



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

2910 East 5th Street
Austin, TX 78702

Wednesday, January 14, 2026

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 December 10, 2025 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with The eConsortium Group for the renewal of the Cisco Security Enterprise Agreement, with a term of five (5) years, in a total amount not to exceed \$719,088.
3. Approval of a resolution authorizing the President & CEO, or her designee, to apply for the Capital Area Metropolitan Planning Organization (CAMPO) 2028-2031 Call for Projects, submitting both CapMetro's Bus Stop Street Furniture and Equipment Program and Hybrid Bus Fleet Upgrade Program for CAMPO consideration, and committing to providing local match funding from CapMetro should the projects be selected.

IV. Presentations

1. Internal Audit FY2026 Audit Plan Status - January 2026
2. Internal Audit Report: Rail Parts, Inventory Controls
3. Executive Finance, Audit and Administration Update - January 2026
Update on financial performance, FY2027 Budget processes, and FY2025 Performance Review Cycle.

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

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

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

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



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2025-1716

Agenda Date: 1/14/2026

Approval of minutes from the December 10, 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, December 10, 2025

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:03 a.m. Meeting Called to Order

Present	Becki Ross, Dianne Bangle, and Matt Harriss
Absent	Zo Qadri

II. Public Comment

There were no public comments this month.

III. Action Items

1. Approval of minutes from the November 5, 2025 Finance, Audit and Administration Committee meeting.

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

Aye: Ross, Bangle, and Harriss

2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with QA Systems to provide and install audio/ visual systems in CapMetro's Administrative Building located at 3100 E. 5th Street, for a term of three (3) months from notice to proceed, in an amount not to exceed \$401,302.

A motion was made by Bangle, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 12/17/2025. The motion carried by the following vote:

Aye: Ross, Bangle, and Harriss

3. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with DOCUmentation of San Antonio, LLC for On-Site Business Center Services for a base period of three years and three one-year option periods in an amount not to exceed \$3,313,500.

A motion was made by Bangle, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 12/17/2025. The motion carried by the following vote:

Aye: Ross, Bangle, and Harriss

4. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with Voya Employee Benefits for medical stop loss insurance for claims above \$225,000, with a base term of one year, in a total amount not to exceed \$988,378.

A motion was made by Bangle, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 12/17/2025. The motion carried by the following vote:

Aye: Ross, Bangle, and Harriss

IV. Presentations

1. Internal Audit FY2026 Audit Plan Status - December 2025
2. Internal Audit Report: Inventory Controls - Demand Response Parts
3. FY2025 Year End Preliminary Financials
4. Executive Finance, Audit and Administration Update - December 2025
Update on key performance indicators, financial performance, and upcoming events.

V. Items for Future Discussion

VI. Adjournment

10:37 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; Becki Ross, Dianne Bangle and Zo Qadri.

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

Finance, Audit and Administration Committee

Item #: AI-2025-1681

Agenda Date: 1/14/2026

SUBJECT:

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with The eConsortium Group for the renewal of the Cisco Security Enterprise Agreement, with a term of five (5) years, in a total amount not to exceed \$719,088.

FISCAL IMPACT:

Funding for this action is available in the FY2026 Operating Budget.

STRATEGIC PLAN:

Strategic Goal Alignment:

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

EXPLANATION OF STRATEGIC ALIGNMENT: Maintaining a robust, reliable, and secure network ensures the continuity of CapMetro's information systems. The Cisco Security Enterprise Agreement provides the agency with licenses and technical support services for the security products used to maintain our strong security posture.

Products covered by this Enterprise Agreement include:

1. Umbrella Secure Internet Gateway keeps end users safe from malicious websites.
2. Digital Network Architecture (DNA) for managing, updating and securing infrastructure devices such as routers, switches and Access Points.
3. Identity Service Engine (ISE) allows only trusted users and devices to connect to the corporate network.
4. Duo Essentials used for dual factor authentication.

BUSINESS CASE: The Cisco Security Enterprise Agreement will provide licensing, maintenance, and professional services for keeping CapMetro's network infrastructure secure against external & internal threats. The support agreement will include the ability to directly access specialized Cisco technical services to assist staff in the management and resolution of production issues that may arise.

COMMITTEE RECOMMENDATION: The item was presented and recommended for approval by the Finance, Audit and Administration Committee on January 14, 2026.

EXECUTIVE SUMMARY: CapMetro depends on a secure and robust network while also allowing for the expansion of the network to keep up with the service demands of CapMetro customers and departments. This contract with The eConsortium Group will assist CapMetro in expanding and maintaining a highly secure and resilient information systems network.

SBE PARTICIPATION: A 0% SBE goal was assigned to this procurement, which did not include subcontract opportunities.

PROCUREMENT: CapMetro will utilize the Texas Department of Information Resources (DIR), Contract Number DIR-CPO-5347, held by The eConsortium Group, for Cisco Branded Products and Related Services, to provide Cisco Security Enterprise Agreement.

DIR awarded contracts are made available for use by CapMetro via Title 7, Intergovernmental Relations Chapter 791, Interlocal Cooperation Contracts and the Texas Interlocal Cooperation Act. Purchases made using DIR contracts satisfy otherwise applicable competitive bidding requirements.

Pricing for Cisco Security Enterprise Agreement was determined to be fair & reasonable by the DIR organization during its solicitation and award process. The following is The eConsortium Group's lump sum pricing for Cisco Security Enterprise Agreement, for a five (5) year term from notice to proceed:

Description	Lump Sum Price
Cisco Security Enterprise Agreement 5-Year	\$719,088.

RESPONSIBLE DEPARTMENT: Information Technology

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

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2025-1681

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and CapMetro Management recognize the need to maintain a robust, reliable, and secure network ensures the continuity of CapMetro's information systems; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and CapMetro Management recognize the need for CapMetro to depend on a secure and robust network while allowing for the expansion of the network to keep up with the service demands of CapMetro customers and departments.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or her designee, is authorized to finalize and execute a contract with The eConsortium Group for the renewal of the Cisco Security Enterprise Agreement, with a term of five (5) years, in a total amount not to exceed \$719,088.

Date: _____

**Secretary of the Board
Becki Ross**

Finance, Audit and Administration Committee

Item #: AI-2025-1706**Agenda Date:** 1/14/2026**SUBJECT:**

Approval of a resolution authorizing the President & CEO, or her designee, to apply for the Capital Area Metropolitan Planning Organization (CAMPO) 2028-2031 Call for Projects, submitting both CapMetro's Bus Stop Street Furniture and Equipment Program and Hybrid Bus Fleet Upgrade Program for CAMPO consideration, and committing to providing local match funding from CapMetro should the projects be selected.

