



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

2910 East 5th Street
Austin, TX 78702

Wednesday, February 12, 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 January 15, 2025 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution approving changes to the Internal Audit Charter.

IV. Presentations

1. Audit Report - CLS System for Right-of-Way, Permits and License Revenues
2. Quadrennial Performance Audit Tracker and Status - February 2025
3. FY2025 Internal Audit Plan Status - February 2025
4. Executive Finance and Administration Monthly Update - February 2025
Update on recent activities, including an update on the annual budget process and fare system change.

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; Leslie Pool, Becki Ross and Dianne Bangle.

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



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2025-1387

Agenda Date: 2/12/2025

Approval of minutes from the January 15, 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, January 15, 2025

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:08 a.m. Meeting Called to Order by Vice Chair Bangle.

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

There was no public comment this month.

III. Action Items

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

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

Aye: Ross, Bangle, and Harriss

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

A motion was made by Bangle, seconded by Ross, that this Resolution be advanced to the Board of Directors, due back on 1/27/2025. The motion carried by the following vote:

Aye: Ross, Bangle, and Harriss

IV. Presentations

1. UT Intern Projects - Fall 2024 Semester - Non-Procured Purchases and Inventory Controls
2. Internal Audit Report on McKalla Station Capital Project Controls
3. Internal Audit FY2025 Audit Plan Status - January 2025

4. Executive Finance and Administration Monthly Update - January 2025
Update on recent activities, procurement processes, statistical data, personnel changes, communications and public outreach

V. Items for Future Discussion

VI. Adjournment

10:53 a.m. Meeting Adjourned

ADA Compliance

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

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

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

Finance, Audit and Administration Committee
Agenda Date: 2/12/2025

Item #: AI-2024-1370

SUBJECT:

Approval of a resolution approving changes to the Internal Audit Charter.

FISCAL IMPACT:

This action has no fiscal impact.

STRATEGIC PLAN:

Strategic Goal Alignment:

- 1. Internal/External Customer Service Excellence
- 2. Stakeholder Engagement
- 3. Financial and Environmental Sustainability
- 4. Staff Development
- 5. Agency Growth Management

Strategic Objectives:

- 1.1 Safety & Risk
- 1.2 Continuous improvement
- 1.3 Dynamic Change
- 1.4 Culture of Innovation
- 2.1 Be an Employer of Choice
- 2.2 Organization Development
- 2.3 Organization Culture
- 3.1 Resource optimization
- 3.2 Safety Culture
- 3.3 Environmental Leadership
- 4.1 Educate & Call to Action
- 4.2 Build Partnerships
- 4.3 Value of Transit
- 4.4 Project Connect

EXPLANATION OF STRATEGIC ALIGNMENT: The mission of the Internal Audit department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps CapMetro accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

BUSINESS CASE: Does not apply.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on February 12, 2025.

EXECUTIVE SUMMARY: The Internal Audit Charter identifies the purpose, authority, and responsibility of the CapMetro Internal Audit function, consistent with professional auditing standards, including those put forward

by the Institute of Internal Auditors and the US Government Accountability Office through the Government Audit Standards.

The CapMetro Board of Directors asked that the Charter be reviewed periodically and updated as necessary. The last of these reviews was performed in November, 2023.

The most significant change proposed to the Charter is reflective of the Institute of Internal Auditors shift in framework to the Global Internal Audit Standards. The new Global Internal Audit Standards set forth principles, requirements, considerations, and examples for the professional practice of internal auditing globally.

The 53 standards are organized into five domains as follows:

1. Purpose of Internal Auditing.
2. Ethics and Professionalism.
3. Governing the Internal Audit Function.
4. Managing the Internal Audit Function.
5. Performing Internal Audit Services.

The Internal Audit function performs two types of engagements - Assurance Services and Advisory Services. One of IIA Standards Board's goals for the update was to elevate the quality of internal auditing and enhance the function's role as an essential business partner to Boards and senior management. Three key areas of change are as follows:

- **Governance Mandate:** 1) Board, senior management and the CAE agreement on the IA mandate is required; 2) On projects results, CAE must work with the board and senior management to educate on essential conditions and their impact; 3) CAE must coordinate with the other internal and external service providers and consider reliance on their work; 4) CAE must seek approval for the IA Department budget to achieve the mandate from the board.
- **Strategy & Performance Objectives Alignment:** 1) CAE must implement an IA function strategy to support the organization's strategic objectives; 2) The strategy must include a vision, strategic objectives, and supporting initiatives with an explicit focus on long-range (3-5 years) improvement; 3) Must develop objectives to measure performance and an evaluation methodology, incorporating input from the board and senior management; 4) the CAE must regularly report to the board on improvement actions in addition to any non-conformance areas.
- **Audit Engagement Findings & Conclusions:** 1) Prioritization and rating system for all findings required for all engagements based on CAE-developed methodology and criteria; 2) Engagement level conclusion required for both assurance and advisory projects; 3) CAE must timely communicate themes identified to board and senior management which should be inclusive of both internal and external service providers.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Internal Audit

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

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2024-1370

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors has adopted an Internal Audit Charter that identifies the purpose, authority, and responsibility of the CapMetro Internal Audit function, consistent with professional auditing standards; and

WHEREAS, the Institute of Internal Auditors has moved from the 2017 IPPF Framework to the 2024 Global Internal Audit Standards, making updates to the current charter necessary; and

WHEREAS, The U.S. Government Accountability Office (GAO) has issued the 2024 revision of Government Auditing Standards; further necessitating additional language and updates.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the updates to Internal Audit Charter attached hereto are approved.

Date: _____

**Secretary of the Board
Becki Ross**

Internal Audit Charter	
Approved by FAA Committee:	Last Approved: 11/20/2023 CMTA Resolution #: AI-2023-1003

INTERNAL AUDIT MISSION

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

ROLE

Internal Audit assists the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditors have no direct responsibilities or any authority over any of the activities or operations they review. They should not develop and install procedures, prepare records, or engage in activities which would normally be reviewed by internal auditors. This does not preclude internal auditors from serving in an advisory capacity in the implementation of improvements or the establishment or re-designing of activities, policies, procedures, or information systems. Additionally, this restriction shall not prevent internal auditors from performing analysis and recommending alternative courses of action to management.

INDEPENDENCE AND ORGANIZATIONAL REPORTING

Internal Auditors should be free both in fact and appearance from personal, external, and organizational impairments to independence.

In order to be free of all operational and management responsibilities that would impair the ability to review independently all aspects of the Authority’s operations, the Chief Audit Executive (CAE) shall report functionally to the Board of Directors (BOD) through the Finance, Audit and Administration (FAA) Committee. The CAE shall report to the FAA Committee as needed to discuss audit issues and results. At least annually, the CAE will confirm to the FAA Committee, the organizational independence of the internal audit activity and, as necessary, revise the Internal Audit and/or the FAA Charters.

PROFESSIONAL STANDARDS

Internal Audit must follow Generally Accepted Government Auditing Standards (GAGAS), as issued by the U.S. General Accountability Office (GAO). Also, Internal Audit conforms to the International Professional Practices Framework (IPPF) consisting of the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards as promulgated and periodically revised by the Institute of Internal Auditors. These core principles include:

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives, and risks of the organization
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organizational improvement

ASSURANCE SERVICES

Assurance services provide an objective evaluation of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.

