



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

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, October 12, 2022**

**10:00 AM**

**Rosa Parks Boardroom**

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

**I. Call to Order**

**II. Public Comment:**

**III. Action Items:**

1. Approval of minutes from the September 14, 2022 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution authorizing the Interim President & CEO, or their designee, to finalize and execute an interlocal agreement with Workforce Solutions Capital Area for the creation of a transit workforce partnership work plan for a period of three years in an amount not to exceed \$366,000.
3. Approval of a resolution adopting the FY2023 Annual Internal Audit Plan
4. Approval by the Board of Directors of Capital Metro's Investment Policy.
5. Approval of Capital Metro's Budget and Financial Planning Policy.

**IV. Presentations:**

1. Audit Report - Public Transportation Agency Safety Plan (PTASP)
2. Advisory Report - Downtown Station, Construction Project Closeout Process
3. FY2022 Internal 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](mailto:ed.easton@capmetro.org) if you need more information.*

*Committee Members: Wade Cooper, Chair; Leslie Pool, Becki Ross and Matt Harriss.*

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



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2022-615

**Agenda Date:** 10/12/2022

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Approval of minutes from the September 14, 2022 Finance, Audit and Administration Committee meeting.

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

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, September 14, 2022**

**10:30 AM**

**Rosa Parks Boardroom**

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**I. Call to Order**

10:42 a.m. Meeting Called to Order by Acting Chair Pool

|                |   |
|----------------|---|
| <b>Present</b> | Leslie Pool, Becki Ross, and Matt Harriss |
| <b>Absent</b>  | Wade Cooper                               |

**II. Public Comment**

Zenobia Joseph provided public comments.

**III. Action Items**

1. Approval of minutes from the August 15, 2022 Finance, Audit and Administration Committee meeting.

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

**Aye:** Pool, Ross, and Harriss

2. Approval of the Fiscal Year 2023 Operating and Capital Budget and Five-Year Capital Improvement Plan

A motion was made by Harriss, seconded by Ross, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 9/26/2022. The motion carried by the following vote:

**Aye:** Pool, Ross, and Harriss

3. Approval of a resolution authorizing the Interim President & CEO, or their designee, to finalize and execute a Memorandum of Understanding with the City of Round Rock authorizing Round Rock to be a direct recipient of a portion of CapMetro's FY2023 and FY2024 Federal Section 5307 Program funds.

A motion was made by Ross, seconded by Harriss, that this Resolution be recommended for the consent agenda at the Board of Directors, due back on 9/26/2022. The motion carried by the following vote:

**Aye:** Pool, Ross, and Harriss

4. Approval of a resolution authorizing the Interim President & CEO, or their designee, to finalize and execute a contract with International Solution Sources, Inc. (d/b/a InterSources, Inc.) for the provision of recruiting services for a base period of two (2) years with four (4) option periods for twelve (12) months each in an amount not to exceed \$5,144,683.

A motion was made by Harriss, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 9/26/2022. The motion carried by the following vote:

**Aye:** Pool, Ross, and Harriss

#### **IV. Presentations**

1. Internal Audit Plan Status
2. Audit Report - External Quality Control Review report on the Internal Audit Department

#### **V. Items for Future Discussion**

#### **VI. Adjournment**

11:17 a.m. Meeting Adjourned

#### **ADA Compliance**

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*Committee Members: Wade Cooper, Chair; Leslie Pool, Becki Ross and Matt Harriss.*

*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.*

Board of Directors

Item #: AI-2022-619

Agenda Date: 10/12/2022

## SUBJECT:

Approval of a resolution authorizing the Interim President & CEO, or their designee, to finalize and execute an interlocal agreement with Workforce Solutions Capital Area for the creation of a transit workforce partnership work plan for a period of three years in an amount not to exceed \$366,000.

## FISCAL IMPACT:

Funding for this action is available in the FY2023 Operating Budget

## STRATEGIC PLAN:

### Strategic Goal Alignment:

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

### Strategic Objectives:

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> 1.1 Safe & Reliable Service                    | <input type="checkbox"/> 1.2 High Quality Customer Experience    | <input type="checkbox"/> 1.3 Accessible System                          |
| <input type="checkbox"/> 2.1 Support Sustainable Regional Growth        | <input type="checkbox"/> 2.2 Become a Carbon Neutral Agency      |   |
| <input type="checkbox"/> 2.3 Responsive to Community and Customer Needs | <input type="checkbox"/> 2.4 Regional Leader in Transit Planning |   |
| <input type="checkbox"/> 3.1 Diversity of Staff                         | <input type="checkbox"/> 3.2 Employer of Choice                  | <input checked="" type="checkbox"/> 3.3 Expand Highly Skilled Workforce |
| <input type="checkbox"/> 4.1 Fiscally Responsible and Transparent       | <input type="checkbox"/> 4.2 Culture of Safety                   | <input type="checkbox"/> 4.3 State of Good Repair                       |

**EXPLANATION OF STRATEGIC ALIGNMENT:** The interlocal agreement (ILA) with Workforce Solutions (WFS) Capital Area will support the strategic objective of expanding a highly skilled workforce by partnering with CapMetro to address local worker shortages in transit roles; support CapMetro's workforce development efforts; and produce a comprehensive mapping of in-demand positions and required skills.

