



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

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, June 10, 2026**

**10:00 AM**

**Rosa Parks Boardroom**

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This meeting will be livestreamed at [capmetrotx.legistar.com](http://capmetrotx.legistar.com)

**I. Call to Order**

**II. Public Comment**

**III. Action Items**

1. Approval of minutes from the May 6, 2026 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 DLT Solutions for Oracle Fusion Financials and Human Capital Management (HCM) Oracle Customer Success Services (CSS) renewal, with a base term of one (1) year and three (3) option years, for \$4,575,206, plus a \$500,000 contingency, for a total amount not to exceed \$5,075,206.

**IV. Presentations**

1. Internal Audit FY26 Plan Status - June 2026
2. Semi-Annual Follow-up on Open Audit Report Recommendations
3. Internal Audit Spring Intern Projects: Bus Operations Standard Operating Procedures; Fare Revenue Mapping and RACI Chart; Cashless Transactions Processes & Reconciliation; and Outsourced Treasury Controls

**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](mailto:ed.easton@capmetro.org) if you need more information.*

*Committee Members: Matt Harriss, Chair; Becki Ross, Dianne Bangle and Jeffrey Travillion.*

*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

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Finance, Audit and Administration Committee  
**Agenda Date:** 6/10/2026

**Item #:** AI-2026-1837

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Approval of minutes from the May 6, 2026 Finance, Audit and Administration Committee meeting.



**Minutes**  
**Capital Metropolitan**  
**Transportation Authority**  
**Finance, Audit and Administration**  
**Committee**

2910 East 5th Street  
Austin, TX 78702

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Wednesday, May 6, 2026

11:00 AM

Rosa Parks Boardroom

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**I. Call to Order**

11:05 a.m. Meeting Called to Order

<b>Present</b>	Becki Ross, Matt Harriss, and Dianne Bangle
<b>Absent</b>	Jeffrey Travillion

**II. Public Comment**

Zenobia Joseph provided public comment.

**III. Action Items**

1. Approval of minutes from the March 11, 2026 Finance, Audit and Administration Committee meeting.

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

**Aye:** Ross, Harriss, and Bangle

2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a Memorandum of Understanding with the City of Round Rock authorizing Round Rock to be a Direct Recipient of a suballocation of the Austin Urbanized Area's FY2027 and FY2028 Federal Section 5307 and 5339(a) funds.

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 5/18/2026. The motion carried by the following vote:

**Aye:** Ross, Harriss, and Bangle

**IV. Presentations**

1. FY2026 Financial Report March 2026
2. Internal Audit Report - Fuel Inventory Controls

3. Internal Audit FY26 Plan Status - May 2026
4. Executive Finance, Audit and Administration Update - May 2026  
*Update on FY2025 Annual Comprehensive Financial Report (Financial Audit), CapMetro's Employee Engagement Survey, and FY2026 Q2 Performance.*  
  
Memo: Q2 Fiscal Year 2026 Performance Update - April 29, 2026.

**V. Items for Future Discussion**

**VI. Adjournment**

11:53 a.m. Meeting Adjourned

**ADA Compliance**

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*Committee Members: Matt Harriss, Chair; Becki Ross, Dianne Bangle and Jeffrey Travillion.*

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Finance, Audit and Administration Committee  
**Agenda Date:** 6/10/2026

**Item #:** AI-2026-1760

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**SUBJECT:**

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with DLT Solutions for Oracle Fusion Financials and Human Capital Management (HCM) Oracle Customer Success Services (CSS) renewal, with a base term of one (1) year and three (3) option years, for \$4,575,206, plus a \$500,000 contingency, for a total amount not to exceed \$5,075,206.

**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:** As part of our strategic commitment to fiscal responsibility and operational transparency, continuing with Oracle Managed Services for our Oracle Fusion platform ensures clear visibility into service performance, and improves governance over system operations and expenditures. This supports our long-term objective to optimize IT investments, enhance financial oversight, and deliver reliable, high-quality services that meet the evolving needs of the organization.

**BUSINESS CASE:** Engaging Oracle Managed Services for Oracle Fusion Applications enables CapMetro to maximize the return on Oracle fusion investment. This strategic move aligns our support model directly with the software creator, ensuring deeper platform expertise, faster access to updates and innovations, and more seamless integration across the Oracle ecosystem. Oracle’s direct oversight enhances accountability, reduces complexity in support escalations, and improves our ability to stay ahead of compliance and security standards. This strengthens service quality and system resilience, enabling our internal teams to focus more on transformation and less on day-to-day maintenance, delivering higher value to the business with greater efficiency.

**COMMITTEE RECOMMENDATION:** The item was presented and recommended for approval by the Finance, Audit and Administration Committee on June 10, 2026.

**EXECUTIVE SUMMARY:** CapMetro has successfully implemented multiple modules across Financial Management, Human Capital Management, and Payroll within Oracle Fusion. To ensure ongoing business continuity, optimal system performance, and proactive support, CapMetro is planning to continue its application support to Oracle Managed Services. This move aims to leverage Oracle’s deep platform expertise, streamline issue resolution, and enhance the long-term value and reliability of the Fusion environment.

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

**PROCUREMENT:** CapMetro will utilize the OMNIA Partners cooperative, Contract No. R240201, held by DLT Solutions for Oracle Products and Services, to provide Oracle Managed Customer Success Services in support of our Oracle Enterprise Resource Planning (ERP) system.

OMNIA Partners 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 OMNIA Partners contracts satisfy otherwise applicable competitive bidding requirements.

Pricing for Oracle Managed Customer Success Services was determined to be fair & reasonable by the OMNIA Partners organization during its solicitation and award process. The following is DLT Solutions not to exceed pricing for Oracle Managed Customer Success Services for one (1) base year and three (3) option years with contingency:

<b>DESCRIPTION</b>	<b>Not to Exceed Price</b>
Base Period - Oracle Managed Customer Success Services	\$1,100,897
Option Period 1 - Oracle Managed Customer Success Services	\$1,128,935
Option Period 2 - Oracle Managed Customer Success Services	\$1,157,814
Option Period 3 - Oracle Managed Customer Success Services	\$1,187,560
Contingency:	\$500,000
<b>Grand Total - Base, Options &amp; Contingency:</b>	<b>\$5,075,206</b>

The contract is a fixed price contract.

**RESPONSIBLE DEPARTMENT:** Information Technology

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2026-1760**

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and CapMetro Management recognize the need to continue the support service of Oracle Fusion ERP.

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 DLT Solutions for Oracle Fusion Financials and Human Capital Management (HCM) Oracle Customer Success Services (CSS) renewal, with a base term of one (1) year and three (3) option years, for \$4,575,206, plus a \$500,000 contingency, for a total amount not to exceed \$5,075,206.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
**Secretary of the Board  
Becki Ross**



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee  
**Agenda Date:** 6/10/2026

**Item #:** AI-2026-1841

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Internal Audit FY26 Plan Status - June 2026

# FY26 INTERNAL AUDIT PLAN

## Department Scorecard

Projects	Status & % Complete	Additional Details
<b>FAA COMMITTEE &amp; INTERNAL AUDIT CHARTER COMPLIANCE</b>		
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	Completed	February
3 Semi-annual Implementation Status Report - May 2026	Completed	June
4 Quarterly - Implementation Status of Miscellaneous Revenue recommendations	In Process	Sept/Feb/Sept
5 FY2026 Risk Assessment & development of FY27 Audit Plan	In Process	September
<b>FY26 Audit Assurance &amp; Advisory Projects</b>		
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	July/Aug
10 Fuel Inventory Controls (Unleaded, Diesel, & Red Diesel)	Completed	May
11 Brinks Contract and Outsourced Treasury Controls (UT Interns - Spring)	Completed	June
12 Keolis - Bus Maintenance & Training (UT Interns - Fall)	Completed	March
13 MTM - Demand Response Maintenance & Training (UT Interns - Fall)	Completed	March
14 Automation of Bus Incident/Accident Reporting (TrackIt System)		
15 CLS System for Right of Way License Contracts (Completeness & Accuracy)	Draft Report	June/July
16 Bus Charging Infrastructure & EV Program	In Process	
17 UMO Contract (e-Tickets) & Administrative Fees (UT Interns - Spring)	Completed	June
18 Real Estate - Life Cycle Management & Controls		
19 Safety Mgt System (SMS) - Safety Promotion via Competencies & Training	In Process	July
20 NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2024 baseline	In Process	July/Aug
21 Annual Cybersecurity Review (Verizon Penetration Test)	Draft Report	
22 CISA Tabletop Exercise (Ransomware Attack)	In Process	July/Aug

