CapMetro

Agenda - Final

Capital Metropolitan Transportation Authority

Finance, Audit and Administration Committee

Wednesday, June 12, 2024	10:30 AM	Rosa Parks Boardroom

This meeting will be livestreamed at capmetrotx.legistar.com

I.   Call to Order

II.   Public Comment

III.   Action Item:

1.   Approval of minutes from the May 8, 2024 Finance, Audit and Administration Committee meeting.

IV.   Presentations:

1.   FY2023 Annual Comprehensive Financial Report

2.   Initial Review and Discussion of the FY2025 Proposed Budget

3.   Internal Audit - Semi-Annual Follow-up on Open Audit Recommendations

4.   Internal Audit Report - Hexagon Enterprise Asset Management system implementation

5.   Internal Audit FY2024 Audit Plan Status

V.   Items for Future Discussion

VI.   Adjournment

ADA Compliance

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

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

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

Capital Metropolitan Transportation Authority

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Finance, Audit and Administration Committee
Agenda Date: 6/12/2024

Item #: AI-2024-1195

Approval of minutes from the May 8, 2024 Finance, Audit and Administration Committee meeting.

Minutes

Capital Metropolitan Transportation Authority

Finance, Audit and Administration Committee

2910 East 5th Street
Austin, TX 78702

Wednesday, May 8, 2024	**10:00 AM**	**Rosa Parks Boardroom**

I.   Call to Order

10:00 a.m. Meeting Called to Order

Present	Becki Ross, Matt Harriss, and Dianne Bangle
Absent	Leslie Pool

II.   Public Comment

Zenobia Joseph provided public comment, which was given just after the committee vote on Action Item #1.

III.   Action Items:

1.   Approval of minutes from the March 18, 2024 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, Harriss, and Bangle

2.   Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract for State Legislative Consulting Services with the offices of Marc A. Rodriguez for a base term of three (3) years, with one (1) two-year extension option, in a total amount not to exceed $648,000.

   A motion was made by Ross, seconded by Bangle, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 5/20/2024. The motion carried by the following vote:

   Aye: Ross, Harriss, and Bangle

IV.   Presentations:

1.   FY2025 Proposed Budget Calendar

2.   Key Performance Indicators

    3.   Internal Audit UT Spring Interns Advisory Projects: Keolis Contract Invoice & Payroll Controls; and McKalla Station Expenditure Controls.

    4.   Internal Audit FY2024 Audit Plan Status

    5.   Internal Audit Miscellaneous Revenues Tracking Update

V.   Items for Future Discussion

VI.   Adjournment

11:03 a.m. Meeting Adjourned

ADA Compliance

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

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

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

Finance, Audit and Administration Committee
Agenda Date: 6/12/2024

Item #: AI-2024-1175

FY2023 Annual Comprehensive Financial Report

Capital Metropolitan Transportation Authority

RSM

FY 2023 Audit Results
Report to the Finance, Audit and Administration
Committee of the Board of Directors

September 30, 2023

Finance, Audit and Administration Committee of the Board of Directors
Capital Metropolitan Transportation Authority

We are pleased to present this report related to our September 30, 2023 audit of Capital Metropolitan Transportation Authority's (CapMetro) financial statements. Our report shares the results of our audit work, as required by professional standards, alongside other meaningful insights, which we believe will help you in executing your oversight responsibility for CapMetro's financial reporting process.

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to CapMetro.

RSM US LLP

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Executive summary

Audit status

The FY2023 audit is completed.

We issued an unqualified opinion on the financial statements.

Significant changes to the planned audit strategy

There were no significant changes to the planned audit strategy communicated to CapMetro on February 5, 2024.

Adoption of new accounting policy

In 2023, CapMetro adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements.*

Audit adjustments or uncorrected misstatements

There were not audit adjustments and we are not aware of uncorrected misstatements.

Deficiencies in internal control

We did not identify any material weaknesses or significant deficiencies.

Understand the client

Risk assessment

Further audit procedures

Evaluation

Delivery

Compliance audit federal results

Single audit Report

Schedule of Findings and Questioned Costs

Section I
Summary of Auditor's Results

1. Financial Statements

   Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: Unmodified

   Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	__X__	No
Significant deficiency(ies) identified?	_____ Yes	__X__	None Reported

   Noncompliance material to financial statements noted?   _____ Yes   __X__ No

2. Federal Awards

   Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	__X__	No
Significant deficiency(ies) identified?	_____ Yes	__X__	None Reported

   Type of auditor's report issued on compliance each major federal program: Unmodified

   Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)   _____ Yes   __X__ No

   Identification of major federal programs:

Federal assistance listing Number(s)	Name of Federal Program or Cluster
20.500; 20.507	Federal Transit Cluster
20.205	Highway Planning and Construction Program

   Dollar threshold used to distinguish between type A and type B programs: $ 2,269,663

   Auditee qualified as low-risk auditee?   __X__ Yes   _____ No

Compliance audit state results

Single audit Report

Schedule of Findings and Questioned Costs

1. Financial Statements

   Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: Unmodified

   Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	_____ Yes	__X__ None Reported

   Noncompliance material to financial statements noted?   _____ Yes   __X__ No

2. State Awards

   Internal control over major state programs:

Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	_____ Yes	__X__ None Reported

   Type of auditor's report issued on compliance each major state program: Unmodified

   Any audit findings disclosed that are required to be reported in accordance with Section 315   _____ Yes   __X__ No

   Identification of major state programs:

State assistance listing Number(s)	Name of State Program
582-19-96644-3240	Texas Clean Fleet Program

   Dollar threshold used to distinguish between type A and type B programs: $ 750,000

   Auditee qualified as low-risk auditee?   __X__ Yes   _____ No

Accounting policies and practices

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Matter to Report	Yes	No	
Changes to the planned scope and timing of the audit		✓	We have issued a separate communication dated February 5, 2024, regarding the planned scope and timing of our audit and identified significant risks.
Accounting policies and practices			
Preferability of accounting policies and practices		✓	Under accounting principles generally accepted in the United States of America, management may select among alternative accounting practices in certain circumstances. In our view, in such circumstances, management has selected the preferable accounting practice.
Adoption of, or change in, accounting policies	✓		Management has the ultimate responsibility for the appropriateness of the accounting policies used by the CapMetro. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year: • CapMetro adopted Governmental Accounting Standards Board Statement No, 96, *Subscription Based Information Technology Arrangements*.
Significant accounting policies		✓	We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Significant unusual transactions		✓	We did not identify any significant unusual transactions.

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Significant accounting estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events.

Fair value of investments

Accounting policy

Except for the investments that qualify for reporting at amortized cost, which generally includes investment pools and non-negotiable certificates of deposit, the investments are valued at fair value based on quoted market prices.

Management's estimation process

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investments are reported based on the quoted price from closing bid prices as of the last business day of the month as supplied by a third party. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated.

Basis for our conclusion on the reasonableness of the estimate

We tested the fair value of the investments and concluded that the valuation methods and estimates are reasonable.

Net pension liability

Accounting policy

CapMetro contributes to the Capital Metro Retirement Plan for Administrative Employees and StarTran Plan (the Plans), single-employer employee retirement plans. CapMetro measures the net pension asset/liability based on approved demographic and economic assumptions approved by the Plans. The Plans disclosed the net pension liability in Note 10 to the financial statements.

Management's estimation process

The net pension liability was measured as of December 31, 2023. This calculation is prepared by an independent actuarial company engaged by CapMetro, and CapMetro's management reviews and consider the appropriateness of the assumptions.

Basis for our conclusion on the reasonableness of the estimate

We obtained the actuarial valuation report for the Plans and we confirmed that the reported balances agreed with the actuarial report. We reviewed the significant assumptions and conclusions for reasonableness and tested the underlying data for completeness and accuracy. We concluded the estimates used by management are reasonable.

RSM

Significant accounting estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events.

Total Other Post Employment Benefits (OPEB) liability

Accounting policy

CapMetro administers a single-employer health care plan (the Plan). The Plan is administered by CapMetro and it has the authority to establish or amend the plan provisions or contribution requirements. No assets are accumulated in a trust for the Plan.

CapMetro measures the total OPEB liability based on approved demographic and economic assumptions approved by CapMetro. The Plan disclosed the total OPEB liability in Note 14 to the financial statements.

