @ Mokalla, RE#595-45-2677		J46059 Worked 88.5 total hour 40R 49.50T, charging CapMetro 440T hrs	
Manuel Gonzales 10.00 7/26/2023 RWIC @ Mokalla, RE#595-45-2677		Ken Perry 12.00 7/10/2023 RWIC @ Mokalla, RE7#676-33-5733	
Manuel Gonzales 10.00 7/27/2023 RWIC @ Mokalla, RE#595-45-2677		Ken Perry 12.00 7/11/2023 RWIC @ Mokalla, RE7#676-33-5733	
Manuel Gonzales 10.00 7/28/2023 RWIC @ Mokalla, RE#595-45-2677		Ken Perry 12.00 7/12/2023 RWIC @ Mokalla, RE7#676-33-5733	
J46059 Worked 50 total hour 40R 100T, charging CapMetro 100T hrs		Ken Perry 12.00 7/13/2023 RWIC @ Mokalla, RE7#676-33-5733	
Manuel Gonzales 10.00 7/31/2023 RWIC @ Mokalla, RE#595-45-2677		J46059 Worked 48 total hour 40R 80T, charging CapMetro 80T hrs	
<b>Max Tee</b>		Ken Perry 12.00 7/17/2023 RWIC @ Mokalla, RE7#382-18-5866	
Ron Bean 12.00 7/22/2023 RWIC along Central Sub		Ken Perry 10.00 7/18/2023 RWIC @ Mokalla, RE7#382-18-5866	
J46059 Worked 57 total hour 40R 170T, charging CapMetro 120T hrs		Ken Perry 8.00 7/19/2023 RWIC @ Mokalla, RE7#382-18-5866	
Anthony Arevalos 10.00 7/11/2023 RWIC @ MP 77, RE7#673-15-1682		Ken Perry 10.00 7/20/2023 RWIC @ Mokalla, RE7#382-18-5866	
Anthony Arevalos 10.00 7/12/2023 RWIC @ MP 77, RE7#673-15-1682		Ken Perry 10.00 7/21/2023 RWIC @ Mokalla, RE7#382-18-5866	
Anthony Arevalos 10.00 7/13/2023 RWIC @ MP 77, RE7#673-15-1682		J46059 Worked 50 total hour 40R 100T, charging CapMetro 100T hrs	
J46059 Worked 50 total hour 40R 100T, charging CapMetro 100T hrs, 20T Mastec, 30T		Ken Perry 10.00 7/24/2023 RWIC @ Mokalla, RE7#382-18-5866	
<b>PRIM</b>		Ken Perry 10.00 7/25/2023 RWIC @ Mokalla, RE7#382-18-5866	
Ron Bean 8.00 7/19/2023 RWIC @ MP 68.32, Cancelled early AM		Ken Perry 10.00 7/26/2023 RWIC @ Mokalla, RE7#382-18-5866	
J46059 Worked 78.5 total hour 40R 38.50T, charging CapMetro 7.50T hrs		Ken Perry 10.00 7/27/2023 RWIC @ Mokalla, RE7#382-18-5866	
Elias Hernandez 8.00 7/20/2023 RWIC @ MP 68.32, RE7#215-63-3377		Ken Perry 10.00 7/28/2023 RWIC @ Mokalla, RE7#382-18-5866	
J46059 Worked 58 total hour 40R 180T, charging CapMetro 180T hrs		Ken Perry 8.00 7/29/2023 RWIC @ Mokalla, RE7#382-18-5866	
<b>Reagan Advertising</b>		Ken Perry 10.00 7/30/2023 RWIC @ Mokalla, RE7#382-18-5866	
Anthony Arevalos 8.00 7/14/2023 RWIC @ MP 56-MP 81, RE7#170-32-4704		J46059 Worked 58 total hour 40R 180T, charging CapMetro 180T hrs	
J46059 Worked 50 total hour 40R 100T, charging CapMetro 100T hrs, 80T Reagan, 20T Mastec		Ken Perry 10.00 7/31/2023 RWIC @ Mokalla, RE7#382-18-5866	
<b>S&amp;S Cable</b>			
Anthony Arevalos 8.00 7/31/2023 RWIC @ MP 64.9, RE7#335-63-3038			