**NEW PROJECTS ADDED TO FY26 AUDIT PLAN by Terry Follmer**

1 Quadrennial Performance Report - Tracker until Completed	Completed	February
2 FTA Triennial - closure on one remaining deficiency (Paratransit Vehicle Award Reporting form)	Completed	January
3 Revenue Mapping/RACI Chart (Transit Store & Revenue Team) - UT Interns	Completed	June
4 Bus Operations RACI Chart (Pull Out; Critical Incidents; Lost Time) - UT Interns	Completed	June
5 Rail RFP - Observation on Selection Process	Completed	May
6 Procurement Processes - Flowchart	In Process	July



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee  
**Agenda Date:** 6/10/2026

**Item #:** AI-2026-1842

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Semi-Annual Follow-up on Open Audit Report Recommendations

# CapMetro

## SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS May 2026 (26-16A)

Terry Follmer, Chief Audit Executive

**Distribution List:**

CapMetro Board of Directors  
Dottie Watkins, President and CEO  
Kerri Butcher, Deputy CEO  
Cheyenne Conyer, Chief of Staff  
Donna Simmons, Chief Administrative Officer/EEO Officer  
Sharmila Mukherjee, EVP, Chief Strategic Planning & Development  
Gardner Tabon, EVP, Chief Safety Officer  
Dave Kubicek, EVP Capital Construction, Engineering and Design  
Samantha Baez, EVP, Chief Engagement Experience Officer  
Kevin Conlan, EVP, Chief Financial & Risk Officer  
Andrew Skabowski, EVP, Chief Operating Officer  
Tanya Acevedo, SVP, Chief Information Officer  
Muriel Friday, VP of Rail  
Art Jackson, VP of Demand Response  
Michele Stiehler, VP of Bus Operations & Maintenance Oversight  
Kenneth Cartwright, VP of Facilities and Capital Construction  
Jeffery Hill, VP of Facilities Management  
Nadia Nahvi, Controller  
Muhammad Abdullah, VP of Procurement & Chief Contracting Officer  
Chester Soares, Director, Enterprise Application and Data Services  
Nikki Hawk, Interim VP, People & Culture  
Ben Hodges, Accounting Manager  
Jonathan Tanzer, Director, IT Product Management  
Daryl Weinberg, Transit System Architect

### **Executive Summary**

As part of our annual Audit Plan approved by the Capital Metro Board, we conducted the semi-annual status advisory review of all open audit recommendations as of May 20, 2026. The follow-up included 8 audit reports with a total of 33 findings and 103 recommendations. The audit objective and conclusion on the implementation of the corrective action plans follows.

### **Audit Objective & Scope**

The objective of this advisory was to determine whether Management has successfully implemented action plans in response to the recommendations provided in internal audit reports. To monitor the disposition of audit recommendations, the Internal Audit Department conducts two follow-up (semi-annual) audits per fiscal year (May and November). This report reflects the status as of May 20, 2026, for the outstanding Corrective Action Plans (CAPs) resulting from internal audit projects.

### **Conclusion on Corrective Action Plans**

We followed up on 33 findings with 103 recommendations from 8 different audit reports and have concluded that 43 recommendations remain open, and Management has made reasonable progress in implementing action plans to open recommendations listed as "In Process of Being Implemented." Many of the remaining open action plans are partially to significantly completed with additional work tied to complex systems implementations/integrations and/or significant policy and procedure revisions. Here are hyperlinks to the [Summary of the Implementation Status on Open Recommendations](#) and a [Detailed Status by Project and Recommendation](#).

In our opinion, Management has made reasonable progress in implementing the recommendations and open Corrective Action Plans. Additional details related to all open recommendations can be found in Appendix A – including the individual original Audit Recommendations, open Corrective Action Plan status, and Target Completion Dates.

This advisory project was conducted by the following staff members in the Capital Metro Internal Audit Department:

Christine Joy Fatima Dy, Internal Auditor  
Valerie Carson, Senior Internal Auditor  
Terry Follmer, Chief Audit Executive

We want to thank Management for their support and satisfactory progress in implementing the open corrective action plans.

**Summary Implementation Status of Open Recommendations and Progress**

The table below provides the summary implementation status for audit reports with open recommendations as of May 2026, with footnotes below indicating the summary of progress that management has made to date on key projects. Additional details on the progress on individual recommendations for each project are included in [Appendix A – Details of Open Audit Recommendations](#).

<b>Table 1: Summary Implementation Status of Recommendations</b>														
Project #	Report Date	Report Name	Total Audit Findings	Total Audit Recommendations	Implemented as Recommended			Open Recommendations In Process of Being Implemented			Rejected - Management Has Accepted the Risk			% Action Plan Implemented
					H	M	L	H	M	L	H	M	L	
21-09	12/1/2021	Transit Store and Ticket Controls Audit	6	23	0	19	0	0	4	0	0	0	0	82.61%
23-12	5/31/2024	Hexagon - Post Implementation Review	5	12	0	5	3	0	1	3	0	0	0	66.67%
24-12	12/18/2024	McKalla Station Capital Project Controls	5	12	0	3	4	0	5	0	0	0	0	58.33%
24-08	1/15/2025	CLS Order System ROW Revenue Audit	6	18	0	6	0	0	10	2	0	0	0	33.33%
24-10	7/22/2025	UHC Eligibility KPIs and Payment Controls	2	4	0	2	1	0	0	1	0	0	0	75.00%
25-16	10/22/2025	Inventory Controls Bus Parts	4	15	0	9	0	0	6	0	0	0	0	60.00%
25-17	11/25/2025	Inventory Controls Demand Response Parts	2	9	0	3	0	0	6	0	0	0	0	33.33%
25-18	12/17/2025	Inventory Controls Rail Parts	3	10	0	5	0	0	5	0	0	0	0	50.00%
<b>TOTAL:</b>			<b>33</b>	<b>103</b>	<b>0</b>	<b>52</b>	<b>8</b>	<b>0</b>	<b>37</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58.25%</b>
					<b>60</b>			<b>43</b>			<b>0</b>			

**Footnotes detailing progress on selected reports listed above:**

**1 – 23-12: Hexagon Post-Implementation Review:** A new parts cross-functional working group (including Ops Bus/Rail/DR, IT and Accounting) has been formed which is providing new guidance on Hexagon asset lifecycle management processes, cross-referencing between the Hexagon and Oracle systems, and developing SOPs to address minimum required fields for asset classes and inventory counts, etc. A Hexagon user survey is planned to be re-run in May 2027.

**2 – 24-08: CLS Order System ROW Revenue:** Significant progress has been made following areas: 1) planned replacement of the CLS system with a Tyler Technologies solution go live of 11/19/2026 to improve functionality and interface to Oracle; 2) improved collections policies and processes; 3) identify and correct non-compliant/unauthorized infrastructures on CapMetro’s ROW; 4) address unapproved RWIC overtime and hours billed beyond those prepaid by customers; 5) update ROW SOPs; and 6) establish a process for collecting COI updates as licenses are renewed annually.

**Risk Rating Definitions**

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

<b>Rating</b>	<b>Issues identified</b>	<b>Action required</b>
<b>HIGH</b>	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.
<b>MEDIUM</b>	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.
<b>LOW</b>	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
6. Evidence of potential fraud, waste, or abuse
7. Significant control environment issues
8. Little to no corrective action for issues previously identified

Auditors also identified and considered other factors when appropriate.

## APPENDIX A – DETAILS OF OPEN AUDIT RECOMMENDATIONS

### **Prior Recommendations and Audit Results**

As required by the Institute of Internal Auditors' International Professional Practices Framework, we have reviewed all open audit recommendations. Based on our review, we identified 22 open findings. Detailed below are the open (as well as closed as of this follow-up cycle) findings and recommendations, along with the name of the audit report, report date, the original recommendations, and Management's updated target completion dates and comments.

### **21-09 TRANSIT STORE AND TICKET CONTROLS AUDIT (12/1/2021 Report Issued with 6 Findings and 23 Recommendations)**

#### **RECOMMENDATION 5 – Define E-Ticket Policies, Procedures, and Responsibilities** MEDIUM

The Controller and Cash Operations Manager should consider the following improvements:

- a) Develop an E-ticket policy defining the roles and responsibilities related to e-tickets in the Bytemark system.
- b) Develop SOPs defining the roles and responsibilities of the employees with administrative access to the Bytemark system to ensure only required employees have that level of access.
- c) Update the job descriptions to support the procedures outlined in sections a and b.

