



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

2910 East 5th Street
Austin, TX 78702

Monday, December 9, 2024

10:00 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 November 13, 2024 Finance, Audit and Administration Committee meeting.

IV. Presentations:

1. CapMetro Retirement Plans 2023 Valuations and Audits
2. Internal Audit FY2025 Audit Plan Status - December 2024
3. Internal Audit Semi-Annual Follow Up on Open Audit Reports
4. Executive Finance and Administration Monthly Update - December 2024
Update on recent activities, statistical data, personnel changes, communications and public outreach

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

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

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

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



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2024-1344

Agenda Date: 12/9/2024

Approval of minutes from the November 13, 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, November 13, 2024

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:05 a.m. Meeting Called to Order

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

II. Public Comment:

There was no public comment this month.

III. Action Items:

1. Approval of minutes from the October 16, 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: Pool, Ross, Harriss, and Bangle

2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize a contract for the purchase of Medical Stop Loss Insurance for claims above \$225,000 from Voya Employee Benefits for one (1) year in an amount not to exceed \$857,561.

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 11/25/2024. The motion carried by the following vote:

Aye: Pool, Ross, Harriss, and Bangle

3. Approval of a resolution approving the Fiscal Year 2024 performance review for Terry Follmer, Vice President of Internal Audit.

This item was taken up after Executive Session.

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

Aye: Ross, Harriss, and Bangle

Away: Pool

IV. Presentations:

1. Internal Audit FY2025 Audit Plan Status - November 2024
2. Executive Finance and Administration Monthly Update - November 2024
Update on recent activities, statistical data, personnel changes, communications and public outreach with a focus this month on external audits

V. Executive Session:

The committee went into Executive Session with a quorum present at 10:17 a.m.

The committee came out of Executive Session at 11:25 a.m.

Section 551.074 for Personnel Matters: Discussion of Vice President, Internal Audit FY2024 Annual Performance Review

Section 551.076 for Deliberation regarding Security Devices or Audits for review of a recent cybersecurity resilience report

V. Items for Future Discussion

VI. Adjournment

11:28 a.m. Meeting Adjourned

ADA Compliance

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

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



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee
Agenda Date: 12/9/2024

Item #: AI-2024-1332

CapMetro Retirement Plans 2023 Valuations and Audits



Employee Retirement Plan Update Board Finance, Audit & Administration Committee

December 9, 2024

Agenda

- Pension Plan Summary
- Valuation Report on Closed Bargaining Employee Pension Plan
 - AON
- Valuation Report on CapMetro Pension Plan for Administrative Employees
 - USI Consulting Group
- 2023 Audit Reports on CapMetro 401K and Pension Plan
 - RSM US
- 2023 Audit Report on Bargaining Employee Pension Plan
 - RSM US

Pension Plan Status Summaries

	Pension Plan for Administrative Employees of Capital Metro	Pension Plan for Bargaining Employees of StarTran, Inc.
Year Created	2005	CapMetro assumed sponsorship in 2004
Active Participants	560	104
Retirees Receiving Benefits	172	583
Assumed Annual Rate of Return	6.75%	6.5%
Return on Market Value of Assets	15.5%	15.6%
Total Liability as of 1/1/24	\$75,641,902	\$62,989,803
Total Assets as of 1/1/24	\$ 59,522,711	\$39,904,358
Funded Percentage as of 1/1/24	78.7 %	65.7%
Annual Contribution	\$6,550,278	\$4,000,000

NOTE: All values are actuarial values as of 1/1/24

Significant Plan Provisions

	Pension Plan for Administrative Employees of Capital Metro	Pension Plan for Bargaining Employees of StarTran, Inc.
Status	Active since 2005	Frozen since 2012
Benefit Formula	1.5% of final average pay times years of service	\$60 per month per year of service
Investment Policy Targets	60% equities/40% fixed income, alternatives and cash	65% equities/35% fixed income and real estate
Funding Policy	100% within 20 years	100% or more by 2040
Administrative Committee	5 CapMetro members (retiree, accounting, benefits, executive, employee representative)	3 ATU members/3 CapMetro representatives (CEO office, Finance, Administration)
Early Unreduced Retirement	Rule of 80 (age plus years of service = 80) and 62 years old	22.5 years of service and 55 years old
Disability Benefit	Age 55 and Qualified for SS Disability	15 years of service and Qualified for SS Disability



Retirement Plan for Bargaining Units of StarTran, Inc.

Funding Valuation for 2024 Plan
Year as of January 1, 2024 GASB
68 Valuation for the Fiscal Year
Ending
September 30, 2024

Reflecting December 31, 2023
Measurement Date

December 9, 2024



Summary Story

Funding Requirements

Funding Ratios		
Asset Basis	1/1/2023	1/1/2024
Actuarial Value (4 Year Smoothing)	63.35%	65.72%
Market Value	53.77%	61.77%

Contributions ¹		
(\$ Millions)	2023	2024
Actuarially Determined	\$ 4.0	\$ 4.0
Actual Made/Planned	\$ 4.0	\$ 4.0

Funding Requirements

Net Liability (GASB 68 Accounting)		
(\$ Millions)	12/31/2022	12/31/2023
Pension	\$ 29.1	\$ 23.4

Annual GASB 68 Expense		
(\$ Millions)	2023	2024
Pension	\$ 2.2	\$ 0.9

¹Based on funding policy adopted December 17, 2019, the actuarially determined contribution under this policy is the Normal Cost plus the greater of 1) \$4 million minus the non-investment administrative expenses incurred during the year, and 2) closed-period 15-year amortization of the Unfunded Actuarial Accrued Liability as of January 1, 2024 with 3% annual increases.

