



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

2910 East 5th Street
Austin, TX 78702

Wednesday, July 16, 2025

10:00 AM

Rosa Parks Boardroom

This meeting will be livestreamed at capmetrotx.legistar.com

I. Call to Order

II. Public Comment

III. Action Items

1. Approval of minutes from the June 11, 2025 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract modification with RSM US LLP for external auditing services to add \$450,000 and extend the term by six (6) months from October 1, 2025 to March 31, 2026 for a new contract total of \$1,719,774.

IV. Presentations

1. FY2026 Budget Proposal
2. FY2025 Internal Audit Plan Status - July 2025
3. Audit Report - United Healthcare Contract - Eligibility, KPI's and Payment Controls
4. Executive Finance, Audit and Administration Update - July 2025
Update on executive leadership development, key performance indicators, financial performance, 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 if you need more information.

Committee Members: Matt Harriss, Chair; Becki Ross, Dianne Bangle and Zo Qadri.

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

Finance, Audit and Administration Committee

Item #: AI-2025-1528

Agenda Date: 7/16/2025

Approval of minutes from the June 11, 2025 Finance, Audit and Administration Committee meeting.

Minutes
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Wednesday, June 11, 2025

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:01 a.m. Meeting Called to Order

Present	Becki Ross, Dianne Bangle, Matt Harriss, and Zo Qadri
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II. Public Comment

Zenobia Joseph provided public comments.

III. Action Items

1. Approval of minutes from the May 7, 2025 Finance, Audit and Administration Committee meeting.

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

Aye: Ross, Bangle, Harriss, and Qadri

2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract by utilizing the OMNIA Partners cooperative, Contract No. R240201, held by DLT Solutions, for Oracle Products and Services, to provide Oracle Managed Customer Success Services in support of our Oracle Enterprise Resource Planning (ERP) system, for a term of one (1) year, in a total amount not to exceed \$973,000.

A motion was made by Bangle, seconded by Qadri, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 6/23/2025. The motion carried by the following vote:

Aye: Ross, Bangle, Harriss, and Qadri

3. Approval of a resolution adopting the CapMetro Civil Rights Policy Statement.

A motion was made by Bangle, seconded by Qadri, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 6/23/2025. The motion carried by the following vote:

Aye: Ross, Bangle, Harriss, and Qadri

4. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute an amendment to the Memorandum of Understanding with the City of Round Rock authorizing Round Rock to be a direct recipient of a portion of CapMetro's FY2025 and FY2026 Federal Section 5339(a) Program funds.

A motion was made by Bangle, seconded by Qadri, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 6/23/2025. The motion carried by the following vote:

Aye: Ross, Bangle, Harriss, and Qadri

IV. Presentations

1. Semi-Annual Follow-up on Open Internal Audit Recommendations
2. Discussion of Internal Audit Management Memo on Purchasing Cards and Check Requests
3. FY2025 Internal Audit Plan Status - June 2025
4. Executive Finance, Audit and Administration Update - June 2025
Update on CapMetro's 40th Anniversary, key performance indicators, financial performance, personnel changes, communications and public outreach.

V. Items for Future Discussion

VI. Adjournment

10:28 a.m. Meeting Adjourned

ADA Compliance

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Committee Members: Matt Harriss, Chair; Becki Ross, Dianne Bangle and Zo Qadri.

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.

Finance, Audit and Administration Committee
Agenda Date: 7/16/2025

Item #: AI-2025-1545

SUBJECT:

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract modification with RSM US LLP for external auditing services to add \$450,000 and extend the term by six (6) months from October 1, 2025 to March 31, 2026 for a new contract total of \$1,719,774.

FISCAL IMPACT:

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

STRATEGIC PLAN:

Strategic Goal Alignment:

- | | |
|---------------------------------------|---|
| <input type="checkbox"/> 1. Customer | <input type="checkbox"/> 2. Community |
| <input type="checkbox"/> 3. Workforce | <input checked="" type="checkbox"/> 4. Organizational Effectiveness |

EXPLANATION OF STRATEGIC ALIGNMENT: Completion of the Annual Comprehensive Financial Report (ACFR) Audit and Federal Single Audit helps ensure that CapMetro is operating as a fiscally responsible and transparent steward of public funds.

BUSINESS CASE: Extension of the contract end date from September 30, 2025, to March 31, 2026, will provide continuity of services and help ensure timely completion of fiscal year 2025 (FY25) audits. A new solicitation for external audit services covering FY26-FY30 has begun.

COMMITTEE RECOMMENDATION: The item was presented and recommended for approval by the Finance, Audit and Administration Committee on July 16th, 2025.

EXECUTIVE SUMMARY: In September 2020, RSM was awarded Contract #200616 for External Auditing Services via a competitive procurement process with Board resolution AI-2020-1226. This contract is for professional auditing services including financial statement audits of CapMetro and its retirement plans, Federal Single Audit, and other services. The financial audit reports include a report on internal controls, which informs the Board of Directors and management about areas of the organization that could benefit from improvements in policy and processes. The Single Audit culminates in a report on compliance and internal control over federal financial assistance programs in accordance with guidance published by the U.S. Office of Management and Budget. Other services include the application of agreed-upon procedures related to compliance with the National Transit Database (NTD) reporting requirements and the Public Funds Investment Act.

The cost impact of this pending contract modification requires Finance, Audit and Administration Committee approval for additional funds. The six-month contract extension will add up to \$450,000 to the total contract cost. The previous Board approval for this contract was \$1,269,774. If the contract modification is executed, the new contract Not-To-Exceed (NTE) total will be \$1,719,744.

DBE/SBE PARTICIPATION: This is a modification to the current contract. The SBE goal assigned was 0% and the contractor committed to 0%, which will continue to be monitored during the term of the contract.

PROCUREMENT: On August 12, 2020, the CapMetro Board of Directors approved a resolution for the award of a contract to RSM US LLP for External Auditing services in the amount of \$1,269,774. Additional audits have been added to the contract since it was awarded. Therefore, Board of Directors approval is requested to execute a contract modification to add \$450,000 to the contract and extend the term by six (6) months from October 1, 2025 to March 31, 2026. The new contract total will be \$1,719,774.

RESPONSIBLE DEPARTMENT: Finance

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

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2025-1545

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and CapMetro Management recognize the need to extend contract #200616 with RSM US LLP for external auditing services for an additional six-month period.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or her designee, is authorized to finalize and execute a contract modification to add \$450,000 to the RSM US LLP contract and extend the term by six (6) months from October 1, 2025 to March 31, 2026 for a new contract total of \$1,719,774.

