

Project Number	Project Name	Report Date	Issue & Risk	Recommendation	Management Action Plan	Target Completion Date	Status				
1	23A-17	RideShare Program - Revenue Compliance Review	2/6/2024	1. Implement Contract Testing by CapMetro: Internal Audit noted that CapMetro management is not performing any verification or validation of the following data provided by Enterprise (Appendix B): <ul style="list-style-type: none">• Vanpool counts, new additions, or terminations which impacts the Enterprise monthly Invoice.• NTD submission for participation.	a) The RideShare Program Manager should consider periodic (e.g. semi-annual) validation, analysis, and testing of the van pools and related participants/coordinators via sampling contracts and related details. This could include but is not limited to reviewing contracts, proof of participants (e.g. signed contract, driver’s license on file, etc.).	The RideShare PM will review contracts with individuals during the Satifaction Survey in October and April.	10/1/2024	In Process			
2							b) CapMetro Customer Care could call at least annually some of the Vanpool Coordinators to discuss their experience as well as validate their participation and other RideShare participants. See recommendations 3a) below.	RideShare PM to send survey to all participants with questions addressed to coordinators and riders in July. Customer care will assist as needed with contacting participants requesting a callback.	7/31/2024	In Process	
3							2. Ensure All Reports & Deliverables are Received Internal Audit noted that there are some reports and deliverables (Appendix C) that are not received or not received timely: <ul style="list-style-type: none">• Biennial Safety Training Reports - To be conducted on Base Year 2 and Option Year 2 and report due upon request.• Accident/Incident Reports - To be provided as they occur.• Periodic Safety Refresher Training - To be provided quarterly in October, January, April and July of each contract year.	a)The RideShare Program Manager should ensure that all the deliverables are received and on time.	RideShare PM working on updating the contract and includes new dates for deliverables to be received. PM will monitor going forward and let Contract Administrator know if any help is needed.	5/1/2024	In Process
4							3. Increase CapMetro Automation & Cross-functional Collaboration: Internal Audit noted that there are opportunities to collaborate with other CapMetro teams to achieve the program goals in an efficient and effective way.	The RideShare Program Manager should consider collaborating with: a) Customer Care should call some of the RideShare participants at least annually to gauge their satisfaction with the program and to benchmark performance of the program over time. This survey could also be used to satisfy recommendation in #1b) listed above.	RideShare PM to send survey to all participants with questions addressed to coordinators and riders in July. Customer care will assist as needed with contacting participants requesting a callback.	7/31/2024	In Process
5								b) Initiate a Power BI database and dashboard reports where the monthly Enterprise RideShare reports can be loaded, which automatically updates the database and displays various graphs/charts and performance over time. The Contractor datasets could be integrated into EDAP for internal analysis and to automate the reporting and generate timely and consistent data across all RideShare reports.	RidesShare PM to open up a ServiceNow ticket to get the EDAP request in queue. PM will also work with Enterprise for some of the data corrections needed.	6/1/20024	In Process
6	24-04A	Watco Freight Contract Revenue	2/6/2024	1. Not Receiving & Analyzing Watco’s Annual Audit Financial Statements When requested by the Internal Audit Department, Watco was reluctant to share their annual audited financial statements which is required to be provided per contract. Through the help of the Legal, Procurement and Rail Operations Departments we were able to obtain their audited financial statements from Grant Thornton for the years 2013 to 2022. Internal Audit did a simple analysis of the Balance Sheet and Income Statement, and our analysis identified some concerns.	a) Annually, the Rail Operations should obtain Watco's parent company annual audited financial statements and should perform at least a five year analysis on key financial metrics (e.g. liquidity; solvency; etc.) and discuss performance with Watco management and ensure any concerns are addressed.	Rail Operations has obtained the 2023 Watco audited F/S.	3/29/2024	Completed			

7				b) Rail Operations should compare/contrast (e.g. revenue changes; profitabilty changes; etc..) of the Watco's parent company audited financial statement against the Austin Western Railroad (AWRR) statements that are reported to CapMetro monthly to understand any trends and why the AWRR performance may be significantly different than Watco's conolidated financial statements. CapMetro managment should use this analysis to ask questions of Watco for things that don't make sense and/or may be a risk to CapMetro.	A Quarterly meeting between Finance and Rail Ops will occur in the future to discuss Watco financial performance and any risks that they see.	By 6/30/2024 and Qtrly thereafter	In Process