**BUSINESS CASE:** CapMetro requires an adequate and skilled workforce to deliver high-quality service, currently a challenge due to ongoing worker shortages. CapMetro must fill about 1,200 new frontline positions to operate and maintain Project Connect system components and service expansions. These include roles such as bus operators, dispatchers, fleet management, power source maintenance and others that are categorized in functional areas such as operations and customer-facing activities, fleet management, infrastructure management, and more. Additionally, CapMetro will need to build a talent pipeline to fill 700 to 1,000 frontline positions every year. WFS Capital Area has previous experience leading in this type of role. This includes an intergovernmental agreement with the City of Austin

and Travis County, called the Hire Local Plan.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 12, 2022.

**EXECUTIVE SUMMARY:** The scope of services in the proposed ILA include the following: Coordinate with CapMetro to connect with local education entities; analyze the transit workforce ecosystem; validate comprehensive research to support the expansion of local training programs to skill and upskill the workforce needed; educate workforce development leaders in the community on transit workforce needs; Identify and recommend workforce development resources; support ways to align current workforce development resources; analyze new funding that is available through the Infrastructure Investment and Jobs Act, and/or other funding that could augment training; and create action plan to address worker shortages.

**DBE/SBE PARTICIPATION:** Does not apply.

**PROCUREMENT:** Does not apply.

**RESPONSIBLE DEPARTMENT:** People and Culture

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2022-619**

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and CapMetro management recognize the need to prepare for significant hiring needs for current operations and expanded services under Project Connect.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Interim President & CEO, or their designee, is authorized to finalize and execute an interlocal agreement with Workforce Solutions Capital Area for the creation of a transit workforce partnership work plan for a period of three years in an amount not to exceed \$366,000.

\_\_\_\_\_  
**Secretary of the Board  
Leslie Pool**

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





# CapMetro and Workforce Solutions Capital Area ILA

Board Finance Audit and Administration  
Committee

## CapMetro's growing system will contribute to the creation of over 1,000 jobs in the Austin-area for Project Connect Operations



300 - 400 new  
MetroBus  
jobs



80 - 100 new  
Regional Rail  
jobs



500+ new  
Light Rail  
jobs



75+ new  
Facilities  
jobs



100 - 150 new  
MetroAccess & Pickup  
jobs

Jobs will be filled over time and in advance of new system components entering revenue service

## Filling the Gap

- Determined projected need in 2021 based on Project Connect Plan
- Next step: Determine current talent gap in the region
- Plan for short and long term by starting now to build the pipeline
- Be a partner in the Austin Hire Local Plan led by Workforce Solutions Capital Area

# HIRE LOCAL PLAN 3 WAYS WE'RE GROWING OUR FUTURE WORKFORCE

## 1. HIGHER SKILLS FOR LOCAL PEOPLE

- Brings an equity lens so we leave no worker behind
- Better defines the region's capacity for training

## 2. HIGHER EARNINGS FOR LOCAL PEOPLE

- Creates an affordability index

## 3. GROWING PAYROLLS FOR LOCAL BUSINESSES

- By better preparing local workers for in-demand jobs, companies can fill their roles at a lower cost and the community can see economic benefits as a result



# PROPOSAL TO HELP CAPMETRO FILL IMMEDIATE & UPCOMING TALENT NEEDS

Workforce Solutions Capital Area (WFS) requests \$163,790 in funding from CapMetro to create the Transit Workforce Partnership Work Plan

**GOAL** 1) Address local worker shortages in transit and construction roles;  
2) Support CapMetro's workforce development (particularly in ops and mgmt. roles);  
3) Produce a comprehensive mapping of in-demand positions and required skills.

**SITUATION** CapMetro must fill ~1,200 new positions to operate and maintain Project Connect system components & service expansions. CapMetro will also need to fill 700–1,000 frontline positions every year.

**SOLUTION** WFS will leverage funding to create a clear understanding of talent access points and also the capacity to scale. The Plan will include coordinated efforts to connect residents to job openings at CapMetro.

**LAUNCH DATE** Projected November 2022 (to run through end of 2023)

# INDUSTRY SECTOR PARTNERSHIPS

## PROVEN STRATEGY FOR EMPLOYER-LED WORKFORCE DEVELOPMENT

- ✓ Fill hard-to-fill jobs more quickly
- ✓ Influence training program creation & updates
- ✓ Lead systems change in response to real-world business needs
- ✓ Strengthen the Austin economy

### WFS INDUSTRY SECTOR PARTNERSHIPS



Central  
Texas  
Healthcare  
Partnership

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**CTX MFG  
PARTNERSHIP**

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CAPITAL AREA TECHNOLOGY  
WORKFORCE COALITION

# Scope of Services

- Coordinate with CapMetro to connect with local education entities
- Analyze transit workforce ecosystem
  - Overlay BCG's research with WFS Capital Area workforce development skills analysis for transit positions expected to suffer critical shortages.
  - Industry experts will validate our comprehensive research to support the expansion of local training programs to skill and upskill the workforce needed
- Educate workforce development leaders in the community on transit workforce needs
- Identify and recommend workforce development resources
  - Support ways to align current workforce development resources
  - Will include in the analysis new funding that is available through the Infrastructure Investment and Jobs Act, and/or other funding that could augment training
- Create action plan to address worker shortages

## ILA Cost and Term

- Three-year commitment beginning December 2022
- First Year Cost: \$163,790
  - WFS Capital Area personnel \$105,601
  - Industry sector research (first year only) \$50,000
  - WFS Capital Area administration \$8,189
- Year two and three cost: \$113,790



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Finance, Audit and Administration Committee  
**Agenda Date:** 10/12/2022