FISCAL IMPACT:

There is no cost to submit the projects to CAMPO's call for projects. Both projects are included in CapMetro's approved budget and 5-year Capital Improvement Plans, and, if selected by CAMPO to be awarded grant funding, grant funding would be matched by CapMetro CIP funds as described below.

STRATEGIC PLAN:**Strategic Goal Alignment:**

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

EXPLANATION OF STRATEGIC ALIGNMENT:**CapMetro Bus Stop Street Furniture & Equipment Program**

The Bus Stop Street Furniture and Equipment Program aims to organize and install high-quality street furniture that meets service standards and enhances operations and maintenance. This grant application advances CapMetro's Strategic Priority of delivering a convenient, desirable, and accessible mobility option for the region and its communities. It addresses key requirements, challenges, and benefits of public transportation as an essential component of the regional transportation system, reinforcing the agency's role, presence, and goodwill. The agency's mission is to empower, enhance, and serve the region through the responsible delivery of high-quality public transportation. At the core of this mission is providing reliable transit services and ensuring a positive customer experience.

Hybrid Bus Fleet Upgrade Program

The strategic alignment for procuring new hybrid buses directly supports CapMetro's overarching goals by addressing the aging fleet and reliability issues that hinder service quality and accessibility. This investment in new hybrid buses for fixed-route service ensures safe and reliable transportation by proactively replacing our

aging fleet with updated assets backed by long-term manufacturer warranties, significantly improving operational efficiency. Furthermore, the selection of hybrid technology demonstrates our commitment to sustainability by providing fuel savings and reducing transportation emissions and environmental impact. This strategically sound procurement builds a resilient and modern transit system.

BUSINESS CASE:

CapMetro Bus Stop Street Furniture & Equipment Program

This initiative will enhance customer experience by providing shelters for protection from the elements, solar lighting for improved visibility and safety, seating areas, wheelchair-accessible spaces, and upgraded sidewalks and concrete pads to ensure compliance with accessibility standards. Through the CapMetro ADA Transition Plan, the agency conducted a comprehensive evaluation of all its facilities (passenger areas, operational sites, and administrative offices) to identify gaps in accessibility. This program addresses federal and state requirements for ADA compliance, ensuring that transit stops, sidewalks, and related infrastructure are accessible to individuals with mobility, sensory, and cognitive disabilities.

Hybrid Bus Fleet Upgrade Program

The procurement of hybrid buses advances CapMetro's sustainability goals by reducing emissions and fuel consumption while modernizing the aging fleet. This investment improves operational efficiency, lowers maintenance costs through long-term warranties, and enhances rider experience with quieter, ADA-compliant vehicles. These upgrades ensure reliable service today and support future expansion plans.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee Meeting on January 14, 2026.

EXECUTIVE SUMMARY: Staff requests the Board of Directors' approval of a resolution supporting Capital Metropolitan Transportation Authority's (CapMetro) application to the Capital Area Metropolitan Planning Organization (CAMPO) 2028-2031 Call for Projects. CAMPO issued the call on October 10, 2025, inviting communities to apply for funding through the Surface Transportation Block Grant (STBG), Transportation Alternatives Set-Aside (TASA), and Carbon Reduction Program (CRP) programs. The CAMPO call is looking for projects that demonstrate regional benefit, readiness, and eligibility, including roadways, transit, active transportation, multimodal improvements, safety enhancements, and other eligible transportation activities consistent with CAMPO's project selection criteria.

CapMetro has verified that the two identified CapMetro projects are appropriate for consideration in this call. If awarded, CapMetro commits to providing a local match of 20 percent of the total project cost, not to exceed \$1,623,209 for the CapMetro Bus Stop Street Furniture and Equipment Program and \$5,400,000 for the Hybrid Bus Fleet Upgrade Program, and will enter into a grant agreement with CAMPO regarding the award.

1. CapMetro Bus Stop Street Furniture & Equipment Program

This initiative will enhance transit stops by improving design, safety, and accessibility to accommodate Austin's climate and growing ridership needs, and elevating service standards. Benefits include improved pedestrian circulation, ADA compliance, and a better rider experience, particularly for individuals with mobility, sensory, and cognitive disabilities.

CAMPO funds require a local match comprised of cash or Transportation Development Credits (TDCs), if eligible. CapMetro would be responsible for all non-reimbursable costs and 100% of overruns, if any, for CAMPO funds. The application seeks funding for the installation of 120 bus stop amenities, and the construction of 76 ADA-priority transit stops to improve accessibility and safety, based on recommendations from CapMetro's ADA Transit Plan audit.

CapMetro supports this project as described in the 2028-2031 CAMPO Call for Projects Application. The scope includes hiring a contractor for the fabrication and delivery of street furniture, installation, preliminary engineering (if required), construction, oversight costs, and required local match. CapMetro commits to the full lifecycle of the project development, implementation, installation, construction, maintenance, management, and financing, and is prepared to enter into an agreement with the department by resolution or ordinance should the project be selected for funding. Funding for this action is available in the FY2026 Capital Budget.

2. Hybrid Bus Fleet Upgrade Program

This investment replaces aging vehicles, improving reliability, lowering maintenance costs, reducing carbon emissions from our bus fleet, and enhancing operational efficiency. The selection of hybrid technology supports sustainability goals by cutting carbon output and environmental impact, while ensuring ADA compliance and a better rider experience. These upgrades position CapMetro for future service expansion and a resilient, modern transit system. Funding for this action is available in the FY2029 Capital Budget.

SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Capital Construction, Engineering & Design (CCED)

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

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2025-1706

WHEREAS, Capital Metropolitan Transportation Authority (CapMetro) seeks funding for the CapMetro Bus Stop Street Furniture and Equipment Program and the Hybrid Bus Fleet Upgrade Program to install 120 ADA-compliant bus stop amenities, construct 76 ADA-priority transit stops, and purchase 18 diesel-electric hybrid buses to replace retiring diesel buses that have reached the end of their planned service life; and

WHEREAS, the Capital Area Metropolitan Planning Organization (CAMPO) issued a call for projects on October 10, 2025, for communities to apply for funding assistance through the Surface Transportation Block Grant (STBG), Transportation Alternatives Set-Aside (TASA), and Carbon Reduction Program (CRP) programs; and

WHEREAS, if obtained, the CAMPO funds may be used to hire contractors for the fabrication, delivery, and installation of street furniture; to develop preliminary engineering documents (including plans, specifications, estimates, and environmental documentation); to construct pedestrian and bicycle infrastructure; and to procure hybrid buses that support CapMetro's goals of modernizing its fleet, improving service reliability and accessibility, and reducing the region's carbon footprint; and

WHEREAS, the CAMPO funds require a local match, comprised of cash or Transportation Development Credits (TDCs), if eligible, and CapMetro would be responsible for all non-reimbursable costs and 100% of overruns, if any, for CAMPO funds; and

NOW, THEREFORE, BE IT RESOLVED by the CapMetro Board of Directors that the CapMetro President and CEO, or her designee, is authorized to submit an application for the 2028-2031 CAMPO Call for Projects for the CapMetro Bus Stop Street Furniture and Equipment Program and the Hybrid Bus Fleet Upgrade Program.