Management's estimation process

The total OPEB liability was measured as of September 30, 2023. This calculation is prepared by an independent actuarial company engaged by CapMetro, and CapMetro's management reviews and consider the appropriateness of the assumptions.

Basis for our conclusion on the reasonableness of the estimate

We obtained the actuarial valuation report and reviewed the significant assumptions and conclusions for reasonableness. We concluded the estimates used by management are reasonable.

GASB 87, Leases

Accounting policy

CapMetro recognizes a right to use asset as a lessee with a corresponding lease liability and a lease receivable as a lessor with an offset to deferred inflows-leases.

Management's estimation process

The lease liability and lease receivable are measured using the net present value of future lease payments to be paid/received under the lease term at the beginning of the lease term. CapMetro uses the fixed payment terms under the lease, other criteria outlined by the reporting requirements and its estimated incremental borrowing rate as the discount rate for the measurement of the net present value.

Basis for our conclusion on the reasonableness of the estimate

We obtained the calculations of lease liability and lease receivable and tested for reasonableness. We concluded the estimates used by management are reasonable.

RSM

Significant accounting estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events.

GASB 96 Subscription-Based Information Technology Arrangements (SBITA)

Accounting policy

CapMetro recognizes an intangible right to use subscription asset with a corresponding subscription liability for executed subscription contracts as further described in the SBITA footnote 1.

Management's estimation process

The subscription liability and intangible right to use subscription asset are generally measured using the net present value of future subscription payments to be paid under the terms at the beginning of the subscription contract. CapMetro uses the fixed payment terms under the contract, other criteria outlined by the reporting requirements and its estimated incremental borrowing rate as the discount rate for the measurement of the net present value.

Basis for our conclusion on the reasonableness of the estimate

We obtained the calculations of the subscription liability, the related right to use asset and tested for reasonableness. We concluded the estimates used by management are reasonable.

Depreciable useful lives of capital assets

Accounting policy

Capital assets include all items purchased that have a useful life of more than one year, are of a tangible nature, and have a cost of $5,000 or more. Capital assets are recorded at cost and are depreciated over their useful lives using the straightline method as further described in the Capital Asset footnote 1.

Management's estimation process

The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including the estimated useful life and prior experience.

Basis for our conclusion on the reasonableness of the estimate

We concluded the estimates used by management are reasonable.

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Reporting matters

Matter to Report
Departure from the auditor's standard report

Expected emphasis-of-matter paragraph	CapMetro adopted GASB Statement No 96. In light of this matter, we included an emphasis-of-matter paragraph in the auditor's report.
	Emphasis of Matter
	As discussed in Note 6 to the financial statements, CapMetro adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of October 1, 2021. Our opinions are not modified with respect to this matter.
Other-matter paragraph	**Other Matter**
	Our responsibility for other information in documents containing CapMetro's Annual Comprehensive Financial Report is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact.
	Thus, in regard to the Annual Comprehensive Financial Report, specifically the introductory and statistical sections of this report, we did not perform any procedures or corroborate other information included in these sections. However, we did read the introductory and statistical sections and consider whether the information or the manner in which it is presented is materially inconsistent with information or the manner of presentation of the basic financial statements. Based on our reading, we determined if the information or manner of presentation requires any revisions.

Observations about the audit process

Matter to Report	Yes	No	
Observations about the audit process			
Significant issues discussed with management		✓	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Disagreements with management		✓	There were no disagreements with management.
Significant difficulties encountered in performing the audit		✓	We did not encounter any significant difficulties in dealing with management during the audit.
Consultations with other accountants		✓	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Difficult or contentious matters that required consultation		✓	We did not encounter any significant and difficult or contentious matters that required consultation outside our engagement team.

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Independence

Shared responsibilities: AICPA independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA and Government Accountability Office (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and RSM each play an important role.

Our responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA's and GAO General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

CapMetro's responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
    - New affiliates, directors, or officers
    - Change in the reporting entity impacting such as partnerships, related entities, investments, joint ventures, component units and jointly governed organizations
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the CapMetro and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the CapMetro.

RSM contacts

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THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

Capital Metropolitan Transportation Authority

CapMetro

Finance, Audit and Administration Committee
Agenda Date: 6/12/2024

Item #: AI-2024-1181

Initial Review and Discussion of the FY2025 Proposed Budget

CapMetro

FY2025 Budget Development Update

Board Committees 6/12/2024

FY2025 Budget Development Calendar

- Feb 7   Operating and Capital Budget kick-off meeting with departments
- Apr 12   Capital and Operating Budget requests received from departments
- May 8   Board Committees review proposed budget calendar
- Jun 5   Initial review with Access Advisory Committee
- Jun 12   Board Committees initial review and discussion
- Jun 12   Initial review with Customer Satisfaction Advisory Committee
- Jun 28   Initial review with Public Safety Advisory Committee
- Jul 10   Budget proposal presented to Board Committees
- Jul 22   Budget proposal presented to Board of Directors

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FY2025 Budget Community Engagement

- Aug 7   Presentation to Access Advisory Committee
- Aug 12   Update Board Committees
- Aug 14   Presentation to Customer Satisfaction Advisory Committee
- Aug 26-30   Budget public outreach and webinar
- Aug 23   Presentation to Public Safety Advisory Committee
- Aug 23   Proposed budget document is published online
- Sep 11   Update Board Committees
- Sep 11   Public hearing on proposed budget and capital improvement plan
- Sep 23   Board of Directors considers budget proposal for adoption

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Discussion Outline

- Key FY2025 budget assumptions

- Major operating budget assumptions
  - Revenue and cost drivers

- Service priorities and funding

- Capital Improvement Plan update

- Long-Range Financial Model used to balance operating and capital budget requests against estimated available funds over 5-year period and long-term outlook

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Sales Tax Growth

CapMetro Six Month Rolling Average Sales Tax Growth Trend
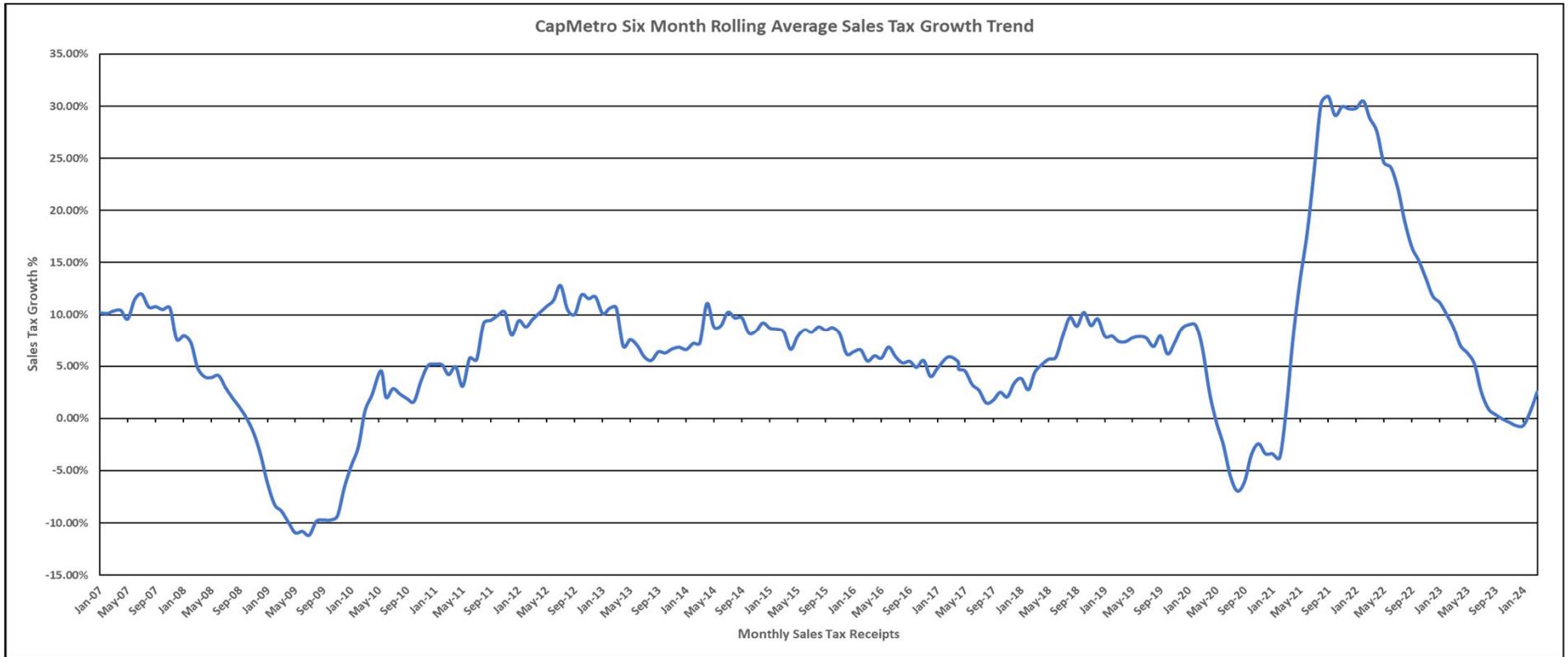
Projected sales tax growth for Fiscal Years 2024 and 2025 to be determined based on upcoming sales tax receipts. Year-to-date March 2024 sales taxes increased by 2.5% compared to the last fiscal period.