**Secretary of the Board
Becki Ross**

Date: _____



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2025-1544

Agenda Date: 7/16/2025

FY2026 Budget Proposal



FY2026 Budget Proposal

Board Committees 7/16/2025

Discussion Outline

- Budget Development Calendar
- Budget Overview
- Operating Budget Highlights
- Capital Improvement Plan Update

FY2026 Budget Development Calendar

- Feb 6 Operating and Capital Budget kick-off meeting with departments
- Apr 23 Capital and Operating Budget requests received from departments
- May 7 Board Committees review proposed budget calendar
- Jun 4 Initial review with Access Advisory Committee
- Jun 11 Initial review with Customer Satisfaction Advisory Committee
- Jun 23 Board of Directors initial review and discussion
- Jun 27 Initial review with Public Safety Advisory Committee
- ➔ Jul 16 Budget proposal presented to Board Committees

FY2026 Budget Community Engagement

- Aug 6 Presentation to Access Advisory Committee
- Aug 13 Update Board Committees
- Aug 13 Presentation to Customer Satisfaction Advisory Committee
- Aug 22 Presentation to Public Safety Advisory Committee
- Aug 22 Proposed budget document is published online
- Aug 25-29 Budget public outreach and webinar
- Sep 10 Update Board Committees
- Sep 10 Public hearing on proposed budget and capital improvement plan
- Sep 22 Board of Directors considers budget proposal for adoption

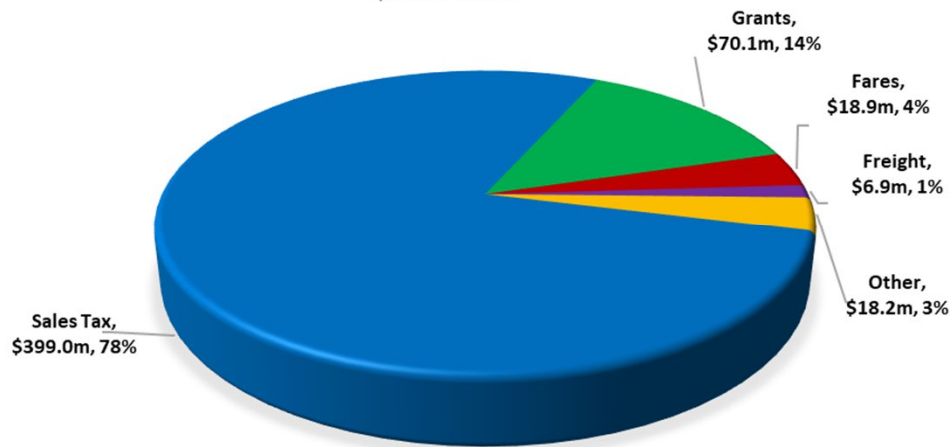
Proposed Budget Overview



- Proposed budget is structurally sound and balanced
 - Ongoing revenue is sufficient to fund operations and provide funds for capital needs
- Meets operating reserve requirements
 - Statutory operating and budget stabilization reserves are fully funded
- Projected sales tax growth of 2% for FY2026 over FY2025 Forecast
 - Declining growth in Fiscal Years 2024 and 2025
- Service funding based on August Service Plan changes
- Investment in customer-focused transit infrastructure projects

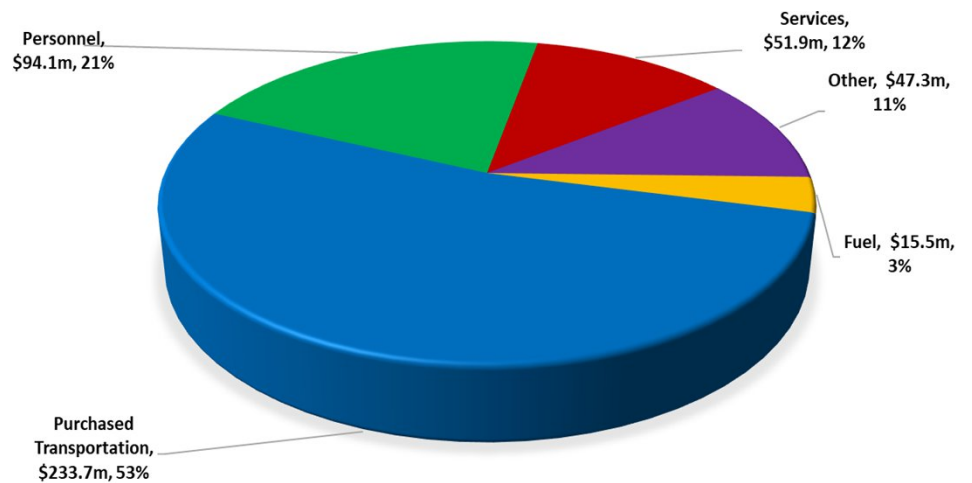
FY2025 Operating Budget Summary

FY2026 Operating Revenue
\$513.1 Million



- Heavily dependent on sales tax revenue and grants for annual funding
- Grants include 5307 formula funds and Project Connect dedicated operating contributions

FY2026 Operating Expenses
\$442.4 Million



- Majority of the budget pays for contracted transit services
- Includes funding for new CapMetro Rapid operations, maintenance and support services

A man with a grey beard and mustache, wearing a dark blue polo shirt with a small CapMetro logo on the chest, is sitting on a concrete ledge. He is smiling and looking towards the camera. In the background, a white bus with "A METROBUS 2608" and "CAPITAL METRO" written on it is visible. The entire image has a blue tint.