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**Item #:** AI-2022-595

**SUBJECT:**

Approval of a resolution adopting the FY2023 Annual Internal Audit Plan

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

- |  |  |   |
|--|--|---|
| <input checked="" type="checkbox"/> 1.1 Safe & Reliable Service                    | <input checked="" type="checkbox"/> 1.2 High Quality Customer Experience | <input checked="" type="checkbox"/> 1.3 Accessible System               |
| <input checked="" type="checkbox"/> 2.1 Support Sustainable Regional Growth        |  |   |
| <input checked="" type="checkbox"/> 2.2 Become a Carbon Neutral Agency             |  |   |
| <input checked="" type="checkbox"/> 2.3 Responsive to Community and Customer Needs |  |   |
| <input checked="" type="checkbox"/> 2.4 Regional Leader in Transit Planning        |  |   |
| <input checked="" type="checkbox"/> 3.1 Diversity of Staff                         | <input checked="" type="checkbox"/> 3.2 Employer of Choice               | <input checked="" type="checkbox"/> 3.3 Expand Highly Skilled Workforce |
| <input checked="" type="checkbox"/> 4.1 Fiscally Responsible and Transparent       |  |   |
| <input checked="" type="checkbox"/> 4.2 Culture of Safety                          |  |   |
| <input checked="" type="checkbox"/> 4.3 State of Good Repair                       |  |   |

**EXPLANATION OF STRATEGIC ALIGNMENT:** This plan will ensure good stewardship and internal controls for the agency, and supports the CapMetro Strategic Plan.

**BUSINESS CASE:** Does not apply.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 12, 2022.

**EXECUTIVE SUMMARY:** The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing require risk-based audit plans be developed to determine the priorities of an internal audit activity, consistent with the organizational goals. The proposed FY2023 Internal Audit Plan (the Plan) summarizes the proposed audits and projects that were identified during a comprehensive risk assessment performed by CapMetro's Internal Audit Department. The Plan presents audit activities in two categories:

Assurance Services, and Advisory & Consulting Services. The CapMetro Internal Audit Charter requires that the Chief Audit Executive “present for approval to the Finance Audit & Administration Committee a risk-based Audit Plan which documents the priorities of the internal audit function and is consistent with the Authority’s strategic goals and objectives.” After FAA consideration, the Plan is taken to the full Board for its review and approval.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Internal Audit Department

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2022-595**

WHEREAS, the FY2023 Internal Audit Plan considers the potential risks and the opportunities of the Authority; and the FY2023 Internal Audit Plan was prepared in accordance with the professional internal auditing standards; and

WHEREAS, the FY2023 Internal Audit Plan provides a mix of audit projects to mitigate risks, develop recommendations for improvement and/or costs savings, and monitor the progress toward implementing past recommendations.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the FY2023 Internal Audit Plans is adopted and sets a program to provide relevant and useful information to the Board of Directors.

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

\_\_\_\_\_  
**Secretary of the Board  
Leslie Pool**

**To:** Wade Cooper, Member, Chair, Finance, Audit & Administrative (FAA) Committee  
Matt Harriss, Member, FAA Committee  
Leslie Pool, Member, FAA Committee  
Becki Ross, Member, FAA Committee

**CC:** Dottie Watkins, Interim President/CEO

**From:** Terry Follmer, CPA, MBA, CIA, CISA, CISSP  
VP, Internal Audit

**Date:** October 12, 2022

**Subject:** **Proposed FY2023 Internal Audit Plan**

## Purpose

This proposed Capital Metro Internal Audit Plan (Audit Plan) summarizes the planning methodology and the audit projects that Internal Audit recommends performing during FY2023.

## FY2023 Audit Plan & Updates

The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing* require that risk-based plans be developed to determine the priorities of the internal audit activity, consistent with the organization's goals.

The proposed FY2023 Internal Audit Plan (Table 1) was developed by performing a comprehensive risk assessment. This included a risk assessment survey sent to management and Board members, management interviews, and discussions with Board members. Additionally, we collaborated and reviewed the audit plans of VIA in San Antonio, METRO in Houston, and DART in Dallas. The Internal Audit Department also reviewed prior external consulting and audit reports (e.g., FTA Triennial, Quadrennial Performance Audit, etc.), operating and capital budgets, organization charts, and the Strategic Plan to help ensure other potential risk and opportunity areas were identified and proposed projects are aligned to address the strategic risks of the Authority.

The results of this year's Risk Assessment (Table 3) shows that risks have increased due to a variety of factors therefore the proposed FY2023 Audit Plan has been increased accordingly. Some key drivers of higher risks noted are as follows: CapMetro growth with FY2023 \$902

million Budget for Operating and Capital Expenses; Project Connect progress; multiple large capital projects (e.g., McKalla Station; etc.), various strategic IT projects, CapMetro and service provider personnel vacancies; tight labor market with higher employee turnover and high uncertainty in the economy. Some of this risk is mitigated through new enterprise systems such as the Oracle ERP and the implementation of an enterprise governance, risk and compliance (GRC) system. In light of the importance of these new systems, the FY2023 Plan has a strong focus on these two enterprise systems being implemented. Internal Audit is serving as an advisor on both systems and is the lead facilitator on the GRC implementation to help ensure that controls are adequate and process improvement efficiencies are gained. The Oracle ERP financial modules will go live on 10/1/2022 and the human resource modules will go live on 1/1/2023. Additionally, the FastPath system has been chosen by management to analyze segregation of duties in the new Oracle system and the Internal Audit Department will help management in the evaluation of SOD across Oracle (e.g., Payroll; Accounts Payable; etc.).

One of the largest projects in the FY2023 Plan is the implementation of the Governance Risk & Compliance (GRC) systems. This project was spawned from the Quadrennial Performance Management recommendation in January 2021 that CapMetro implement a “contract management system” to help on monitoring vendor performance/compliance in Bus, Rail and Demand Response contracts. The proposed FY2023 has multiple GRC related projects with Internal Audit playing a critical role in ensuring the GRC implementation goes smoothly across various departments with internal control improvements and efficiencies being gained.