Job Growth

Austin-Round Rock MSA - Annual Growth Rate Total Non-agricultural Employment & Capital Metro Six Month Rolling Average Sales Tax Growth Trend
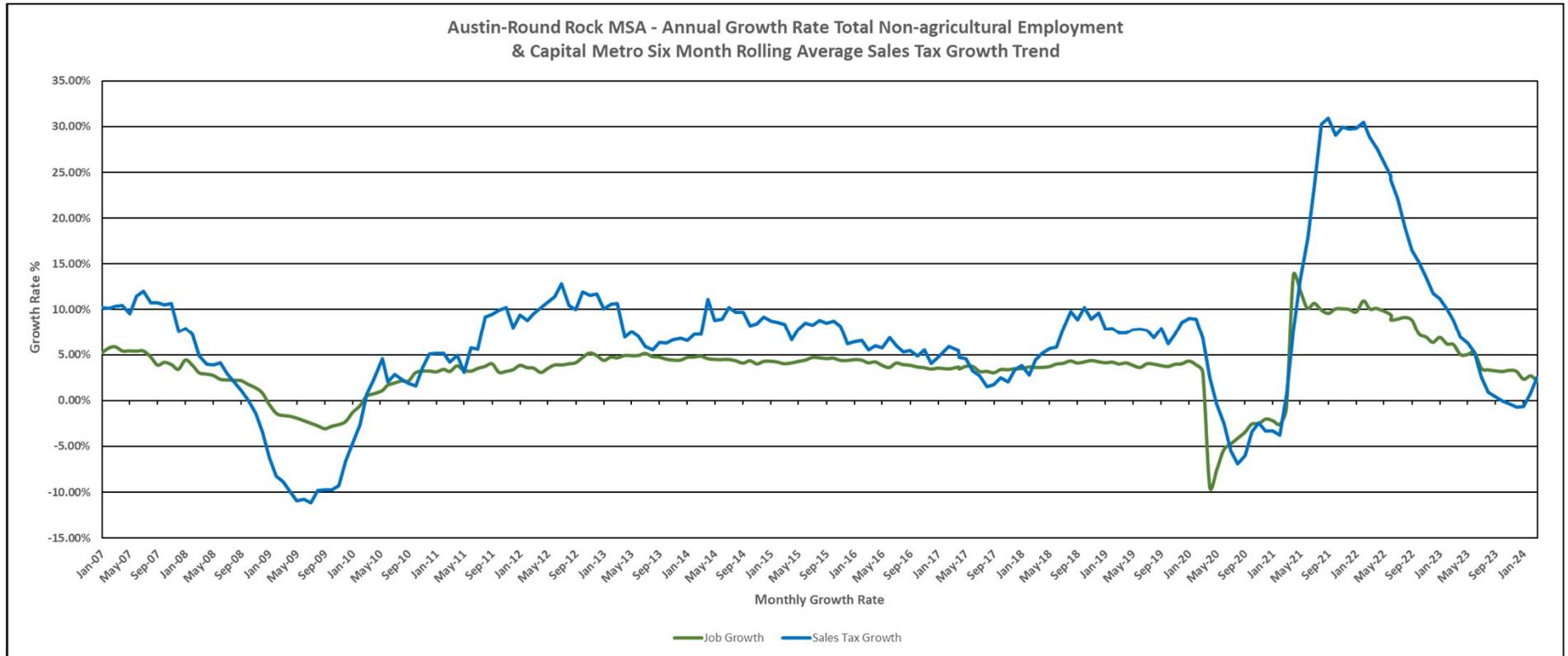
Austin-Round Rock MSA employment increased for the 36th consecutive month in March 2024.

Operating Revenue

- Fare Revenue
  - Fare revenue to be developed with updated ridership projections

- Federal Grants
  - Approximately $44.2 million annually in Section 5307 funds

- Freight Railroad Revenue
  - Mainline revenue on target with the FY2024 Budget of $5.4 million
  - Section 45G Railroad Track Maintenance Tax Credit of $544 thousand

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Operating Expenses

- Service levels based on August Service Plan changes

- Fuel prices remain stable over the next fiscal year with hedging in place
  - Diesel estimate of $2.75 per gallon, inclusive of tax and net of hedging activities

- Average annualized pay increase for employees
  - Performance-based program that represents an average cost across the agency

- New position requests under review by Senior Executive Team

- Strategic plan initiatives considered in the budget preparation

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Capital Budget Highlights

- Demand response operations and maintenance facility
- Paratransit van replacements
- Bus stop enhancements and improvements
- New headquarters build-out
- MetroBike system replacement and expansion

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Thank you!

Capital Metropolitan Transportation Authority

CapMetro

Finance, Audit and Administration Committee
Agenda Date: 6/12/2024

Item #: AI-2024-1184

Internal Audit - Semi-Annual Follow-up on Open Audit Recommendations

CapMetro

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS MAY 2024 (#24-14)

Terry Follmer, VP of Internal Audit

Distribution List:
CapMetro Board of Directors
Dottie Watkins, President and CEO
Kerri Butcher, Deputy CEO
Cheyenne Conyer, Chief of Staff
Donna Simmons, EVP of Administration
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
Catherine Walker, EVP, Chief Financial & Risk Officer
Andrew Skabowski, EVP, Chief Operating Officer
Muriel Friday, VP, Rail Operations
Rafael Villarreal Jr., Senior Director, Bus Transportation
Miles Turpin, VP of Bus Operations & Maintenance Oversight
Tanya Acevedo, SVP, Chief Information Officer
Nadia Nahvi, Controller
Muhammad Abdullah, VP of Procurement & Chief Contracting Officer
Andrew Murphy, Senior Director, Vehicle Maintenance
Chester Soares, Director, Enterprise Application and Data Services
Benjamin Sims, VP, People & Culture
Sherine Spence, Director Compensation & Benefits
Angela Murphy, Program Manager People & Culture
Alyce May, Manager of Payroll & Accounts Payable
Ben Hodges, Accounting Manager
Jean Melgares, Manager, Systems Safety
Daryl Weinberg, Transit System Architect
Richard Medina, Manager Cash Operations
Sean Cagan, Director of Safety
Brandi Moehler, Director of Revenue & Fares

Internal Audit Report #24-14 | May 29, 2024

Executive Summary

As part of our annual Audit Plan approved by the Capital Metro Board, we conducted the semi-annual status review of all open audit recommendations as of May 29, 2024. The follow-up included 4 audit reports with a total of 19 recommendations. The audit objective and conclusion on the implementation of the corrective action plans follows.

Audit Objective & Scope

The objective of the audit was to determine whether Management has successfully implemented action plans in response to the recommendations provided in internal audit reports. In order to monitor the disposition of audit recommendations, the Internal Audit Department conducts two follow-up audits (semi-annual) per fiscal year (May and November). This report reflects the status as of May 29, 2024, for the outstanding Corrective Action Plans (CAP's) resulting from internal audit projects.