CapMetro

FY2026 BUDGET - OPERATING COSTS

Operating Cost Drivers



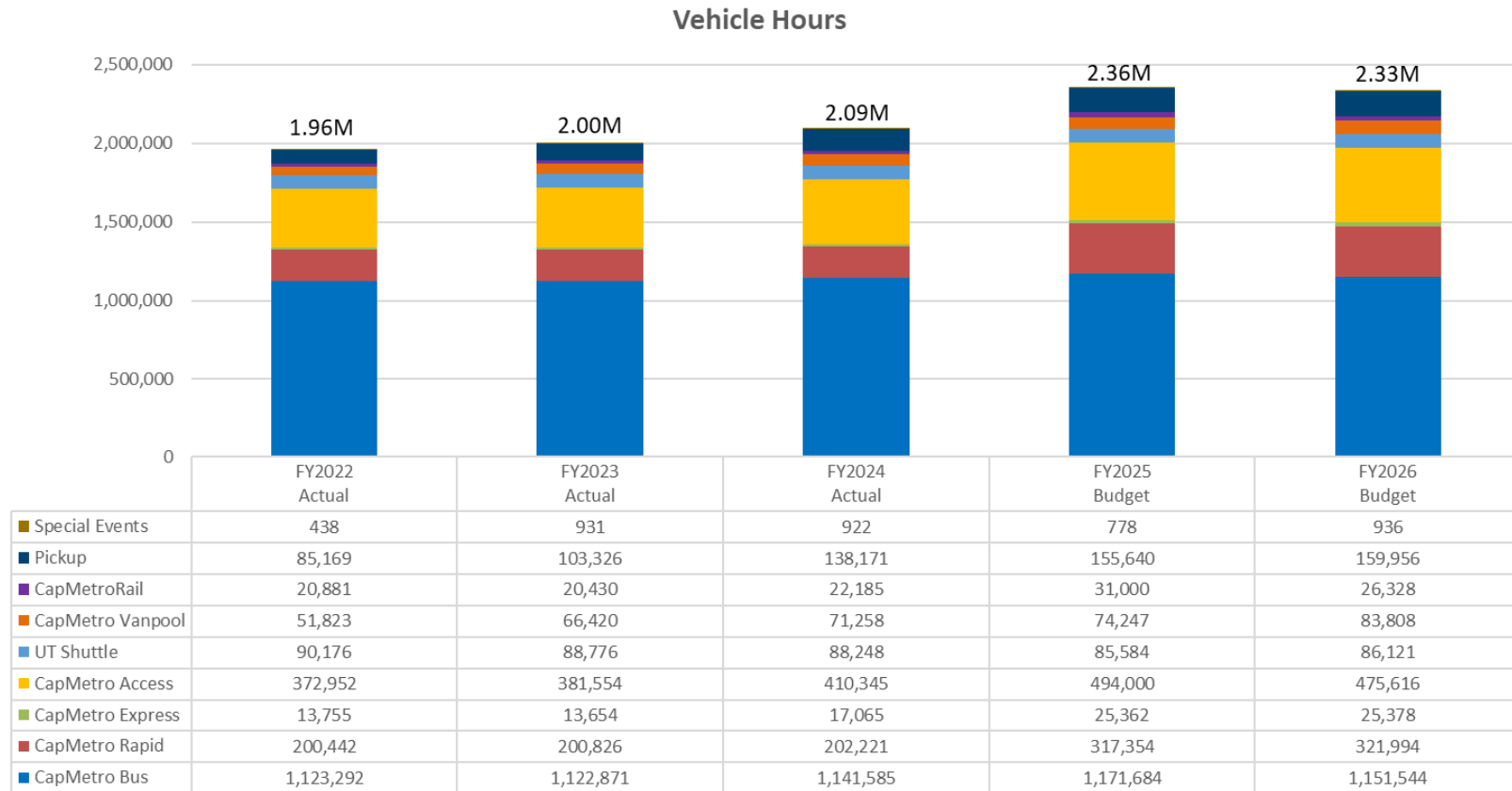
- Service levels based on August Service Plan changes
 - Purchased transportation costs are developed using budgeted hours and contractual rates
- Fuel prices remain stable over the next fiscal year with hedging in place
 - Diesel estimate of \$2.30 per gallon, inclusive of tax and net of hedging activities
 - Fuel hedge is 67% of projected fuel usage
- Continuation of Pickup neighborhood rideshare zones
- Performance-based average annualized pay increase for employees
- Strategic plan initiatives considered in budget preparation

Operating Expense Comparison

\$' Million Expense Category	FY2024 Actual	FY2025 Forecast	FY2025 Budget	FY2026 Budget	\$ Increase / (Decrease)
Salaries and Benefits	\$83.4	\$95.6	\$97.2	\$94.1	\$(3.1)
Professional Services	45.0	65.5	60.6	51.9	(8.7)
Materials and Supplies	20.3	28.0	19.2	24.0	4.8
Fuel and Fluids	15.2	14.2	15.1	15.5	.3
Utilities	4.5	6.2	8.3	7.0	(1.3)
Purchased Transportation	225.2	249.7	228.8	233.7	4.9
Lease/Rentals	3.7	3.5	6.2	4.6	(1.7)
Other Expenses	5.9	10.4	13.1	11.7	(1.4)
Total Operating Expense	\$403.1	\$472.9	\$448.5	\$442.4	\$(6.1)

- Salaries and Benefits – Includes merit, pension and benefits increases; majority of vacancies not budgeted in FY2026
- Professional Services – Reduction in consultation fees, other professional fees and other services
- Purchased Transportation – Bus and Demand Response pass-through expense