These activities may include:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and whether the Authority is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing and appraising the efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing information systems throughout the system development lifecycle.
- Assessing management's actions taken in response to reported audit findings.
- Reviewing and evaluating the organization's governance processes.
- Reviewing and evaluating the organization's risk management processes.
- Receiving and investigating allegations of fraud, waste and abuse.
- Reporting periodically on the Internal Audit activity's purpose, authority, responsibility, and performance relative to its plan.

NON-AUDIT SERVICES (ADVISORY & CONSULTING)

Consulting services include advisory and related client service activities, the nature and scope of which are agreed with the client and are intended to add value and improve the Authority's governance, risk management, and control processes.

These services may range from formal engagements, defined by written agreements, to advisory activities, such as training, facilitation, and participating in standing or temporary management committees or project teams as an "ex-officio" member.

Internal Audit may perform advisory services where the services do not create a personal impairment either in fact or appearance, detract from other obligations to the FAA Committee, or require the assumption of management responsibilities.

Internal Audit does not perform remediation services. Remediation services are those in which the auditor assumes a direct role designed to prevent or remediate known or suspected problems on behalf of a client. Remediation services require making management decisions and, thus, are not appropriate according to GAGAS.

AUTHORITY

Authorization is granted for full and free access to all records (either manual or electronic), physical properties, activities, and personnel relevant to a review. This includes full access to all systems that input, process, store, and report any and all information of the operations of the Authority which are not limited or otherwise restricted. Documents and information given to internal auditors will be handled in the same prudent manner as by those employees normally accountable for them.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit maintains a Quality Assurance and Improvement Program (QAIP) to evaluate the operations of the internal auditing function. The QAIP includes audit supervision / review to ensure conformance with internal auditing standards, policies, and audit programs. Internal assessments will be performed at least annually to assess conformance with the Internal Audit Charter, the Standards, Code of Ethics, GAGAS, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. In addition, an independent external quality assurance review will be performed at least once every three years. The results of the QAIP activities, including both internal and external assessments, will be provided to the FAA Committee.

CONTINUING PROFESSIONAL DEVELOPMENT

Each fiscal year, the Internal Audit Department will be allocated a budget for training and educational materials to comply with internal auditing professional standards and ensure current audit techniques, policies, and practices.

INTERNAL AUDIT RESULTS

Audit results are reported to the FAA Committee and President / CEO at the conclusion of each audit project and may include management's responses and corrective action plans (CAPs). The FAA Committee accepts audit reports/results and, when appropriate, authorizes their distribution.

In certain instances, a report may be of limited interest or of a sensitive nature. In these circumstances, the results will be shared only with those persons designated by the FAA Committee. No internal audit report shall directly reference or quote confidential information that is protected under the Texas Public Information Act.

INTERNAL AUDIT FOLLOW-UP

The CAE shall monitor the disposition of CAPs. Audit follow-ups shall verify the resolution status of all significant recommendations resulting from past internal audits. The CAE shall report, at least annually, on implementation status to the FAA Committee.

FINANCE, AUDIT & ADMINISTRATION COMMITTEE

The Finance, Audit & Administration (FAA) Committee shall provide guidance and oversight of both internal and external audit activities. FAA Committee responsibilities include the following duties, based upon standard corporate and governmental practices:

Responsibilities for Internal Audit:

- Review and approve Internal Audit Charter.
- Review Internal Audit risk assessment, plans and budgets.
- Review and/or approve requests for internal audit projects and significant interim changes to the internal audit plan.

- Monitor internal audit results and follow-up reports on previously reported recommendations and CAPs.
- Conduct an annual performance review and evaluation of the CAE.
- Inform and advise the full BOD on internal audit results and recommendations.

Responsibilities for External Audit:

- Monitor external auditor coverage, activities, and contracts for external audits.
- Monitor financial and regulatory reporting decisions.

BOARD ACCESS TO INTERNAL AUDIT

The FAA Committee shall be the access point for all requests for internal audits. Individual Board members desiring specific audit projects should coordinate requests through this committee for review, approval, and scheduling.

INTERNAL AUDITOR ACCESS TO THE BOARD

The CAE shall meet with the FAA Committee on a regular basis, but no less than once per quarter. In addition, the BOD and/or the FAA Committee may request that Internal Audit be available as an informational resource at regular BOD or FAA Committee meetings.

The CAE will have direct access to the BOD and/or the FAA Committee about issues or concerns. The intent of this provision is to emphasize the independence of internal auditing and provide the CAE with direct access to the BOD should serious matters arise which are beyond the course of normal operations.

INTERNAL AUDIT SERVICES PLAN

The CAE shall present for approval to the BOD, a risk-based audit plan which documents the priorities of the internal audit function and is consistent with the Authority's strategic goals and objectives. A risk/opportunity assessment shall be used to identify and justify internal audit resources, audit priority, and scheduling of audit projects. Audit planning will consider the risk of fraud and abuse.

The Internal Audit Services Plan will be reviewed at least annually and proposed plan revisions will be presented to the FAA Committee which has the authority to approve plan modifications. The intent is to provide flexibility to ensure that the most significant risks and opportunities can be addressed in a timely fashion.

CAE APPOINTMENT, EVALUATION & REMOVAL

The BOD shall appoint a qualified, professionally certified individual to perform internal auditing services for a term of five years. The BOD will be responsible for conducting an annual personnel evaluation of the CAE. However, the BOD may delegate this responsibility to the FAA Committee. The BOD may remove the CAE only on the affirmative vote of at least three-fourths of the members of the BOD.

EFFECTIVE DATE

This charter and the policies therein became effective immediately upon adoption by the Board of Directors of the Capital Metropolitan Transportation Authority.

Internal Audit Charter	
Approved by FAA Committee:	Last Approved: 2/12/2025 CMTA Resolution #: AI-2024-1371

Mission

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

Purpose

The purpose of the internal audit function is to strengthen Capital Metropolitan Transportation Authority’s (“**CapMetro**”) ability to create, protect, and sustain value by providing the Finance, Audit and Administration Committee (the “**FAA Committee**”) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances CapMetro’s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

CapMetro’s internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA’s Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the FAA Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the IIA’s Global Internal Audit Standards and the Generally Accepted Government Auditing Standards

CapMetro’s internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, which are the Global Internal

Audit Standards and Topical Requirements. Also, the internal audit function must adhere to Generally Accepted Government Auditing Standards (the “GAGAS”), as issued by the U.S. Government Accountability Office (the “GAO”). The chief audit executive will report annually to the FAA Committee and senior management regarding the internal audit function’s conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

CapMetro’s internal audit function mandate is found in the Texas Transportation Code Sec. 451.458. INTERNAL AUDITOR. (a) This section applies only to an authority confirmed before July 1, 1985, in which the principal municipality has a population of less than 1.3 million.

(b) The board shall appoint a qualified individual to perform internal auditing services for a term of five years. The board may remove the auditor only on the affirmative vote of at least three-fourths of the members of the board.

(c) The auditor shall report directly to the board.

Authority

The internal audit function’s authority is created by its direct reporting relationship to the FAA Committee of CapMetro’s Board of Directors. Such authority allows for unrestricted access to the FAA Committee.