Conclusion on Corrective Action Plans

We followed up on 19 recommendations from 4 different audit reports and have concluded that 11 recommendations remain open, and Management has action plans to implement the items listed as "In Process of Being Implemented." Table 1 listed below provides a summary breakdown of audit reports with open recommendations for May 2024.

Table 1: Summary Status of Open Recommendations						
Project #	Report Date	Report Name	Total # of Audit Recommendations	Implemented as Recommended	In Process of Being Implemented	Rejected - Management Has Accepted the Risk	% Action Plan Implemented
20-03	3/9/2020	OrbCAD Incident/Accident Process Review	3	0	3	0	0%
21-07	8/20/2021	Payroll & Benefit Controls Audit	5	3	2	0	60%
21-09	12/1/2021	Transit Store and Ticket Controls Audit	6	3	3	0	50%
22-05	9/22/2022	Public Transportation Agency Safety Plan (PTASP) Audit	5	2	3	0	40%
TOTAL:			19	8	11	0	42%

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 recommendations and open Corrective Action Plans. This audit was conducted in accordance with the US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

Joy Qi, Internal Auditor II (Project Lead)

Terry Follmer, VP of Internal Audit

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

APPENDIX A – DETAILS OF OPEN AUDIT RECOMMENDATIONS

<u>Prior Recommendations and Audit Results</u>

As required by the Institute of Internal Auditors' International Professional Practices Framework, we have reviewed all open audit recommendations. Based on our review of audits, we identified 11 open recommendations. Listed below are the open recommendations, along with the name of the audit report, report date, original recommendation, and Management's updated target completion date and comments.

<u>20-03 ORBCAD INCIDENT/ACCIDENT PROCESS REVIEW</u> (3/09/2020 Report Issued with 3 Recommendations)

> **<u>RECOMMENDATION 1</u> – (Disconnected Systems & No Comprehensive Database)**
> The Director of Contract Oversight, IT Director of Transit Technology Systems and the Director of Risk Management will consider the following improvements:
> a) Establishing a single comprehensive database for all incident/accident data.
> b) Require MV to enter all data into the chosen single comprehensive database.
> c) Automate the flow of data from OrbCAD into the required Excel templates (e.g., Operator Report, Supervisor Report, etc.) that are saved to SharePoint, thus requiring the Supervisor to only record new data and not have to rekey all data that is already captured in OrbCAD.

> **OPEN ACTION PLANS:** (*Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect)* Management agreed with the recommendation above.
> - **Management's Updated Target Completion Date and Comments:** 5/01/2025. Keolis staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like TrackIt and automation of initial Incident/Accident records coming from the Dispatch system. In the meantime, with the change in vendors to Keolis the accident reporting is being done in TrackIt (https://trackittransit.com/) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to Sharepoint. Only Accident reporting is in TrackIt and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced.

RECOMMENDATION 2 – (Improve QA Oversight, Analysis, and Monitoring)
The Director of Contract Oversight, IT Director of Transit Technology Systems, and the Director of Risk Management should consider and evaluate the following process improvements:

    d) Develop controls to ensure that data recorded in OrbCAD matches the data captured in the RiskMaster system. If events are reclassified from incident to accident or vice versa, ensure that both systems are updated with final classification between Incident or Accident.

OPEN ACTION PLANS: *(Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect)* Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 5/01/2025. Keolis staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like TrackIt and automation of initial Incident/Accident records coming from the Dispatch system. In the meantime, with the change in vendors to Keolis the accident reporting is being done in TrackIt (https://trackittransit.com/) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to Sharepoint. Only Accident reporting is in TrackIt and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced.

RECOMMENDATION 3 – (Automate Reporting Out of Systems)
The Director of Contract Oversight, IT Director Transit Technology Systems, and the Director of Risk Management, should consider and evaluate the following improvements:

    a) Request the IT Departments Report Writing Team to develop required pre-printed reports (e.g., monthly reports as well as daily Operator/Supervisor Reports, etc.) out of OrbCAD and/or RiskMaster based upon which system is designated the system of record with all comprehensive data.

    b) Review for additional monitoring needs (i.e., Capital Metro and MV) and develop additional reports as necessary to improve MV oversight and improve efficiencies.

OPEN ACTION PLANS: *(Rafael Villareal, Senior Director of Contract Oversight; Daryl Weinberg, Transit Systems Architect)* Management agreed with the recommendation above.

- **Management's Updated Target Completion Date and Comments:** 5/01/2025. Keolis staff investigate and manually enter accident/incident information into Excel forms as required by contract terms. Note, we are currently evaluating a replacement of our OrbCAD (Computer-Aided Dispatch) system which will allow interface to other systems like TrackIt and automation of initial Incident/Accident records coming from the Dispatch system. In the meantime, with the change in

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vendors to Keolis the accident reporting is being done in TrackIt (https://trackittransit.com/) which went live on 4/22/2024 and is currently running in parallel with the historical manual recordkeeping including saving each Incident/Accident form to Sharepoint. Only Accident reporting is in TrackIt and research is being done regarding Incidents. Complete automation of incidents/accidents will not be possible until OrbCAD is replaced.

21-07 PAYROLL & BENEFIT CONTROLS AUDIT (8/20/2021 Report Issued with 5 Recommendations)

RECOMMENDATION 2 – (Improve Accuracy of Benefit Calculations)
The Controller and Senior Director of People & Culture should consider the following improvements:
a) Create an internal P&C Department Procedures Guide for staff to follow, which should include each benefit category offered by CapMetro, internal processes that staff should follow, deadlines, specific calculations, review and approval process, etc. (part of recommendation 1b above).

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*) Management agreed with the recommendation above.
- **Management's Updated Target Completion Date & Comments:** 8/01/2024.
  Payroll Process Checklist and Billing Process are part of Procedure Guide. Payroll Process Checklist has been completed, however, Billing Process is still in progress and will be completed by 8/1/2024.

RECOMMENDATION 3 – (P&C Policies – Compliance & Approved Exceptions)
The Controller and Senior Director of People & Culture should consider the following improvements to Leave Policy (HRC-440):
d) Ensure parental and other types of leave are timely communicated to the payroll personnel so that time and attendance records can be properly updated.

OPEN ACTION PLANS: (*Donna Simmons, EVP of Administration, Diversity and Inclusion Officer*) Management agreed with the recommendation above.
- **Management's Updated Target Completion Date & Comments:** 8/01/2024.
  People and Culture department is currently in progress working on the Leave Policy. They also have a standard operating procedure in progress that P&C has been working with Payroll and Benefits regarding some of Leave process, especially FMLA, short-term, and long-term leave. Management has implemented the Oracle system that will further automate Payroll and Benefit processes. The process still needs to be tested in the Oracle system to ensure the way that's coded in Oracle is appropriate.

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

RECOMMENDATION 2 – (Risk Management of Tickets & Ticket Vendor)
The Chief Risk Officer, the Senior Director/Chief Contracting & Compliance Officer, and the Controller should consider the following improvements:
- b) Update the Procurement Manual to ensure that contracts that impact safety or handle financial instruments (e.g. tickets) with a monetary value require the vendor to do annual criminal background and credit checks on their employees.
- e) Perform an inspection of the ticket factory to ensure CapMetro tickets and printing controls are adequate.

OPEN ACTION PLANS: (*Rick Medina, Manager of Cash Operations, Finance Department*)
Management agreed with the recommendation above.
- **Management's Updated Target Completion Date & Comments:** 8/31/2024. Management will be traveling to the factory.

RECOMMENDATION 5 – (Define E-Ticket Policies, Procedures, and Responsibilities)
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: (*Rick Medina, Manager of Cash Operations, Finance Department*)
Management agreed with the recommendation above.
- **Management's Updated Target Completion Date & Comments:** 5/31/2024. The process recommendations have been addressed through implementation in the Oracle ERP system and documentation is in progress and will be completed by 5/31/2024. Job descriptions have been updated in the system.

RECOMMENDATION 6 – **(Develop SOP for Each Type of Ticket and Distribution Method)**
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. Cash on Delivery
5. Stored Value Cards
6. Free Passes
7. Discount Pass Program
8. MetroWorks
9. Ticket Vending Machines
10. Mobile App
11. Family Passes
12. Web Portal

b) Develop and define responsibilities for the Square system (point-of-sale) and Flowbird system (TVM's).