The FY2023 Plan also includes a focus on IT security, safety, and financial controls. The proposed plan includes three IT projects which includes the Annual Cybersecurity Review (i.e., IT Penetration and Vulnerability Assessments), NIST Cybersecurity Framework facilitated self-assessment, and a possible review of Microsoft SharePoint Security. Other projects to highlight from the FY2023 Plan include the support of the Joint Powers Agreement and related ILAs, and the new operating model in the MV Transit contract. Internal Audit believes these focus areas together with the other projects in the proposed Audit Plan will appropriately address the risks identified.

The FY2023 audit plan also includes a list of contingent projects (Table 2) that will serve as backup projects that will be performed if the original plan is running ahead of schedule or if some of the projects must be delayed or cancelled. Furthermore, the Audit Plan is meant to be a risk based flexible audit plan so as emerging risks arise or priorities change, the Internal Audit Department will bring these future project changes to management and the FAA Committee for approval.

As a result of the increased risks noted in the Annual Risk Assessment more projects are proposed in the FY2023 Audit Plan, and the list of Contingent projects is much larger than prior years. The table below compares the FY2023 to the FY2022 Audit Plan and current staffing is not sufficient to complete the proposed Plan which has been expanded due to the increased growth and emerging risks that CapMetro must manage.

|                              | FY2023 | FY2022 | Increase / (Decrease) |
|------------------------------|--------|--------|-----------------------|
| Number of Audit Projects     | 20     | 17     | 3                     |
| Hours to Complete Audit Plan | 6,370  | 4,655  | 1,715                 |
|                              |        |        |                       |
| Contingent Audit Projects    | 16     | 9      | 7                     |
| Hours in Contingent Projects | 4,720  | 2,220  | 2,500                 |

## Benchmarking of Internal Audit Staffing

The CapMetro Internal Audit Department is significantly understaffed in comparison to other Texas Transit agencies. This is clear by looking below at the Internal Audit benchmarking survey performed by APTA's Committee of Audit Professionals in August 2022. CapMetro's internal audit staffing has been at three professional auditors for over twenty years while all other transit agencies in Texas have expanded to a minimum of 7 auditors in the case of VIA in San Antonio. It's important to note that the risk profile of CapMetro is changing quickly with the Project Connect budget of \$10 billion together with rapid transition to an electric bus fleet that some of the other Texas transit agencies do not have. In the table below are excerpts from the APTA Internal Audit Benchmarking Survey so that you can better understand the staffing differences and the unique risks that CapMetro must manage on an ongoing basis in comparison to other Texas based transit agencies.

| APTA BENCHMARKING OF INTERNAL AUDIT DEPARTMENTS |                   |                                |                    |                                     |                |                         |                           |            |                                    |
|---|-------------------|--------------------------------|--------------------|-------------------------------------|----------------|-------------------------|---------------------------|------------|------------------------------------|
| Transit Entity                                  | Internal Auditors | Outsourced Bus & Rail Services | Electric Bus Fleet | Governance Risk & Compliance System | Audit Software | Audit Standards         | Quality Assessment Review | ERP System | Enterprise Asset Management System |
| CapMetro (Austin)                               | 3                 | YES                            | YES                | Diligent HighBond                   | GRC HighBond   | Red (IIA); Yellow (GAO) | ALGA                      | Oracle     | Hexagon (Infor)                    |
| VIA (San Antonio)                               | 7                 | NO                             | NO                 | N/A                                 | Pentana        | Red (IIA)               | ALGA                      | Infor      | Infor                              |
| DART (Dallas)                                   | 9                 | NO                             | YES                | N/A                                 | AutoAudit      | Red (IIA); Yellow (GAO) | Honkamp                   | Lawson     | Spear                              |
| METRO (Houston)                                 | 9                 | NO                             | NO                 | N/A                                 | Pentana        | Yellow (GAO)            | ALGA                      | SAP        | SAP                                |
|   |                   |                                |                    |                                     |                |                         |                           |            |                                    |

Source: APTA's survey of the Committee of Audit Professionals completed in September 2022.

The APTA internal audit survey shows the average cost of Internal Audit is budgeted at 0.25% of the total operating budget, which would be \$967,500 (FY23 Operating Expenses budget of \$387,471,000 X 0.25%) for FY2023 versus Internal Audit budget of \$429,400.

## Internal Audit Project Staffing

Based upon the increasing risks, the need to perform more projects, and the results of the APTA benchmarking survey I'm proposing that the professional audit staff be increased by two

professionals during FY2023. The Internal Audit Department has been at three professionals for more than 20 years and the internal audit staffing has not kept pace with the growth of CapMetro and the major strategic projects (e.g., Project Connect; Move to All Electric Fleet; Contracting Model moving from Fixed Price to Variable (Pass Through Charges) etc. If the staffing is increased the Internal Audit Department will be positioned to complete the proposed plan, otherwise at least 3 projects will need to be removed from the FY2023 proposed Audit Plan.

We will continue utilize a combination of internal and external resources to perform the projects. The FY2023 plan includes 20 assurance/advisory projects, and Internal Audit believes these additional projects can be completed by adding two full time staff. Furthermore, we will continue the successful UT Audit Intern program whereby each student is providing up to 40 hours (i.e., 8 weeks times 5 hours per week) of project time for the Fall and Spring semesters as part of their Audit class at UT. Additionally, the Annual Cybersecurity Review (i.e., IT Penetration and Vulnerability Assessment), is performed by an external consulting firm and it is funded by the IT Department. We believe this mix of staffing together with expanding the audit staff by two professionals will allow the proposed audit plan to be completed, otherwise three to four projects will need to be pulled off the FY2023 Plan (see Table 1).