The FAA Committee authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information as this access is subject to compliance with confidentiality and data privacy policies.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function’s objectives.
- Obtain assistance from the necessary personnel of CapMetro and other specialized services from within or outside CapMetro to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See “Mandate” section.) The Chief Audit Executive (CAE) shall report functionally to the Board of Directors (BOD) through the Finance, Audit and Administration (FAA) Committee, and administratively to the President & Chief Executive Officer (the “CEO”) to ensure independence and operational support. This positioning provides the organizational authority and status to bring matters directly to senior

management and escalate matters to the FAA Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the FAA Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the FAA Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Independence and Objectivity (GAGAS)

The internal audit function shall adhere to the independence requirements as outlined in the 2024 revision of the Generally Accepted Government Auditing Standards (GAGAS), Chapter 3, ensuring that auditors maintain both independence of mind and appearance. This includes applying the GAGAS conceptual framework to identify, evaluate, and address threats to independence, such as self-interest, self-review, bias, familiarity, undue influence, management participation, and structural threats. Auditors must document all independence evaluations, including the nature of the engagement, identified threats, safeguards applied, and conclusions regarding independence. Regular reassessment of independence is required throughout the audit process, especially when changes occur that could affect independence. Additionally, audit documentation must be sufficiently detailed to enable an experienced auditor, with no prior connection to the audit, to understand the nature, timing, extent, and results of the procedures performed, as well as the evidence supporting the audit findings and conclusions. This aligns with GAGAS 2024, Chapter 6, ensuring transparency and facilitating quality reviews.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, FAA Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, FAA Committee, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

FAA Committee Oversight

To establish, maintain, and ensure that CapMetro's internal audit function has sufficient authority to fulfill its duties, the FAA Committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the FAA Committee, including in private meetings without senior management present.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Provide input to the internal audit function's human resources administration and budgets.
- Review the internal audit function's expenses.
- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the chief audit executive's performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the principles in the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.
- To align with the Generally Accepted Government Auditing Standards (GAGAS) 2024, Chapter 6, the internal audit function shall establish and maintain comprehensive documentation for each audit engagement. This documentation must provide a clear understanding of the work performed, evidence obtained, and conclusions reached. It should be sufficiently detailed to enable an experienced auditor, with no prior connection to the audit, to comprehend the nature, timing, extent, and results of the procedures performed, as well as the evidence supporting the audit findings and conclusions. This practice ensures transparency, facilitates quality reviews, and upholds the integrity of the audit process.
- Conform with the GAGAS's five ethical principles:
 1. Public Interest
 2. Integrity
 3. Objectivity
 4. Proper Use of Government Information, Resources, and Positions
 5. Professional Behavior
- Establish procedures for reporting and addressing ethical violations to foster an ethics-based culture within the organization.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an

unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for CapMetro or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any CapMetro employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, FAA Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the FAA Committee and senior management. Discuss the plan with the FAA Committee and senior management and submit the plan to the FAA Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the FAA Committee and senior management.

- Review and adjust the internal audit plan, as necessary, in response to changes in CapMetro’s business, risks, operations, programs, systems, and controls.
- Communicate with the FAA Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the FAA Committee and senior management semiannually and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact CapMetro and communicate to the FAA Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to CapMetro’s relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the FAA Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the FAA Committee.
- Ensure that each auditor completes at least 80 hours of Continuing Professional Education (CPE) every two years, with a minimum of 24 hours directly related to government auditing or the specific environment of the audited entity, as stipulated in Chapter 4 of the 2024 Generally Accepted Government Auditing Standards (GAGAS). This requirement should be consistently applied to all internal audit staff, with regular monitoring and documentation of compliance to uphold the quality and effectiveness of the audit function.

Communication with the FAA Committee and Senior Management

The chief audit executive will report annually to the FAA Committee and senior management regarding:

- The internal audit function’s mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function’s conformance with The IIA’s Global Internal Audit Standards and action plans to address the internal audit function’s deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the FAA Committee that could interfere with the achievement of CapMetro’s strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management’s responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond CapMetro’s risk appetite

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function’s conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function’s progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function’s deficiencies and opportunities for improvement.

The internal audit function shall establish and maintain a comprehensive system of quality control designed on risk-based process to provide reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, as stated in GAGAS Chapter 5. This system should encompass leadership responsibilities, ethical requirements, human resources, engagement performance, and monitoring, as specified in Chapter 5 of the 2024 GAGAS Revision. Annually, the chief audit executive will communicate with the FAA Committee and senior management about the internal audit function’s quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

Under the Generally Accepted Government Auditing Standards (GAGAS), audit organizations are required to undergo an external peer review at least once every three years by reviewers independent of the audit organization and in accordance with GAGAS requirements. Also the qualified, independent assessor or assessment team qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of CapMetro’s activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the FAA Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for CapMetro.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility as management responsibilities include “decision-making, policy creation, and operational oversight. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of CapMetro’s strategic objectives are appropriately identified and managed.
- The actions of CapMetro’s officers, directors, management, employees, and contractors or other relevant parties comply with CapMetro’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact CapMetro.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the FAA Committee at its meeting on February 12, 2025.

Effective Date

This charter and the policies therein became effective immediately upon adoption by the Board of Directors of CapMetro.

Acknowledgments/Signatures

Chief Audit Executive

Date

FAA Committee Chair

Date

CapMetro President & CEO

Date



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee
Agenda Date: 2/12/2025

Item #: AI-2025-1398

Audit Report - CLS System for Right-of-Way, Permits and License Revenues



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

Terry Follmer, Chief Audit Executive

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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 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. 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 & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>1. <u>MISSING INTERFACES BETWEEN SYSTEMS REQUIRE MANUAL WORKAROUNDS</u></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 Appendix C (Process Flowchart) and Appendix D (Venn diagram – data collected by system).</p> <ul style="list-style-type: none"> • 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. • BILLING & 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 Appendix G. 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. <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 & Fares, Director of Enterprise Application & 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><u>Target Completion Date:</u> To be determined</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>2. <u>CONTROLS OVER DELINQUENT RECEIVABLES REQUIRE IMPROVEMENT</u></p> <p>The June 2024 Aged Accounts Receivable report (See Appendix L) 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"> • Policy FIN-109 Accounts Receivable (Appendix M) - 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. • The Finance Department has not developed written procedures to support the Accounts Receivable Policy. • 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. • License agreements and invoices do not stipulate a charge for interest on delinquent accounts. (See Oracle Invoice at Appendix F). • 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. • The Collections module was not included in the Oracle ERP system implementation. • 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. <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 & 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 & Fares should consider implementation of the Oracle Collections module.</p> <p>g) The Director of Real Estate & 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>Target Completion Date: Multiple dates</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>3. <u>HERZOG HAS CHARGED RWIC OVERTIME NOT IN COMPLIANCE WITH THE CONTRACT</u></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 Appendix I.</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 Appendix I. 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 Appendix J for the July time report and examples of errors and Appendix K 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><u>Target Completion Date:</u> March 31, 2025</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>4. <u>RWIC HOURS WORKED BY HERZOG EXCEEDED HOURS PREPAID BY CUSTOMERS</u></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"> • 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. • There is no “closed loop” process to reconcile and report RWIC prepaid hours to actual hours worked by Herzog. • 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. • 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. <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><u>Target Completion Date:</u> March 31, 2025</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>5. <u>REAL ESTATE ROW STANDARD OPERATING PROCEDURES HAVE NOT BEEN UPDATED</u></p> <p>On CapMetro’s website www.capmetro.org/railrow 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"> • 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. • SOPs covering the needed reconciliation of prepaid RWIC hours to actual hours worked by Herzog/Watco have not been developed. • 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. • 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. • The process documentation references the prior Microsoft Dynamics AX system and has not been updated to reflect the implementation of the Oracle system. <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 & ROW, and the Manager of Real Estate & 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><u>Target Completion Date:</u> May 31, 2025</p>

<i>Issues & Risk</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
<p>6. <u>CERTIFICATES OF INSURANCE ARE NOT OBTAINED FOR RECURRING ANNUAL LICENSE AGREEMENTS</u></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"> • 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. • 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. • 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. <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 & 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><u>Target Completion Date:</u> 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.