Key Observations for 2024 Valuation

- **Market Value of Assets (MVA)** performed better than assumed 6.50%. The MVA actual return was 15.6% compared to 3.4% on the AVA. The Actuarial Value of Assets earned a lower return because of smoothing and deferred recognition of the 2022 actuarial losses on the MVA.
- **Assumptions:**
 - EROA remained at 6.50% consistent with capital market expectations;
 - Discount rates for Funding and GASB also remained at 6.50%, consistent with EROA;
 - Only assumption changes made were updated interest crediting rate and lump sum conversion rate.
- **Data:** \$590k liability gain due to experience in 2023
- **Funding level:** If the plan sponsor contributes \$4 million annually per the funding policy and actual plan experience is equal to assumed, the plan would be expected to become fully funded on the actuarially determined contribution basis in 8 years.

Things to consider for 2025:

- Review asset allocation and **consider de-risking strategy**

Census Data

	January 1, 2023	January 1, 2024
Active Participants		
Number	113	104
Average Age	56.2	57.0
Average Service (eligibility service for early retirement)	16.3	17.1
Account Balances	\$1,658,322	\$1,528,840
Inactives With Deferred Benefits		
Number ¹	269	248
Average Current Age	58.1	58.4
Inactives Receiving Payment		
Number ²	573	583
Average Current Age	69.5	69.9
Average Monthly Benefit	\$ 695	\$ 685
Total Participants		
Number	955	935

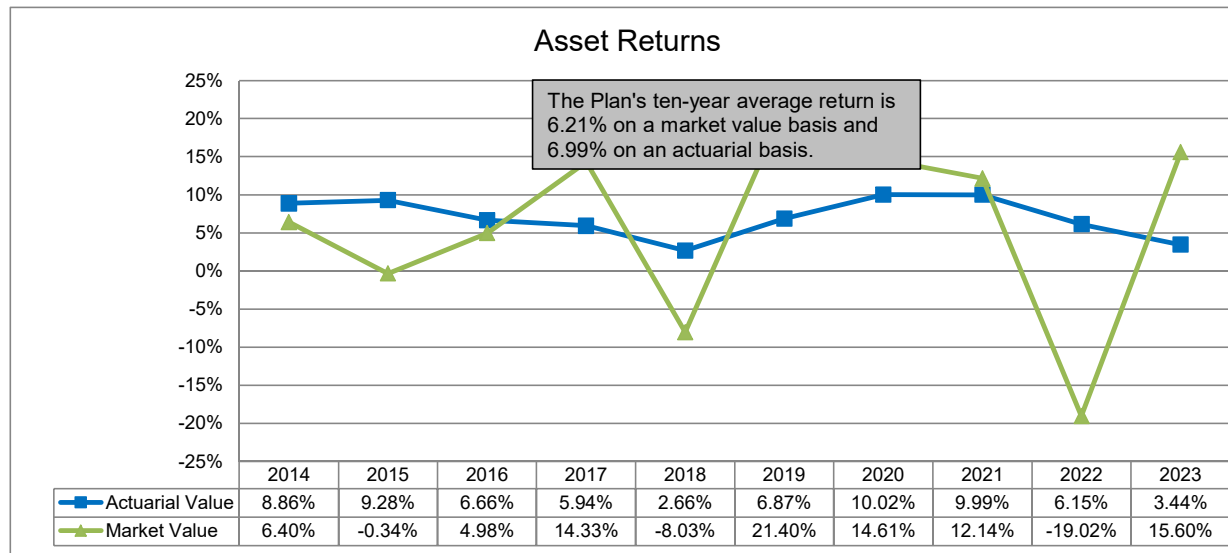
¹ As of January 1, 2023, this includes 22 beneficiaries with deferred benefits. As of January 1, 2024, this includes 24 beneficiaries with deferred benefits.

² As of January 1, 2023, this includes 59 beneficiaries receiving payments. As of January 1, 2024, this includes 63 beneficiaries receiving payments.