Overtime Hours Charged On Contract Mod56											
Per Contract Modification # 56											
- Work week is defined as Sunday - Saturday											
- Overtime shall not be considered until all 80 RWIC hours have been utilized and CMTA has approved overtime hours in writing.											
			Manuel Gonzales			Ken Perry					
Week	Day	Date	Project	Hours Reported	OT Hours Billed to CapMetro	Day	Date	Project	Hours Reported	OT Hours Billed to CapMetro	
1	Sat	7/7/2023		0.0							
<b>Total</b>				0.0		<b>Total</b>				0.0	
2	Sun	7/2/2023	595-45-2477	8.0	22*	Sun	7/2/2023				
	Mon	7/3/2023	382-18-5866	11.5		Mon	7/3/2023				
	Tue	7/4/2023				Tue	7/4/2023				
	Wed	7/5/2023	382-18-5866	12.5		Wed	7/5/2023	674-33-9733	12.0		
	Thu	7/6/2023	382-18-5866	12.0		Thu	7/6/2023	674-33-9733	12.0		
	Fri	7/7/2023	382-18-5866	12.0		Fri	7/7/2023	674-33-9733	12.0		
	Sat	7/8/2023	382-18-5866	12.0		Sat	7/8/2023	674-33-9733	12.0		
<b>Total</b>				68.0		<b>Total</b>				48.0	
3*	Sun	7/9/2023	382-18-5866	12.0	40**	Sun	7/9/2023	674-33-9733	12.0		
	Mon	7/10/2023				Mon	7/10/2023	674-33-9733	12.0	20	
	Tue	7/11/2023				Tue	7/11/2023	674-33-9733	12.0		
	Wed	7/12/2023				Wed	7/12/2023	674-33-9733	12.0		
	Thu	7/13/2023				Thu	7/13/2023	674-33-9733	12.0	8	
	Fri	7/14/2023				Fri	7/14/2023				
	Sat	7/15/2023				Sat	7/15/2023				
<b>Total</b>				12.0		<b>Total</b>				60.0	
4	Sun	7/16/2023			44**	Sun	7/16/2023				
	Mon	7/17/2023				Mon	7/17/2023	382-18-5866	12.0		
	Tue	7/18/2023	595-45-2477	10.0		Tue	7/18/2023	382-18-5866	10.0		
	Wed	7/19/2023	595-45-2477	12.0		Wed	7/19/2023	382-18-5866	8.0		
	Thu	7/20/2023	595-45-2477	10.0		Thu	7/20/2023	382-18-5866	10.0		
	Fri	7/21/2023				Fri	7/21/2023	382-18-5866	10.0		
	Sat	7/22/2023				Sat	7/22/2023			10	
<b>Total</b>				32.0		<b>Total</b>				50.0	
5	Sun	7/23/2023				Sun	7/23/2023				
	Mon	7/24/2023	595-45-2477	10.0		Mon	7/24/2023	382-18-5866	10.0		
	Tue	7/25/2023	595-45-2477	10.0		Tue	7/25/2023	382-18-5866	10.0		
	Wed	7/26/2023	595-45-2477	10.0		Wed	7/26/2023	382-18-5866	10.0		
	Thu	7/27/2023	595-45-2477	10.0		Thu	7/27/2023	382-18-5866	10.0		
	Fri	7/28/2023	595-45-2477	10.0		Fri	7/28/2023	382-18-5866	10.0		
	Sat	7/29/2023				Sat	7/29/2023	382-18-5866	8.0	18	
<b>Total</b>				50.0		<b>Total</b>				58.0	
6	Sun	7/30/2023				Sun	7/30/2023				
	Mon	7/31/2023				Mon	7/31/2023	382-18-5866	10.0		
<b>Total</b>				0.0		<b>Total</b>				10.0	

\* employee did not work more than 40 hours during the week  
 \*\* overtime counted on day 1 of the week

### Error Examples

- 1 – Week 3 – Manuel Gonzales worked 12 hours, but 40 OT hours charged
- 2 – Week 3 – Ken Perry worked 60 hours, but 28 OT hour charged
- 3 – Week 4 – Manuel Gonzales worked 32 hours, but 44 OT hours charged