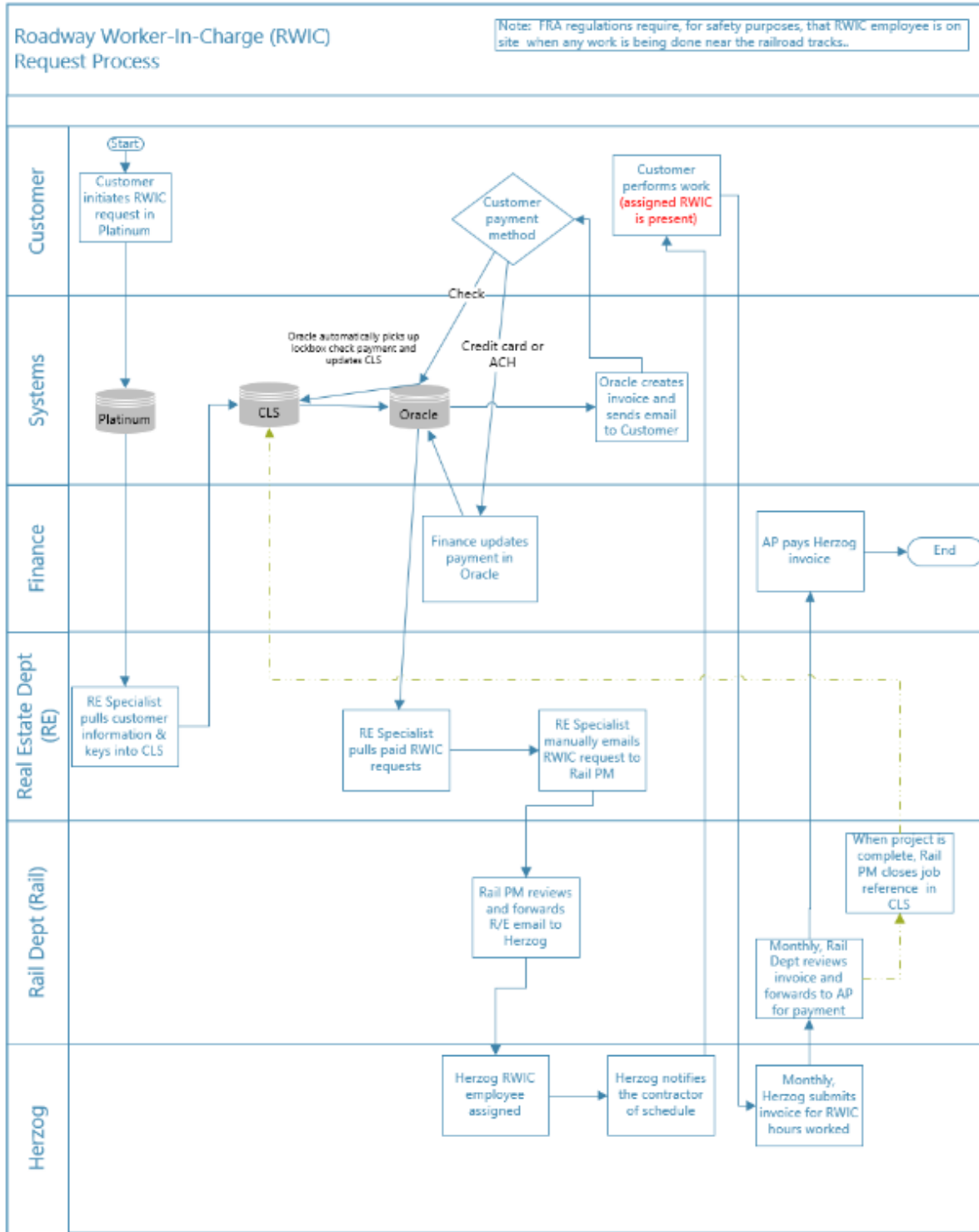
2. Comprehensive Automobile insurance coverage with minimum limits of not less than One Million Dollars and No/100 Dollars (\$1,000,000) with combined single limit of Two Million Dollars and No/100 Dollars (\$2,000,000).
3. Workers' Compensation with Statutory limits
4. Employer Liability Insurance with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