**OPEN ACTION PLANS:** Management agreed with the recommendation above.

#### **Management's Updated Target Completion Date & Comments:**

Recommendations A and B: June 30, 2026

Recommendation C: CLOSED

#### **Detailed Actions/Comments:**

Job descriptions have been updated in the system. SOPs have been drafted and are currently pending approval.

#### **RECOMMENDATION 6 – Develop SOP for Each Type of Ticket and Distribution Method** MEDIUM

The Controller, Manager of Cash Operations, and the Manager of Accounting & Revenue should consider implementing the following improvements:

- a) Develop Standard Operating Procedures for the following ticket types:
  1. General Fare Tickets
  2. Consigned Inventory
  3. Returned Tickets
  4. Stored Value Cards
  5. Free Passes
  6. Discount Pass Program
  7. MetroWorks
  8. Ticket Vending Machines
  9. Mobile App
  10. Family Passes
  11. Web Portal
  12. AMP Card
- b) Develop and define responsibilities for the Square system (point-of-sale) and Flowbird system (TVMs).

- c) Update employee job descriptions to ensure key ticket and system controls have been assigned and defined.

**OPEN ACTION PLANS:** Management agreed with the recommendation above.

**Management's Updated Target Completion Date & Comments:**

Recommendations A and B: June 30, 2026

Recommendation C: CLOSED

**Detailed Actions/Comments:**

Job descriptions have been updated in the system. Many SOPS are completed and are currently pending approval while the rest are being further developed and are expected to be completed in early June. With the new UMO system and Flowbird, some ticket types were phased out.

**23-12 HEXAGON - POST IMPLEMENTATION REVIEW (05/31/2024 Report Issued with 5 Findings and 12 Recommendations)**

**RECOMMENDATION 1 – Facility Assets with Missing Preventive Maintenance Programs** **MEDIUM**

The COO and EVP of Capital Construction, Engineering and Design should marshal internal/external resources to take action on:

- a) Physical inventory of facility equipment and update Hexagon and Oracle records based upon this review.
- b) Establish written criteria (e.g. value; life cycle remaining; etc.) for facility assets that should be included in the PM program and then update/create PM's for assets accordingly.
- c) Ensure asset tags and ID #s are in place and cross-referenced between the Hexagon and Oracle systems based upon the capitalization policy.
- d) Identify required fields to be captured in Hexagon and document in procedure guides, etc. so that the system prompts staff to provide required key information.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:**

Recommendations A, C & D: CLOSED

Recommendation B: August 2026

**Detailed Actions/Comments:**

Recommendation B: Facilities Management is working on an integrated PMI plan with assistance from a dedicated Data Analyst and improved coordination with Keolis. PMIs are being defined based on Asset Classes (parent vs. child assets) and the Classes are based on asset criticality, value, estimated useful life expectancy, and maintenance needs.

- New assets will have PMI plans put in place upon entry into the Hexagon EAM system based on expected life of the asset and preventive maintenance requirements. Management is proactively setting asset life expectancies for planning and budgeting purposes – if an asset is still functional at the end of its initial estimated life, they will extend in EAM to reflect revised end of life (EOL) date and coordinate with Finance.
- For legacy assets (a small population of total current assets), management will not be going back to fill in empty fields unless they still have a considerable remaining useful life, and asset tags will not be added – because the costs of doing so outweigh the benefits.

The focus is on ensuring that new assets are being created correctly. The PM program is undergoing a complete overhaul with focus on data validation. Management hasn't changed the depreciable life expectancy yet because it will impact State of Good Repair (SOGR) and financial capital budget forecasting/planning and it requires coordination across the Facilities, CCED and Finance departments.

**RECOMMENDATION 5 – Update Policies and Procedures** **LOW**

The COO, CFO and EVP of Capital Construction, Engineering and Design should document, communicate, monitor, and update policies and procedures for all assets (i.e. rolling stock, fixed assets, parts) in Hexagon and Oracle systems that covers the following activities:

- a) Additions/Disposals/Consumption/Adjustments and related recordkeeping in Hexagon and Oracle.

- b) Physical Inventories & Cycle Counts - documented process covering when; how; frequency; who; what forms to use; “blind count” or known count; how to reconcile; when a second count is required; who must approve adjustments based upon materiality; segregation of duties between counter, reconciler, approver and adjuster in Hexagon and Oracle; etc.
- c) Hexagon to Oracle Reconciliations - Automated and/or manual reconciliations between assets (i.e. fixed assets, vehicles, parts, etc.) in Hexagon and Oracle. The separate asset #s used in the two systems should be reconciled including certain critical fields (e.g. date, asset description, value, etc.).
- d) Management Reporting related to the items listed above.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management’s Target Completion Date:**

Recommendation B: CLOSED

Recommendations A, C & D: 12/1/2026

**Detailed Actions/Comments:**

This recommendation is related to recommendation 3 above regarding aligning SOPs with FTA requirements/industry best practices and encompasses all assets (not just parts). Facilities is currently piloting a process for integrating PMI and inventory count processes. Collaboration across departments is ongoing to define and refine business processes surrounding inventory management and provide actionable EAM system requirements.

Note: Recommendation 5B has been closed due to the recent FY2025 parts inventory controls audit reports, pending follow-ups on those audit reports, and related cross-departmental working group efforts.

**24-12 MCKALLA STATION – CAPITAL PROJECT CONTROLS (12/18/2024 Report Issued with 5 Findings and 12 Recommendations)**

**RECOMMENDATION 2 - Construction Capitalization Process** MEDIUM

Internal Audit recommends that the Controller and the VP of Facilities Management & Capital Construction should consider the following improvements:

- a) Define and develop SOPs for construction processes to ensure CPG and Accounting Departments are getting timely and appropriate information to ensure capitalization records in both Hexagon and Oracle systems can be properly updated. From here, develop Policies and SOP's that codify the process and ensure appropriate staff within CPG and Accounting are trained and understand how their activities support each other.
- b) Periodic meetings (e.g. monthly and/or quarterly) should be scheduled between CPG and Accounting to ensure proper communication and coordination of projects.
- c) The monthly PlanView Upcoming Go-Live report should be updated to include a field that captures the actual project percentage of completion.
- d) Capitalized assets in Hexagon should be reconciled to Oracle asset records monthly. Any unexpected differences should be investigated and adjusted in Hexagon and/or Oracle.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Dates:**

TAM SOP: October 2026

FIN-104: October 2026

FIN-105: Revisit in October 2026

**Detailed Actions/Comments:**

Recommendation A: Finance has been working with Capital Construction and Transit Asset Management on these SOPs. Two of these SOPs (TAM & FIN-104) are related, so they will be reviewed as a whole and implemented around the same time.

- The Transit Asset Management (TAM) SOP is in final stages of review/input from Project Management before circulation to management for final review.
- FIN-104 SOP is underway.
- FIN-105 is related to capitalization of labor associated with capital projects. Our external audit firm has previously discouraged its use due to the complexities of and detailed record-keeping requirements for accurately allocating overhead to projects for staff who do not directly perform physical tasks related to the capital project assets being placed in service (e.g., Project Manager time). This will be revisited at a later time.

Recommendations B, C, and D: CLOSED. Management is evaluating additional process and/or technology improvements beyond the audit recommendations.

**RECOMMENDATION 3 - Capitalization Policies Require Updates and SOPs are Needed**

MEDIUM

Internal Audit recommends that the Controller consider the following improvements:

- a) Updating FIN-104 and FIN-105 to reflect current accounting requirements, practices, and document form hyperlinks. The policy should include basic definitions of assets to guide

- users outside the Finance department. Instructions should be communicated with other departments to ensure that all parties are aware of and understand the requirements.
- b) Identify and document the relevant accounting standards to be used and incorporated into the Finance policies.
  - c) Develop SOPs and procedures documents for the capitalization process which will define the expectations for all parties to follow to ensure items are properly categorized.
  - d) Determine whether the forms (FIN2, FIN5, FIN6) are still necessary for documenting assets and if so, update the fixed assets forms to correspond to the current Hexagon EAM fixed assets system.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Dates:**

FIN-104: October 2026

FIN-105: Revisit in October 2026

**Detailed Actions/Comments:**

FIN-104 (Fixed Asset Capitalization-Disposal Policy) & FIN-105 (Capitalization of Labor on Capital Projects) and related more detailed SOPs are still a work in process. Implementation is tied to the TAM SOP which is being worked in Action Plan 2 above.