# Appendix K

## Herzog July Invoice

<b>HERZOG</b>	<b>INVOICE</b>	<u>Remittance Address</u>
		ATTN: Accounts Receivable
		Herzog Contracting Corp.
		P.O. Box 1089
P.O. Box 81516	<b>Job No : 46059</b>	St. Joseph, MO. 64502
Austin, Texas 78708-1516		
Phone: (512)852-7227		
Fax: (512-833-7767		

<u>To:</u>		<b>Invoice No:</b>	50556
Herzog Transit Services		<b>Invoice Date:</b>	July 31, 2023
ATTN: Accounts Payable		<b>Terms:</b>	Net 30 days after
P.O. Box 81516			Receipt of Invoice
Austin, TX 78708-1516		<b>Project:</b>	Employee In Charge

<b>Description of Work Performed:</b>			
This pricing is to cover the cost of two additional RWIC's and additional Overtime Worked for RWIC's			
Modification 56			
	<b>Units</b>	<b>Unit</b>	<b>Amounts Due</b>
<b>Item Description</b>	<b>Value</b>	<b>Price</b>	<b>This Invoice</b>
1) 2 Additional Employee In Charge	1.00	\$ 23,048.44	\$ 23,048.44
2) Overtime Charges for 253.5 EIC Hrs @ \$66.77/Hr.	1.00	\$ 16,926.20	\$ 16,926.20
<b>Total Due -</b>			<b>\$ 39,974.64</b>


# Appendix L

## Account Receivables Customer Aging Report - June 2024

Customer:	Balance Sum:	Current:	1-30 Days:	31-60 Days:	61-90 Days:	91-120 Days:	121-150 Days:	151+Days:
LEVEL 3 COMMUNICATIONS	\$ 81,426.30	\$ 736.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,689.60
TW TELECOM OF TEXAS	\$ 31,116.97	\$ -	\$ 802.89	\$ -	\$ -	\$ -	\$ -	\$ 30,314.08
GOOGLE FIBER TEXAS LLC	\$ 23,764.47	\$ -	\$ -	\$ -	\$ 2,587.50	\$ -	\$ -	\$ 21,176.97
AT&T CORPORATION	\$ 23,158.08	\$ 2,500.00	\$ -	\$ -	\$ 1,016.42	\$ 3,250.00	\$ -	\$ 16,391.66
QUANTA TELECOMMUNICATIONS SERVICES LLC	\$ 14,100.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,100.00
EQUILON PIPELINE CO	\$ 15,990.32	\$ 2,365.96	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,624.36
BASTROP COUNTY WATER CONTROL	\$ 12,210.06	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,210.06
CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS	\$ 2,771.79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,771.79
SPECTRUM GULF COAST, LLC	\$ 6,500.00	\$ 5,000.00	\$ -	\$ -	\$ -	\$ -	\$ 750.00	\$ 750.00
Montwalk Holdings, LTD	\$ 750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750.00
WILBARGER CREEK MUD 2	\$ 736.70	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 736.70
COTTONWOOD CREEK MUD #1	\$ 1,331.96	\$ -	\$ -	\$ -	\$ 688.50	\$ -	\$ -	\$ 643.46
RONALD MCDONALD HOUSE CHARITIES-AUSTIN	\$ 625.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 625.00
GRANITE WATER RANCH, LLC	\$ 600.00	\$ -	\$ -	\$ 300.00	\$ -	\$ -	\$ -	\$ 300.00
MCCLEOD USA TELECOMMUNICATIONS INC	\$ 129.22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129.22
B Robinson Inc.	\$ 94.55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94.55
HARRY ESCHBERGER	\$ 80.00	\$ -	\$ -	\$ 40.00	\$ -	\$ -	\$ -	\$ 40.00
Fridge Poet Pictures	\$ 16.40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16.40
CAMPO	\$ 1.25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.25
Walker Partners Engineers/Surveyors	\$ 1.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.00
PEDERNALES ELECTRIC COOPERATIVE, INC	\$ 0.01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.01
DCP MIDSTREAM	\$ 78.97	\$ -	\$ 78.97	\$ -	\$ -	\$ -	\$ -	\$ -
Jardin Corona Cedar Park Inc	\$ 750.00	\$ 750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AES Engineering Consultant	\$ 750.00	\$ 750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BLUEBONNET ELECTRIC COOPERATIVE INC	\$ 481.97	\$ 481.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LHOIST NORTH AMERICA OF TX, LTD	\$ 2,771.79	\$ -	\$ -	\$ -	\$ -	\$ 2,771.79	\$ -	\$ -
ERGON ASPHALT & EMULSIONS INC	\$ 3,292.02	\$ -	\$ -	\$ -	\$ -	\$ 3,292.02	\$ -	\$ -
AQUA WATER SUPPLY CORP	\$ 4,454.03	\$ 947.65	\$ 3,506.38	\$ -	\$ -	\$ -	\$ -	\$ -
Pape-Dawson Engineering	\$ 2,500.00	\$ 2,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CHANEY-COX	\$ 2,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500.00	\$ -
Skyblue Utilities Inc	\$ 750.00	\$ 750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cayetano Development LLC	\$ 750.00	\$ 750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CITY OF BERTRAM	\$ 551.81	\$ 551.81	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LAMAR ADVERTISING	\$ 9,226.83	\$ -	\$ 6,318.01	\$ 906.82	\$ -	\$ -	\$ -	\$ -
TIME WARNER CABLE	\$ 601.37	\$ -	\$ -	\$ -	\$ -	\$ 601.37	\$ -	\$ -
<b>Grand Total</b>	<b>\$ 575,710.35</b>	<b>\$ 36,720.73</b>	<b>\$ 25,831.14</b>	<b>\$ 7,095.83</b>	<b>\$ 15,261.92</b>	<b>\$ 25,124.67</b>	<b>\$ 22,042.77</b>	<b>\$ 443,633.29</b>