Service Levels





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FY2026 BUDGET - REVENUES

Operating Revenue

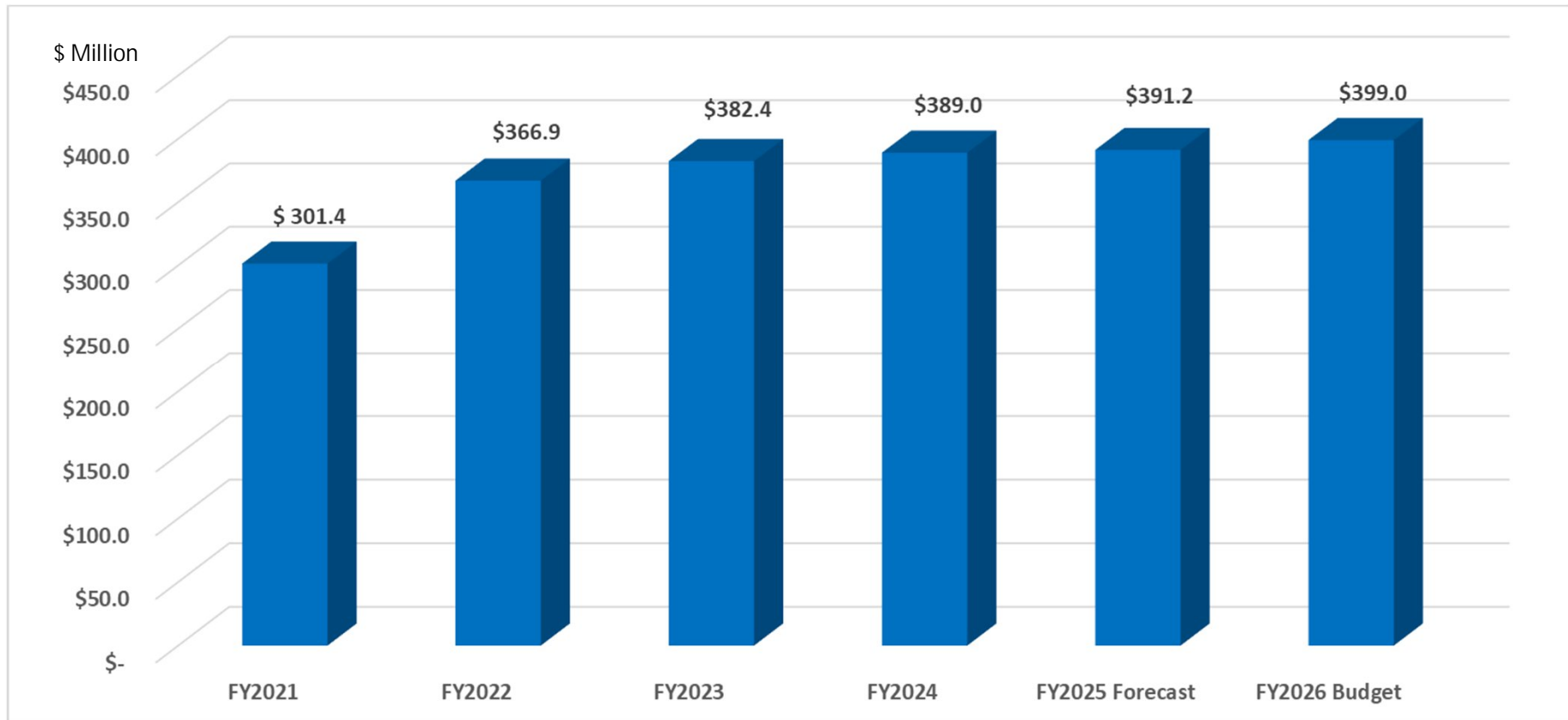
- Fare Revenue
 - Fare revenue based on continuing return of ridership in FY2026
- Federal Grants
 - Approximately \$44 million annually in Section 5307 funds
- Freight Railroad Revenue
 - Mainline revenue on target with FY2025 Budget of \$5.4 million

Revenue Comparison

\$' Million Revenue Category	FY2024 Actual	FY2025 Forecast	FY2025 Budget	FY2026 Budget	\$ Increase / (Decrease)
Sales Tax	\$389.0	\$391.2	\$402.8	\$399.0	\$(3.8)
Passenger Revenue	15.7	16.1	20.1	18.9	(1.2)
Freight Railroad Revenue	6.9	6.7	6.7	6.9	.3
Other Revenue	34.2	24.0	19.2	18.2	(1.1)
Operating Contributions and Grants	25.4	67.3	64.8	70.1	5.4
Capital Grants and Contributions	40.5	34.0	28.6	31.6	3.0
Project Connect Capital Contributions	15.8	14.8	59.2	17.1	(42.1)
Total Revenue	\$527.6	\$554.0	\$601.3	\$561.8	\$(39.5)

- Sales Tax – Projected 2% increase for Fiscal Year 2026 Budget over Fiscal Year 2025 Forecast
- Operating Grants – Includes Section 5307 funding and operating contributions from dedicated Project Connect funds
- Capital Grants and Contributions – FY2026 includes CapMetro Rapid Expo Center and Pleasant Valley Small Start grants, Red Line double tracking RAISE grant, Demand Response facility grant and 5339a and 5337 formula grants

Sales Tax Revenue



Ridership Summary

Ridership Summary	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Budget	FY2026 Budget
CapMetro Bus	14,970,502	17,940,198	19,451,629	18,940,355	20,642,494
CapMetro Rapid	3,052,354	3,654,771	3,817,210	5,207,361	5,731,438
UT Shuttle	849,786	1,086,843	1,109,793	1,279,805	1,343,534
CapMetro Express	99,059	133,166	131,203	230,240	151,075
Special Events	4,580	9,094	7,162	2,926	7,279
CapMetro Rail	473,312	475,465	542,095	610,327	781,001
CapMetro Access	527,142	553,688	579,081	588,429	666,667
Pickup	224,850	363,656	511,720	599,670	702,544
CapMetro Vanpool	281,009	327,952	376,712	399,283	450,701
Total Ridership	20,482,594	24,544,833	26,526,605	27,858,396	30,476,733



CapMetro

FY2026 CAPITAL BUDGET



Capital Budget Highlights

- Demand response operations and maintenance facility
- Broadmoor Rail Station
- CapMetro Rapid Park & Rides
- Bus stop enhancements and improvements
- New CapMetro Administration Building build-out

Proposed 5-Year Capital Plan

\$' Million Project Category	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Vehicles	\$11.1	\$5.7	\$17.8	\$37.1	\$39.2	\$110.9
Commuter Rail	4.8	3.9	2.1	1.4	1.5	13.7
Facilities	23.6	28.0	24.8	15.5	6.6	98.5
Information Technology	15.7	5.4	8.7	2.0	5.0	36.7
Other	25.8	26.1	4.8	5.5	6.0	68.2
Project Connect	33.3	5.6	-	-	-	38.9
Property and Asset Mgmt	40.8	52.8	43.5	.1	.1	137.3
Total Capital Projects	\$155.0	\$127.6	\$101.8	\$61.6	\$58.3	\$ 504.3
Funding						
Local Funding	106.3	99.3	83.0	49.0	50.4	388.0
Grants/Contributions	48.7	28.3	18.7	12.6	7.9	116.3
Total Capital Projects	\$155.0	\$127.6	\$101.8	\$61.6	\$58.3	\$ 504.3
Project Type						
Enhancement	116.8	108.1	72.8	16.6	7.6	321.9
State of Good Repair	38.2	19.5	28.9	45.0	50.7	182.3
Total Capital Projects	\$155.0	\$127.6	\$101.8	\$61.6	\$58.3	\$ 504.3