## Professional Requirements & Auditor Independence

The Internal Audit Department conducts our audits in conformance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States and the IIA's International Standards for the Professional Practice of Internal Auditing and Code of Ethics. These standards require that we be independent from any entity or person that we audit or may audit and be objective when conducting such audits. Furthermore, IIA Standard 1110 requires that the CAE confirm to the board, at least annually, the organizational independence of the internal audit activity. Capital Metro Internal Audit is organizationally independent of management and, as such, remains objective when conducting audits, and our staff have no conflicts of interest with the proposed FY2023 Audit Plan.

**TABLE 1 – FY2023 Audit Assurance & Advisory Projects**

| # | Audit Project   | Audit Type                  | Audit Objective & Scope  | Estimated Hours |
|---|---|-----------------------------|--|-----------------|
| 1 | Semiannual Implementation Status Updates - November 2022              | Assurance                   | Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)  | 200             |
| 2 | Semiannual Implementation Status Updates - May 2023                   | Assurance                   | Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)  | 200             |
| 3 | FY2023 Risk Assessment & FY2024 Audit Plan Development                | Continuous Improvement & QC | Develop the annual risk based internal audit services plan to identify audit and non-audit projects and effectively allocate resources. Update and align the plan with changing organizational risks/opportunities.      | 350             |
| 4 | Joint Powers Agreement & Related Interlocal Agreements - Advisory     | Advisory / Consulting       | Evaluate the JPA and related ILAs to ensure roles and responsibilities are clear between the parties. Review monthly administration and support of billings to ensure support is sufficient and processes are efficient. | 400             |
| 5 | ERP (Oracle) Implementation Advisory                                  | Advisory / Consulting       | Compliance with contractual requirements as well as implementation methodology.  | 80              |
| 6 | FastPath - Analyze Oracle segregation of duties                       | Advisory / Consulting       | FastPath software has been purchased to analyze segregation of duties (SOD) across the financial transactions (e.g., Payments; Payroll; etc.)  | 300             |
| 7 | MV Contract - Pass Through Charges (e.g., Payroll; Spare Parts; etc.) | Advisory / Consulting       | Analyze the largest pass-through charges (e.g., Payroll; Parts; etc.) and related controls in order to validate the monthly variable cost billing.   | 400             |



|    |  |                       |   |     |
|----|--|-----------------------|---|-----|
| 8  | GRC - Contract Performance Management System Advisory  | Advisory / Consulting | The Quadrennial Performance Audit Report dated 1/2021 requires that a Contract Management System be implemented. Serve as an advisor on the GRC implementation in the following areas: Contract Performance Mgt System for Bus, Rail and Demand Response.                           | 400 |
| 9  | GRC (Governance Risk & Compliance) System Implementation   | Advisory / Consulting | Assist with the enterprise level implementation of the Diligent GRC system which provides the tools to automate monitoring and reporting as follows: Contract Compliance & Billings; Safety; Risk Registers; Enterprise Risk Management; Internal Audit and other departments etc.. | 600 |
| 10 | GRC (Governance Risk & Compliance) - UT Interns on Bus Ops, Maintenance & Safety                           | Advisory / Consulting | Develop and implement contract monitoring controls to automate the following areas: Incident & Accident Reporting; MV Bi-weekly Payroll validation; Safety/Maintenance/Attendance Bonuses; and all other pass-through charges.  | 250 |
| 11 | GRC (Governance Risk & Compliance) - UT Interns on Rail & Demand Response Operations, Maintenance & Safety | Advisory / Consulting | Develop and implement contract monitoring controls to automate the Quality Assurance (QA) activities related to contractor monthly performance requirements and related billings.   | 250 |
| 12 | GRC (Governance Risk & Compliance) - UT Interns on Safety Dept   | Advisory / Consulting | Develop and implement a GRC Safety Risk Register that is interfaced to OrbCAD Incidents/Accidents; Everbridge Incidents/Accidents; Employee Safety Reporting System (ESRS); and periodic Safety Inspection Reports.   | 250 |
| 13 | Bus Parts Management & Controls  | Assurance             | Review Bus Parts controls related to the purchase, storage, consumption of bus parts including physical inventory controls.   | 350 |

|    |   |                             |   |     |
|----|---|-----------------------------|---|-----|
| 14 | New MV Transit Contract Model   | Advisory / Consulting       | Assess the performance management controls in the contract and the effectiveness of how it has been implemented and evaluate for opportunities to improve the new contract model.   | 400 |
| 15 | Miscellaneous Revenue Controls  | Assurance                   | Review the design and operating effectiveness of internal controls to ensure the completeness and accuracy of miscellaneous revenue.  | 350 |
| 16 | NIST Cybersecurity Framework (Facilitated Self-Assessment)  | Assurance                   | Check for compliance with best practices listed in the NIST Cybersecurity Framework   | 300 |
| 17 | Annual Cybersecurity Review   | Assurance                   | Annual Cybersecurity Assessment with outsourced IT Penetration & Vulnerability Assessment   | 200 |
| 18 | Benchmarking Policies & Procedures (Structure, Content, Governance & Training)  | Advisory / Consulting       | Benchmark CapMetro Policies/Procedures against other transit agencies and best practices in regard to structure, content, governance and training.  | 250 |
| 19 | Support to Transit Industry & Professional Organization   | Continuous Improvement & QC | Internal special projects including support of local and industry professional associations (ISACA, IIA, APTA, ALGA, Toastmaster, etc.), responding to professional exposure drafts, internal training and other internal quality improvement opportunities as needed. UT Audit Intern Program (Fall & Spring). | 240 |
| 20 | Management Requests, Consulting & Special Projects<br>1) Advisor on various Committees; 2) Investigations; 3) Emerging Risks & Special Projects as requested, etc.. | Advisory / Consulting       | Internal auditing best practices include allocating an undesignated contingency for management requests and other unanticipated special projects.   | 600 |