Market Value of Assets

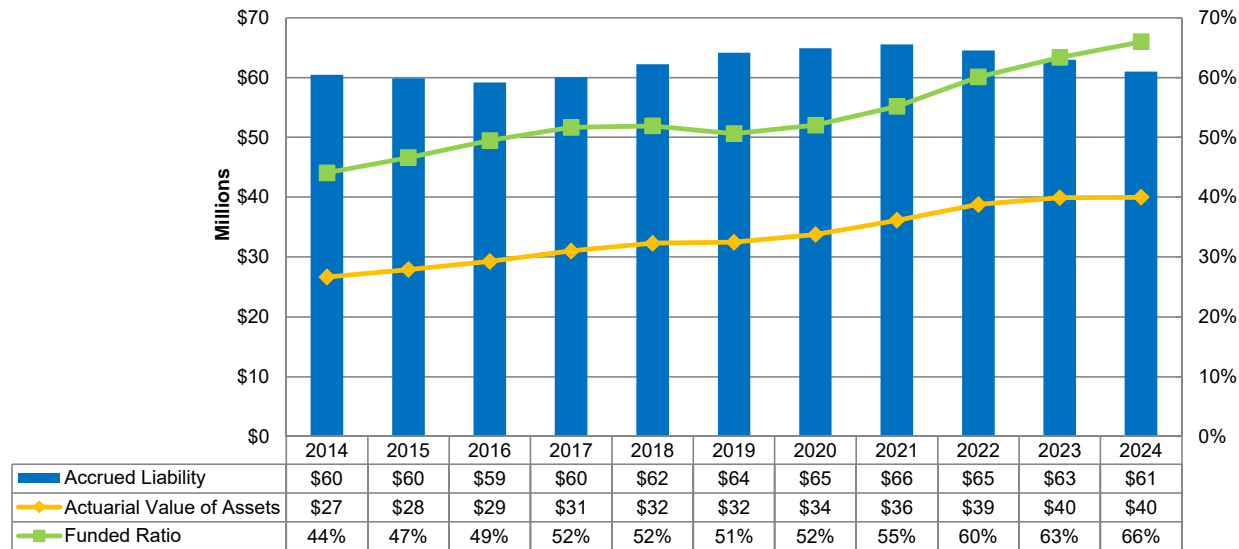
Changes in Market Value of Assets (\$Millions)		
12/31/2022 Value	\$ 33.9	
Benefits	- 5.1	
Expenses	- 0.2	Administrative (non-investment) expenses only
Contributions	+ 4.0	
Return	+ <u>5.1</u>	15.6% annual return during 2023 net of investment expenses
12/31/2023 Value =	\$ 37.7	

Historical Results: Actuarial vs Market Rates of Return



Historical Results: Actuarial Accrued Liability vs Actuarial Value of Assets Return

Actuarial Value of Assets vs. Accrued Liability as of January 1 (Millions)