**24-08 CLS ORDER SYSTEM RAILROAD RIGHT-OF-WAY, RWIC, PERMITS & LICENSES (01/15/2025 Report Issued with 6 Findings and 18 Recommendations)**

**RECOMMENDATION 1-Missing Interfaces Between Systems Require Manual Workarounds**

**MEDIUM**

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:

- a) New ROW Orders - 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.
- b) New ROW Customers - 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.
- c) Prepaid RWIC Hours – 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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management’s Target Completion Date:** November 19, 2026

**Detailed Actions/Comments:**

Management has extending the existing CLS contract and is working to replace CLS with Tyler Technologies. The new system will go live in mid-November. The audit recommendations above have been considered in the requirements for the replacement system. The plan is to have major features replaced by June 2026 and a complete system replacement by June 2027.

**RECOMMENDATION 2 – Controls Over Delinquent Receivables Require Improvement**

**MEDIUM**

Internal Audit recommends that management consider the following:

- 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.
- 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.
- c) The CFO and Controller should consider charging the 5% fee for late payments as defined in the

- customer license agreement.
- 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.
  - 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.
  - f) The CFO, Controller and Director of Revenue & Fares should consider implementation of the Oracle Collections module.
  - 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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Dates:**

Recommendations A, C, & D: 12/31/2026

Recommendation B, E, F, & G: CLOSED

**Detailed Actions/Comments:**

Recommendation A: FIN 109 was updated and approved and covered many of these processes. Processes for late fees and establishing customer credit evaluation and limits and SOPs will be defined and tested by December 31, 2026.

Recommendation C: Further discussion will be had to determine whether to charge the 5% fee after further research and benchmarking is done.

Recommendation D: Legal, Real Estate and Finance have been looking at including the collections information on license agreements and invoices and have updated legal templates, but additional work will be completed.

Recommendations B, E, F & G: CLOSED due to FIN-109 updates, management's decision to delay Oracle Collections module implementation, and lack of funding for a third-party consulting firm.

**RECOMMENDATION 3 – Herzog Has Charged RWIC Overtime Not in Compliance with the Contract** **MEDIUM**

Internal Audit recommends that the VP of Rail consider the following actions:

- 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.
- 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).

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management's Target Completion Date:** November 1, 2026

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**Detailed Actions/Comments:**

Recommendation A: CLOSED: Only Mod56 of the Herzog contract allows for overtime billing for two employees, and no overtime hours can be worked without the prior approval of the Rail Maintenance of Way Bridges and Structural Engineering Program Manager. RWIC reported hours are tracked monthly.

Recommendation B: The Vice President of Rail sent a non-compliance memo re: Improper Billing of RWIC Overtime Charges (total of \$27,477.50, which is 50% of the original non-compliance amount as agreed upon by management) to the Herzog General Manager on 9/18/2025. Per this memo, Herzog is to reply to CapMetro with: 1) a corrective action plan for restricting future unapproved overtime; and 2) a plan for credit or reimbursement of all identified overcharges.

**RECOMMENDATION 4 – RWIC Hours Worked by Herzog Exceeded Hours Prepaid by Customers** **LOW**

Internal Audit recommends that Management consider the following actions to reconcile RWIC hours:

- 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.
- 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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.  
**Management’s Target Completion Date:** November 1, 2026

**Detailed Actions/Comments:**

The current process is that the Rail Project Manager reviews the hours worked, and anything exceeding prepaid amounts is rejected until a new request and prepayment is received, but a monthly billing reconciliation process to catch any discrepancies is not occurring. A prior monthly billing reconciliation procedure document (from 2020) already exists and is in the process of being updated to reflect the Oracle system and current roles and practices. The process that disallows any work that exceeds prepaid hours should also be included in this revision.

**RECOMMENDATION 5 – Real Estate ROW Standard Operating Procedures Have Not Been Updated** **MEDIUM**

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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.  
**Management’s Target Completion Date and Comments:** October 2026

**Detailed Actions/Comments:**

SOPs, including desktop procedures, will be updated to be consistent with the Oracle system and to formalize any approved exceptions to the standard procedures.

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**RECOMMENDATION 6 – Certificates of Insurance (COIs) Are Not Obtained for Recurring Annual License Agreements** **MEDIUM**

Internal Audit recommends that the Director of Real Estate & ROW consider the following:

- 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 COIs and/or have deficiencies in the insurance limits provided.
- 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.
- 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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management’s Target Completion Date:** October 31, 2026

**Detailed Actions/Comments:**

Recommendation A: Additional discussions are needed between Real Estate, Legal, and Risk Management on COI update management, related responsibilities (including reviewing minimum insurance requirements on older license agreements, which may no longer be sufficient), and available resources and/or use of technology for assistance. Real Estate management believes licensees are liable regardless of their insurance coverage status, but it has been suggested that adding a COI renewal reminder to annual license fee invoices could be helpful and assist in our due diligence.

Recommendation B: **CLOSED:** Real Estate Management worked with Marketing to add COI requirements to the CapMetro website.

Recommendation C: Real Estate has created a shared central email address to have Licensees send in their COIs. The plan is to focus on revenue customers. Real Estate will run a report from CLS to identify customers that are past due and have those customers send their COI renewals to the shared email box. Risk Management will verify the insurer ratings and Real Estate will load the COIs into CLS. Real Estate is looking to hire a temporary resource to assist.

**24-10 UHC ELIGIBILITY KPIs and PROJECT CONTROLS (07/22/2025 Report Issued with 2 Findings and 4 Recommendations)**

**RECOMMENDATION 2 – UHC KPIs, Incentives, Penalties and Adjudication Audit** **LOW**

Internal Audit recommends that Management consider the following:

- a) The VP of People & Culture and Director of Total Rewards should consider assigning the responsibility for review and enforcement of the performance guarantees detailed in the contract with United Healthcare.
- b) The VP of People & Culture and Director of Total Rewards should consider hiring a third-party firm to perform an adjudication audit to ensure the accuracy of claims processed and evaluate overall performance against industry standards and contractual performance guarantees.

**OPEN ACTION PLANS:**

Recommendation A: Management agrees with the recommendation to regularly review performance guarantees and has developed the action plan below.

Recommendation B: Management does not agree with hiring a third-party audit firm to perform an adjudication audit. The associated risks do not justify the high cost of such an audit.

**Management’s Target Completion Date:**

Recommendation A: June 2026

Recommendation B: CLOSED

**Detailed Actions/Comments:**

Management will provide 2025 data on performance guarantees to the Self-Insurance Board of Trustees and will review on an annual basis beginning in June 2026.

**25-16 INVENTORY CONTROLS BUS PARTS (10/22/2025 Report Issued with 4 Findings and 15 Recommendations)**

**RECOMMENDATION 1. Cycle Counts - Establish Baseline & Set Target Goals for Keolis** **MEDIUM**

The Superintendent of Bus Parts & Inventory should consider implementing the following cycle count enhancements using Power BI:

- a) Establish Baseline - using historical cycle count results from the last 12 months for the following areas: 67.8% of SKU's cycle counted annually; 24.5% of cycle counts that had differences; for unit count adjustments, the 13.2% that was a negative adjustment (missing parts) versus 11.2% a positive adjustment;
- b) Set Target Goals for Keolis - measure cycle count actual performance against goals and historical baseline.
- c) Periodic Reporting - Periodic reporting (Monthly/Qtrly) to Keolis and CapMetro management showing actual cycle count results against target goals and historical baseline.
- d) Inventory Data Analyst role- Management would benefit from establishing a dedicated Inventory Data Analyst to oversee stock takes, cycle counts, and data integrity. This role would strengthen accuracy of inventory records, provide timely variance analysis, and allow parts managers to focus on operational responsibilities, supporting more effective inventory control.
- e) Develop a systematic solution within Hexagon to differentiate true inventory stock takes from all other stock adjustments.

**OPEN ACTION PLANS:** Management agrees and has implemented the action plans.

**Target Completion Date:**

Recommendations A-E: CLOSED

**Detailed Actions/Comments:**

Established baseline and goal of 100% in place. Cycle count results are reported weekly. Management currently has someone from EAM team in Inventory Data Analyst Role, but they are looking for more support. IA was able to review physical inventory adjustments in Hexagon and confirm differentiation.