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

OPEN ACTION PLANS: (*Rick Medina, Manager of Cash Operations, Finance Department*)
Management agreed with the recommendation above.

- **Management's Updated Target Completion Date & Comments:** 5/31/2024.
  SOPs have been mostly completed, but still need to be formatted to the right form to have it all consistent throughout the entire document.
  Square System has been replaced by Core BTI Payment. Core BTI Payment is integrated with our Oracle ERP system. Cash Operations Manager and Transit Store Supervisors are responsible for the inventory management and reporting of the sales. All of that is administered through Core BTI Payment and Flowbird System. No other responsibilities needed. Job descriptions have been updated in the system.

22-05 PUBLIC TRANSPORTATION AGENCY SAFETY PLAN (PTASP) AUDIT (9/22/2022 Report Issued with 5 Recommendations)

RECOMMENDATION 2 – (Update and Further Develop the Safety Plan)
The Director of Safety should complete the following:
   c) Send out yearly safety risk surveys to members of management as outlined in the Safety Plan.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.
   • **Management's Updated Target Completion Date & Comments:** 9/01/2024.
     2(c) has been implemented this year. June is National Safety Month; Safety Department will work with service provider to issue out the survey. Safety Department will update the Safety Plan to make it a biennial survey.

RECOMMENDATION 3 – (Enhance Controls Related to Employee Safety Reporting System "ESRS")
The Director of Safety should complete the following:
   b) Assign and document the ESRS operations process owner in the Safety Plan for further clarification. The process owner should work towards lowering the time it takes to resolve safety concerns, so it is closer to the 14-day goal or, alternatively, revise the target goal.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.
   • **Management's Updated Target Completion Date & Comments:** 12/31/2024
     Management has removed reference to the 14-day goal resolution because some items may require a long lead to mitigate. Safety Department will update ESRS process owner (Rory Oldham) during this year's revision period and expected to be completed by the end of year 12/31/2024.

RECOMMENDATION 5 – (Further Develop the Safety Training Program)
The Director of Safety should complete the following:
   a) Further formalize the safety training program by defining and documenting the safety curriculum within the standard training program. Additionally, define and document the frequency, type of training by position, and any refresher trainings.
   b) Change the training process to include input from the Safety Department every year to ensure current safety issues are addressed and implemented in the training program, as necessary.

OPEN ACTION PLANS: (*Sean Cagan, Director of Safety*) Management agreed with the recommendation above.
   • **Management's Updated Target Completion Date & Comments:** 12/01/2024.

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5a) & 5b) Safety will be collaborating with the new bus contractor, Keolis, and CapMetro Bus Operations and Bus Maintenance departments, to further the efforts in this area. To be completed by or before December 2024.

Finance, Audit and Administration Committee
Agenda Date: 6/12/2024

Item #: AI-2024-1185

Internal Audit Report - Hexagon Enterprise Asset Management system implementation

HEXAGON - POST IMPLEMENTATION REVIEW (23A-12)

Terry Follmer, VP of Internal Audit

Distribution List:
Capital Metro Board of Directors
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John Martin, VP of Power Systems
Miles Turpin, VP Bus Operations and Maintenance Oversight
Ashley Erickson, VP of Organizational Strategy and Projects

Contents

Executive Summary

The Hexagon (Infor) System post go live implementation review is listed as a contingent audit project in the FY2023 Audit Plan approved by the Board. Management requested that the priority of this project be bumped up on the schedule due to the strategic importance of the Hexagon Enterprise Asset Management System. The audit results including the objective, scope, and conclusion are as follows.

Background

The purpose of Enterprise Asset Management (EAM) systems is to enable better, more strategic decisions that extend the asset life cycle, increase safety, and improve profitability. EAM's 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. CapMetro's Infor EAM system went live in December 2020 during COVID, and shortly thereafter during October 2021 Infor was purchased by Hexagon and was renamed the Hexagon system. The EAM system was implemented as a replacement for the legacy SPEAR 4i solution that was deployed in 2006. The Hexagon system has been interfaced with some of the key transit operational systems as follows:

- GasBoy for fueling (Inbound – GasBoy to EAM)

- Trapeze OPS for vehicle availability (Outbound – EAM to Trapeze)

- OrbCAD for incident recording and Work Order generation (Inbound – OrbCAD to EAM for needed repairs)

The Hexagon system is used to manage fixed assets (e.g., vehicles, facilities, HVAC, etc.) and spare parts for vehicles and facilities related preventive and unplanned maintenance as recommended by the original equipment manufacturer. CapMetro has 1,571 Building Maintenance (BM) assets (420 Parent/System assets & 1,151 Child assets) as of Jul 2023. (Parent/System assets represent a collection of Child assets.)

Audit Objective & Scope

The primary objective of this audit was to review internal controls and functionality of the new Infor enterprise asset management system, including the completeness and accuracy of the data.

The scope included a Hexagon post system implementation survey, data analytics on the completeness and accuracy of data in Hexagon, and a review of the policies and procedures that are used to manage asset records updates in the Hexagon system.

Opinion

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

1) *FACILITY ASSETS WITH MISSING PREVENTIVE MAINTENANCE PROGRAMS*
2) *FTA RECORD KEEPING REQUIREMENTS – ROLLING STOCK*
3) *PARTS RECORDS – COMPLETENESS & ACCURACY*
4) *HEXAGON USER SURVEY - FEEDBACK ON ISSUES AND IMPROVEMENT OPPORTUNITIES*
5) *UPDATE POLICIES AND PROCEDURES*

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

This audit was conducted in accordance with US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

- Mazen Shehadeh, Senior Auditor
- Terry Follmer, VP of Internal Audit

Recommendations to strengthen controls and improve accountability were provided to management. Management agrees with the internal audit recommendations and has provided target completion dates which are included in the detailed audit report below. A follow-up audit is performed semi-annually (i.e., May and November) to ensure management action plans for all issued audit reports are completed in a timely manner.

We appreciate the cooperation and assistance provided to us throughout this audit.

Audit Report

Issues & Risk	Recommendation	Management Action Plan
1. FACILITY ASSETS WITH MISSING PREVENTIVE MAINTENANCE PROGRAMS During migration from Spear to Hexagon, many key fields were not updated or filled in due to lack of project resources, therefore facility assets with missing data values were copied over to Hexagon. We performed some data analytics to determine if all the facility assets have preventive maintenance (PM) plans.	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.	Management agrees and has developed the action plan below. **Target Completion Date**: a) b) and d) December 2025 c) May 2026

<table>
<tr><td colspan="4">Assets Missing Preventive Maintenance (PM) Programs
Building Maintenance Assets – August 2023</td></tr>
<tr><td>Location</td><td># Total Assets</td><td># Assets Missing a PM Program</td><td>% Assets Missing a PM Program</td></tr>
<tr><td>509 Thompson Lane</td><td>136</td><td>72</td><td>52.9%</td></tr>
<tr><td>2910 E. 5th Street</td><td>628</td><td>320</td><td>51.0%</td></tr>
<tr><td>9315 McNeil Road</td><td>637</td><td>124</td><td>19.5%</td></tr>
<tr><td>624 Pleasant Valley</td><td>20</td><td>2</td><td>10.0%</td></tr>
<tr><td>Total</td><td>1421</td><td>518</td><td>36.5%</td></tr>
<tr><td colspan="4">Note: The results above only include child assets. Parent assets were excluded because they represent a group of children assets and not a unique asset.</td></tr>
</table>

Criteria has not been established as to which assets should have a PM plan, therefore number of assets needed formal PM plan is unknown.

See Appendix A (see page 8) for details.

Recommendation (continued):

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.

| Issues & Risk	Recommendation	Management Action Plan

2. _FTA RECORD KEEPING REQUIREMENTS – ROLLING STOCK_
 	
The FTA requires that the following ten fields be maintained for all assets that are funded by them:
    1)Description; 2) Serial number or other identification number; 3) Source of funding (including the Federal Award Identification Number (FAIN)); 4) Acquisition date; 5) Cost; 6) Location; 7) Condition; 8) Date of disposal; 9) Sale price; and 10) Useful life.
 	