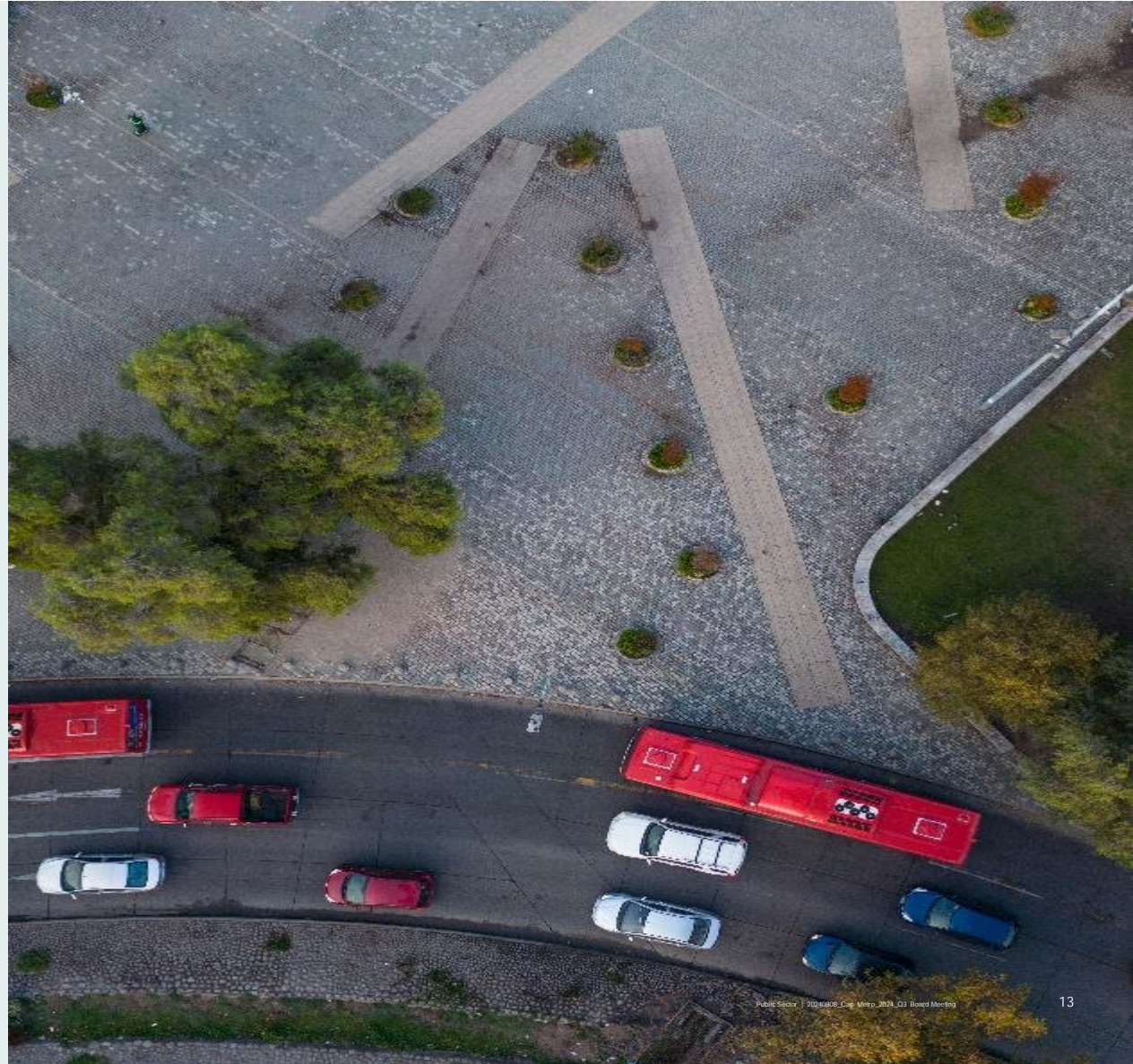


Actuarially Determined Contribution

(\$Millions)	2023	2024	
1) Normal Cost	\$ 0.2	\$ 0.2	Annual benefit accruals are \$0. However, Normal Cost includes expected administrative costs
2) Funding Policy Amortization:			
a) \$4M - admin expenses	\$ 3.8	\$ 3.8	Funding policy effective December 17, 2019
b) Amortization of UAAL	\$ 1.8	\$ 1.8	
c) Funding Policy Amortization, greater of a) and b)	\$ 3.8	\$ 3.8	
3) Actuarially Determined Contribution	\$ 4.0	\$ 4.0	

Based on funding policy adopted December 17, 2019, the actuarially determined contribution under this policy is the Normal Cost plus the greater of 1) \$4 million minus the non-investment administrative expenses incurred during the year, and 2) closed-period 15-year amortization of the Unfunded Actuarial Accrued Liability as of January 1, 2024 with 3% annual increases.

Assumptions and Methods



Assumptions and Methods for Funding

Assumption	2024 Plan Year
Discount Rate	6.50%
Cost Method	Unit Credit Cost Method
Mortality	Healthy: Pub-2010 General Employees Table projected with Scale MP-2021 Disabled: Pub-2010 General Disabled Table projected with Scale MP-2021
Retirement/Termination Rates for Active Participants	Rates vary by age, sex, and service. See valuation report for more details
Form of Payment for Commencements for Active Participants	Participants are assumed to elect the maximum lump sum distribution available plus a 10 Year Certain and Life Annuity (the Normal Form)
Commencement Age and Form of Payment for Terminated Vested Participants	Earliest eligibility for retirement; payment form assumption same as for active participants.

About This Material

- This material includes a summary of calculations and consulting related to the finances of the Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Units of StarTran, Inc. plan.
- Various topics are addressed, including the following:
 - Preliminary 2024 plan year pension funding valuation results
 - Fiscal 2024 US GASB expense results
- This analysis is intended to assist with the Board's review of the associated issues and options, and its use may not be appropriate for other purposes.
- Unless otherwise noted, the calculations summarized in this report were performed as of January 1, 2024 using plan provisions, assets, actuarial assumptions and methods and personnel information as of January 1, 2024, as summarized in the 2024 actuarial valuation report. Unless specifically noted, our calculations do not reflect changes or events after this date.
- The valuation results are consistent with the Actuarial Standards of Practice, specifically ASOP 4, 27, 35 and 44.
- The actuarial valuation results are based on our understanding of the Texas PRB guidelines for actuarial soundness as adopted on September 28, 2011, Capital Metro's funding policy adopted December 17, 2019, and GASB 68. We believe the methodology used in these calculations conforms to the requirements of those guidelines and accounting statements.
- Experience different than anticipated could have a material impact on the ultimate costs of the benefits. In addition, changes in plan provisions or applicable laws could have a significant impact on cost.



December 9, 2024

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

RETIREMENT PLAN FOR ADMINISTRATIVE EMPLOYEES 2024 VALUATION
SUMMARY

PAUL GIBBONS, FCA



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Demographic Summary

	January 1, 2023	January 1, 2024
Participant Counts		
Active	498	560
Former Employees Entitled to a Future Benefit	316	345
Retirees and Beneficiaries	163	172
Total Valuation Participants	977	1,077
Valuation Compensation	\$ 44,096,190	\$ 53,346,593



Actuarial Value of Assets

Market Value of Assets				\$ 57,495,752
<u>Plan Year Ending</u>	<u>Gain/(Loss)</u>	<u>Unrecognized Portion</u>	<u>Unrecognized Amount</u>	
2023	\$ 4,188,875	80%	\$ 3,351,100	
2022	(11,846,416)	60%	(7,107,850)	
2021	\$ 2,669,398	40%	1,067,759	
2020	3,310,159	20%	662,032	
Total Deferral			\$ (2,026,959)	
Actuarial Value of Assets				\$ 59,522,711