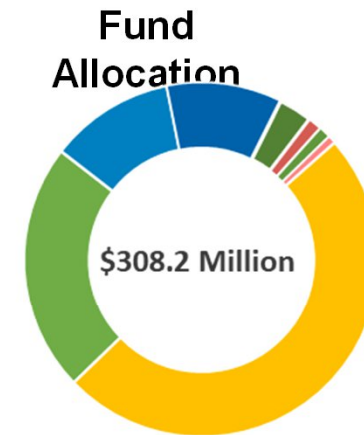


CapMetro

SUMMARY

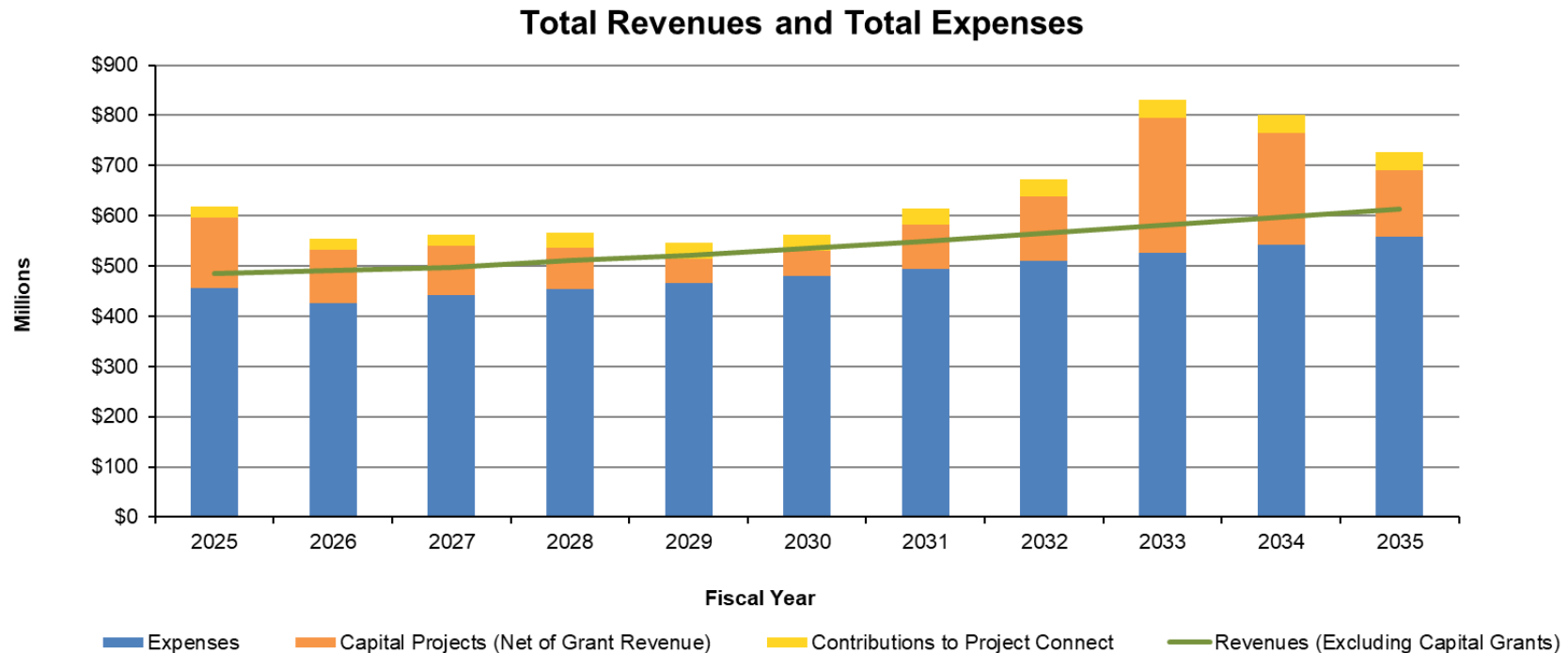
Fund Balance and Reserves

FY2026 Projected Activity	\$' Million
Projected Beginning Balance	\$371.5
+ Revenue	561.8
- Operating Expenses	(442.4)
- Capital Projects	(155.0)
- Contribution to Project Connect	(21.9)
- Interlocal Agreements	(5.9)
Projected Ending Balance	\$308.2



Statutory Operating Reserve	\$70.0m
Budget Stabilization Reserve	\$35.0m
Project Connect Dedicated Funds	\$32.4m
Sustainability Capital Fund	\$9.4m
City of Austin Mobility Programs	\$3.9m
BCT Infrastructure Fund	\$3.3m
Self-Insurance Reserve	\$2.3m
Funding of 5-Year CIP	\$151.9m

Long-Range Financial Model



- One-time, accumulated funding available for capital investments
- Ongoing revenue assumption is sufficient to fund operations and capital needs through Fiscal Year 2030
- Budget risk if sales tax growth does not develop as projected

Next Steps

- Review budget proposal with Board Advisory Committees
- Publish draft budget document online
- Budget outreach and webinar
- Budget updates to Board Committees if necessary
- Public hearing on the proposed budget
- Final Board approval scheduled for September 22
- Board update on Long-Range Financial Plan

CapMetro

Thank you!



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2025-1531

Agenda Date: 7/16/2025

FY2025 Internal Audit Plan Status - July 2025

FY25 INTERNAL AUDIT PLAN

Department Scorecard

	Projects	Status & % Complete	Additional Details
	<u>FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE</u>		
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	Completed	June
4	FY2025 Risk Assessment & development of FY26 Audit Plan		
	<u>FY25 Audit Assurance & Advisory Projects</u>		
1	Keolis Payroll Pass Through Controls	Ongoing Monitoring	
2	MTM Payroll Pass Through Controls - New Contract in Demand Response	Ongoing Monitoring	UT Interns - Spring
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)	In-Process	UT Interns - Spring
7	Inventory Controls (Fuel & Parts) & Utilities (Electricity) - Bus/Rail/DR/Facilities	In-Process	UT Interns - Spring
8	A/P Non-PO Payments (P-Cards & Check Requests) Controls	Completed	June
9	Brinks Contract and Outsourced Treasury Controls		
10	Bus Maintenance & Training		
11	Automation of Bus Incidents/Accidents Reporting (TrackIt System)		
12	Safety Management System (SMS) - Management of Change	Completed	March
13	Bus Charging Infrastructure & EV Program	Draft Report	July / Aug
14	Bytemark & UMO Contract for e-Tickets & Collections - Administrative Fees		
15	United Healthcare - Eligibility & Payment Support	Draft Report	July
16	McKalla Station - Capital Project Controls	Completed	January
17	CLS System for Right of Way Revenues (Permits, RWIC, Licenses)	Completed	February
18	BikeShare Program - RACI Chart based upon ILA with City of Austin	Draft RACI Chart	July/Aug
19	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2024 baseline		
20	Annual Cybersecurity Review (Verizon)		
21	FTA Triennial Audit	Draft Report	Onsite 6/2-6/6
22	QAR (Quality Assessment Review) - IIA and GAS Standards	Draft Report	July
23	Quadrennial Performance Audit	Completed	February
	<u>CONTINGENT AUDIT PROJECTS - FY25</u>		
1	Lease Vehicle Program - non-Revenue Vehicles		
2	Microsoft Sharepoint & Active Directory		
3	Real Estate - Life Cycle Management & Controls		
4	Grant Reporting Process (Small Starts, Single Audit, Subrecipients)		
5	Board Policies/Goals - Monitoring & Reporting (e.g. OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		
	<u>NEW PROJECTS ADDED TO FY25 AUDIT PLAN by Terry Follmer</u>		
1	Quadrennial Performance Report - Tracker until Completed	In-Process	
2	CLS System for Right of Way License Contracts (Completeness & Accuracy)	In-Process	
3	RFP on External Audit Services	In-Process	
4			