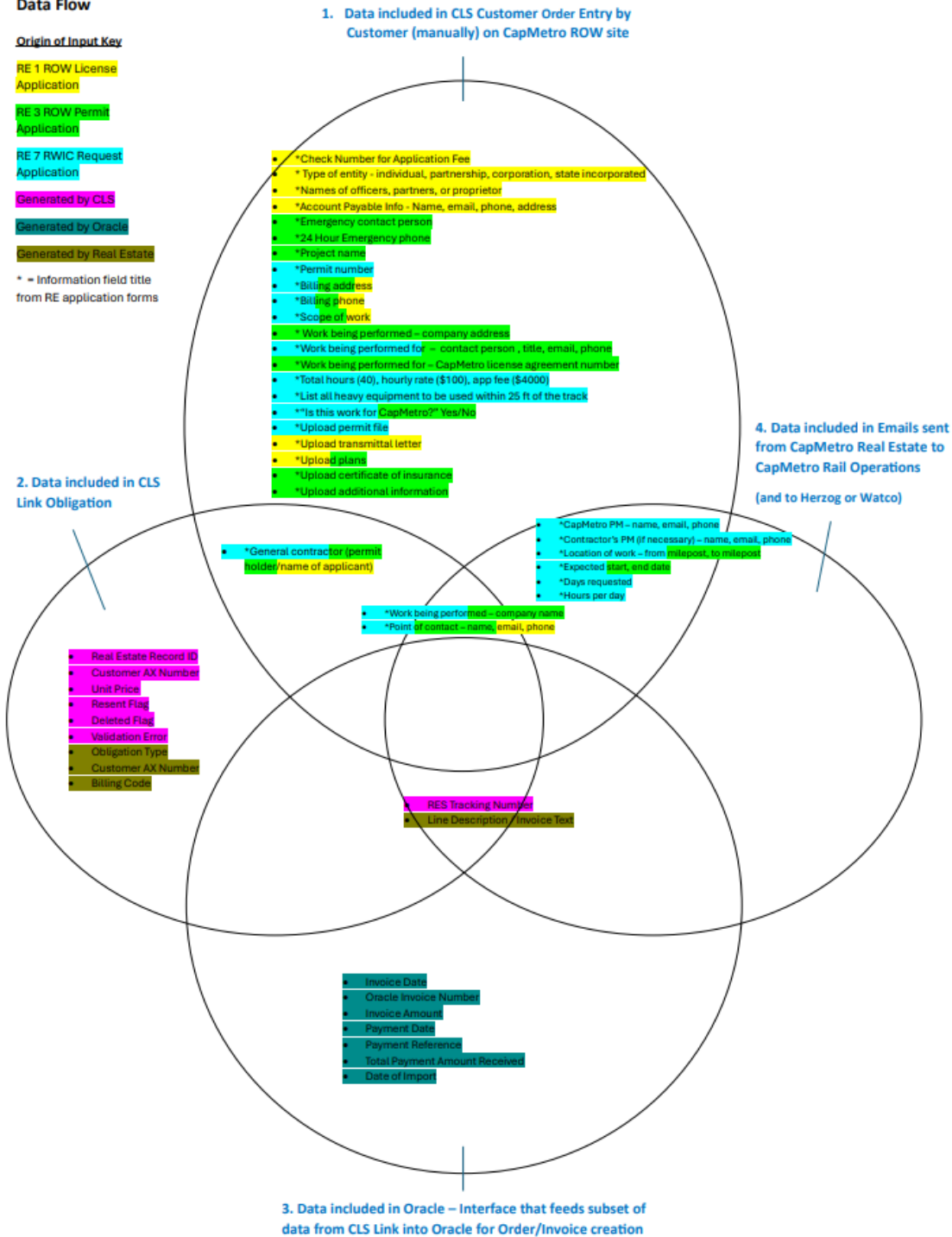
RE 7 RWIC Request Application

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

Terms and conditions [\[icon\]](#)
Privacy policy [\[icon\]](#)
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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](#)

Appendix F

Example of Standard Oracle Invoice



2910 E 5th Street
AUSTIN, TEXAS 78702

Bill-to	Ship-to	INVOICE
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

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

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

Send payment to	
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.
Special Instructions	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 nd Floor Ft Worth, TX 76155	Customer Account Number 000000847 To pay by credit card please visit https://capmetro.egovpayments.com/ If you would like to pay invoices via EFT, please email ar@capmetro.org for bank details
Salesperson	

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 Utilties 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 Utilties 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 Utilties 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
Total		445	\$1,061,641

Source: Oracle – CLS Link Imported Invoice/Payment Report

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:	592.00	
Austin Crane		Stacy & Whitebeck
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
Austin Energy		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 42 total hour 40R 240T 1040hrs, 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#382-18-5866
J46059 Worked 72 total hour 40R 240T 1040hrs, charging CapMetro 240T hrs, Austin Energy 40T, Prim 10T		Manuel Gonzales 12.00 7/5/2023 RWIC @ Mokalla, RE7#382-18-5866
Capital Metro		Manuel Gonzales 12.00 7/6/2023 RWIC @ Mokalla, RE7#382-18-5866
Ron Bean 12.00 7/4/2023 RWIC along central sub		Manuel Gonzales 12.00 7/7/2023 RWIC @ Mokalla, RE7#382-18-5866
Ron Bean 7.00 7/8/2023 RWIC along central sub		Manuel Gonzales 12.00 7/9/2023 RWIC @ Mokalla, RE7#382-18-5866
J46059 Worked 56 total hour 40R 180T, charging CapMetro 180T hrs, 90T CapMetro, 7I		Manuel Gonzales 12.00 7/8/2023 RWIC @ Mokalla, RE7#382-18-5866
Jamal Allen 8.00 7/27/2023 RWIC @ MP 64.13 & MP 71.13, RE7#733-49-821		J46059 Worked 80 total hour 32R 400T 80T, charging CapMetro 400T hrs
HWJ		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
Jay Reese		Ken Perry 12.00 7/7/2023 RWIC @ Mokalla, RE7#676-33-5733
Manuel Gonzales 8.00 7/2/2023 RWIC @ Mokalla, 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 7/8/2023 RWIC @ Braker Lane		J46059 Worked 68 total hour 40R 200T 80T, charging CapMetro 200T hrs
Ron Bean 4.00 7/8/2023 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, 8I		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866
Anthony Arevalos 8.00 7/10/2023 RWIC @ MP 66, RE7#616-14-4143		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866
Manuel Gonzales 10.00 7/19/2023 RWIC @ Mokalla, RE7#595-45-2677		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866
Manuel Gonzales 12.00 7/19/2023 RWIC @ Mokalla, RE7#595-45-2677		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866
Manuel Gonzales 10.00 7/20/2023 RWIC @ Mokalla, RE7#595-45-2677		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866
Manuel Gonzales 10.00 7/24/2023 RWIC @ Mokalla, RE7#595-45-2677		Manuel Gonzales 7/10/2023 RWIC @ Mokalla, RE7#382-18-5866
Manuel Gonzales 10.00 7/25/2023 RWIC @ Mokalla, RE7#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, RE7#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, RE7#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, RE7#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, RE7#595-45-2677		J46059 Worked 48 total hour 40R 80T, charging CapMetro 80T hrs
Max Tee		Ken Perry 12.00 7/11/2023 RWIC @ Mokalla, RE7#382-18-5866
Ron Bean 12.00 7/22/2023 RWIC along Central Sub		Ken Perry 10.00 7/12/2023 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
Anthony Arevalos 10.00 7/14/2023 RWIC @ MP 77, RE7#673-15-1682		Ken Perry 10.00 7/22/2023 RWIC @ Mokalla, RE7#382-18-5866
J46059 Worked 50 total hour 40R 100T, charging CapMetro 100T hrs, 20T Mastec, 30T I		Ken Perry 10.00 7/23/2023 RWIC @ Mokalla, RE7#382-18-5866
PRIM		Ken Perry 10.00 7/24/2023 RWIC @ Mokalla, RE7#382-18-5866
Ron Bean 8.00 7/8/2023 RWIC @ MP 68.32, Cancelled early AM		Ken Perry 10.00 7/25/2023 RWIC @ Mokalla, RE7#382-18-5866
J46059 Worked 48 total hour 40R 240T 1040hrs, charging CapMetro 240T hrs, Austin Energy 40T, Prim 10T		Ken Perry 10.00 7/26/2023 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 7/27/2023 RWIC @ Mokalla, RE7#382-18-5866
J46059 Worked 78.5 total hour 40R 38.50T, charging CapMetro 7.50T hrs.		Ken Perry 10.00 7/28/2023 RWIC @ Mokalla, RE7#382-18-5866
Reagan Advertising		Ken Perry 8.00 7/29/2023 RWIC @ Mokalla, RE7#382-18-5866
Anthony Arevalos 8.00 7/4/2023 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 7/30/2023 RWIC @ Mokalla, RE7#382-18-5866
S&S Cable		
Anthony Arevalos 8.00 7/3/2023 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					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	382-18-5866	12.5		Tue	7/4/2023				
	Wed	7/5/2023	382-18-5866	12.0		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		
	Total			68.0		Total		48.0			
3*	Sun	7/9/2023	382-18-5866	12.0	40**	Sun	7/9/2023	674-33-9733	12.0	20	
	Mon	7/10/2023	382-18-5866	12.0		Mon	7/10/2023	674-33-9733	12.0		
	Tue	7/11/2023	382-18-5866	12.0		Tue	7/11/2023	674-33-9733	12.0		
	Wed	7/12/2023	382-18-5866	12.0		Wed	7/12/2023	674-33-9733	12.0		
	Thu	7/13/2023	382-18-5866	12.0		Thu	7/13/2023	674-33-9733	12.0	8	
	Fri	7/14/2023	382-18-5866	12.0		Fri	7/14/2023				
	Sat	7/15/2023	382-18-5866	12.0		Sat	7/15/2023				
	Total			12.0		Total		60.0			
4	Sun	7/16/2023	595-45-2477	10.0	44**	Sun	7/16/2023				
	Mon	7/17/2023	595-45-2477	10.0		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	10.0		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	595-45-2477	10.0		Fri	7/21/2023	382-18-5866	10.0		
	Sat	7/22/2023	595-45-2477	10.0		Sat	7/22/2023	382-18-5866	10.0	10	
	Total			32.0		Total		50.0			
5	Sun	7/23/2023	595-45-2477	10.0		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	595-45-2477	10.0		Sat	7/29/2023	382-18-5866	8.0	18	
	Total			50.0		Total		58.0			
6	Sun	7/30/2023				Sun	7/30/2023				
	Mon	7/31/2023				Mon	7/31/2023	382-18-5866	10.0		
	Total			0.0		Total		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