We performed some data analytics on August 2023 Hexagon records and identified some missing data as follows:
1. All assets met the FTA requirement of having an asset ID number and description. However, we noted that 100% of the assets had at least one key field that was missing information (e.g., the Warranty functionality is not being utilized, Funding source not populated, etc.)
2. It appears that the Sold/Scrap Date and Sold Value in Hexagon as required by the FTA is not being recorded. (Note: Some of these may not have been sold.)
 	
See Appendix B & C (see page 9 & 10) for details.
	The COO and EVP of Capital Construction, Engineering and Design should marshal internal/external resources to take action on:
	
	a) Ensure any FTA-required fields are complete and accurate by completing the following:
	   o For any NTD (National Transit Database)-required fields in Hexagon, make the naming conventions consistent with the FTA to eliminate confusion (e.g. use same name used by FTA or at least capture FTA name somewhere).
	   o Check newly entered asset records regularly and make timely adjustments if not compliant with FTA requirements.
	   o Design report formats to allow direct upload to NTD, simplifying the process.
		Management agrees and has developed the action plan below.
		
		Target Completion Date: February 2025
		
		a. Vehicle Maintenance (VM) will review FTA data field terminology and make it match if possible (i.e. if the system does not have conflicting terminology).
		b. Mandatory fields will be identified with an asterisk, and an FTA Information tab will be created on each asset record. A report will be built to output that data on demand (for both reporting and compliance.)
		c. Going forward all new assets will have designated required fields populated; we will not attempt to populate older vehicle records with information that may not even be available.
		d. The warranty module is not a good fit for our fleet configuration and will not be used. Implementation would be onerous and resource consuming resulting in negative ROI.

Issues & Risk	Recommendation	Management Action Plan

3. PARTS RECORDS – COMPLETENESS & ACCURACY
 	
In January 2022 CapMetro took over managing parts for vehicles (non-rail) and facilities. We performed data analytics in August 2023 looking at 9,581 Parts related to Vehicles (Non-Rail) & Facilities and noted the following concerns:
• Class data not migrated when Parts were purchased from MV Transportation in January 2022, therefore a significant number of Parts are not assigned to a Class (5,879 Parts, 61.4%).
• Because Class information is missing, it's difficult to differentiate on a Filter as to whether it is for a specific Vehicle type (Bus brand and model) and/or by Facilities Part Class (e.g., HVAC, Cooling System, Suspension, etc.).
• Appears to be a high rate of Parts that are over-stocked based on "Max" quantity set point (2,958, 31%), however, this can fluctuate depending upon upcoming activity and periods of higher demand.
• Other fields for Parts that are missing data:
   o Location 1,445 or 15.1%
   o Catalogue Description 965 or 10.1%
   o Quantity 1,595 or 16.6%
   o Price 130 or 1.4%
 	
See Appendix D (see page 11 & 12) for details.
	The COO and EVP of Capital Construction, Engineering and Design should document record keeping requirements in policies/procedures that cover the following:
	
	a) Identify which fields (e.g. Class, Catalogue Description, Location, Quantity, Price, Min/Max Quantity, etc.) are required for all parts.
	b) Perform data analytics to identify all Part numbers that are missing required fields and take necessary actions to ensure Hexagon database records are properly updated.
		Management agrees and has developed the action plan below.
		
		Target Completion Date:
		Facilities Parts May 2025
		
		Rolling Stock Parts May 2025
		
		a. Parts data fields such as class will reviewed for usefulness.
		b. Parts missing data (location, catalog description, etc.) will be reviewed but many of these are blank intentionally (i.e. parts that are not stocked do not have a location, etc.)
		c. Mandatory fields will be identified with an asterisk, and a report will be built to output that data on demand (for both reporting and compliance.)

Issues & Risk	Recommendation	Management Action Plan
4. **HEXAGON USER SURVEY - FEEDBACK ON ISSUES AND IMPROVEMENT OPPORTUNITIES** We conducted a survey of Hexagon users in July 2023 and the following concerns and opportunities for improvement were provided by users: ▪ Inability to correct data input errors after entries are made. ▪ Cumbersome to assign Work Order activities. ▪ User customizations are erased upon system updates. ▪ System freezes or is very slow upon Work Order updates/closures. ▪ Duplication on reports and inconsistent data. ▪ Slow data retrieval for older Work Orders ▪ Access to maintenance, preventative maintenance, and fuel inventory data and reports unavailable due to integration problems. ▪ Gasboy mileage data and Trapeze data not interfacing properly with Hexagon system. ▪ Data interface delays due to system time zone inconsistencies, update frequencies. ▪ Log in difficulties. See Appendix E for the statistics on 15 survey questions which covers questions related satisfaction, productivity, training, etc.. Note – this survey was conducted in July 2023 and management has continued to make continuous improvement in the Hexagon system since that point in time.	The COO and EVP of Capital Construction, Engineering and Design should marshal internal/external resources to take action on some of the user suggestions for improvement listed below: ▪ CapMetro specific help materials and training guidance (not generic) ▪ Additional training/advanced training, hands-on mobile training ▪ Stream-line work order creation ▪ Add ability to open multiple work orders of same type from one screen. ▪ Enhance ability to edit/correct previously saved input more easily. ▪ Improve integration/data flow and frequency with other systems (e.g., Trapeze, Gasboy, etc.) ▪ Improve reporting capabilities. ▪ Reduce/eliminate redundant data entry/keying (e.g., entering VMRS 042, 042-010, 042-010-094) ▪ Improve summary and 'at-a-glance' data screens. ▪ Improve 'Data Spy' query function/capability for search efficiency. ▪ Involve CapMetro Subject Matter Experts (SME) in user-acceptance testing. ▪ Reduce/eliminate system clutter (disabled options/functions/dropdowns) ▪ Improve support/assistance outside regular hours	Management agrees and has developed the action plan below. **Target Completion Date**: May 2025 – Tablet interface is being put in place to help Mechanics enter/retrieve data quicker. May 2027 – update survey questions and re-running the survey to measure progress. a. Need more detailed information to be able to take action based on the survey performed. b. VM can share existing non-generic Hexagon procedures. We have a lot. c. VM holds bi-weekly meetings to identify, prioritize and tackle Hexagon issues. Many of the comments mentioned by the auditor are being addressed in these ongoing meetings.

Issues & Risk	Recommendation	Management Action Plan
5. _UPDATE POLICIES AND PROCEDURES_ Although there is no written policies and procedures related to Cycle Counts, we noted that the current cycle count approach for spare parts seems to be working. We noted that there is limited documented policies and procedures related to Enterprise Asset Management activities. In particular, CapMetro has an opportunity to improve written policies and procedures for the following operational and financial controls: • Physical Inventory – 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.. • Cycle Counts – same as Physical Inventory listed above. • 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.). We have some policies/procedures that need to updated and coordinated across multiple departments and areas.	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.	Management agrees and has developed the action plan below. **Target Completion Date**: May 2026 a. VM can share existing processes for cycle counts and inventory control. b. VM will participate in an effort to reconcile Hexagon to Oracle, but understand that Hexagon is the record for parts and assets. If Oracle group wants to reconcile, VM will assist.

Appendices

Appendix A
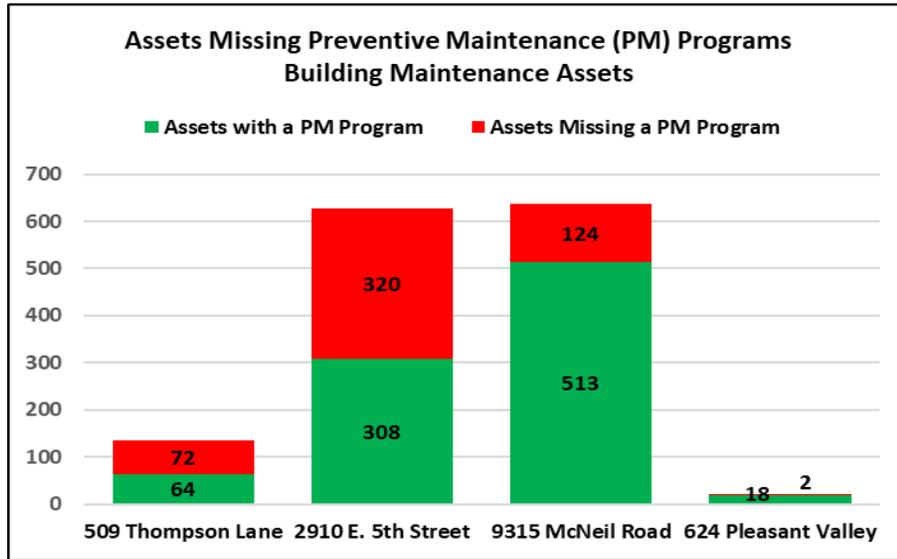
Assets Missing Preventive Maintenance (PM) Programs Building Maintenance Assets			
Location	**# Total Assets**	**# Assets Missing a PM Program**	**% Assets Missing a PM Program**
509 Thompson Lane	136	72	52.9%
2910 E. 5th Street	628	320	51.0%
9315 McNeil Road	637	124	19.5%
624 Pleasant Valley	20	2	10.0%
Total	**1421**	**518**	**36.5%**

Note: The results above only include child assets. Parent assets were excluded because they represent a group of children assets and not a unique asset.