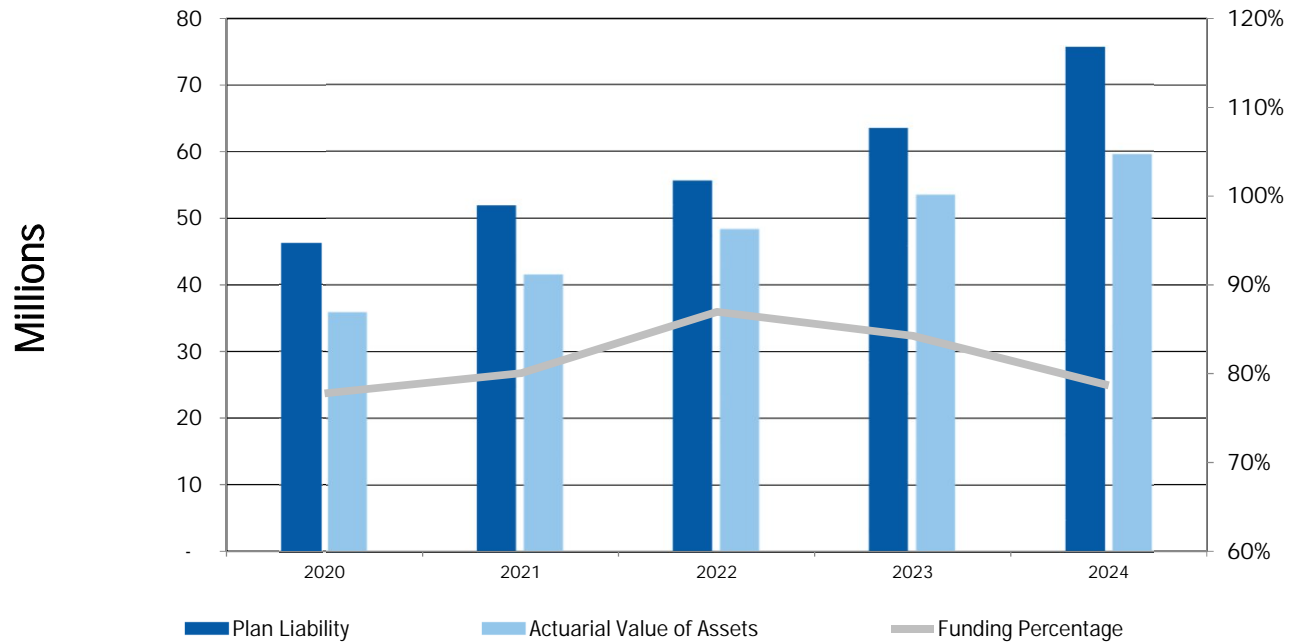


Contribution Determination

	January 1, 2023	January 1, 2024
Actuarial Accrued Liability	\$ 63,497,267	\$ 75,641,902
Actuarial Value of Assets	(53,512,742)	(59,522,711)
Unfunded Actuarial Liability	\$ 9,984,525	\$ 16,119,191
Contribution Determination		
Normal Cost	\$ 3,840,778	\$ 4,907,887
Amortization	727,202	1,130,956
Interest	308,339	407,622
Provision for Administrative Expenses	<u>99,961</u>	<u>103,813</u>
Annual Contribution	\$ 4,976,280	\$ 6,550,278
Percent of Valuation Compensation	11.3%	12.3%