BE IT FURTHER RESOLVED, if awarded, CapMetro commits to providing a local match of 20 percent of the total project cost, not to exceed \$1,623,209 for the CapMetro Bus Stop Street Furniture and Equipment Program and \$5,400,000 for the Hybrid Bus Fleet Upgrade Program.

Date: _____

Secretary of the Board
Becki Ross



Capital Area Metropolitan Planning Organization (CAMPO) 2028-2031 Call for Projects

CapMetro Bus Street Furniture and Equipment
Program & Hybrid Bus Fleet Upgrade Program

January 14, 2026

Board Action

Approval of a resolution authorizing the President & CEO, or her designee, to submit application for the 2028–2031 Capital Area Metropolitan Planning Organization (CAMPO) Call for Projects Program for:

1. CapMetro Bus Stop Street Furniture & Equipment Program
2. Hybrid Bus Fleet Upgrade Program

What is the CAMPO Call for Projects?

CAMPO invites local governments in six Central TX counties to **compete for federal transportation funds for road, bike paths, and transit projects** through:

1. Surface Transportation Block Grant (STBG)
2. Transportation Alternative Set-Aside (TASA)
3. Carbon Reductions Program (CRP)



Project 1: CapMetro Bus Stop Street Furniture & Equipment Program (CPG0288)

Scope: Installation of 120 bus stop shelters and related amenities, and construction of 76 ADA-compliant priority transit stops

- Shelters, solar lighting, seating, engineering, permits, and construction
- Improve overall rider experience by prioritizing safety and accessibility for all
- Benefits individuals with mobility needs, including those with sensory and cognitive disabilities

- Total project cost: **\$8,116,044.00**
- Local match commitment (20%): **\$1,623,209.00**
- Project Period: Three years (FY28-FY30)
- Strategic Plan 2030 Action Item 1.6: Improve user experience

Project 2: Hybrid Bus Fleet Upgrade Program (BPS2201)

Scope: Purchase of 18 diesel-electric hybrid buses to replace the aging diesel bus fleet

- Improves operational efficiency, provides high levels of maintenance reliability and dependability
- Enhances rider experience with quieter, ADA-compliant vehicles
- Advances CapMetro's sustainability goals by reducing emissions and fuel consumption while modernizing the aging fleet

- Total project cost: **\$27,000,000.00**
- Local match commitment (20%): **\$5,400,000.00**
- Project Period: Three years (FY28-FY30)
- Strategic Plan 2030 Action Item 2.4: Implement the Sustainability Vision Plan



Thank You!



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Agenda Date: 1/14/2026

Item #: AI-2025-1715

Internal Audit FY2026 Audit Plan Status - January 2026

FY26 INTERNAL AUDIT PLAN

Department Scorecard

	Projects	Status & % Complete	Additional Details
	FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/8; 11/5; 12/10; 1/14; 2/11; 3/11; 4/8; 5/6; 6/10; 7/15; 8/10; 9/16; 10/14; 12/2	In Process	
2	Semi-annual Implementation Status Report - November 2025	Draft Report	February
3	Semi-annual Implementation Status Report - May 2026		
4	Quarterly - Implementation Status of Miscellaneous Revenue recommendations	In Process	February
5	FY2026 Risk Assessment & development of FY27 Audit Plan		
	FY25 Audit Assurance & Advisory Projects		
1	Keolis Payroll Pass Through Charges - Ongoing Continuous Monitoring	Ongoing Monitoring	
2	MTM Payroll Pass Through Charges - Ongoing Continuous Monitoring	Ongoing Monitoring	
3	Oracle segregation of duties (DLT Solutions & Sikich) - build model & test	In Process	
4	Oracle Survey - User Satisfaction & Opportunities		
5	Capital Projects - Costs & Reporting Controls		
6	Inventory Controls - Bus Parts (Keolis)	Completed	November
7	Inventory Controls - Demand Response Parts (MTM)	Completed	December
8	Inventory Controls - Rail Parts (Herzog)	Completed	January
9	Inventory Controls - Facilities & Bus Stop Parts - Advisory Project	In Process	Feb/March
10	Fuel Inventory Controls (Unleaded, Diesel, & Red Diesel) - Advisory Project	In Process	March/April
11	Brinks Contract and Outsourced Treasury Controls		
12	Keolis - Bus Maintenance & Training	In Process	UT Interns - Analytics
13	MTM - Demand Response Maintenance & Training	In Process	UT Interns - Analytics
14	Automation of Bus Incident/Accident Reporting (TrackIt System)		
15	CLS System for Right of Way License Contracts (Completeness & Accuracy)	In Process	March/April
16	Bus Charging Infrastructure & EV Program	Draft Report	
17	UMO Contract (e-Tickets) & Administrative Fees		
18	Real Estate - Life Cycle Management & Controls		
19	Safety Mgt System (SMS) - Safety Promotion via Competencies & Training		
20	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2024 baseline	In Process	CISA Federal Funding Delay
21	Annual Cybersecurity Review (Verizon Penetration Test)	In Process	
22	CISA Tabletop Exercise (Ransomware Attack)	In Process	CISA Federal Funding Delay

	NEW PROJECTS ADDED TO FY26 AUDIT PLAN by Terry Follmer		
1	Quadrennial Performance Report - Tracker until Completed		
2	FTA Triennial - closure on one remaining deficiency (Paratransit Vehicle Award Reporting form)	Completed	January

Finance, Audit and Administration Committee

Agenda Date: 1/14/2026

Item #: AI-2025-1723

Internal Audit Report: Rail Parts, Inventory Controls



INVENTORY CONTROLS RAIL PARTS (#25-18)

Terry Follmer, Chief Audit Executive

Distribution List:

CapMetro Board of Directors
Dottie Watkins, President and CEO
Kerri Butcher, EVP, Deputy CEO
Donna Simmons, EVP of Administration, Diversity and Inclusion Officer
Sharmila Mukherjee, EVP, Strategic Planning & Development
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Tyrone Jenkins, Director, Rail Operations
Travis Cano, Fleet Manager, Rail Operations
Enjouline Dougherty, Project Manager II, Signal & Communications, Rail Operations
Nadia Nahvi, Controller
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Muhammad Abdullah, VP, Chief of Procurement & Compliance Officer
Ashley Erickson, VP, Organizational Strategy and Projects
Rahul Nair, VP of Rolling Stock & Support Equipment

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Executive Summary

The fiscal year 2025 Audit Plan approved by the CapMetro Board of Directors included an assurance review of rail inventory parts to ensure adequate controls and compliance with contracts, policies, procedures and regulatory requirements. The audit results including the objective, scope and conclusion are included below.