## Appendix M

### Accounts Receivable Policy FIN 109

	<b>ACCOUNTS RECEIVABLE POLICY FIN-109</b>  <b>Controller</b>	<b>Issued:</b> December 2008 <b>Revised:</b> January 2016  <b>Approved by:</b> Linda Watson President/CEO
<b>PURPOSE</b>		
The Accounts Receivable policy defines responsibilities for accounts receivable personnel, billing processes, collections and segregation of duties. It applies to all Capital Metro employees.		
<b>POLICY</b>		
The goal of the Accounts Receivable department is to invoice customers on a timely basis as goods are provided or services are rendered, recognize revenue according to generally accepted accounting standards, deposit cash receipts timely, take appropriate and cost-effective actions to collect receivables, and provide quality customer service to both internal and external customers.		
All cash receipts (i.e., non-ACH payments) should be sent to the Capital Metro lockbox. Payments should be addressed to: Capital Metro P.O. Box 6308 Austin, TX 78762-6308		
<b>ROLES/RESPONSIBILITIES</b>		
Accounts Receivable Specialist	<ul style="list-style-type: none"> <li>o Invoice customers on a timely basis, whether the receivables are due from private entities, the federal government, localities, or state agencies and institutions. Customers should be invoiced when goods are provided or services rendered unless contractual requirements specify other billing terms or billing terms used are in accordance with industry standards. Payment terms should be thirty days after billing unless contractual requirements specify otherwise, or payment terms used are in accordance with industry standards.</li> <li>o Deposit cash receipts timely and account for ACH's as received</li> <li>o Record receivable transactions in the financial system.</li> <li>o Maintain an accurate record of receivables transactions – keep copies of contracts, emails etc.</li> <li>o Provide an aged trial balance of receivables aging to various departments-- categories for reporting: 1-30 days, 31-60 days, 61-90 days, 91-120 days, and over 120.</li> <li>o Provide information relative to specific collection efforts on each past-due account.</li> <li>o Provide management reports on the collection status of past-due accounts.</li> </ul>	
Department Managers	Department managers must coordinate with Finance on all financial arrangements and creation of receivables. Managers of those departments will: <ul style="list-style-type: none"> <li>o Review aging reports provided by the Accounts Receivable Specialist</li> <li>o Meet quarterly with the Accounts Receivable Specialist and Accounting Manager</li> <li>o Assist in collection efforts</li> <li>o Advise on bad debt write-offs</li> </ul>	