		Assets Missing Preventive Maintenance (PM) Programs																																								
		Asset Class Description																																								
Location	**# Total Assets**	Air System	Amenities	Basement	Cleaning	Commercial Waste	Communication & Security	Controls	Cooling System	Distribution	Elevators	Exterior	Finishes	Fixtures	Fuel Dispensing	Heating System	HVAC System	Interior	Kitchen Equipment	Landscape and Irrigation	Lift	Lighting & Branch Wire	Maintenance Vehicles	Misc. Structures	Non-Vehicle Equipment	Other	Other Electrical	Other Fire Systems	Other Interior	Partitions	Plumbing	Safety	Sanitary Waste	Site Develop	Site Utilities	Stairs	Superstructure	Tools	Water Distribution	**Grand Total**	**Grand Total %**
509 Thompson Lane	136	2	3			1				4		13		1	7			3			21	4			1	4				2	3								3	**72**	**53%**
2910 E. 5th Street	628	6	1	4	5	48		6	10	11	1	3	2	5	25	6	1	1	10	3	34	2	1			11	8	6	3	25	6	3	11	1	1	5	5	46	4	**320**	**51%**
9315 McNeil Road	637		3			6	5		1	1		19			43	10					1			6		6	13			3	3	2					1		1	**124**	**19%**
624 Pleasant Valley	20		1																											1										**2**	**10%**

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Appendix B

Key Data Fields in Hexagon Rolling Stock (Non-Rail) Vehicle Assets			
		% of 768 Assets with Missing Data	
FTA Requirement	**Name of Field**	**AUG 2023**	
YES - FTA Requirement	In-Service/Purchase Date	43	6%
	Purchase Cost	31	4%
	Condition Rating	4	1%
	Source of Funding	66	9%
	Location	768	100%
	Useful Life	0	0%
No	Warranty Info	768	100%
No	Model #	2	0%
No	Serial #	1	0%
No	Manufacturer	1	0%
No	Useful Life Benchmark	0	0%
No	Target Retirement Date	81	11%
No	Rehabilitation Date	768	100%
No	Replacement Cost	32	4%

Appendix C

CAPMETRO ROLLING STOCK ASSETS Assets Missing Data by Class and Data Field (%) August 2023												
CLASS -->	Bus	Articulated Bus	Cutway Bus	Low Speed Vehicle	Automobile	Mini Van	Midsize Van	Sports Utility Vehicle	Flatbed Truck	Pickup Truck	Utility Truck	Trailer
Total Assets/Class	415	31	131	1	67	21	9	48	16	7	12	10
Data Field												
In-Service/Purchase Date	4%		13%		3%		11%	4%				30%
Purchase Cost	1%		5%		3%			31%				40%
Condition rating												40%
NTD Funding Source				100%	1%	14%	89%	44%	19%	100%	100%	100%
Model												20%
Serial Number												10%
Manufacturer												10%
Target Retirement Date	2%		18%		3%	14%	11%	56%	25%		17%	90%
Replacement Cost	1%		5%		3%		11%	31%				40%

HEXAGON PARTS DATA ANALYTICS
CapMetro - Vehicle (Non-Rail) & Facilities Maintenance Parts
(excludes On-Demand Parts Inventories)

as of 8/30/2023

Original Data

Stock Levels		Count	Percentage	Quantity and No Price	Count	Percentage
	Understock	525	5.5%		79	0.8%
	Overstock	2,958	30.9%			
	Fully Stock	6,098	63.6%			
		9,581				

Missing Min/Max				Value and No Catalog Desc	Count	Percentage
		Count	Percentage		964	10.1%
	Missing Min	21	0.2%	Value and No Location	Count	Percentage
	Missing Max	24	0.3%		1445	15.1%
	Missing Both	596	6.2%	Value and No Class	Count	Percentage
	Missing None	8,940	93.3%		5879	61.4%
		9,581				

Avg. vs. Last Price		Count	Percentage	No Quantity	Count	Percentage
	>20% Over	390	4.1%		1595	16.6%
	>20% Under	544	5.7%			
	within 20%	8,647	90.3%			
		9,581				

Four Stores Incl Above -

| Store	Store Description	Store	Store Description
2910_01	STOCK SOUTH	9315_11	9315 FACILITY MAINTEANCE
2910_02	2910 FACILITY MAINTENANCE	9315_12	9315 BUS MAINTENANCE PARTS

Results from Testing Key Fields in Hexagon Vehicles (Non-Rail) & Facilities Parts		
Name of Field	**Parts Missing Info.**	
	AUG 2023	
Class	5,879	61.4%
Location	1,445	15.1%
Min	21	0.2%
Max	24	0.3%
Min & Max	596	6.2%
Supplier Catalog Description	964	10.1%

Appendix E

## Hexagon User Survey Results - Satisfaction and Impact on Operations

Satisfied with Hexagon?
- Positive 2 — 8%
- Neutral 11 — 42%
- Negative 13 — 50%
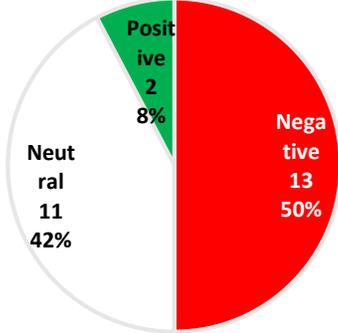
Productivity/Efficiency/Savings?
- Negative 26 — 100%
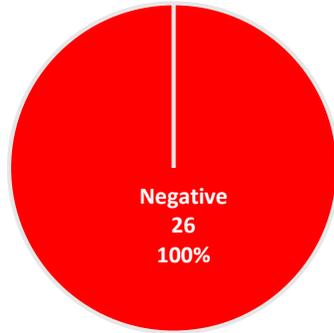
Positive Impact on Operations?
- Positive 1 — 4%
- Neutral 16 — 61%
- Negative 9 — 35%
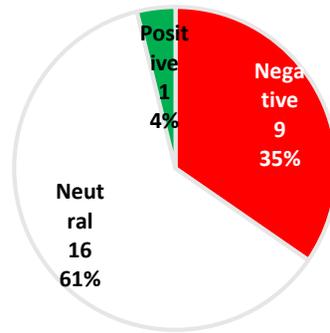
User-friendly and easy navigation?
- Positive 5 — 19%
- Neutral 9 — 35%
- Negative 12 — 46%
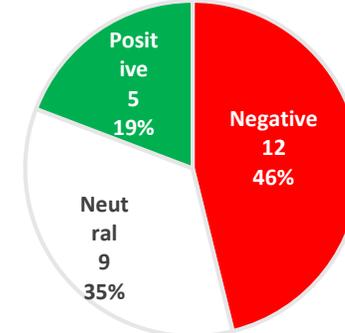
System Performance/Speed?
- Positive 4 — 15%
- Neutral 9 — 35%
- Negative 13 — 50%
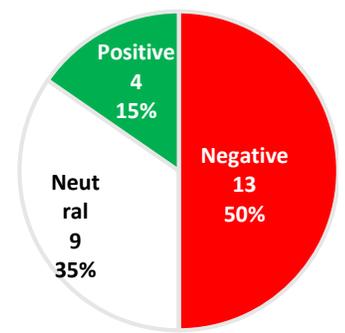
Data consistent with other systems?
- N/A 4 — 15%
- Positive 8 — 31%
- Negative 14 — 54%
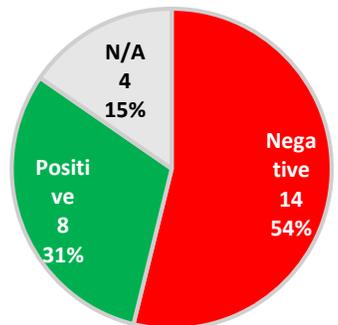
Free from Errors/Bugs/Limitations?
- Positive 9 — 35%
- Negative 17 — 65%
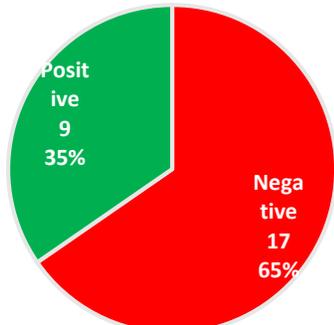
Meets expectations/No challenges?
- Positive 9 — 35%
- Negative 17 — 65%
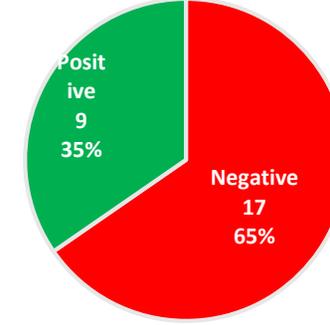
All essential features are available?
- Positive 10 — 38%
- Negative 16 — 62%
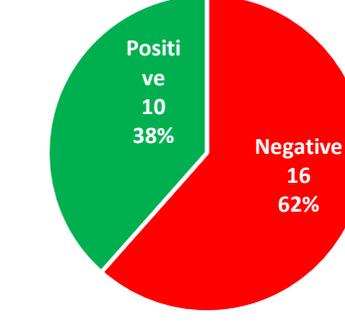
Integration with other systems?
- Negative 9 — 35%
- N/A 17 — 65%
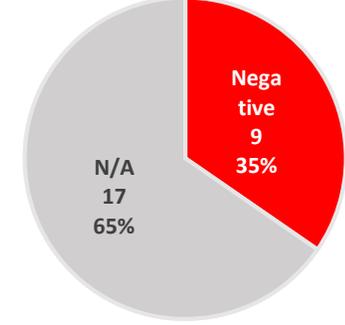
Performance & Reliability