Background

In 2020, CapMetro implemented the [Hexagon Enterprise Asset Management](#) (EAM) system to manage fixed assets (e.g., vehicles, facilities, HVAC, etc.) and spare parts inventory for vehicles and facilities related preventive and unplanned maintenance as recommended by the original equipment manufacturer. The purpose of the EAM system is to enable better and more strategic decisions that extend the asset life cycle, increase safety and reliability, and enable cost efficiencies. EAM systems allow organizations to manage the life cycle of assets from cradle to grave including scheduled preventive work orders and unscheduled repairs in an organized and efficient manner.

In July 2015, Herzog Transit Services (Herzog) was awarded an Operations and Maintenance (O&M) contract with CapMetro to manage the rail fleet, including providing the parts and labor to maintain the diesel multiple units (DMUs). Herzog is responsible for monitoring stock levels and purchasing, receiving, storing, and issuing parts to Hexagon Work Orders to maintain the fleet in a state of good repair. CapMetro DMUs are maintained and stored at the North Operations (9315) Facility.

The contract divides rail parts ownership between CapMetro and Herzog but stipulates that Herzog is to ensure that a sufficient supply of all DMU spare parts – regardless of ownership – is available to maintain the system and meet fleet availability requirements. At contract termination, CapMetro has the option to buy back the remaining parts that Herzog purchased for CapMetro's fleet at the price Herzog paid for them and with sufficient supporting documentation.

The contract requires Herzog to conduct a physical inventory at least once every two years and to use the Hexagon EAM system for inventory management.

CapMetro's rail parts are stored in three primary warehouse locations and across four storerooms and include approximately 3,440 Stockkeeping Units (SKUs) valued at \$8.7 million within the Hexagon asset management system, which tracks current inventory levels. The inventory value as of September 24, 2025:

Type	Store	In Service		
		SKU	Quantity	Value on Hand
Rail	9315_RM	2,783	42,749	\$6,971,765
	9315_CPRK	322	68,139	\$1,419,304
	9315_10	161	2,196	\$149,548
	9315_ABBT	56	4,565	\$125,121
Total		3,322	117,649	\$8,665,738

Note: \$2.5 million of these rail parts are owned by CapMetro.

CapMetro's rail fleet of 10 DMUs (Diesel Multiple Unit) operates on the Red Line, with ten stations between Leander and Downtown Austin, and consists of ten Stadler GTW diesel-electric light rail vehicles covering two generations as follows:

- The initial fleet of six GTW1 (G1) units was purchased in December 2007 for the Red Line which opened in March 2010.

- The second fleet of four GTW4 (G4) units was purchased in September 2017 for fleet expansion to increase service frequency.

CapMetro currently requires six DMUs for peak revenue service, providing a spare ratio of four vehicles (40%). Due to the age of the fleet (both G1 and G4) and the obsolescence of parts, many parts are unavailable or difficult to replace and/or must be sent to third parties for refurbishment. This creates significant lead times on parts orders and a potential impact on service reliability and underscores the need for a robust EAM management system and processes to ensure inventory accuracy and completeness.

Audit Objective & Scope

The objective of the rail parts audit was to evaluate rail part records and internal controls related to the completeness and accuracy of the rail part records, as well as Herzog's procurement to payment controls for rail parts. The scope included: a review of FY2025 rail part records in the Hexagon system and related procure-to-pay records from Herzog; data analytics on the completeness and accuracy of parts data in Hexagon; and a review of the policies and procedures that are used to manage parts records in the Hexagon system. We focused our review on the DMU parts maintained in the 9315_RM store and did not include parts (related to tracks, signals, etc.) located at other stores (9315_10, 9315_ABBTT, and 9315_CPRK) at this time. We obtained and tested inventory data from Hexagon as of September 24, 2025.

Opinion

In our opinion, internal controls are generally in place and functioning over CapMetro's Hexagon Enterprise Asset Management system. We identified some areas where internal controls could be further strengthened as follows:

Issues & Risk	Risk Rating	Status	Target Completion Date
<u>1. Herzog – Not Properly Using Hexagon EAM System</u>	Medium	Open	4/14/2026
<u>2. Herzog – Cycle Count & Physical Inventory Concerns</u>	Medium	Open	3/31/2026
<u>3. Co-Ownership of Rail Parts Needs to be Further Defined</u>	Medium	Open	4/10/2026

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

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

- Valerie Carson, Senior Auditor II
- Terry Follmer, CAE

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 (in 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.

Risk Rating Definitions

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

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

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

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

Auditors also identified and considered other factors when appropriate.