**RECOMMENDATION 2. Keolis Contract - Inventory Parts Requirements & SOPs** **MEDIUM**

The Superintendent of Bus Parts & Inventory should consider implementing the following:

- a) Create a cross-functional working group (Operations, Finance, IT) led by the Superintendent in order to analyze balances and identify process and system improvements in an annual plan with stated goals (e.g. system enhancements; cycle count coverage; Keolis contractual physical inventory requirements; etc.). The group will also develop tools (e.g. exception reports, analysis, etc.) to identify and discuss reasons for any significant changes in inventory and expense balances.
- b) Bus Operations owns the policies and should create and/or update existing policies and procedures related to how/when/who will be responsible for ongoing cycle counts and any physical inventory performed. Finance should participate in changes to SOPs and include a hierarchy of notifications and approvals needed within Operations and Finance management based upon materiality level of the cycle count adjustments.
- c) Evaluate on a cost-benefit basis if it would make sense to bar code inventory locations (e.g. bins) and parts to help automate the cycle counts and Hexagon records.

- d) Add a required justification field for every stock adjustment to separate true discrepancies from input errors and improve accountability.

**OPEN ACTION PLANS:** Management agrees and has implemented the action plans.

**Target Completion Date:**

Recommendations A - D: CLOSED

**Detailed Actions/Comments:** Working Group is meeting monthly; SOPs have been updated; and it has been determined that with the required systematic modifications and add-ons there is no cost-benefit for bar coding at this time. Internal Audit reviewed Hexagon report to confirm that a required justification field was in place.

**RECOMMENDATION 3. Purchase to Pay Cycle - Missing Three-Way Match** MEDIUM

The COO, CFO, and CIO should consider implementing the following business process improvements to the Oracle and Hexagon systems related to the Purchase to Pay process and 3-Way Match:

- a) Investigate opportunities to improve automation of data transmissions (EDI/API/FTP) communications in Oracle with the vendors who already have such data communication capabilities. This will allow for real-time status updates on PO's (e.g. shipping and delivery details) as well remove the need to manually scan Invoices since these documents will be received via automation.
- b) Develop two-way interface between Hexagon and Oracle for all order details which will then allow for an automated 3-Way Match for most transactions, and the remainder and any differences can be manually investigated and resolved.
- c) Until a) and b) above are implemented, Operations should send original receiving documents (Bill of Lading and/or Packing Slips) to the Accounts Payable team who will digitize the receiving evidence and save to the respective PO in the Oracle system. This will eliminate the need for Operations to scan each receiving document and email to A/P Department.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Target Completion Date:**

Recommendations A - B: Unknown at this time and require further research to determine best solution to be chosen.

Recommendation C: This requires further research because A/P has been working remotely, so it is not clear how a copy of these documents would be attached to the invoices in Oracle. Current email communications are not being saved by A/P into Oracle.

**Detailed Actions/Comments:**

Working group will continue to meet to discuss and research these items.

**RECOMMENDATION 4. Oracle General Ledger & Meaningful Reporting** MEDIUM

The COO, CFO and CIO should consider the following steps to help identify and improve the Oracle general ledger to provide more meaningful reporting and analysis:

- a) Perform further benchmarking of CapMetro's Oracle system, chart of accounts and reporting against other relevant transit agencies to identify accounts and reports that will better support bus operations.
- b) Use the benchmarking and inputs from CapMetro management to help identify

- needed changes, and capital project plan with target completion dates.
- c) New Working Group (Operations, Finance, IT) from recommendations (2) above will develop a plan to perform the following: i) Categorize the 14,800 SKU's within Hexagon; ii) map these new Hexagon categories to the to-be-determined new Oracle chart of accounts.

**OPEN ACTION PLANS:**

Recommendations A – C: The working group will create a Plan to address these recommendations and target dates will be provided in the future.

**Target Completion Date:**

Recommendations A – C: March 1, 2027

**Detailed Actions/Comments:**

Working group will continue to meet to discuss and research these items.

**25-17 INVENTORY CONTROLS DEMAND RESPONSE PARTS (11/25/25 Report Issued with 2 Findings and 9 Recommendations)**

**RECOMMENDATION 1. Cycle Counts - Establish Baseline & Set Target Goals for MTM & CapMetro**

**MEDIUM**

The Superintendent of Demand Response Maintenance should consider implementing the following cycle count enhancements using Power BI:

- a) Establish Baseline - using historical cycle count results from the last 12 months for the following areas: 79.5% of SKU's cycle counted annually; 44.7% of cycle counts that had differences; for unit count adjustments, 25.8% of that was a negative adjustment (meaning missing parts) versus a 18.9% positive adjustment.
- b) Set Target Goals for MTM & CapMetro - measure cycle count actual performance against goals and historical baseline.
- c) Periodic Reporting - Periodic reporting (Monthly/Quarterly) to MTM and CapMetro management showing actual cycle count results against target goals and historical baseline.
- d) Develop a systematic solution within Hexagon to differentiate true inventory stock takes from all other stock adjustments.

**OPEN ACTION PLANS:**

Management agrees and has developed the action plan below.

Recommendations A - B: CLOSED

Recommendation C: Reporting is already being done on Parts and Inventory KPI tracking sheet for both weekly and Monthly. Further research will be done to evaluate opportunities for automation.

Recommendation D: Management will work with the new cross functional working group on a solution.

**Target Completion Dates:**

Recommendations A - B: CLOSED

Recommendation C: November 2026

Recommendation D: November 2026

**Detailed Actions/Comments:**

Working group will continue to meet to find solutions for Recommendations C and D.

**RECOMMENDATION 2. MTM Contract – Inventory Parts Requirements & SOP's** **MEDIUM**

The Superintendent of Demand Response Maintenance should join the new cross-functional working group (Operations, Finance, IT) led by the Superintendent of Bus Parts, and participate in the following system and business process improvements:

- a) Create and analyze parts balances and identify process and system improvements in an annual plan with stated goals (e.g. system enhancements; cycle count coverage; MTM contractual physical inventory requirements; etc.). The group will also develop tools (e.g. exception reports, analysis, etc.) to identify and discuss reasons for any significant changes in inventory and expense balances.
- b) Demand Response Operations should create and/or update existing policies and procedures related to how/when/who will be responsible for ongoing cycle counts and any physical inventory performed. Finance should participate in changes to SOP's and

- include a hierarchy of notifications and approvals needed within Operations and Finance management based upon materiality level of the cycle count adjustments.
- c) Participate with the new cross functional working group to determine on a cost-benefit basis whether the following automations can be implemented: bar code inventory locations (e.g., bins); automation of data transmissions (EDI/API/FTP) communications in Oracle with the vendors.
  - d) Add a required justification field for every stock adjustment to separate true discrepancies from input errors and improve accountability.
  - e) Participate through the joint working group in potentially updating the Oracle chart of accounts and the roll-up structure of the 1,900 SKU parts from Hexagon EAM into categories which in turn will roll-up into the to be determined new Oracle general ledger chart of accounts. (See Appendixes C & D for chart of accounts examples from DART and METRO.)

**OPEN ACTION PLANS:**

Management agrees and has implemented the action plans below.

Recommendations A, C, D & E: Demand Response (DR) is using the SOPs for Parts and Inventory. DR will participate in the upcoming focus group with all invested departments.

Recommendation B: CLOSED

**Target Completion Dates:**

Recommendations A, C, D & E: October 2026

Recommendation B: CLOSED

**Detailed Actions/Comments:**

DR is using VM SOPs along with their own SOPs for Cycle Counts. Working group will continue to meet to discuss solutions for open recommendations.

**25-18 INVENTORY CONTROLS RAIL PARTS (12/17/2025 Report Issued with 3 Findings and 10 Recommendations)**

**RECOMMENDATION 1. HERZOG – NOT PROPERLY USING HEXAGON EAM SYSTEM** MEDIUM

The VP of Rail should consider the following actions to improve controls:

- a) Develop written procedures for Herzog and conduct training and regular monitoring to ensure Herzog is properly using the Hexagon EAM system.
- b) 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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management’s Target Completion Date:**

Recommendation A: CLOSED

Recommendation B: October 2026

**Detailed Actions/Comments:**

Work on the necessary procurement-related Hexagon updates is ongoing.