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2025-1546

Agenda Date: 7/16/2025

Audit Report - United Healthcare Contract - Eligibility, KPI's and Payment Controls



UNITED HEALTHCARE – ELIGIBILITY, KPI'S & PAYMENT CONTROLS (#24-10)

Terry Follmer, Chief Audit Executive

Distribution List:

Capital Metro Board of Directors
Dottie Watkins, President and CEO
Kerri Butcher, EVP, Deputy CEO
Donna Simmons, EVP of Administration, Diversity and Inclusion Officer
Kevin Conlan, Interim Chief Financial Officer & Risk Officer
Andrew Skabowski, EVP & Chief Operating Officer
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Ashley Erickson, VP of Organizational Strategy and Projects
Benjamin Sims, VP, People & Culture
Shannon Reznick, Director of Total Rewards, People & Culture
Angela Murphy, Program Manager, People & Culture

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Executive Summary

As part of our Fiscal Year 2024 and 2025 Internal Audit Plans approved by the CapMetro Board, we performed an audit of the United Healthcare third party administrator (TPA) contract for CapMetro's self-insured benefits for medical and dental. The primary objective was to determine whether there were sufficient internal controls to ensure contract compliance and accurate billings from United Healthcare for their services. The audit results including the objective, scope, and conclusion are as follows.

Background

CapMetro has utilized United Healthcare as their third-party health plan administrator since July 29, 2009, and the current contract term expired January 1, 2025; with the option to extend the contract for up to 3 additional years. United Healthcare bills CapMetro once a month for their administrative fees and every two weeks for the claims paid to healthcare and dental providers. CapMetro has given access to United Healthcare to directly debit CapMetro's bank account for the monthly and bi-weekly billings and support is provided from United Healthcare for all withdrawals. In calendar year 2024 United Healthcare withdrew a total of \$21,029,838 (\$10,348,304 for admin costs and \$10,681,534 for healthcare provider payments) from CapMetro's bank account. We also noted that the UHC contract does contain KPI performance goals (e.g. initial and appeal turnaround times; claims processing accuracy; etc.) and we tested compliance with these performance metrics as part of this review.

Also, the 2024 CapMetro Benefit Guide of Acceptable Dependent Eligibility Verification Documentation (**See Appendix C**) states that "to provide coverage for a dependent under any of the benefit programs", employees are required to submit proof of dependent eligibility by providing official pre-approved documentation as listed in the Benefits Guide. Ensuring proper support for eligible dependents helps in managing the cost of benefits by reducing the risk on unauthorized dependents. Compliance with this policy was also tested as part of this review.

Audit Objective & Scope

The primary objective was to determine whether there were sufficient internal controls to ensure contract compliance and accurate billings from United Healthcare for their services. An additional objective was to evaluate CapMetro dependent controls to ensure that only eligible dependents are receiving benefits and required documentation is obtained and retained. The scope included a review of controls over contract monitoring, debits made by UHC to CapMetro's bank account for the calendar years 2022 through 2023, and records evidencing dependent eligibility.

Management had been collecting eligibility documentation (e.g. marriage and birth certificates, etc..) during the onboarding process but not retaining and saving to Oracle. During the audit the P&C Department collected all missing eligibility documentation and saved it to Oracle. Several employees did not provide dependent eligibility documentation; therefore, benefits were removed for these dependents. Based upon management's corrective actions taken during the audit, we have deleted this finding from the audit report.

Opinion

In our opinion, internal controls are generally in place and properly functioning for United Healthcare Payment reconciliation and dependent eligibility verification. We identified some areas where internal controls could be further strengthened as follows:

Issues & Risk	Risk Rating	Status	Target Completion Date
1.UHC PAYMENT CONTROLS AND BANK ACCESS	Medium	Open	November 01, 2025
2.UHC KPI'S, INCENTIVES, PENALTIES, AND ADJUDICATION AUDIT	Low	Open	This would occur in Q1 or Q2 of 2026, depending on when the data becomes available.

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

This audit was conducted in accordance with the US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. 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:

- Amy Parekh, Senior Internal Auditor
- 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. The risk rating definitions and rating methodology are provided on the next page of this report.

Risk Rating Definitions

Ratings Definitions- Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

Rating	Issues identified	Action required
HIGH	Issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.
MEDIUM	Issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
LOW	Issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

Ratings methodology- In determining the ratings of audit findings, auditors considered factors such as:

1. Financial impact
2. Potential failure to meet program/function objectives
3. Noncompliance with state statute(s), rules, regulations, and other requirements or criteria
4. The inadequacy of the design and/or operating effectiveness of internal controls
5. Evidence of potential fraud, waste, or abuse
6. Significant control environment issues
7. Little to no corrective action for issues previously identified

Auditors also identified and considered other factors when appropriate.