8			2. Lack of Independent Revenue Validations by CapMetro The last attempt by CapMetro to independently validate Watco Revenues was performed by RSM accounting firm for the books and records for the period ending 12/31/2019, which was one of the recommendations in the CapMetro internal audit report dated 4/25/2019.	a) At least once every two years CapMetro should hire a CPA firm to perform “agreed upon procedures” related to testing the completeness and accuracy of the revenues that are reported and shared with CapMetro per the revenue sharing agreement.	Controller will look at developing Agreed Upon Procedures to be performed at least every two years.	12/1/2024	In Process
9				b) Continue to obtain annual audit financials and analyze for risks, trends and correlation with the revenues being shared with CapMetro. Unusual and flagged items should be discussed with Watco management.	Rail Operations will obtain annual audited financials and has already provided 2023 audited F/S. The new Director of Revenue will work with Procurement Department will obtain the annual Dunn & Bradstreet Report and review for risks.	12/1/2024	In Process
10				c) Obtain car counts from the AEI readers which will help independently validating approximately 1/3 of the revenues that Watco shares with CapMetro.	Rail Operations will buy two new AEI readers. One at McNeil Road (Interchange) MP69.42 and one at McNeil Round Rock MP 71.57.	4/30/2024	In Process
11				d) The Railcom system (www.railinc.com)is the official clearing house of all freight rail records, so CapMetro should consider subscribing to this database and performing independent checks. Additionally, this database could be shared with the CPA firm for the reviews listed in 2a) above.	Muriel will research if there is a data set that we can buy to help in the validation of Watco revenues reported.	4/30/2024	In Process
12			3. Unexplained Changes in Cash Flows, Expenses & Broken AEI Reader We analyzed the cash flows and expenses for the last five years and noted the following unexplained variances that requires more analysis by CapMetro and a clear explanation from Watco as follows: - Watco’s Investment in Giddings & Recoupment Time - UP Asset Utilization Offset - Broken AEI Reader	Perform ongoing analysis of Watco freight revenues and at least quarterly have formal meetings to discuss variances and forecasted changes in revenues and expenses, as well as any changes in the equipment and data sources that are used to prepare the financials that are shared with CapMetro. In particular, the following financial and operational matters need to be resolved: a) Giddings recoupment by Watco of \$3 million has almost doubled in time from the original estimate of 5.5 years to 9 years, so ongoing monitoring and discussions should continue.	Quarterly meeting between Finance and Rail Ops to discuss financial performance and any risks that they see. Create an agenda of standard items to be discussed plus any unusual or new items.	By 6/30/2024 and Qtrly thereafter	In Process
				b) The UP (Union Pacific) Asset Utilization Offset has resulted in UP locomotive pass through charges to CapMetro of \$3.5 million since 11/2019 which has impacted CapMetro cash revenue received by about \$583,000. CapMetro management should obtain support for the \$3.5 million in pass through locomotive charges.	Internal Audit Department is waiting for Watco to provide invoices to support the UP locomotive pass through charges. After testing is completed we will setup meeting with Rail Ops to disuss the results.	In Process	In Process

				c) The AEI Reader should be repaired and used to validate the monthly car counts reported by Watco, thus allowing CapMetro to independently verify approximately one-third of the revenues shared with CapMetro.	Rail Operations will buy two new AEI readers. One at McNeil Road (Interchange) MP69.42 and one at McNeil Round Rock MP 71.57. AEI Reader will be used to validate monthly car counts and related revenues.	4/30/2024	In Process	
13	24-09A	Bright Horizons	12/23/2023	1. Risk of Loss Collections The Internal Audit and the Legal Departments interpretation of the contract is that Bright Horizon has all risk of loss as it relates to the collection of student tuition, therefore the collection and deposit process should change with Bright Horizons taking full responsibilities related to the collection and deposit process.	1) CapMetro should receive a single payment each month from Bright Horizons for the monthly gross tuition billed regardless of what is collected. CapMetro should no longer be involved in depositing individual tuition checks to the CapMetro Account since Bright Horizons has all risk of loss.	Contract model revised to make contractor responsible and at risk for tuition collection	4/1/2024	Completed