Audit Report

Issues & Risk	Risk Rating	Recommendation	Management Action Plan
	MEDIUM		
<p><u>1. HERZOG – NOT PROPERLY USING HEXAGON EAM SYSTEM</u></p> <p>Herzog is responsible for managing CapMetro Rail parts which includes more than 3,400 unique SKUs valued at more than \$8.6 million as of September 24, 2025. We reviewed the controls related to inventory management and procure-to-pay processes performed by Herzog and identified the following concerns:</p> <ul style="list-style-type: none"> Herzog does not have a procurement system and uses emails to vendors for each quote request and order, and a manual process to track the order, receipt, unit prices, etc. Herzog has recently begun using an Excel file to assist with parts ordering and receipt. See sample in Appendix A. We reviewed the file and found it to be missing key data such as quote request and receipt date, purchase order date, order quantity and unit price, estimated delivery date, actual delivery date, etc. Herzog is not entering their parts PO details into CapMetro's Hexagon system as required by their contract. See Appendix D for key contract excerpts. As a result, CapMetro is unable to evaluate the timeliness, pricing and status of part orders and our EAM system does not contain key data related to rail parts – including supplier name, unit price, quantity ordered, order status, lead times, etc. When a part is delivered, Herzog does a manual “stock take” and enters only the part number and quantity received, with no other details. Since unit prices are not entered into Hexagon, the average unit prices in CapMetro's EAM have not been updated since the system go-live date of December 2020. CapMetro has instructed and trained Herzog multiple times but neither Herzog nor CapMetro have developed written procedures or SOPs related to ordering and receiving rail parts in the Hexagon EAM. <p>Due to the value and complexity of Rail parts, an EAM system with accurate and complete historical records is necessary to effectively manage inventory.</p>	<p>The VP of Rail should consider the following actions to improve controls:</p> <ol style="list-style-type: none"> Develop written procedures for Herzog and conduct training and regular monitoring to ensure Herzog is properly using the Hexagon EAM system. Work with Herzog to determine if all procurement records (missing since Hexagon was implemented in December 2020) can be recreated and loaded into Hexagon. Some key records that would be beneficial are as follows: quote request and receipt date; purchase order date; unit price; quantity; vendor name; receipt date; etc. If missing records cannot be recreated, determine if, at a minimum, unit purchase prices and current vendor names can be captured and shared with CapMetro and loaded into Hexagon EAM system. 	<p>Management agrees and has developed the action plan below.</p> <ul style="list-style-type: none"> Establish written procedures and governance. Target Completion Date: 1/8/2026 Reinforce contract compliance and expectations. Target Completion Date: 12/18/2025 Implement daily and weekly EAM requirements for the contractor. Target Completion Date: 1/13/2026 Monthly monitoring and quarterly compliance reviews. Target Completion Dates: <ul style="list-style-type: none"> Monthly audits begin 2/3/2026 Quarterly KPI reviews begin 4/14/2026 (ongoing thereafter) 	

Issues & Risk	Risk Rating	Recommendation	Management Action Plan
	MEDIUM		
2. HERZOG – CYCLE COUNT & PHYSICAL INVENTORY CONCERNS We reviewed the controls related to the accuracy of Rail Part quantities and noted the following concerns: <ul style="list-style-type: none">• Herzog and CapMetro have not developed written procedures related to how/when to conduct cycle counts and/or physical inventories.• Herzog and CapMetro job descriptions do not mention responsibilities for inventory management.• Herzog has not been regularly performing cycle counts for the last couple of years and our analysis showed that only 26% of the 3,440 SKUs has been counted in the last 12 months. See Appendix B.• Herzog hired RCI Tech to perform a physical inventory of the 3,440 SKUs starting on April 29, 2025. We reviewed the results and related adjustments and have the following concerns: 745 (22% of total rail SKUs) could not be found and no adjustment was made; 514 (15%) were not included in the count; 1,312 (38%) were counted with no variance; 851 (25%) of the SKUs had a variance, but 146 were not adjusted; and for the remaining 127, it is not clear whether a corresponding adjustment was made in Hexagon EAM. Herzog did not explain why some parts were not included in the count or why adjustments were not made for the parts not found or found with noted variances. See Appendix C for details. Clearly defined policies and procedures related to rail parts cycle counts, physical inventories and related recordkeeping help ensure the accuracy of the 3,440 SKUs.		The VP of Rail should consider the following to help improve the accuracy of parts inventory: <ol style="list-style-type: none">a) Create written policies and procedures related to performing cycle counts and physical inventories and require Herzog compliance.b) Update job descriptions to clearly define responsibilities surrounding inventory management.c) Join the new cross-functional working group which includes Bus and DR Operations, Finance, and IT to identify process and system improvements related to parts management.d) Coordinate future physical inventories conducted by Herzog/their vendor with CapMetro Rail and Accounting Departments to ensure proper controls of records, reconciliations and adjustments.e) Set cycle count target goals for Herzog and periodic reporting and monitoring (monthly/quarterly). For example, all 3,440 SKUs should be cycle counted once per year, and accuracy of cycle counts without variance is 80%, etc. See Appendix B for a historical baseline.	Management agrees and has developed the action plan below. <ul style="list-style-type: none">• Develop written cycle count and physical inventory procedures. Target Completion Date: 1/15/2026• Update Job Descriptions to include inventory responsibilities. Target Completion Date: 1/31/2026• Participate in cross-functional parts management working group. Target Completion Date: 1/8/2026 (initial meeting), with monthly meetings ongoing• Implement controlled physical inventory procedures. Target Completion Date: 3/31/2026• Establish cycle count targets and monitoring program. Target Completion Date: 2/28/2026, with monthly meetings ongoing Oversight and accountability controls. Target Completion Date: 1/1/2026, with ongoing monthly exception reporting

Issues & Risk	Risk Rating	Recommendation	Management Action Plan
	MEDIUM		
<p>3. CO-OWNERSHIP OF RAIL PARTS NEEDS TO BE FURTHER DEFINED</p> <p>As of September 24, 2025, the Hexagon EAM system shows total Rail Parts of \$8,665,738. The CapMetro Balance Sheet shows that CapMetro owns \$2,552,439 of the total rail parts inventory as of September 30, 2025 (see Appendix F); however, the value owned by CapMetro has been unchanged for several years. Note that the original Herzog contract dated July 27, 2015, included Exhibit J – Attachment 20 (October 20, 2014), listing CapMetro's Initial Spare Parts Inventory valued at \$7,245,563.13 (see Appendix E).</p> <p>It is unclear which parts are owned by CapMetro and which ones are owned by Herzog. Additionally, since Herzog has not been using the Hexagon EAM properly for procurement receipts, the average unit price for each of the 3,440 SKUs has not been updated since the Hexagon system went live on December 2020.</p>		<p>The VP of Rail should consider the following:</p> <ol style="list-style-type: none"> Work with Procurement and Legal to develop a written Memorandum of Understanding (MOU) as to ownership of current parts and use the existing field in the Hexagon EAM (Vendor Owned) to allow tracking and reporting from a centralized system. For parts owned by Herzog, use the Hexagon field called "Vendor Owned" to clearly keep track of parts owned by Herzog. Work with the Accounting Department to obtain supporting purchase price documentation from Herzog and develop a process to update the average unit price for the existing SKUs. 	<p>Management agrees and has developed the action plan below.</p> <ul style="list-style-type: none"> Develop a Memorandum of Understanding to define ownership of rail parts. Target Completion Date: 2/14/2026 Use Hexagon Vendor Owned field for Herzog owned parts. Target Completion Date: 3/13/2026 Establish process to update average unit prices. Target Completion Date: 4/10/2026 Address historical inventory valuation issues. Target Completion Date: 3/31/2026 Implement inventory accountability and compliance controls. Target Completion Date: 1/1/2026