HERZOG P.O. Box 81516 Austin, Texas 78708-1516 Phone: (512)852-7227 Fax: (512-833-7767)	INVOICE Job No : 46059	<u>Remittance Address</u> ATTN: Accounts Receivable Herzog Contracting Corp. P.O. Box 1089 St. Joseph, MO. 64502
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To: _____ Herzog Transit Services ATTN: Accounts Payable P.O. Box 81516 Austin, TX 78708-1516	Invoice No: <u>50556</u> Invoice Date: <u>July 31, 2023</u> Terms: <u>Net 30 days after</u> <u>Receipt of Invoice</u> Project: <u>Employee In Charge</u>
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Description of Work Performed:			
This pricing is to cover the cost of two additional RWIC's and additional Overtime Worked for RWIC's			
Modification 56			
Item Description	Units Value	Unit Price	Amounts Due This Invoice
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
Total Due -			\$ 39,974.64


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	\$ -	\$ -
Grand Total	\$ 575,710.35	\$ 36,720.73	\$ 25,831.14	\$ 7,095.83	\$ 15,261.92	\$ 25,124.67	\$ 22,042.77	\$ 443,633.29

Appendix M

Accounts Receivable Policy FIN 109

	ACCOUNTS RECEIVABLE POLICY FIN-109 Controller	Issued: December 2008 Revised: January 2016 Approved by: Linda Watson President/CEO
PURPOSE		
The Accounts Receivable policy defines responsibilities for accounts receivable personnel, billing processes, collections and segregation of duties. It applies to all Capital Metro employees.		
POLICY		
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		
ROLES/RESPONSIBILITIES		
Accounts Receivable Specialist	<ul style="list-style-type: none"> 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. o Deposit cash receipts timely and account for ACH's as received o Record receivable transactions in the financial system. o Maintain an accurate record of receivables transactions – keep copies of contracts, emails etc. 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. o Provide information relative to specific collection efforts on each past-due account. o Provide management reports on the collection status of past-due accounts. 	
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"> o Review aging reports provided by the Accounts Receivable Specialist o Meet quarterly with the Accounts Receivable Specialist and Accounting Manager o Assist in collection efforts o Advise on bad debt write-offs 	



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee
Agenda Date: 2/12/2025

Item #: AI-2025-1399

Quadrennial Performance Audit Tracker and Status - February 2025

Capital Metropolitan Transportation Authority

Quadrennial Performance Audit Findings and Recommendations (FY2020-23)

Status as of February 1, 2025

2025 Quadrennial Report 1/7/2025 (#24-18A)

Findings

Findings: The conditions are considered to be areas of non-compliance or where there is a lack of procedures or internal controls in place to cover significant or emerging risks to the management and performance of the Authority.

TASK 1 - Performance Indicator Review				
No Findings Identified				
TASK 2 - Chapter 451 Compliance Review				
Ref	Issue Identified	Effect/Risk Exposure	Recommendation	Management's Response
Finding 1	Quadrennial Performance Audit Report Delivery Texas Transportation Code § 451.457, requires the quadrennial performance audit reports be delivered to specific recipients (e.g. Texas Governor, Lt. Governor, etc.) by February 1st following the completion of the report in the fiscal year immediately following the quadrennial scope period. CapMetro was unable to locate and provide the required documentation evidencing the distribution of the report to the recipient list for the previous 2020 quadrennial performance audit report. Retaining evidence of the delivery and receipt of the quadrennial performance audit report was also identified as a recommendation in the 2020 quadrennial performance audit report for the 2017 quadrennial performance audit.	Failure to provide documentation evidencing the delivery of the 2020 quadrennial report as required by Texas Transportation Code § 451.457 poses a risk of noncompliance with statutory obligations.	Management should implement a standardized procedure for documenting the submission and receipt of quadrennial performance audit reports to those recipients identified within the Texas Transportation Code. This could include creating a submission log, obtaining formal acknowledgments from recipients (e.g., email confirmations, certified mail receipts), and retaining these records in a centralized, accessible system for compliance tracking. Additionally, management should assign responsibility for overseeing this process to ensure adherence to statutory requirements.	Management's Response: Management has assigned the Government Affairs Department to be the department responsible for overseeing and documenting compliance with 451.457. Government Affairs has implemented a centralized process and system to retain PDF copies of all letters sent and will be sending the formal transmittals by certified mail, with an accompanying digital scan of the receipt filed once received to provide proof of compliance. See additional detail in CapMetro Management's detailed response. Responsible Party: Deputy Chief Executive Officer Implementation Date: completed
TASK 3 - Administration and Management of the Authority				
No Findings Identified				

Recommendations

Recommendations for Management: The conditions and recommendations are provided for management's consideration to further improve efficiency and effectiveness of operations or improvements to existing efforts for the management and administration of the Authority.