**RECOMMENDATION 2. HERZOG – CYCLE COUNT & PHYSICAL INVENTORY CONCERNS** MEDIUM

The VP of Rail should consider the following to help improve the accuracy of parts inventory:

- 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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management’s Target Completion Date:**

Recommendations A, B, C & E: CLOSED

Recommendation D: September 2026

**Detailed Actions/Comments:**

A full physical inventory will be scheduled soon and is being coordinated between Rail Operations and Accounting.

**RECOMMENDATION 3. CO-OWNERSHIP OF RAIL PARTS NEEDS TO BE FURTHER DEFINED** **MEDIUM**

The VP of Rail should consider the following:

- a) 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.
- b) For parts owned by Herzog, use the Hexagon field called “Vendor Owned” to clearly keep track of parts owned by Herzog.
- c) 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.

**OPEN ACTION PLANS:** Management agrees and has developed the action plan below.

**Management’s Target Completion Date:**

Recommendations A, B, & C: November 2026

**Detailed Actions/Comments:**

Given the contractor transition, this is a sensitive topic and an ongoing effort. An informal MOU has been created, but it needs approval from Rail Operations and Herzog management, Procurement, Legal, etc.



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2026-1843

**Agenda Date:** 6/10/2026

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Internal Audit Spring Intern Projects: Bus Operations Standard Operating Procedures; Fare Revenue Mapping and RACI Chart; Cashless Transactions Processes & Reconciliation; and Outsourced Treasury Controls



# UT Interns - Spring 2026 Projects

4 Projects & 11 Students

Summary of Deliverables & Recommendations

6/10/2026 FAA Committee Meeting

# CapMetro – UT Audit Intern Program

- CapMetro joined UT Audit Intern Program in the 2018 Fall semester.
- UT's #1 ranked Masters of Professional Accounting Audit class requires volunteer audit work at about 5 hours per week on assigned projects.
- Course Syllabus Objective: "...introduce students to the current scope of internal auditing that extends far beyond the traditional external audit attestation of financial statements."
- Teams of three students are assigned to each audit project.
- Audit project objectives and deliverables are identified and set at the beginning of the project in the planning stage.
- The audit projects require a combination of auditing skills, business acumen, and consulting and advisory capability.
- UT Audit Interns work under the guidance of the Chief Audit Executive and staff.

# Deliverables from UT Interns

	Process Review	Flowcharting	Contract or Policy Review	AI benchmarking	RACI Chart	SOPs or Revised Forms	Reconciliation or Data Analytics	Presentation with Recommendations
Bus Operations SOPs Pull Out; Pull In; Critical Incidents; Lost Time Mgt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fare Revenue Mapping RACI Chart (Transit Store, Discount Fares & Revenue Teams)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
UMO Contract Cashless Transactions & Reconciliation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brinks Contract Cash Collections & Reconciliations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



# Bus Operations SOP's

The University of Texas at Austin Interns:  
Hanyu Wang (Alex), Amaury Pimentel, Daniel Garcia

Spring 2026

# Project Scope, Objectives & Deliverables

## Project Purpose & Deliverables:

- Process Review & Update SOP's; Flowchart Processes; Data Analytics; Contract & Policy Review; and Develop Recommendations.

## Scope and Process Focus Areas:

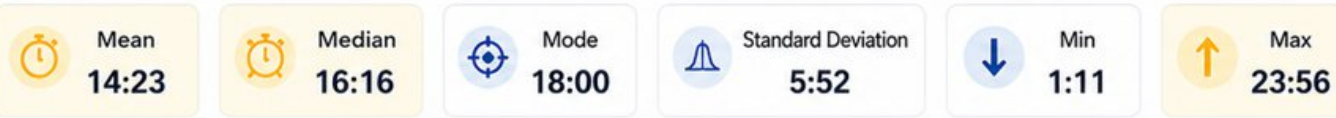
- Pull-Out: the process by which buses are prepared, released, and dispatched from operating facilities to begin scheduled service, involving coordination among Operations, Maintenance, Dispatch, and Yard Supervision.
- Pull-In: the process for receiving buses returning from service, including documentation of vehicle condition, identification of defects or incidents, and communication with Maintenance and Operations staff.
- Critical Incident Management: the process used to identify, escalate, document, and respond to safety-related and operational incidents during revenue service, involving frontline staff, supervisors, operations management, and support functions.
- Lost Time Management: the process for identifying, tracking, classifying, and reporting service delays and lost operating time, used to support operational oversight and performance reporting.

# Operating hours shift duration analysis

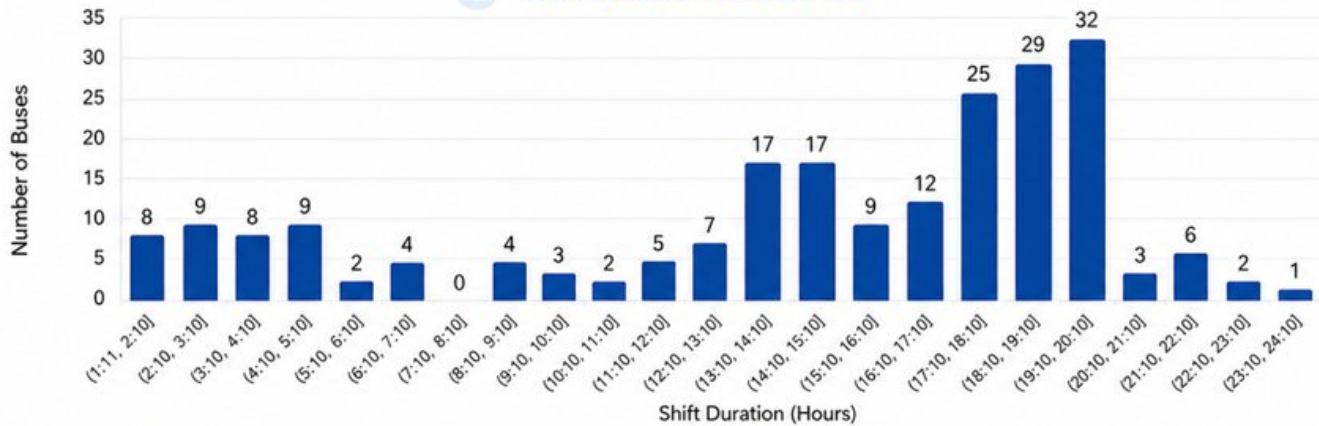
Bus shift length distribution and key delay insights

📍 Operating hours shift ..... | 🕒 3:00 AM | 📅 March 20, 2026 | 🏠 2910

## Bus Shift Statistics



## Shift Duration Distribution



Overall, many buses are being overexerted in their usage. **34% (73/214)** are operating for more than 18 hours.

## Most Common Delay Causes:

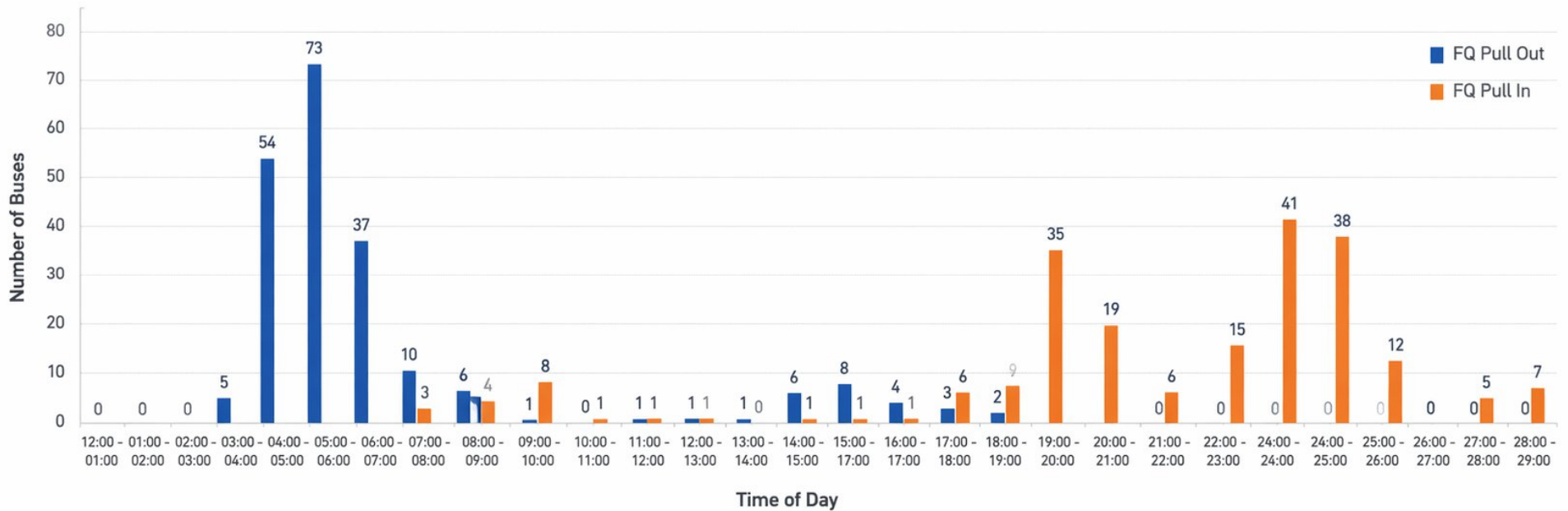
- Vehicle Shortage
- Mechanical Error

Overall, many buses are being overexerted in their usage. In fact, **34% (73/214)** are operating for more than 18 hours.