Appendices

Appendix A – Sample of Herzog Excel Tracking Worksheet

Warehouse	Item Type	Item Code	Item Description	Stock Condition	Issue Unit	Initial Quantity	Current Quantity	Note	Supplier Name	On Order	Estimated Delivery Date
NOPS - North Ops	DMU	26869	Switch Cylinder For Drive Controller	New	Each	1	4		Stadler		
NOPS - North Ops	DMU	32623	Grab Rail	New	Each	1	1		Fabricated by outside vendor		
NOPS - North Ops	DMU	32624	Plow Extension, Right	New	Each	4	0		Fabricated on site by HTSI		
NOPS - North Ops	DMU	32629	Operating Shaft - Mirror	New	Each	9	13		Fabricated by local vendor (varies)		
NOPS - North Ops	DMU	33928	Brake Control Moduel PU-P	New	Each	2	2		Knorr	Quote requested	
NOPS - North Ops	DMU	33929	Brake Control Module PU-M	New	Each	4	4		Knorr	Quote requested	
NOPS - North Ops	DMU	20341	Circuit Breaker, shop power supply, 6A 2 pole	New	Each	2	2		ABB Schweiz AG	Quote requested	
NOPS - North Ops	DMU	20342	Circuit Breaker, 16A 3 pole	New	Each	1	5		ABB Schweiz AG	Quote requested	
NOPS - North Ops	DMU	20343	Circuit Breaker, Isolation Transformer	New	Each	1	0		ABB Schweiz AG		
NOPS - North Ops	DMU	20344	Circuit Breaker, power supply 480 VAC	New	Each	1	1		ABB Schweiz AG	Quote requested	
NOPS - North Ops	DMU	20345	Circuit Breaker, AC Heating 480 V	New	Each	1	1		ABB Schweiz AG	Quote requested	
NOPS - North Ops	DMU	26628	Isolation Control 120 V AC	New	Each	4	7		ABB Switzerland		
NOPS - North Ops	DMU	20317	Contactor, Phase Control	New	Each	5	2		ABB Switzerland Ltd	Quote requested	
NOPS - North Ops	DMU	26628	Isolation Control 120 VAC	New	Each	2	7		ABB Switzerland Ltd		
NOPS - North Ops	DMU	27163	IGBT Module 3-3 cpl	New	Each	1	5		ABB Switzerland Ltd		
NOPS - North Ops	DMU	29079	PEBB unit cpl	New	Each	2	0	out for repair	ABB Switzerland Ltd	Quote requested	
NOPS - North Ops	DMU	29186	Converter Controller	New	Each	1	4		ABB Switzerland Ltd		
NOPS - North Ops	DMU	29189	Power Supply 24VDC/100W 2x24V BQ2660-7R	New	Each	4	3		ABB Switzerland Ltd	Quote requested	
NOPS - North Ops	DMU	29190	Power Supply 24VDC/60/60W 5/15V BP3040-7R	New	Each	4	4		ABB Switzerland Ltd		
NOPS - North Ops	DMU	29192	Inverter-Filter Complete	New	Each	2	2		ABB Switzerland Ltd		
NOPS - North Ops	DMU	29193	Bordline Depot Power Socket	New	Each	2	38		ABB Switzerland Ltd		
NOPS - North Ops	DMU	42468	CAN Converter XF D151 A101	New	Each	0	0		ABB Switzerland Ltd	Quote requested	
NOPS - North Ops	DMU	33468	Contactor, TAL30-30-01, 3P CONTR, 24VDC, 1NC AUX	New	Each	8	6		Allied Electronics		
NOPS - North Ops	DMU	33470	Auxiliary Contact Block, CAL5-11	New	Each	10	10		Allied Electronics		
NOPS - North Ops	DMU	37108	connector, metal circ, rt angle plug, size 14s, 4 #16 solder	New	Each	20	19		Allied Electronics	Quote requested	
NOPS - North Ops	DMU	20334	Circuit Breaker, 16A 1 Pole	New	Each	1	10		ALLIED ELECTRONICS, INC.		
NOPS - North Ops	DMU	20357	Relay, Spring Brake / Emergency Stop	New	Each	10	13		ALLIED ELECTRONICS, INC.		
NOPS - North Ops	DMU	20359	Time Relay, Interior light/emergency light, vehicle off	New	Each	5	6		ALLIED ELECTRONICS, INC.		
NOPS - North Ops	DMU	20363	Single Chip LED For Push Button Drivers Desk	New	Each	39	46		ALLIED ELECTRONICS, INC.	40	Delivered 7/7/2025

Appendix B – Cycle Count Performance Baseline

Rail Inventory Cycle Count Performance Baseline* for the last 12 months:
(filtered for In Service parts)

Type	Value on Hand	Total SKUs in Listing	Counted SKUs	Percent of SKUs counted annually	Results		
					Quantity Accurate – No Adjustments	Quantity Positive Adjustments	Quantity Negative Adjustments
Rail	\$8,683,053	3,440	908	26.4%	0%	44.7%	55.3%

Notes:

- The SKU counts and adjustment data shown above are likely inaccurate as Herzog was not properly recording cycle and physical inventory counts in Hexagon (i.e. more parts were likely counted and variances of zero value were not recorded, skewing the count accuracy and adjustment results).
- The above table accurately reflects Rail parts from all four stores (9315_RM, 9315_CPRK, 9315_10, and 9315_ABBTT) but our independent cycle count testing focused only on the DMU parts at 9315_RM.

* **Baseline:** A historical statistic to measure against in the future to gauge progress. In the table above, some baselines to measure progress against are: 26.4% of SKU's are cycle counted annually; 0% of cycle counts require no adjustment as physical quantity matches Hexagon; positive adjustments are required 44.7% of the time versus 55.3% of adjustments are negative.