***TOTAL ESTIMATED HOURS***

***6,370***

Project started in FY2022

UT Intern projects Fall 2022

**TABLE 2 – FY2023 Contingency Audit Projects (To Be Used as Backups)**

| # | Audit Project  | Audit Type           | Audit Objective & Scope  | Estimated Hours |
|---|--|----------------------|--|-----------------|
| 1 | Hexagon (Infor) System - post go live review                   | Assurance            | Review internal controls and functionality of the new Infor enterprise asset management system.  | 250             |
| 2 | Salary Adjustment & Merit Process                              | Assurance & Advisory | Review the process and controls applied to implement the recommendations from Gallagher consulting.  | 200             |
| 3 | AMP Cards & New Fare Structure                                 | Assurance & Advisory | Review process and technology controls to ensure the new AMP Card and fare structure rolls out smoothly with appropriate internal controls   | 400             |
| 4 | Paratransit & Demand Response Operations                       | Assurance            | Review MTM billings and support for compliance with contract terms and conditions.   | 240             |
| 5 | United Healthcare & Other Self-Insured Benefits (TPA Payments) | Assurance            | Assessing the Effectiveness and Efficiency of Management Processes to Prevent and Detect insurance overpayments/fraud. Review self-insured TPA (Third Party Administrator) payments. | 240             |
| 6 | Bytemark - Account-Based System                                | Assurance            | Bytemark system being updated to include customer account-based info which increases privacy risks.  | 240             |
| 7 | Microsoft SharePoint & Active Directory                        | Assurance            | The confidentiality, integrity and availability of the Microsoft Active Directory and SharePoint.  | 250             |

|    |  |                       |   |     |
|----|--|-----------------------|---|-----|
| 8  | Safety Management System (SMS) - Management of Change    | Advisory / Consulting | Compliance with FTA requirements related to safety and "management of change".  | 400 |
| 9  | McKalla Station  | Assurance             | Review the procurement and construction process for compliance with contracts, policies, procedures and regulatory requirements.                    | 350 |
| 10 | MetroBike Program  | Assurance             | Review the adequacy and operating effectiveness of the internal controls over the MetroBike Program.  | 300 |
| 11 | Bus Electrical Vehicle Program & Infrastructure          | Advisory / Consulting | Review project plans related to the EV Bus Program and evaluate where policies/procedures will need to be defined to properly support the EV fleet. | 400 |
| 12 | Rail-FRA PTC Change Management Requirements (Herzog)     | Advisory / Consulting | Review compliance with the FRA's change management record keeping required for all system components and records.                                   | 300 |
| 13 | Demand Response North Base Facility Build - FY25 Opening | Advisory / Consulting | Review requirements and design management controls and related procurement activities for compliance with policies/procedures.                      | 300 |

|                                     |  |                       |   |                     |
|-------------------------------------|--|-----------------------|---|---------------------|
| 14                                  | Spare Labs.com - Demand Response System Implementation   | Advisory / Consulting | Review requirements and design management controls and related procurement activities for compliance with policies/procedures.                        | 250                 |
| 15                                  | MetroRapid Startup - June 2023   | Advisory / Consulting | Review plans, contracts and training related to the MetroRapid Startup.   | 300                 |
| 16                                  | Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.) | Assurance             | Review Board policies/goals to ensure that they are periodically reviewed and updated, and that related performance metrics are tracked and reported. | 300                 |
| <b><i>TOTAL ESTIMATED HOURS</i></b> |  |                       |   | <b><i>4,720</i></b> |