This is then leading to shortages and unplanned mechanical errors.

# Pull-In Pull-Out Analysis (Scheduled Weekday)

Pull-in and pull-out activity by time of day



**Most Pull Outs occur between 4 - 6 AM**



Overall, this leaves very little time for cleaning and maintenance activities in between



**Pull Ins are less congested. Many occur at 7PM and another wave comes in between 11PM - 1AM**

# Findings & Recommendations

## Observations/Findings:

- 1) Vehicle availability and mechanical issues are a primary driver of service delays.
- 2) Definitions of “critical incidents” and “incidents” are ambiguous and inconsistently applied across Bus Operations.
- 3) Buses do not have assigned parking locations, resulting in operational inefficiencies during pull-out and pull-in.
- 4) Daily bus parking maps are manually prepared.

## Recommendations:

- 1) Recommendation: evaluate maintenance capacity, staffing, and workload to ensure alignment with fleet size and service demands.
- 2) Recommendation: establish organization-wide incident categories with clear definitions for minor, critical, and severe incidents
- 3) Recommendation: implement clearly labeled parking locations or technology-enabled bus location tracking to improve yard efficiency.
- 4) Recommendation: replace manually prepared paper-based parking maps with digital method to improve accuracy and accessibility of information. Look at Geo-fencing the bus yard to allow real time mapping of parking locations.



# Fare Revenue Mapping & RACI Chart

The University of Texas at Austin Interns:  
Jiayi Hu, Tanner Woodruff, & Jonathan Sanchez Pereda

Spring 2026

# Project Scope, Objectives & Deliverables

## Project Purpose and Deliverables:

- Process Review & Create/Update SOP's; Flowchart Processes; RACI Chart; Reconciliation; Policy Review; update Order Delivery Receipt (ODR) form; Fare Media Sales Process Map; and Develop Recommendations

## Scope and Process Focus Areas:

- Transit Store: recently transitioned oversight from Finance to Customer Service Department.
- HEB Consignment Program
- Fare Media Products and account-based system: Reloadable Fare Cards; UMO App; Tap-to-Pay; Metro Access Passes; Discount Fare Passes.
- Discovery and understanding impacts of various changes (e.g. Management Oversight; new account-based systems; upcoming new fareboxes and validators; etc.

# Fare Media Types by Sales Channels & Order Systems

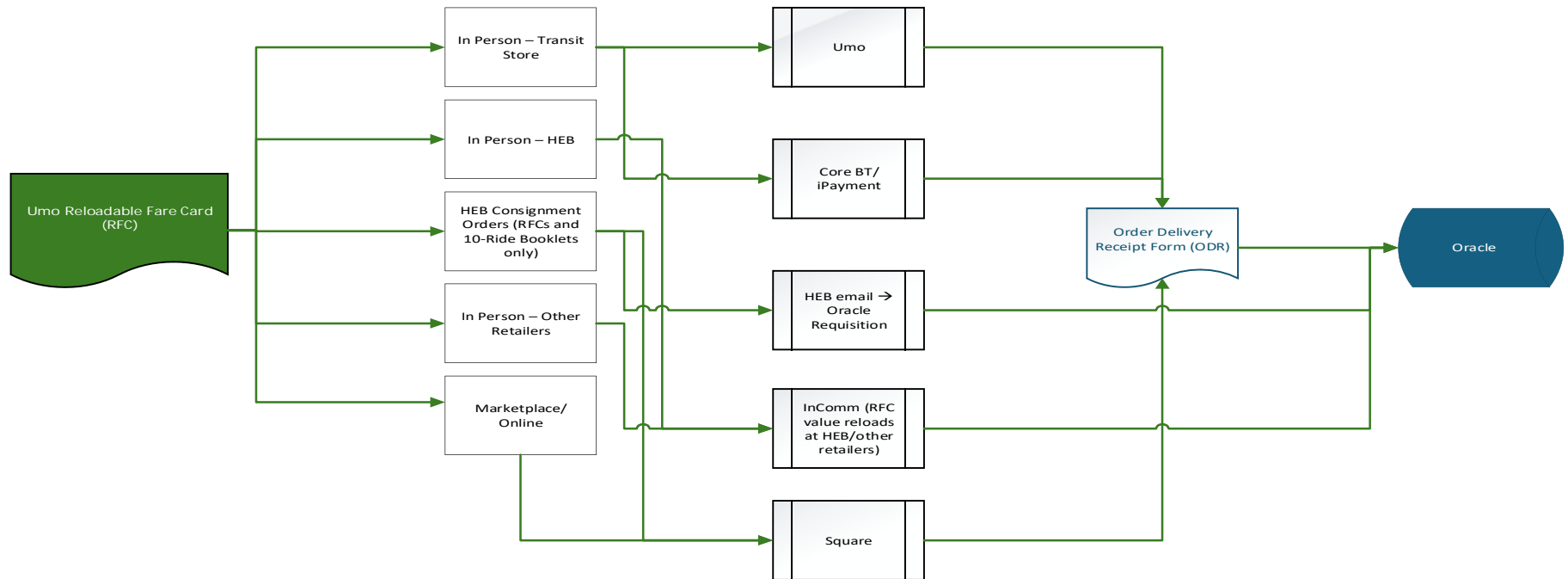
Fare Media Types	Sales Channels							Order Systems							
	In Person - Transit Store	In Person - HEB	HEB Consignment (RFCs & 10-Ride Booklets only)	In Person - Other Retailers	CapMetro Marketplace	Umopass.com	Ticket Vending Machine (TVM)	On Demand/ At Boarding	Rail Conductor via Handheld Validator	Umo	Core BT/ iPayment	HEB consignment order email - > Oracle Requisition	InComm (RFC reloads - cash only)	Square	Flowbird
1 Umo Reloadable Fare Card (RFC)	✓	✓	✓	✓	✓					✓	✓	✓	✓	✓	
2 Umo Digital Code					✓					✓				✓	
3 Umo App <sup>1</sup>	✓	✓		✓		✓				✓	✓		✓		
4 Umo QR Paper Token <sup>2</sup>					✓					✓				✓	
5 Umo Tap-to-Pay								✓		✓					
6 Photo ID with RFID Chip <sup>3</sup>	✓				✓						✓			✓	
7 Metro Access Monthly Pass	✓				✓	✓				✓	✓			✓	
8 MA Single Ride Pass (also avail via Umo app)	✓										✓				
9 Metro Access 10-Ride Booklet	✓	✓			✓						✓		✓	✓	
10 Paper Ticket (Rail-Single Ride; & Commuter Bus-Day Pass) <sup>4</sup>							✓		✓	✓				✓	✓

## Footnotes:

- 1 - Customers typically use the Umo app to reload with a credit/bank card but can reload using cash/credit in person. Can also buy Metro Access Single Ride passes via Umo app.
- 2 - Used for CapMetro Rail, with limited availability for approved programs/agencies (e.g., Travis County Sheriff's Office, Criss Cole Center, DPP, TEF, etc.) for Bus
- 3 - Used by qualified individuals for Metro Access, Reduced Fare, K-12 IDs for Local, Commuter/Rail
- 4 - Fares sold via handheld validators by Rail Conductors can go through Umo - but can also sell paper tickets via Square (manually created in Square app and customer uses tap to pay with the validator)

# Sample: Fare Sales Process Map by Media Type

## Umo Reloadable Fare Cards (RFCs)



**NOTES:**

1 – Media Type: Stored value/account based. Used for Local, Commuter/Rail, CapMetro for Business and Discount Fare Programs.