Audit Report

Issues & Risk	Risk Rating:	Recommendation	Management Action Plan
	Medium		
<p><u>1. UHC PAYMENT CONTROLS AND BANK ACCESS</u></p> <p>UHC has been granted access to CapMetro’s bank account to debit their administrative fees (monthly) and claim reimbursements (bi-weekly) of approximately \$20 million annually for UHC health and dental benefits. The bank account from which UHC directly debits is CapMetro’s main clearing account, which is used for almost all CapMetro day-to-day operations, including deposits and other withdrawals.</p> <p>Allowing a vendor to directly debit this clearing bank account creates additional risks, including the risk that the vendors withdrawals may be unauthorized, an incorrect amount, proper support is not provided and/or is not timely. An additional risk is the money is withdrawn by UHC before the accounting Journal Entry is made, therefore the missing entry will become a reconciling entry on the Bank Reconciliation if not made timely.</p> <p>Audit tested all UHC bank withdrawals for 2022 & 2023 and noted that UHC provided support for all bank debits, however, we found two UHC withdrawals (see Appendix A) for which corresponding Journal Entry (JE) had not been made as follows:</p> <ul style="list-style-type: none">• 10/27/2022 payment of \$342,528• 2/16/2023 payment of \$128,884 <p>Upon sharing these missing JE’s with Accounting, they made the correcting JE’s.</p>	<p>Internal Audit recommends that Management consider the following:</p> <p>a) The CFO and Controller should consider ending the practice of allowing United Healthcare to make automatic debits/withdrawals from CapMetro’s bank account.</p> <p>b) If management chooses to continue the practice of allowing UHC to make automatic withdrawals from CapMetro’s bank account, management should consider creating a separate bank account for only United Healthcare activity in order to increase visibility of UHC transactions and simplify the reconciliation process. Additionally, the Manager of Accounting should perform a postmortem exercise on the two missed UHC withdrawals to understand why this occurred and lessons learned to prevent this from happening again.</p>	<p>Management agrees with the recommendation and has developed the action plan below:</p> <p>A) We agree with Internal Audit’s recommendation to shift away from direct withdrawals and have UHC submit formal invoices to AP. Currently, our team member creates the support for the debit from UHC’s portal and sends it to AP for processing. This change would provide better control and relieve the accounting team from some administrative burden. The team will then just be validating the UHC charges. There is no target completion date from Accounting’s end at this time as Procurement/Legal team are taking the lead in working with UHC to</p>	

<i>Issues & Risk</i>	<i>Risk Rating:</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
	Medium		
			<p>understand any contractual limitations.</p> <p>B) This issue occurred during the time of Oracle transition along with UHC portal access problems, and temporary staff responsible for making these entries had already left. We have an improved reconciliation process since then for our cash and cash clearing accounts that will help identify issues like these should they occur. After evaluating the option of opening a new bank account, we determined it's not feasible due to the significant administrative upkeep involved.</p> <p><u>Target Completion Date:</u> 11/01/2025</p>

<i>Issues & Risk</i>	<i>Risk Rating:</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
	Low		
<p><u>2. UHC KPI'S, INCENTIVES, PENALTIES, AND ADJUDICATION AUDIT</u></p> <p>We noted that CapMetro's contract with UHC contains eight performance guarantees with credit amounts to be applied to invoices should United Healthcare fail to meet these guarantees. We benchmarked CapMetro's contract against the UT System contract with Blue Cross Blue Shield which had 17 very clear performance guarantees detailed in their contract along with defined monetary penalties associated with each performance guarantee not met (See Appendix B for some examples of performance guarantees in the UT System contract with Blue Cross Blue Shield that have no equivalent in the CapMetro contract with United Healthcare).</p> <p>We noted that People & Culture has not been checking to see if UHC is meeting the performance guarantees, and no one has been assigned this responsibility. Internal Audit attempted to test the performance guarantees but noted that only one of the eight metrics can be tested, because UHC is not providing the data to validate the other seven performance guarantees.</p> <p>Additionally, a third-party has never been hired to perform an adjudication audit to ensure the accuracy of claims processed and evaluate overall performance against industry standards and compliance with contractual performance guarantees.</p>		<p>Internal Audit recommends that Management consider the following:</p> <ul style="list-style-type: none"> a) The VP of People & Culture and Director of Total Rewards should consider assigning the responsibility for review and enforcement of the performance guarantees detailed in the contract with United Healthcare. b) The VP of People & Culture and Director of Total Rewards should consider hiring a third-party firm to perform an adjudication audit to ensure the accuracy of claims processed and evaluate overall performance against industry standards and contractual performance guarantees. 	<p>Management agrees with the recommendation and has developed the action plan below:</p> <p>Add review of performance incentives to the standing agenda for the board of trustees to make sure the data is reviewed year over year with trustees.</p> <p><u>Target Completion Date:</u> This would occur in Q1 or Q2 of 2026, depending on when the data becomes available.</p>

Appendices

Appendix A: All United Healthcare Outgoing ACH Debit Payments from October 1, 2022 (Oracle go-live date) through October 1, 2023

SECTION	DATE	DESCRIPTION	MARKET VALUE/AMOUNT/B	Category
Withdrawals and Debits	10/06/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (148,999.60)	UHC Outgoing wire
Withdrawals and Debits	10/13/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (122,582.03)	UHC Outgoing wire
Withdrawals and Debits	10/20/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (57,081.69)	UHC Outgoing wire
Withdrawals and Debits	10/27/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (342,528.25)	UHC Outgoing wire
		ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221103 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000026412324 EED:221103 IND		
Withdrawals and Debits	11/03/22	ID:223050567 IND NAME:CAP METRO TRANSIT ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221110 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000020225638 EED:221110 IND	\$ (64,043.78)	UHC Outgoing wire
Withdrawals and Debits	11/10/22	ID:223120442 IND NAME:CAP METRO TRANSIT ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221117 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000022492157 EED:221117 IND	\$ (289,093.00)	UHC Outgoing wire
Withdrawals and Debits	11/17/22	ID:223190665 IND NAME:CAP METRO TRANSIT ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221125 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000026555330 EED:221125 IND	\$ (87,103.64)	UHC Outgoing wire
Withdrawals and Debits	11/25/22	ID:223260868 IND NAME:CAP METRO TRANSIT	\$ (231,842.14)	UHC Outgoing wire
Withdrawals and Debits	12/01/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (101,224.58)	UHC Outgoing Wire
Withdrawals and Debits	12/08/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (213,128.54)	UHC Outgoing Wire
Withdrawals and Debits	12/15/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (597,156.34)	UHC Outgoing Wire
Withdrawals and Debits	12/29/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (132,234.34)	UHC Outgoing Wire
Withdrawals and Debits	01/05/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (102,806.59)	UHC Outgoing Wire
Withdrawals and Debits	01/12/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (275,436.98)	UHC Outgoing Wire
Withdrawals and Debits	01/19/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (84,794.19)	UHC Outgoing Wire
Withdrawals and Debits	01/26/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (303,730.63)	UHC Outgoing Wire
Withdrawals and Debits	02/02/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (114,757.11)	UHC Outgoing Wire
Withdrawals and Debits	02/09/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (236,028.04)	UHC Outgoing Wire
Withdrawals and Debits	02/16/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (128,884.11)	UHC Outgoing Wire
Withdrawals and Debits	02/23/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (276,216.86)	UHC Outgoing Wire
Withdrawals and Debits	3/2/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (123,640.97)	UHC Outgoing Wire
Withdrawals and Debits	3/9/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (235,451.20)	UHC Outgoing Wire
Withdrawals and Debits	3/16/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (114,872.88)	UHC Outgoing Wire
Withdrawals and Debits	3/23/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (211,365.25)	UHC Outgoing Wire
Withdrawals and Debits	3/30/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (132,567.20)	UHC Outgoing Wire
Withdrawals and Debits	04/06/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (191,315.15)	UHC Outgoing Wire
Withdrawals and Debits	04/13/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (86,149.32)	UHC Outgoing Wire
Withdrawals and Debits	04/20/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (308,993.23)	UHC Outgoing Wire
Withdrawals and Debits	04/27/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (119,839.92)	UHC Outgoing Wire
Withdrawals and Debits	05/04/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (309,417.18)	UHC Outgoing Wire
Withdrawals and Debits	05/11/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (160,621.91)	UHC Outgoing Wire
Withdrawals and Debits	05/18/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (119,524.41)	UHC Outgoing Wire