14				2. Management Fee Increases Internal audit noted that the contract states that management fee is subject to a "minimum escalation by no more than 5%". The management fee increased by 22% from FY 22 to FY23, however, there was no change in tuition rates.	2) As part of the annual budget process, an agreed upon "Management Fee" is agreed upon between CapMetro and Bright Horizons. CapMetro management should consider both the management fee rates and tuition rates before agreeing to terms. Management should evaluate the effects of management fee increases on operations prior to accepting terms.	One year contract only awarded. Management fee was negotiated and BH agreed to reduce by \$25,000	4/1/2024	Completed
15				3. Revenue Unreconciled Difference for FY22 & 23 For FY22 and FY23, tuition and fees charged per the Bright Star records exceeded the accounts receivable amounts in Oracle by approximately \$18,000. There is no reconciliation of the revenues by Bright Horizons or CapMetro .	3) Management should reconcile the revenues in Bright Horizons "Bright Star" system to the revenues recorded in CapMetro's Oracle system on at least a quarterly basis if not monthly.	Contract model revised to make contractor responsible and at risk for tuition collection; CapMetro will only pay a fixed monthly fee	4/1/2024	Completed
16				4. Lack of Monthly Financial Reporting From Bright Horizons At the time of the audit, Bright Horizons had not been providing monthly financial reports per the contract.	4) Management should obtain the monthly financial statements to monitor the financial status of the childcare center and ensure Bright Horizons operates within the approved annual budget.	Contract model revised to make contractor responsible and at risk for tuition collection; CapMetro will only pay a fixed monthly fee.	4/1/2024	Completed
17	24-05A Presentation	Investment Income	12/4/2023	1. Oracle Utilization Oracle Enterprise Resource Planning system is not fully utilized to process all outgoing wires.	1) Utilize Oracle Enterprise Resource Planning system to process all outgoing wires since it goes through a more thorough workflow approval process and matching of invoices to the relevant Purchase Orders.	For non-Investment wire transfers a check request should be initiated within Oracle only going forward.	Completed	Completed
18				2. Authorizations Initiations, approvals and account changes need to be reviewed.	2) Review the signers and authorizations for JP Morgan to ensure that only appropriate individuals are responsible for initiations, approvals and account changes.	All signers and authorizers have been reviewed and are appropriate.	Completed	Completed
19				3. Segregation of Duties Segregation of duties and daily cash wire limits along with appropriate levels of authorization should be reviewed.	3) Review the segregation of duties and daily cash wire limits along with appropriate levels of authorization.	A \$30 million limit is in place and requires three individuals is required to process.	Completed	Completed
20				4. Overnight Sweeps Surplus cash at Cash Concentration account is not invested overnight.	4) Implement end of day automatic overnight sweep from Cash Concentration account to a designated money market fund to invest surplus cash. The invested funds are automatically returned the morning of the next trade day.	An overnight sweep has been setup and is in place.	Completed	Completed
21				5) FDIC Collateralization Collateralization for amounts exceeding FDIC covered amount (\$250,000, Total DDA) need to be reviewed.	5) Review if cash deposits are adequately collateralized by National Collateral Management Group (NCMG) for amounts exceeding FDIC covered amount (\$250,000, Total DDA).	JPMorgan checks to make sure we are properly collatorized and they coordinate any adjustments.	Completed	Completed
22	24-03A Presentation	Sales Tax	12/1/2023	1. No Verification of Avenu Insights invoice Invoices received after non-compliant taxpayer paid appropriate taxes.	a) Use the UT Intern model or build a new model to perform quarterly spot tests on Avenu Insights’ quarterly invoices in order to recalculate Avenu Insights contingency fee.	Internal Audit will work with Accountant for the next quarterly bill to train and knowledge transfer how the validation works.	6/1/2024	In Process

23				b) An employee in the Finance Department should trace the Avenu Insights memo for delinquent taxpayers to the Confidentiality Report from the Texas Comptrollers Office before making payments to Avenu Insights for the contingency fee.	Internal Audit will work with Accountant for the next quarterly bill to train and knowledge transfer how the validation works.	6/1/2024	In Process
24			2. Validation of Texas Comptroller Payments CapMetro does not have procedures in place to confirm Texas Comptroller's Office payments are timely and the appropriate amount.	a) A Finance Department employee should periodically trace the gross amount of taxes due to CapMetro from the Confidentiality Report prepared by the Texas Comptroller's Office to the amount deposited to CapMetro's bank account for sales and use taxes collected.	Internal Audit will work with Accountant for the next quarterly bill to train and knowledge transfer how the validation works.	6/1/2024	In Process
25							