2 – A \$3 charge per new or replacement RFC will be charged starting 1/1/2027.

3 – Discount Fare Programs: A – DPP & TEF are currently charging \$3 per card. B – The Transit for Unhoused Program does not charge for RFCs. The RFCs are loaded for free rides for 1 year after activation and distribution by the receiving organization.

# Findings and Recommendations

## Observations/Findings:

- 1) Multiple systems are used for ordering and fulfillment of fare media requests, with limited reporting on order/transaction level details requiring the use of a manual order tracking form (ODR) for invoicing and reconciliation details.
- 2) The ODR process is manual and subject to potential errors and irregularities. The prior ODR form was updated to reflect new fare media types, prices, etc., but the interim process still requires quite a bit of manual effort for process execution.
- 3) Many SOPs have not been updated or were in process of being updated to reflect current processes, roles and responsibilities.
- 4) The Customer Call Request (CCR) refund process requires issuing checks for very low dollar amounts and a significant amount of administrative time, many of which are never even cashed by the customer.
- 5) Reevaluate the HEB consignment program for potential changes re: inventory management, loss provisions, etc. considering plans to begin charging for RFCs on 1/1/2027.
- 6) Accounting and Transit Store management have started discussions and planning for continuing fare media types that will require inventory control, tracking and management, and working with Legal/Records Management on plans for the destruction of retired media types/passes.

## Recommendations:

- 1) Investigate order systems to identify where they can be consolidated or streamlined and if reporting can be enhanced to reduce the need for manual order tracking via the ODR form.
- 2) Develop an automated webform/repository for the ODR form and reduce reliance on manual input.
- 3) SOP updates are underway. Continue to update the SOPs to reflect current practices.
- 4) Complete a cost/benefit analysis of the fare refund options to determine the most efficient process for both customers and CapMetro.
- 5) Revisit the agreement with HEB to validate risk of loss provisions for the cards that will have intrinsic value and ensure that consigned inventory control processes are updated accordingly.
- 6) Continue to define and formalize procedures for fare media inventory management, tracking, and the destruction of retired passes.



# UMO Contract - Cashless Transactions Processes & Reconciliation

The University of Texas at Austin Interns:  
Isabella Bose, Lindsey Mullins, and Tobi Ajayi

Spring 2026

# Project Scope, Objectives & Deliverables

## Project Purpose and Deliverables

- Process Review & Create/Update SOP's; Flowchart Processes; Contract & Policy Review; UMO Fees and Reconciliation; and Develop Recommendations

## Scope and Process Focus Areas:

- Identify and analyze the contract between CapMetro and Cubic/Umo.
- Validate fees from Umo, Fiserv, and Incomm related to the reconciliation process.
- Review reconciliation and analyze supporting documentation related to Fiserv and Incomm processors.
- Analyze the monthly reconciliations for the period October 2025 – March 2026.

# UMO Transactions - Overview

## Transaction Initiation

Customers load funds into their Umo accounts through the mobile app or reloadable fare cards. These transactions are referred to as stored value loads.

## Fare Payment Transactions

When a rider boards a transit vehicle, the fare payment is deducted from the rider's stored value balance or tap-to-pay on the rider's device. These transactions are now recognized as fare revenue.

## Payment Processing

Credit/debit card payments are processed by Fiserv, which deposits payments (net of fees) to the JP Morgan bank account on a daily basis. Reloadable card transactions purchased (with cash) in-store are processed by Incomm and deposited (net of fees) into the JP Morgan bank account.

## Reconciliation Process

Each month, the Accounts Receivable Manager reconciles all Umo-related revenue and cash collections to ensure that recorded sales match bank deposits and payment processor records.

## Financial Reporting

After reconciliation is completed, the Accounts Receivable Specialist prepares journal entries to record the period's financial activity.

# Findings and Recommendations

## Observations/Findings:

- 1) After opening the additional Fiserv accounts and receiving the additional reports, the March 2026 reconciliation was balanced correctly with no discovered variances.
- 2) Incomm is a separate processor from Fiserv and therefore is not included in the monthly reconciliation process.
- 3) Umo processing fees total around \$19,000/month (~\$240k/year) to handle the thousands of transactions that occur each month.
- 4) Umo charges an \$82.40 monthly fee per active vehicle, this increases by 3% per year totaling ~\$34k/month and \$410k/year.
- 5) Prior to this engagement, there was not an existing flowchart for the reconciliation process, and the last draft SOP was from July of 2025.

## Recommendations:

- 1) Use the successful March 2026 reconciliation as a template to reconcile prior months.
- 2) Since Incomm falls under the Umo umbrella as one of their subcontracted processors, a similar reconciliation process should be implemented for Incomm transactions to ensure monitoring of revenue deposits and fee withdrawals.
- 3) Due to the volume of credit/debit card transactions, we recommend implementing processes for automated testing of fees. Establishing routine testing will ensure more diligence in monitoring and verifying that only the appropriate amount of fees are withdrawn.
- 4) This is a separate billing process handled by IT. It should be determined how IT is validating the number of active vehicles per month to ensure accurate billing.
- 5) As ongoing questions and challenges are addressed, it is important to implement periodic review of both the SOP and flowchart to keep both documents current.

CapMetro

# Brinks Contract and Outsourced Treasury Controls

The University of Texas at Austin Interns:  
Nathaniel Gonzales, Yun-Yue Lin (Janna)

Spring 2026

# Objectives, Scope & Deliverables

## Project Purpose and Deliverables

To review Brink's contracts and internal treasury controls related to the collection, deposit, and reconciliation of cash collected on buses.

Deliverables: Update SOP; Flowchart; Reconciliation; and Recommendations.

### In Scope:

- Physical cash flow originating from the Genfare bus fareboxes.
- Vendor compliance with Cash-in-Transit (CIT) and Cash Vault Services (CVS) contracts
- Month-end variance analysis and bank reconciliation processes.
- Focus locations: North Operations (9315 McNeil Rd) and South Operations (2910 E. 5th St)

### Out of Scope:

- Digital fare collections and credit card transactions
- Ticket Vending Machine (TVM) operations and standalone revenue generation



# Genfare & Brinks Transactions - The Cash Lifecycle

## Step 1: Bus Cash Collections (Genfare System)

- Genfare fareboxes record expected revenue to the penny

## Step 2: Vaulting & Transit

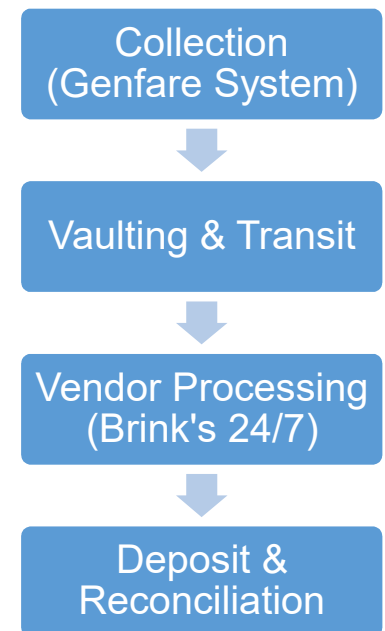
- Daily bus cash drops into secure, removable bins at NorthOps and SouthOps
- Brink's messengers pick up bins

## Step 3: Vendor Processing (Brink's 24/7)

- Cash and coin are routed to separate facilities
- Coins are weighed in bulk; paper cash is piece-counted

## Step 4: Deposit & Reconciliation

- JP Morgan receives consolidated deposits from Brinks.
- CapMetro Accounting manually attempts to match expected daily Genfare revenue to actual bank deposits



# Findings and Recommendations

## Observations/Findings:

- 1) Reconciliation process is complicated due to timing differences. For example, the CapMetro Genfare system accounts for bus collections daily, but Brinks collections from CapMetro periodically..
- 2) Brinks separates paper bills from coins, then does separate counts and separate deposits at different locations which complicates CapMetro's reconciliation process. Additionally, Brinks weighs coins to estimate value instead of physical count.
- 3) CapMetro tracks daily bus deposits by bin, but Brinks does not always report cash collected by bin.

## Recommendations:

- 1) Appropriate details need to be provided by Brinks to account for the timing differences between when Brinks collects cash, and when deposited.
- 2) Appropriate details regarding Brinks deposits need to be provided by Brinks to account for the separation of paper bills from coins.
- 3) Appropriate details need to be provided by Brinks to allow CapMetro to track cash collected and deposits by bin number.



Questions?