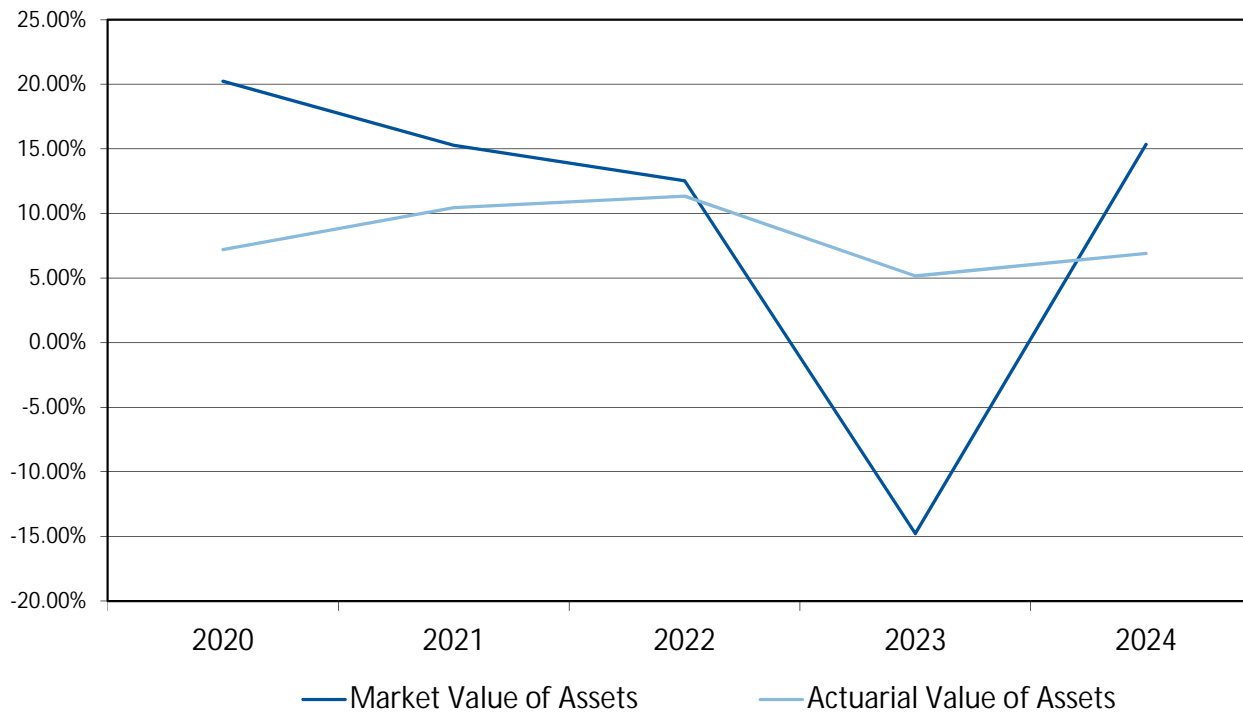


Historical Plan Liability, Assets, and Funding Percentage





Historic Return on Assets





Accounting Summary

	December 31, 2022	December 31, 2023	December 31, 2024 Est.
Discount Rate	6.75%	6.75%	
Total Pension Liability	\$ 65,990,000	\$ 75,640,000	
Net Fiduciary Position	<u>(47,790,000)</u>	<u>(57,500,000)</u>	
Net Pension Liability	\$ 18,200,000	\$ 18,140,000	
Pension Expense			
Service Cost	\$ 4,300,000	\$ 4,640,000	\$ 5,540,000
Interest Cost	3,790,000	4,380,000	5,020,000
Expected Asset Return and Expenses	(3,570,000)	(3,230,000)	(3,690,000)
Net Deferred (Inflows)/Outflows	<u>750,000</u>	<u>(1,270,000)</u>	<u>(1,390,000)</u>
Pension Expense	\$ 5,270,000	\$ 4,520,000	\$ 5,480,000



Valuation Assumptions

- Discount Rates and Future Compensation Increases
 - Funding – 6.75% and 7.00% for 2023 and 2024, and 4.00% thereafter
 - Accounting – 6.75% and 7.00% for 2023 and 2024, and 4.00% thereafter
- Mortality
 - Funding – ERISA prescribed rates for single employer plans
 - Accounting – Pri-2012 white collar with improvement scale 2021
- Retirement Rates
 - Age 60-61: 5%
 - Age 62-64: 10%
 - Age 65: 50%
 - Age 66-69: 15%
 - Age 70: 100%
- No Disability Rates Assumed



Valuation Assumptions (cont'd)

- Turnover Rates
 - <1 Year of service: 17%
 - 1 Year of service: 14%
 - 2 years of service: 12%
 - 3 Years of service: 9%
 - 4 Years of service: 6%
 - 5+ Years of service: 6% below age 35 falling to 4% age 50
- Funding Method is Entry Age Normal Level % of Salary
- All other assumptions and methods used in this presentation for funding and GASB Accounting will be available in Appendix B of our 2024 valuation report.

CAPITAL METRO
TRANSPORTATION AUTHORITY
RETIREMENT PLANS

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



Members of the Capital Metro Finance,
Audit and Administration Committee

We are pleased to present this report related to our 2023 audit of Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees; Retirement Plan for Bargaining Unit Employees of StarTran, Inc.; and the Savings and Retirement Plan's (the Plans) 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 the Company'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 the Plans and Capital Metropolitan Transportation Authority (Capital Metro).

This report is intended solely for the information and use of the Members of the Capital Metro Finance, Audit and Administration Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Executive summary

Audit status

- The 2023 audits are completed.
- We issued unmodified opinions on the financial statements of the Plans.

Significant changes to the planned audit strategy

- There were no significant changes to the planned audit strategy and communicated to the Finance, Audit and Administration Committee.

Significant risks

We did not identify other significant risks subsequent to those we communicated to you in our report dated June 4, 2024.

- Audit adjustments or uncorrected misstatements
- During our audit, we did not identify audit adjustments or uncorrected misstatements.
- Deficiencies in internal control
- We did not identify a material weakness or significant deficiency required to be reported.

Understand the client

Risk assessment

Further audit procedures

Evaluation

Delivery

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 June 4, 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 Company. The Plans did not adopt any significant new accounting policies nor change any significant accounting policies during the current period.
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.

Required Communications

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.

Valuation of investments

Accounting policy

All investments of the Plans are valued at fair value based on quoted market prices, except for the Lincoln Stable Value Fund, a group fixed annuity contract valued at amortized cost. The annuity contract is held by the Administrative Pension Plan and the 401k Plan.

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 in mutual funds are reported at fair value based on the quoted price per share of the fund. The Lincoln Stable Value Fund is reported at amortized cost.

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

Capital Metro contributes to the Capital Metro Retirement Plan for Administrative Employees (DB Plan), a single-employer employee retirement plan. As the Plan Sponsor, Capital Metro measures the net pension asset/liability based on approved demographic and economic assumptions. The DB Plan disclosed the net pension liability in the notes to the financial statements.

Management's estimation process

The pension liability was measured as of December 31, 2023. This calculation is prepared by an independent actuarial company engaged by Capital Metro, and Capital Metro's management reviewed and considered the appropriateness of the assumptions.

Basis for our conclusion on the reasonableness of the estimate

We obtained the DB Plan's actuarial valuation report, and we confirmed that the reported balances agreed with the actuarial report. We tested 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.

Audit adjustments and uncorrected misstatements

Audit adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.



REQUIRED COMMUNICATIONS

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.

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 independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the Capital Metro Finance, Audit and Administration Committee and RSM each play an important role.

Our responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA's 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.

The Company's responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - New beneficial owners of the Plans which have significant influence.
 - Change in the Plans structure impacting affiliates.
- 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 Plans 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 Plans.

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

Aaron

One of the
RSM team



Thank you

RSM contacts

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CapMetro

Thank you!