TASK 1 - Performance Indicator Review				
Ref	Issue Identified	Effect/Risk Exposure	Recommendation	Management's Response
REC 1	Declines in Service Reliability Over the quadrennial performance audit scope period, CapMetro experienced increased collisions per 100,000 miles, reduced miles between road calls, and deteriorating cost efficiency as operating costs per hour and per mile surged. Increased costs were experienced as CapMetro internalized the parts function and required the purchasing of parts supplies to address timely service reliability issues. Mileage between road calls are a measure of service reliability and provides a way to monitor the quality of the vehicle maintenance program and the general state of repair of the fleet. The declines in service reliability provides an indicator to increase oversight of operations and assess root causes to ensure standards and expectations are being met. As CapMetro utilizes a contracted service model for service delivery of multiple service modes, including motor bus, demand response, and rail, untimely identification of declines in service delivery indicators may decrease timely corrective action.	Decline in service reliability could lead to increased liabilities, service disruptions, and rising operational costs, all of which may put public safety at risk, and erode public trust and customer satisfaction.	Management should continue to assess and improve its service reliability by working with its third-parties and internal operations to determine measures to reduce collisions and miles between road calls, which will assist with cost efficiency and improve rider experience. Management should also integrate safety and maintenance performance measures into its current and future contracts to address declines in service. Additionally, aligning agency performance metrics with NTD and state performance indicators will ensure that management focuses on key areas evaluated by external agencies.	Management's Response: CapMetro will continue to work collaboratively with its various service providers to improve service reliability and cost-effectiveness. CapMetro contracts already include safety and performance measures in service provider contracts. See additional detail in CapMetro Management's detailed response. Responsible Party: CapMetro Chief Operating Officer Implementation Date: Ongoing
REC 2	Varying Cost Effectiveness Over the quadrennial performance audit period, CapMetro showed mixed results in cost-effectiveness, which closely aligns with trends identified across the industry for the period reviewed. We identified that the agency's fare recovery rate, at approximately 5%, lags behind the peer group average of 7%, highlighting an area for potential improvement. However, CapMetro outperforms its peers in the cost per passenger performance indicator, with an average cost per passenger of \$14.23 compared to the peer group's \$14.61. Additionally, CapMetro has maintained relatively stable vehicle occupancy rates, decreasing only slightly from 5.34 in 2020 to 5.28 in 2023.	A decline in recovery rates could impact financial sustainability.	Management should continue to assess and improve its cost effectiveness through ongoing efforts to increase fare recovery and prevent its cost per passenger from growing. CapMetro and Austin's Project Connect initiatives and impacts should be considered through strategies to improve cost effectiveness in the future. Additionally, aligning agency performance metrics with NTD, state performance indicators, and peer groups will ensure that management has appropriate benchmark data to continually assess and to assist with the focusing of their efforts.	Management's Response: CapMetro recognizes the challenges posed by declining fare recovery rates and reduced average vehicle occupancy, issues that are impacting the entire transit industry. CapMetro is committed to continuing to improve cost effectiveness, despite these challenges, by continuing collaboration between CapMetro Operations staff and service providers, monitoring budgetary controls, and aligning key performance metrics to industry best practices. This work is already well underway through revisions to CapMetro's operating model made in 2022 and 2023. See additional detail in CapMetro Management's detailed response. Responsible Party: CapMetro Chief Financial and Risk Officer Implementation Date: ongoing
TASK 2 - Chapter 451 Compliance Review				
Ref	Issue Identified	Effect/Risk Exposure	Recommendation	Management's Response
REC 3	Personal Identifying Information Disclosure Texas Transportation Code § 451.061(g) enables authorities to disclose customer personal identifying information to governmental agencies or higher education institutions for research or statistical purposes, with restrictions against publication, redisclosure, or contact use. This disclosure language is not documented explicitly in CapMetro's published policy, but the disclosure is referred to on their website as being subject to the code.	The absence of this disclosure language in CapMetro's online Privacy Policy hinders transparency in communicating how personal information is collected and used.	Management should consider updating CapMetro's policy on the authority's website to include the language outlined in Texas Transportation Code §451.061(g). This update will clarify the authority's ability to disclose customer information for research purposes while maintaining compliance with restrictions on redisclosure, publication, or use for contact purposes.	Management's Response: Management agrees with this recommendation. The Legal Department will update CapMetro's privacy policy on the website to include language that advises the public of the possibility that personal information might be shared as provided by Texas Transportation Code 451.061(g). Responsible Party: CapMetro Deputy Chief Executive Officer Implementation Date: January 31, 2025