**TABLE 3 – FY2022 Risk Assessment Survey Results**

|  | Response   | Average (A) Impact                                 | Average (B) Likelihood | (A x B) (Residual Risk)   | (D) Mitigating Controls   | Accept Risk | Requires Plan | "Requires Plan" Recommendations to improve Risk Management Activities   |
|--|--|--|------------------------|---|---|-------------|---------------|---|
| 1  | Project Connect - Scope / Schedule / Cost                                    | 8.80   | 8.30                   | 73.0  | Project Connect Implementation office; FTA Requirements; Community & Stakeholder engagement; Technical work by professionals; PMOR under contract responsible for development of PMF which addresses risks; Resources & Funding to support initiative; PMF to be developed; Agency wide planning and documentation; Additional procurements for services, rolling stock, etc..  | 0           | 10            | Implement FTA Requirements; Need specific policies/procedures for Project Connect; Coordination & Alignment with City Council; Integration with new EPPM System; Need roles and responsibilities better defined so accountabilities are crystal clear; Better integrate holistic execution plan since currently too many disjointed initiatives are underway without a true focal point to ensure these initiatives are properly coordinated; Proactively develop design guidelines and project management tools that ensure the proper balance of initial and life cycle costs and ensure contract requirements are fully met; Ensure better protocol is in place to ensure public notifications are fully achievable and overall deliverables are properly coordinated. Solidify and clarify CapMetro role in delivery of Project Connect projects and ensure that proper resources are available to meet those needs including execution of MetroRapid, MetroRail and ancillary projects and design and O&M costs/needs incorporated into Light Rail projects.   |
| 2  | ATP, COA & CapMetro - Leadership & Governance                                | 8.30   | 8.20                   | 68.1  | Create Value add and some reliance on development of the initial projects to negotiate agency sponsorship in NEPA and Project Development with ATP. (I'm not sure what the prior sentence means) Continue to establish relationships at similar levels/positions among the parties to discuss and address specific topics/issues and governance roles and responsibilities.   | 2           | 8             | Develop agreements to memorialize the parties' respective roles and funding obligations. Co-create sign off of major milestone delivery.  |
| 3  | Project Connect Funding Model (ATP, COA, CapMetro)                           | 8.30   | 7.80                   | 64.7  | Regular and continued collaboration among parties to update funding model and determine use of Project Connect funds among projects in the program  | 1           | 9             | Develop agreements to memorialize the parties' respective roles and funding obligations. Co create sign off of major milestone delivery.  |
| 4  | Delivering on Project Connect Public Commitments                             | 7.70   | 8.10                   | 62.4  | Continued communication and coordinated public engagement and messaging that ensures the public understands how the updated plans meet the commitments  | 2           | 8             | We committed in the contract with the voters and subsequent documents to deliver a program of projects with scope/schedule and budget? Value Develop a plan for Tri-party communication coordination and collaboration.   |
| 5  | Workforce Shortage, Competition & Development                                | 7.40   | 7.80                   | 57.7  | Tool developed by BCG for workforce planning Increases in starting pay for frontline bus and maintenance employees. Resources to supplement talent acquisition staff; executive recruiter, professional and frontline staff recruitment contract, one dedicated company to fulfill temporary employee needs. Partnership with marketing team to develop and deploy aggressive marketing campaigns. Innovative hiring incentives including increased hiring bonuses, referral bonuses, relocation and temporary housing. | 1           | 9             | Hire replacement for Director Workforce Development to focus on partnership building and buildout of short and long range workforce strategic plan. ILA with Workforce Capital Area to create a partnership and talent pipeline. Update CapMetro staff compensation structure to ensure competitiveness.  |
| 6  | Employee Retention & Succession Planning                                     | 7.20   | 7.30                   | 52.6  | TTI Bus Operator retention study. Development of leadership training plan. Employee Engagement Survey. Competitive merit increase budgeted for FY 23. Frontline employee pay in fixed route increased to be more competitive.   | 0           | 10            | Employee promotion, advancement and general succession planning is constrained by HR processes that focus on the transaction rather than the needs of the agency and departments. Recruiting a Director of Workforce Development; developing a recruiting strategy with the Marketing team; Starting pay and retention pay requires more; Improved attract and retain program including delipitated facilities; More competitive compensation; Improved program to reward and differentiate top performers; Change management to eliminate perception of this is how it has always been done even though not best practice, money does not exist to properly achieve expected results, and learn to accept lower expectations. Need 360 performance reviews. P&C is looking at administrative pay for all employees to ensure it is competitive with market.  |
| 7  | Management contractor Performance & Cap Metro Management of service delivery | 7.50   | 6.90                   | 51.8  | Contract & Oversight; PDCs Employee engagement; QA in contracts & periodic audits; Contract Management Plans; Contract Monitoring Plans created by PMs; Mode-specific oversight in place; Software (GRC & Contract Performance Mgt) is in the works to help manage this;  | 0           | 10            | Fine-tune what CapMetro can impact and what contractors should control; Improve and automate MV's incident/accident reporting to improve timeliness and accuracy. Continue to clarify the roles and responsibilities of both MV and CapMetro with CapMetro's responsible for the day to day service delivery and MV responsible for Employee management and safety incident and accident reporting. Roles have been established with an immediate focus on the delivery of service. Over the next year, those roles need to be codified in writing. Development of scope for new management contract model with defined Performance and disincentives based on refined contractor responsibilities. Train and refine duties of existing Q/A and management staffing. Fine Tune recruiting strategy to include an industry hard look at work environment. Utilize the third party to survey employees and assist in developing a plan to attract and retain Operators and Mechanics; CapMetro leadership is developing a joint plan with MV to address performance issues; Training program to develop and improve access skill levels of incumbent employees. A Governance Risk & Compliance software is being deployed to help with contract monitoring. |
| 8  | Recession &/or Inflation   | 6.20   | 6.20                   | 38.4  | Sales tax budgeting is conservative.  | 5           | 5             | Salary review for all employees will occur to ensure competitive with market.   |
| 9  | Funding Through Sales Taxes & FTA Grants                                     | 6.70   | 5.40                   | 36.2  | Sales tax budgeting is conservative. Pursuing all relevant grants available to CapMetro.  | 1           | 9             |   |