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee
Agenda Date: 12/9/2024

Item #: AI-2024-1338

Internal Audit FY2025 Audit Plan Status - December 2024

FY25 INTERNAL AUDIT PLAN
Department Scorecard

	Projects	Status & % Complete	Additional Details
	<u>FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE</u>		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/16; 11/13; 12/9	In-Process	Ongoing
2	Semi-annual Implementation Status Report - November 2024	In-Process	December
3	Semi-annual Implementation Status Report - May 2025		
4	FY2025 Risk Assessment & development of FY26 Audit Plan		
	<u>FY25 Audit Assurance & Advisory Projects</u>		
1	Keolis Payroll Pass Through Controls	In-Process	
2	MTM Payroll Pass Through Controls - New Contract in Demand Response		
3	Oracle Risk Mgt module - Analyze Oracle segregation of duties	In-Process	
4	Oracle Survey - User Satisfaction & Opportunities		
5	Capital Projects - Costs & Reporting Controls		
6	Police Dept Standup (Recordkeeping & Compliance Requirements)		
7	Inventory Controls (Fuel & Parts) & Utilities (Electricity)	In-Process	UT Interns
8	A/P Non-PO & P-Card Controls	In-Process	UT Interns
9	Brinks Contract and Outsourced Treasury Controls		
10	Keolis - Bus Maintenance & Training		
11	Automation of Bus Incidents/Accidents Reporting	In-Process	
12	Safety Management System (SMS) - Management of Change	Draft Report	
13	Bus Charging Infrastructure & EV Program	Draft Report	
14	Bytemark Contract for e-Tickets & Collections - Administrative Fees	In-Process	
15	United Healthcare - Eligibility & Payment Support	In-Process	
16	McKalla Station - Capital Project Controls	Draft Report	
17	CLS System for Right of Way Revenues (Permits, RWIC, Licenses)	Draft Report	
18	BikeShare Program	In-Process	
19	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2024 baseline		
20	Annual Cybersecurity Review (Verizon)		
21	FTA Triennial Audit		
22	QAR (Quality Assessment Review) - IIA and GAS Standards		
23	Quadrennial Performance Audit	In-Process	February
	<u>CONTINGENT AUDIT PROJECTS - FY25</u>		
1	Lease Vehicle Program - non-Revenue Vehicles		
2	Microsoft Sharepoint & Active Directory		
3	Real Estate - Life Cycle Management & Controls		
4	Grant Reporting Procss (Small Starts, Single Audit, Subrecipients)		
5	Board Policies/Goals - Monitoring & Reporting (e.g. OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		

	<u>NEW PROJECTS ADDED TO FY25 AUDIT PLAN by Terry Follmer</u>		
1			
2			



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee
Agenda Date: 12/9/2024

Item #: AI-2024-1341

Internal Audit Semi-Annual Follow Up on Open Audit Reports

CapMetro

SEMI-ANNUAL FOLLOW-UP ON AUDIT RECOMMENDATIONS November 2024 (24-21)

Terry Follmer, Chief Audit Executive

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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 November 12, 2024. The follow-up included 5 audit reports with a total of 22 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 November 12, 2024 for the outstanding Corrective Action Plans (CAP's) resulting from internal audit projects.

Conclusion on Corrective Action Plans

We followed up on 22 recommendations from 5 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 November 2024.

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	4	1	0	80%
23-05	7/17/2024	Demand Response Operations	3	1	2	0	0%
TOTAL:			22	11	11	0	50%

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:

Amy Parekh, Internal Auditor II (Project Lead)

Terry Follmer, Chief Audit Executive

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

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 of audits, we identified 13 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.

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

RECOMMENDATION 1 – (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. Risk Master is being sunsetted and Demand Response and Rail will move to TrackIT by Q3 FY25. Procurement is underway to replace OrbCAD, and it will take 18-24 months.

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 has transferred to Track-IT, they should no longer be doing anything manually through Excel. The data originates in OrbCAD and it cannot be changed. After review of the accident, it is sometimes de-escalated and categorized as an incident in Track-IT. 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. Supervisors do manual sheets in excel and they do digital forms in Track-IT, however CapMetro only reviews the forms submitted to Track-IT as the CapMetro TrackIT site went live on 10/01/2024. Manual forms from operators

(handwritten operator reports) are given to dispatch and retained on file. Keolis safety team will scan forms as a PDF and upload them to SharePoint. Keolis safety team will link (attach) the corresponding PDFs with into TrackIT. New Keolis director of transportation is working on a process to update operator reporting. TrackIT Data from Jan-Aug. 2024 is incomplete, Callie and Amanda on the Keolis safety team members are currently reviewing and submitting the data retroactively. Keolis Director of safety started 3-4 months ago and then assigned Callie and Amanda to oversee Track-IT reporting at the beginning of August. This month, the Keolis supervisors were not submitting their incidents into Track-IT which has caused a delay in CapMetro receiving the data in TrackIT. 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.

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:** 12/31/2024. Oracle’s financial modules were implemented in October of 2022. A payroll processing checklist was created and is utilized each pay period to ensure that file feeds from benefits carriers were successfully loaded into Oracle and qualifying life events are processed. Prior to the Oracle implementation, benefits premiums were audited and any variances were resolved. Oracle was configured to calculate LTD buy-up deductions and GTL imputed income which eliminated manual entry of those rates and that associated risk of error. Oracle has been configured to ensure that 401k/457b employee contributions plus catch-up contributions do not exceed IRS maximums. A year-end audit of 401k and 457b contributions will occur in 2024 to ensure that the configuration works as expected in production.