REC 4	<p>Right-of-Way Penalty Publication</p> <p>Texas Transportation Code § 451.113(d) requires that unauthorized driving on the authority's Right-of-Way around the rail lines is subject to a penalty classified as a Class C misdemeanor. Currently, this penalty information is located near the rights-of-way but is not included on the authority's website to restate the physically posted information and clarify the severity of unauthorized driving on the authorities right-of-way</p>	<p>The absence of penalty information on the website may limit public awareness and hinder compliance with Texas Transportation Code § 451.113(d).</p>	<p>Management should consider incorporating language on the authority's website and rider rules, that reflects the language posted at the physical right-of-way location, to inform the public of the penalty for unauthorized driving on the Right-of-Way, as required by Texas Transportation Code § 451.113(d). The inclusion of the penalty may raise awareness of the severity of such actions and deter potential acts.</p>	<p>Management's Response: CapMetro Management agrees with this recommendation and will update the website to clarify the penalty for trespassing in CapMetro right of way. CapMetro Management maintains that the best method for deterring trespassing is the Agency maintaining an active presence in our right of way, and the posting of signs on-site for awareness of people in the moment.</p> <p>Responsible Party: CapMetro Chief Experience and Engagement Officer Implementation Date: January 31, 2025</p>
TASK 3 - Administration and Management of the Authority				
Ref	Issue Identified	Effect/Risk Exposure	Recommendation	Management's Response
REC 5	<p>Authority-Wide Contract/Third-Party Management Framework</p> <p>CapMetro's primary transit operations are outsourced to third parties and require effective, efficient, and timely contract management by internal contract managers. The authority has various contract management practices and tools that are adapted to the requirements of the contract and carried out by the internal contract managers on a daily basis. Additionally, Contract Managers maintain collaborative relationships with their third-party contacts to ensure timely updates on status, incidents, and corrective actions to ensure alignment and compliance with the contract. However, contract administration practices deployed for the managing of the various contracts across the authority, including those with differing objectives and monitoring needs, are not consistently approached and applied for each contract. While contracts inherently have differing objectives and monitoring requirements, there is an opportunity for the evaluated CapMetro departments to adopt and integrate effective practices from each other to improve the accuracy and completeness of quality assurance processes through formalized guidance and procedures on the authority's expectations for contract administration. This formal guidance can assist contract managers in assessing compliance and performance of each third-party more uniformly across the authority. Furthermore, CapMetro does not have an effective method or tool in place to systematically and centrally input and track performance outputs, indicators, and other documentation and data to provide transparency in service delivery by key contractors over the entirety of the contract and assist with the development of trends in performance that may need corrective action by management.</p>	<p>Inconsistent contract administration expectations and practices across the authority's various departments, contract managers, and operations may negatively impact its effectiveness and efficiency to achieve strategic objectives with its current model of outsourcing primary transit operations. Additionally, inconsistent documentation of contract performance can hinder accountability measures and actions to correct performance timely. Lastly, differing objectives and monitoring requirements of each contract inherently lead departments responsible for contractor oversight to focus on their individual efforts, which may limit opportunities for collaboration and the exchange of information on performance monitoring best practices to contract manager counterparts across the authority.</p>	<p>Management should design and implement a comprehensive contract management framework, in collaboration with its contract managers, that can be modified by each department to meet the needs of the contract but also incorporate performance measures, budget to actual financial data, tracking of quality assurance measures performed, central and electronic collection and documentation of QASP's, and dashboards for monitoring compliance and performance of the data being received from each third-party, which will ensure a more uniform and consistent practice and methodology across the authority. In addition, a contract management tool should be developed and used to make decisions related to each operational service provider with evidence of performance and outcomes driven and supported through data that can be verified by management. Further, departments responsible for contract oversight should collaborate and share their existing quality assurance processes to exchange best practices, thereby enhancing the accuracy and completeness of quality assurance efforts.</p>	<p>Management's Response: Though CapMetro has processes to actively monitor contracts, CapMetro management agrees with the recommendation to refine and further develop an agency-wide framework for the management of third-party contractors. Many of CapMetro's services are provided by a third-party contractor and are actively managed within each mode. Refining our overarching monitoring framework will ensure consistency across the agency while allowing for differences based on specifics of a particular mode or service provided. See additional detail in CapMetro Management's detailed response.</p> <p>Responsible Party: CapMetro Chief Administrative Officer Implementation Date: July 1, 2025</p>
REC 6	<p>Departmental Procedure Management</p> <p>CapMetro does not currently have in place a formal management process to ensure department specific procedures are current, reflect established practices that are unique to the department, and routinely assessed by key stakeholders to ensure compliance and proper dissemination. Although the Authority has a formal policy management process and personnel to assess, update, approve, and disseminate the authority-wide policies, there is not central support and guidance to ensure all departmental procedures are assessed annually by management to ensure they meet the current business practices</p>	<p>Without regular reviews and updates, the procedures may no longer reflect CapMetro's current state, potentially hindering the procedural relevance and applicability in guiding day-to-day operations. Furthermore, the lack of timely updates could lead to gaps in ensuring that practices are aligned with evolving organizational</p>	<p>Management should consider developing and disseminating formal guidance and tools to departments on the expected processes, cadence, and structure of the departmental procedure review process to ensure procedure documents are regularly updated and remain aligned with current organization practices, needs, and conditions. This process could incorporate centrally developed templates, guidance, and training on performing the assessment, documenting the updates, disseminating and collecting acknowledgement from staff on the updated procedures. By doing so, the authority can improve operational efficiency, ensure relevance to evolving practices, and validate acknowledgment by staff of the procedural updates and expectations.</p>	<p>Management's Response: CapMetro Management will provide guidance and recommendations to staff regarding procedures.</p> <p>Responsible Party: CapMetro Deputy Chief Executive Officer Implementation Date: December 31, 2025</p>
REC 7	<p>Post-Integration Analysis of New Operations and FTES</p> <p>CapMetro should consider a post-integration analysis of the organizational changes of January 2022 and report those findings to leadership. CapMetro staffing and organization changed significantly between fiscal years 2021 and 2022 when bus operations and maintenance responsibilities were shifted in-house with the new contractual agreement with MV Transportation. Additionally, strategic staffing decisions to augment resources in Demand Response Operations, Control Center, and Public Safety and Emergency Management saw growth during the scope period. With the growth of 131 salaried employees and 70 hourly employees over the scope period, CapMetro had to ensure those departments established cultural norms, adhered to processes and procedures, managed risk, delegated responsibilities, ensured professional development, and evaluated operations to meet expectations. Therefore, an analysis could be performed in-house or by a third-party to assess the integration of the employees and functions acquired over the period and three years of data and observation is adequate to determine the impact of the change.</p> <p>The analysis should include:</p> <ul style="list-style-type: none"> - Changes in recruitment and professional development strategies between January 2022 and January 2025 - Three-year retention rates of former contract employees compared to overall retention rates - Performance comparison of former contract employees to appropriate CapMetro internal peer groups - Impact on Key Performance Indicators - Efficiency Gains - Unintended Consequences <p>Currently, management has hired a consultant to perform a span of control review, which will incorporate many of these elements identified to evaluate and compare to other similar transportation authorities.</p>	<p>Significant changes to an organization without timely and effective assessment of their integration can result in long-term inefficiencies, effectiveness, and impacts to culture and operations that meet the Authority's expectations.</p>	<p>Management should continue current efforts to perform and complete a span of control review and comparison of its review to other similar transportation authorities. Additionally, management should consider a post-integration analysis of the organizational changes of January 2022 and report those findings to leadership. Such an analysis could be performed in house or by a third-party. Three years of data and observation is adequate to determine the impact of the change.</p> <p>The analysis should include:</p> <ul style="list-style-type: none"> - Changes in recruitment and professional development strategies between January 2022 and January 2025 - Three-year retention rates of former contract employees compared to overall retention rates - Performance comparison of former contract employees to appropriate CapMetro internal peer groups - Impact on Key Performance Indicators - Efficiency Gains - Unintended Consequences 	<p>Management's Response: As the recommendation acknowledges, CapMetro made significant changes to the fixed route operational structure in 2022 with a primary goal of enhancing efficiency and CapMetro's ownership of key service decisions. CapMetro is in a constant state of reflection, analysis and improvement with respect to the changes made and agrees with the recommendation to continue to assess the effectiveness of the organizational changes made in 2022. It is important to note that Operations Management collaborates regularly with each service provider to align the deployment of staffing resources to address service issues in real time and improve operational efficiencies. See additional detail in CapMetro Management's detailed response.</p> <p>Responsible Party: CapMetro Chief Administrative Officer Implementation Date: December 31, 2025</p>

REC 8	<p>Professional Development Opportunities</p> <p>CapMetro should consider additional professional development opportunities tied to job responsibilities within the eight departments evaluated within the scope of the Quadrennial Performance Audit. CapMetro should continue several best practice leadership development programs initiated in FY 2024, including a formal commitment to succession planning within departments.</p>	<p>Continued professional development opportunities for each defined job title, position, and succession for future roles can ensure continued growth for the individual and positively impact the effectiveness and maturity of the organization.</p>	<p>Management should continue current initiatives around professional development and succession planning that were developed in FY24 to address management identified gaps. This training includes defined training and professional development opportunities for each job responsibility that will continue to promote their growth. Additionally, management should continue efforts to formalize succession planning within each department.</p>	<p>Management's Response: During the review period, CapMetro did offer defined professional development opportunities to employees, and we continue to enhance our development programs. See additional detail in CapMetro Management's detailed response.</p> <p>Responsible Party: CapMetro Chief Administrative Officer Implementation Date: ongoing</p>
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Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee
Agenda Date: 2/12/2025

Item #: AI-2025-1386

FY2025 Internal Audit Plan Status - February 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		
4	FY2025 Risk Assessment & development of FY26 Audit Plan		
	<u>FY25 Audit Assurance & Advisory Projects</u>		
1	Keolis Payroll Pass Through Controls	In-Process	
2	MTM Payroll Pass Through Controls - New Contract in Demand Response	In-Process	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 - Fall/Spring
8	A/P Non-PO & P-Card Controls	Draft Report	UT Interns - Fall
9	Brinks Contract and Outsourced Treasury Controls		
10	Keolis - Bus Maintenance & Training		
11	Automation of Bus Incidents/Accidents Reporting (TrackIt System)	In-Process	
12	Safety Management System (SMS) - Management of Change	Draft Report	March
13	Bus Charging Infrastructure & EV Program	Draft Report	
14	Bytemark Contract for e-Tickets & Collections - Administrative Fees	In-Process	
15	United Healthcare - Eligibility & Payment Support	Draft Report	
16	McKalla Station - Capital Project Controls	Completed	January
17	CLS System for Right of Way Revenues (Permits, RWIC, Licenses)	Completed	February
18	BikeShare Program	In-Process	
19	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2024 baseline		
20	Annual Cybersecurity Review (Verizon)		
21	FTA Triennial Audit	In-Process	
22	QAR (Quality Assessment Review) - IIA and GAS Standards	In-Process	May
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			



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee
Agenda Date: 2/12/2025

Item #: AI-2025-1385

Executive Finance and Administration Monthly Update - February 2025

Update on recent activities, including an update on the annual budget process and fare system change.