Appendix C – RCI Physical Inventory and Related Hexagon Adjustments

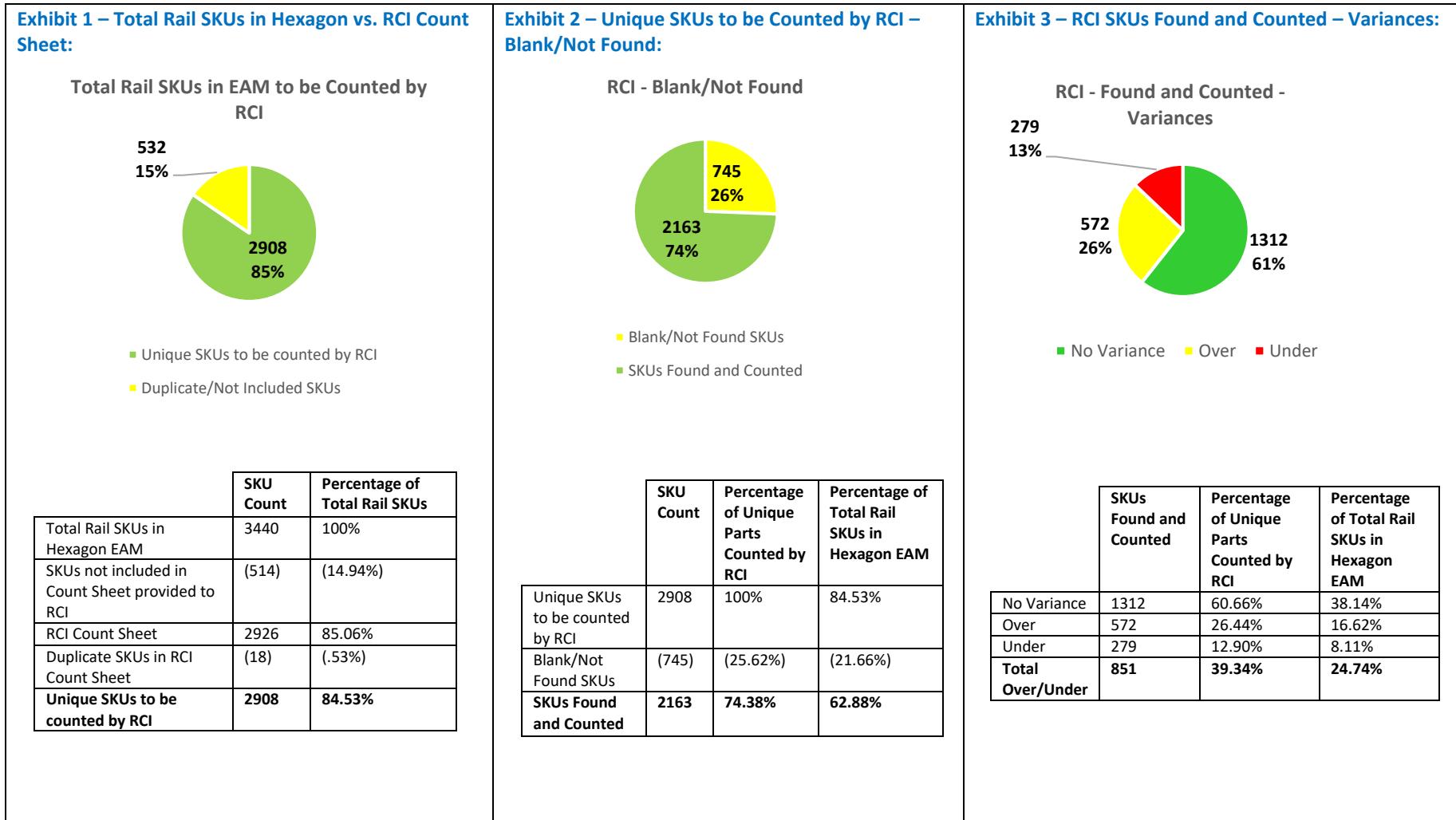
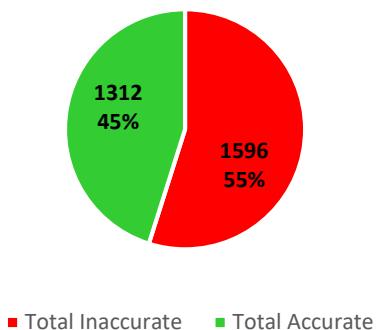


Exhibit 4 – Inaccurate Hexagon Inventory Stock Values:

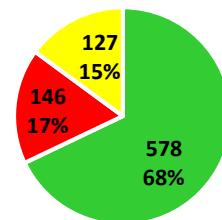
Inaccurate in Hexagon EAM



	Unique SKUs to be counted by RCI	Percentage of SKUs to be Counted by RCI	Percentage of Total Rail SKUs in Hexagon EAM
Not Found/Blank	745	25.62%	21.66%
Over	572	19.67%	16.62%
Under	279	9.59%	8.11%
Total	1596	54.88%	46.40%

Exhibit 5 – Hexagon Stock Takes as a Result of RCI Physical Inventory Variances (851 total):

Matching Hexagon Stock Takes for Identified Variances



	SKU Count	Percentage of Total Variances
SKUs with matching stock take	578	67.92%
SKUs with no corresponding stock take	146	17.16%
SKUs requiring further analysis for all transactions	127	14.92%

Appendix D – Herzog Contract Requirements

Contract 137666-Mod-47 – Page 62 of 108 – Section 12.19

12.19. Material Supply and Management

12.19.1. CMTA's objective is for the Contractor to have a sufficient supply of spare DMU parts available to maintain the system to the required standards and levels of maintenance and repairs.

12.19.2. CMTA will provide an initial spare parts inventory (**Exhibit J – Attachment 20**) thereafter, the Contractor is responsible for purchasing spare parts and ensuring there is sufficient quantity of spare parts on hand to meet fleet availability requirements. CMTA reserves the right to purchase back spare DMU parts, if desired, at the purchase price entered into the asset management system at the end of the contract term. If CMTA does not purchase the remaining inventory, the Contractor shall make the remaining inventory available at the original purchase price to the next contractor.

12.19.3. The Contractor shall maintain the value of CMTA inventories of materials, consumables, and spares.

12.19.4. The Contractor is responsible for procuring a spare parts inventory for additional vehicles added, during the contract period, in advance of the vehicles arrival sufficient to maintain the equipment according to OEM requirements.

12.19.5. Twelve months prior to the end of the contract period, CMTA and the Contractor will the Contractor shall jointly review the initial spare parts inventory (Exhibit J – Attachment 20) and determine what changes need to be made based on additional vehicles and part obsolescence, what future quantities are necessary, and what quantities should be made available at the end of the contract to either CMTA or the next contractor.

Contract 137666-Mod-47 – Page 91 of 108 – Section 19: Materials Management Services (select sections)

8.35.19.3. The Contractor shall keep the material yards and any other storage facilities neat and in an orderly fashion at all times. All surplus materials or quantities above the minimum needed for routine maintenance shall be stored at the material yards unless otherwise approved by CMTA. The contractorContractor will utilize the CMTA Asset Management System to track all inventory,

as well as tracking work orders. The contractorContractor will be responsible for procuring all additional materials and parts inventory for continuing operations.