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:** 04/01/2025. A new Director of Total Rewards was hired on September 30, 2024 and is currently reviewing proposed changes to the Leave Policy to ensure that recommendations are incorporated and roles and responsibilities are clearly identified. Because current priorities are related to launching open enrollment and the annual compensation planning process, the policy will be reviewed by the Director of Total Rewards by December 31, 2024 and then routed for review and approvals.

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:** 01/31/2025.
Visiting the North Carolina office and manufacturing site for:
 - 1) SOP review and walk/tour to ensure the risk is minimized
 - 2) Obtain and review the background checks with respect to the manufacturing processesWritten SOPs these are being further developed and vetted. We should be able to finish this by the Jan 31st date as well.

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:** 5/31/2025.
The process recommendations have been addressed through implementation in the Oracle ERP system and documentation is in progress and will be completed by 5/31/2025. Job descriptions have been updated in the system. We will revisit this recommendation with the implementation of UMO, CapMetro’s new payment processing system. Written SOPs these are being further developed and vetted.

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. 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 (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:** 5/31/2025.
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. We will revisit this recommendation with the implementation of UMO, CapMetro's new payment processing system. Written SOPs these are being further developed and vetted.

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

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.
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.

23-05 DEMAND RESPONSE OPERATIONS AUDIT (07/17/2024 Report Issued with 3 Recommendations)

Recommendation 1- (QASP AUDIT TRACKER – COMPLETION AND EVIDENCE)

The VP of Demand Response and Director of DR Operations & Contract Oversight should consider the following enhancements QASP Audit Tracker and contract compliance program:

- a) Facilities Maintenance – work with executive management to see if a dedicated Facilities resource can be assigned and a Facilities QA Checklist can be developed that supports the QASP Audit Tracker
- b) Vehicles Maintenance – work with Vehicles Maintenance to align their Vehicles QA Checklist with the QASP Audit Tracker From here ensure the vehicles section of the monthly FYTD QASP Audit Tracker is being properly completed and evidence (e.g. pictures, Hexagon/Spare Reports, etc.) is collected as needed.
- c) Evidence – define which evidence (e.g. pictures, Hexagon/Spare Reports, etc.) should be reviewed/collected for each of the contract compliance steps in the QASP Audit Tracker and provide links to appropriate file locations
- d) Criteria & Ratings – simplify, define and align the rating systems used in the QASP Audit Tracker, the Vehicles QA Checklist, and to be developed Facilities QA Checklist.

OPEN ACTION PLANS: (*Art Jackson, VP of Demand Response; Randy Slaughter, Program Manager of Paratransit Contracts*) Management agrees and has developed the action plan below.

- **Management’s Target Completion Date:** Jan 1st, 2025

Key Action: Demand Response is working diligently on a Contract Monitoring Plan (CMP) that will replace the QASP for FY25 contract. This CMP will capture all contractor and internal CapMetro audits/deliverables for the contracted services. This plan will resolve each of the opportunities found from this audit related to the QASP.

Detailed Actions:

- The Facilities Leadership is working assigning a resource to support Demand Response facilities. There will be a dedicated Facilities resource in place and an organized Facilities QA checklist that is reviewed Quarterly between DR & Facilities throughout the contract lifecycle.
- Vehicle Maintenance has been completing their deliverables for the contract on time and documenting their findings in their own designated SharePoint location. Demand Response will ensure the Vehicle Maintenance Audits and other contract deliverables are effectively tracked within the FY25 Contract Monitoring Plan.
- Any contract compliance items that require evidence will be properly documented by each department supporting the contract scope area and will be integrated back to Demand Response’s FY25 Contract Monitoring Plan.
- As the FY25 Contract Monitoring Plan is developed with supporting departments, Demand Response will ensure proper criteria & ratings are defined based on the contract compliance requirements. These criteria & rating systems specific to

each compliance area will be represented in the FY25 Contract Monitoring Plan.

Recommendation 2- (ENHANCE APPROVAL PROCESS FOR PDC EXEMPTION REQUESTS)

The VP of DR and the Director DR Ops & Contract Oversight develop an approval process to include

- a) Establishing standardized criteria and threshold for approving PDC exemptions, with approval level increasing based on the dollar value of the exemption request.
- b) Establishing a process to document all PDC exemption requests, justifications and the final determination of the exemption.

Standardized criteria will help ensure that all exemptions are evaluated equally.

OPEN ACTION PLANS: *(Randy Slaughter, Program Manager of Paratransit Contracts)*

Management agrees and has developed the action plan below.

- **Management's Target Completion Date:** 12/31/2024
 - Demand Response does have a process for exception requests and an exception request form. DR will update this process to include thresholds for approval (based on dollar value). It will have a threshold for the Director to approve, and a threshold for the VP to approve.
 - Demand Response will ensure all exception requests, justifications, and determination documentation are effectively posted in SharePoint based on the month of the request.



Capital Metropolitan Transportation Authority

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Finance, Audit and Administration Committee
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Executive Finance and Administration Monthly Update - December 2024

Update on recent activities, statistical data, personnel changes, communications and public outreach