Reliable without significant outages?
- Positive 8 — 31%
- Negative 18 — 69%
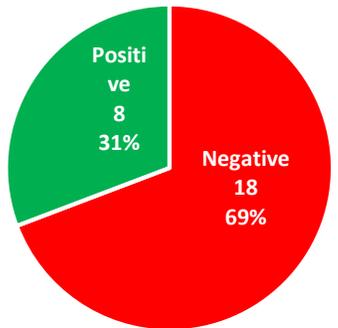
Training

Adequate Training?
- Positive 5 — 19%
- Neutral 6 — 23%
- Negative 15 — 58%
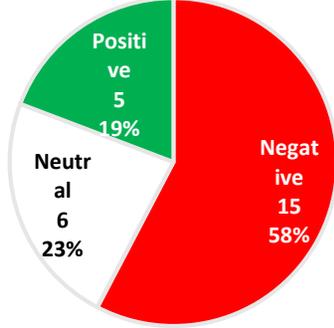
Instructors addressed my questions?
- Positive 7 — 27%
- Neutral 10 — 38%
- Negative 9 — 35%
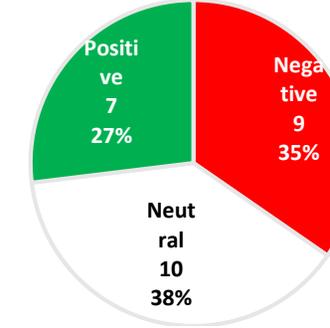
Support Experience

Support responsiveness?
- Positive 5 — 19%
- Neutral 9 — 35%
- Negative 12 — 46%
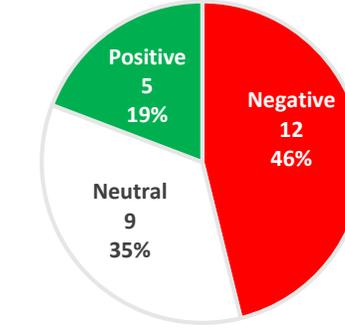
Documentation and on-line help?
- Positive 6 — 23%
- Neutral 11 — 42%
- Negative 9 — 35%
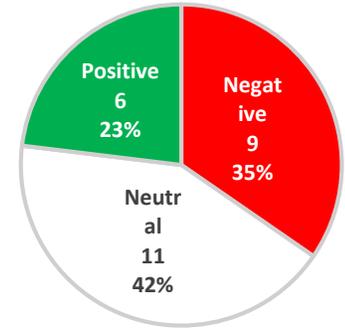
Capital Metropolitan Transportation Authority

CapMetro

Finance, Audit and Administration Committee
Agenda Date: 5/8/2024

Item #: AI-2023-1004

Internal Audit FY2024 Audit Plan Status

FY24 INTERNAL AUDIT PLAN
Department Scorecard

	Projects	Status & % Complete	Additional Details
	FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/11; 11/8; 12/4; 1/17; 2/14; 3/18; 4/10; 5/8; 6/12; 7/10; 8/12; 9/11	In-Process	
2	Semi-annual Implementation Status Report - November 2023	Completed	December
3	Semi-annual Implementation Status Report - May 2024	In-Process	June
4	FY2024 Risk Assessment & development of FY25 Audit Plan		
	FY24 Audit Assurance & Advisory Projects		
1	CapMetro/ATP Billing Processes		
2	Keolis Contract - Payroll Pass Through Controls	In-Process	UT Interns - May
3	Hexagon (Infor) Enterprise Asset Mgt System - post go live review	In-Process	June
4	Paratransit & Demand Response Operations	In-Process	July
5	Analyze Oracle segregation of duties (switch to Oracle GRC)	In-Process	
6	MV Contract - Payroll Pass Through Charges	Completed	
7	Miscellaneous Revenue Controls (6 of 11 areas completed)	In-Process	5 In Process
8	Automate Incidents/Accidents Reporting (Bus - switch to TrackIt system)	In-Process	
9	GHG & Carbon Footprint Reporting	Completed	UT Interns - Jan
10	Sales Taxes - Revenue Controls	Completed	UT Interns - Dec
11	Investment Income - Revenue Controls	Completed	UT Interns - Dec
12	Watco Freight Revenue - Revenue Controls	Completed	UT Interns - Dec
13	GRC - Contract Performance Management System Advisory (Bus, Rail, DR) - Quadrennial Performance Audit recommendations		
14	GRC (Governance Risk & Compliance) System Implementation (Risk Register; Safety Dept; Internal Audit Dept; etc.)		
15	Safety Management System (SMS) - Management of Change (Advisory)	In-Process	
16	Bus Charging Infrastructure & EV Program	In-Process	
17	AMP Cards & New Fare Systems		
18	United Healthcare & Other Self-Insured Benefits (TPA Payments)	In-Process	Rescoping to Eligibility Review
19	McKalla Station - Design Build Effectiveness	In-Process	UT Interns - May
20	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2023 baseline	In-Process	CISA follow-up review (Spring)
21	Annual Cybersecurity Review (Mandiant)	In-Process	
22	Quadrennial Performance Audit - Selection Process but FY25 Budget/Execution	In-Process	RFP being Released
	CONTINGENT AUDIT PROJECTS - FY24		
1	Microsoft Sharepoint & Active Directory		
2	Salary Adjustment & Merit Process		
3	Rail-FRA PTC Change Management Requirements (Herzog)		
4	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		
5	Capital Project Controls (McKalla Station; MetroRapid; DR N Facility Build;)		
6	Spare Labs.com - Demand Response System Implementation		
7	Lease Vehicle Program - non-Revenue Vehicles		
	NEW PROJECTS ADDED TO FY24 AUDIT PLAN by Terry Follmer		
1	Miscellaneous Revenues - Tracking & Reporting on Implementation Status	In-Process	May;
2	Delegations of Authority - Advisory Project with Legal Department	In-Process	
3	RFP & Vendor Selection Observer - Demand Response	In-Process	
4			