8.39.19.7. Six (6) months prior to the expiration of the contract, the contractorContractor shall provide and Capital MetroCMTA will verify a list of all of the parts and material in inventory.

8.40.19.8. At the end of the contract, Capital MetroCMTA reserves the right to purchase from the contractorContractor any or all of the inventory of parts and materials based on the number of items transferred to the contractorContractor at the beginning of the contract.

8.41.19.9. Capital MetroCMTA's purchase price shall be based on the Contractor's actual purchase cost(s) as verified with the supporting documentation acceptable to Capital MetroCMTA and shall be payable within 60 days after the expiration of the contract.

8.42.19.10. The Contractor shall adequately stock and procure replacement parts, supplies and materials for vehicles, track, bridges, signals and communications at sufficient levels to ensure that no reduction in service or system failure occurs because of low parts inventory.

8.44.19.13. The Contractor shall manage the inventory using CMTA Asset Management System software.

Notes:

- Texas Transportation Code §112.062(c): Declares that “*rolling stock and all other movable property*” of a railroad is personal property.
- “Personal property” in a Rail Operations vendor contract includes rolling stock and inventory of materials and spare parts. (Sourced from M365 Copilot Researcher Agent inquiry and verified by CapMetro staff.)

(9) “Property property” as used in this part section, means all property, both real and personal.

(c) Contractor Responsibility

(1) The contractor Contractor is directly responsible and accountable for all Capital Metro furnished property

in accordance with the requirements of the this contract. This includes Capital Metro property in the possession or control of a subcontractor. The contractor shall establish and maintain a system in accordance with this section to control, protect, preserve, and maintain all Capital Metro property. The Contractor shall utilize Capital Metro's property control system (Spear "Spear 4i system" including any successor system) for inventory management, except for office furnishings. This property control system shall be in writing unless the property administrator determines that maintaining a written system is unnecessary. The system shall be reviewed and, if satisfactory, approved in writing by the property administrator.

(h) Records and Reports of Capital Metro Property

(1) The contractor's property control records shall The Spear 4i system shall constitute contain the Capital Metro's official property records unless an exception has been authorized. For management of inventory of Capital Metro-furnished property (except for office furnishings which contractor Contractor shall inventory separately using an inventory system approved by Capital Metro). The contractor Contractor shall establish and maintain adequate control records for all Capital Metro furnished property, including Capital Metro-furnished property provided to and in the possession or control of a subcontractor. Any subcontractor shall utilize Capital Metro's Spear 4i system for records management of inventory of Capital Metro-furnished property (except office furnishings). The property con-

(r) Physical Inventories. The contractor Contractor shall periodically, but not less than every two (2) years, physically inventory all Capital Metro-furnished property (except materials issued from stock for manufacturing, research, design, or other services required by the contract) in its possession or control and shall cause subcontractors to do likewise. The contractor Contractor, with the approval of the property administrator, shall establish the type, frequency, and procedures. These may include electronic reading, recording and reporting or other means of reporting the existence and location of the property and reconciling the records. Type and frequency of inventory should be based on the contractor's Contractor's established practices, the type and use of the Capital Metro property involved, or the amount of Capital Metro property involved and its monetary value, and the reliability of the contractor's Contractor's property control system. Type and frequency of physical inventories normally will not vary between contracts being performed by the contractor, but may vary with the types of property being controlled. Personnel who perform the physical inventory shall not be the same individuals who maintain the property records or have custody of the property. unless the contractor's operation is too small to do otherwise.

(t) Reporting Results of Inventories

The ~~contracter~~ **Contractor** shall, as a minimum, submit the following to the property administrator promptly after completing the physical inventory:

- (1) A listing that identifies all discrepancies disclosed by a physical inventory.
- (2) A signed statement that physical inventory of all or certain classes of Capital Metro ~~furnished~~ **Property** was completed on a given date and that the official property records were found to be in agreement except for discrepancies reported.

(u) Quantitative and Monetary Control

When requested by Capital Metro, the ~~contracter's~~ **Contractor's** reports of results of physical inventory shall be prepared on a quantitative and monetary basis and segregated by categories of property.

Appendix E – Exhibit J – Attachment 20 of Original Herzog Contract #13766 (dated August 20, 2014)

CapMetro-Owned Parts from Original Herzog Contract:

Total Parts/SKUs	2078
Total Value	\$7,245,564

Warehouse ▾ Item Type ▾ Item Code ▾ Item Description ▾ Stock Condition ▾ Issue Unit ▾ Quantity ▾ Issue Price ▾ Value ▾

(portion omitted to save space – complete Attachment 20 spreadsheet available upon request)

NOPS - North Ops	Signal	48351	Ratchet Wheel Key	New	Each	0.0000	2.4400	0.0000
NOPS - North Ops	Signal	48352	Snap Ring	New	Each	0.0000	2.4400	0.0000
NOPS - North Ops	Signal	48658	Graphite Dry Film Lubricant, Brush-on, 1-Gallon Container	New	Each	0.0000	51.9700	0.0000
NOPS - North Ops	Signal	49038	Buffer Leg Assembly	New	Each	0.0000	57.0000	0.0000
								7,245,563.6113



Account Reconciliation Summary

Fiscal Year	2025
Month	September 2025
Account #	1030151
Account Name	Rail Capital Spare Parts
Natural Balance	Debit
Sources Used to Complete:	1) Inventory snapshot from Infor Hexagon (EAM) 2) Oracle GL details 3) Oracle GL balances
Purpose of Account:	<p>Track inventory for rail spare parts located at 9315 McNeil Road. Spare rail parts were purchased when CapMetro purchased DMU trains.</p> <ul style="list-style-type: none"> - Rail parts can be used by Herzog for repairs if they don't have any on-hand, but must replace CapMetro inventory soon after. If any rail parts are missing after contract ends, Herzog must pay CapMetro for those parts. - No usage is reported monthly. - The last complete inventory count was done 9/20/2023 with Christina Palermo and Michele Tran from Finance. - Sample count was done 10/24/2024 with Finance, CapMetro Rail Ops, and Herzog team members. See tab YE Count for results.
Reconciliation Total	\$2,552,439.06
General Ledger Balance	\$2,552,439.06
Diff	\$0.00 (should be zero)



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2025-1713

Agenda Date: 1/14/2026

Executive Finance, Audit and Administration Update - January 2026

Update on financial performance, FY2027 Budget processes, and FY2025 Performance Review Cycle.