Note: The two debits in red above by UHC (\$342,528.25 on 10/27/22 and \$128,884.11 on 02/16/23) were automatically withdrawn from CapMetro's bank account but the respective Journal Entry for this payment was never made until the audit discovered it.

Appendix B: UT System and BlueCross BlueShield Contract Performance Guarantee Examples Not in CapMetro and UHC Contract

Implementation Activities (Initial Year Only)	<p>Benefit Coding Accuracy: Claim Administrator will code the Employer's standard and custom benefits accurately according to the Benefit Matrix. Claim Administrator agrees to an accuracy rate of 97% or greater.</p> <p>Method of measurement: Following the implementation, a comprehensive audit will be performed to validate the results from the pre-production and post-production benefit testing.</p>	Met Not Met	\$0 \$5,000 per error Maximum of \$20,000/plan year
Communication Requirements	<p>BCBSTX's performance during an annual enrollment will be evaluated by the group based on results of the following due date requirements:</p> <ol style="list-style-type: none"> 1) preparation of System-specific website; 2) distribution of enrollment materials; and 3) assistance with preparation of plan booklets 	Met Not Met	\$0 \$4,000 per each not met
Dataset Processing	<p>Maintenance eligibility Datasets received by BCBSTX from the System on any business day received by 8:00 a.m. CST will be processed within 24 hours of receipt and System will be notified of the status once processed. If problems with a dataset or with the vendor's information system prevent processing of any file within 24 hours of receipt, the vendor shall immediately notify System of the issue and begin resolving the issue(s). Any records that error out or require additional research are considered invalid records and not subject to the performance guarantee.</p> <p>Claims Datasets must be transmitted to the System in the required format by the fifteenth (15) of the month following receipt of the initial claim billing and in the month following any subsequent adjudication on a claim.</p>	<p>Met Not Met</p> <p>Met Not Met</p>	<p>\$0 \$2,000 per each not met \$20,000 Maximum</p> <p>\$0 A financial penalty of \$2,000 may be assessed for each claims detail dataset that is overdue by more than 30 days, up to a maximum of \$20,000 per contract year</p>
Appeals	Contractor guarantees that at least 90% of written appeals shall be resolved within 15 days from the date of receipt of reasonably necessary information. Contractor shall report the total number of written appeals received from participants, and the percentage resolved within 15 days of receipt by the Contractor during each quarter.	90% - 100% 0% - 89.9%	\$0 \$4,000 per quarter when fewer than 90% are resolved within 15 days of receipt of reasonably necessary information
Administrative Report Timeliness	Each Administrative Performance Report is due no later than the fourth Thursday of the month following the end of the System plan year quarter.	Met Not Met	\$0 \$2,000 per quarter not met

Appendix C: 2024 CapMetro Benefit Guide of Acceptable Dependent Eligibility Verification Documentation

Required Documentation:

To provide coverage for a dependent under any of the benefit programs, you must submit documentation that supports your relationship to the dependent. Dependents will not be enrolled without social security numbers and the required proof of dependency. Documentation must be submitted at the time of enrollment:

- **For a spouse:** A marriage certificate or declaration of informal (common-law) marriage, which has been recorded as provided by law.
- **For a child for medical coverage:** A birth certificate, complimentary hospital certification, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, or conservatorship.
- **For a child for other coverage:** A birth certificate, complimentary hospital certification, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, or conservatorship, as well as proof of dependency.
- **For a stepchild:** A birth certificate, complimentary hospital certificate, verification of birth facts issued by the hospital, and a court order establishing legal adoption, guardianship, or conservatorship, and a marriage certificate or declaration of informal marriage indicating the marriage of the child's parent and step parent.
- **For a dependent grandchild:** A birth certificate, complimentary hospital certification, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, tax return showing dependency, or conservatorship for your child and grandchild.
- **For a disabled child:** A birth certificate, complimentary hospital certificate, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, or conservatorship. A completed Dependent Eligibility Questionnaire verifying an ongoing total disability. Written documentation from a physician verifying an ongoing total disability may be required.
- **Qualified Individual:** A fully executed Qualified Individual Declaration and supporting documentation showing proof of financial interdependence (see Declaration for supporting documentation requirements). If the Qualified Individual is a "federally defined" spouse, a copy of the marriage certificate is required.
- **Gain/ Loss of Other coverage:** A Benefit Confirmation Statement/ Official Letter which shows the date coverage starts/ concludes. (i.e Severance/ Employment Dismissal Letter, COBRA Enrollment document, Official notice of benefit termination displayed on letterhead from prior employer/ prior insurance carrier)
- **Marriage/ Divorce / Birth / Death of Dependent:** These Qualified Life Events require the official issued Certificate/ Document of record detailing the event.

It is the employee's responsibility to determine whether your dependent meets the dependent definition and ensure all supporting documents for dependent eligibility/ verification is uploaded to the Oracle Document Library. Please note, all documents must be received timely following initial enrollment/ notification of Pending Actions Items. Employees are expected to report eligibility/ dependents accurately based on plan definitions; the IRS may tax benefits received for ineligible persons.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2025-1530

Agenda Date: 7/16/2025

Executive Finance, Audit and Administration Update - July 2025

Update on executive leadership development, key performance indicators, financial performance, personnel changes, communications and public outreach.