| 10   | Ridership Levels & Creating a Culture of Ridership                           | 5.40   | 6.30                   | 34.0  | Identify new core ridership segments and review dormant commuter market, establish new baseline for bus, Rapid, rail, event, pickup and review with FY 2023 budget to develop recommendations on how best to market and incentivize while also leveraging the new fare program to attract more riders.  | 3           | 7             | Marketing strategy targeting commuters and appealing to the low price of transit as compared to car ownership; sustainable plan for the unhoused and non-destination rides, re-open dialogue with employers. Development of long-term strategy for Pickup service. Develop the new baseline for bus service (local and commuter) based on changes within the work space that have become the new normal. A clear understanding of what service levels we are offering based on service demands.   |
| 11   | IT Risks & Cybersecurity   | 6.90   | 4.80                   | 33.1  | IT Policies/Procedures; Internal/External Audits; Ongoing training for employees; Position allocated to address Cyber Security; Monthly IT Security Review Meeting;   | 1           | 9             | Cyber Security Program; Develop Plan for external threats (virus, ransomware, etc); Ensure Cybersecurity and IT have the right resources, necessary experience level, established standards and guidelines, and procedures to properly engage in all software implementations and increased technological solutions that will be forthcoming at CapMetro in an exponential way.   |
| 12   | Lack of Focus due to Fast Growing Priority Lists (ST vs LT)                  | 5.90   | 5.60                   | 33.0  | Development of updated strategic plan; KPIs being developed to measure Actions from updated Strategic Plan. Plan will be updated for FY24. SET established priorities for FY23 from Strategic Plan and will cascade Actions.  | 4           | 6             | Opportunity for better planning and systematic approaches; plans still in development but required; Need to do more as it relates to adoption and cascading strategic priorities down through the organization.   |
| 13   | Reputation/Credibility/Identity Management                                   | 6.60   | 4.90                   | 32.3  | Community Outreach & Connectivity; Value of Transit marketing and messaging; Process in place for escalation; Brand Refresh Continuation; Passenger experience improvements; Proactive storytelling strategy; Leveraging new Dashboards for public transparency; Public Affairs strategies in alignment with Government Affairs   | 2           | 8             | Continued community outreach & engagement; Focus on the risks identified in this survey together with service providers and partners; Development of Diversity, Equity and Inclusion Program to encourage managers and operations team to be more involved in community engagement activities, not just our CE staff; Community sponsorships aligned with CapMetro's mission and provide opportunities for engagement/marketing; Work with Gov. Affairs to strengthen CapMetro's positions and community awareness.   |
| 14   | Safety of Operations   | 6.80   | 4.70                   | 32.0  | Safety Policies & Training; Ops Procedures; Ops Mgt; Safety Plans; Oversight from Mgt, Fed, State & Contractors; Accountability & PDC's; Reg Requirements for Safety Plan; SMS in place; SMS plan in development for new FTA Requirements; Passenger Safety Initiatives planned;  | 2           | 8             | Improved driver training & mgt; Continued focus on safety systems/policies; Complete required Safety Plan; Develop System Safety Program Plan; Develop improved safety plans, procedures, protocols, policies, and training programs. Continue rollout of Battery Electric bus safety training. Ensure safety plans evolve with technology in a timely manner.  |
| 15   | Lack of Resources & Visibility/Utilization Across Departments                | 5.00   | 5.89                   | 29.5  | Process for requesting and approving additional staffing or other resources during annual budget process  | 4           | 6             | Improving workforce planning tools and support for department to identify both ST and LT staffing plans; The Strategic Plan will help address this. Dashboards for each department on Central. Develop communications plan.   |
| 16   | Lack of Policies/Procedures Across CapMetro                                  | 4.60   | 5.00                   | 23.0  | Effect of lack of policies is to slow down the gears of business, though that is not to say work stops entirely. Some mitigating controls include Friday SET and SLT meetings, and Project Connect which will help surface issues so that they may be addressed. Implementation of new employee policy manual.  | 2           | 8             | Project Connect there will likely be a need for some new policies/procedures; Onboarding of new employees requires comprehensive policies/procedures to help facilitate training; A facilitated review of procedures in Procurement and P&C Depts will be performed; Being systematic on approaches and processes; As growth occurs it will be more important to have the proper policies, protocols, procedures, and tools in place to achieve success. Determine how relevant our P&P is.   |
| 17   | COVID-19 & Variants Impacts  | 3.50   | 4.10                   | 14.4  | Agile service planning; Innovative customer technology updates, including contactless fare collections; and state of art cleaning; real time social distancing support; strong communication program to build customer confidence   | 9           | 1             | Vaccine distribution for CapMetro employees and contractors; remain agile to adjust to COVID variants; and continue vaccine program; emphasize COVID facts to employees including testimonials from family members; health fair has been put in place; COVID Task Force has been reactivated; As the various vaccines (Pfizer) become FDA approved, work toward a mandatory vaccine within the governmental authority;  |
| <b>Severity of Impact (Rating of 0 to 9)</b> |  | <b>Likelihood of Occurrence (Rating of 0 to 9)</b> |                        | <b>Here are the standard definitions of the two concepts.</b>                       |   |             |               |   |
| Minor/Green = 0 to 3                         |  | Remote/Green = 0 to 3                              |                        | Inherent risk represents the amount of risk that exists in the absence of controls. |   |             |               |   |
| Moderate/Amber = 3.1 to 6                    |  | Possible/Amber = 3.1 to 6                          |                        |   |   |             |               |   |
| Critical/Red = 6.1 to 9                      |  | Likely/Red = 6.1 to 9                              |                        | Residual risk is the amount of risk that remains after controls are accounted for.  |   |             |               |   |

Finance, Audit and Administration Committee  
**Agenda Date:** 10/12/2022

**Item #:** AI-2022-611

**SUBJECT:**

Approval by the Board of Directors of Capital Metro's Investment Policy.

**FISCAL IMPACT:**

Refer to executive summary for clarification.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> 1. Internal/External Customer Service Excellence         | <input type="checkbox"/> 2. Stakeholder Engagement |  |
| <input checked="" type="checkbox"/> 3. Financial and Environmental Sustainability | <input type="checkbox"/> 4. Staff Development      | <input type="checkbox"/> 5. Agency Growth Management |

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** Annual review and approval of this policy is required to comply with the Texas Public Funds Investment Act.

**BUSINESS CASE:** Capital Metro is required to invest funds in accordance with the Public Funds Investment Act. The governing body of an investing entity is required to review its investment policy and investment strategies no less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 12, 2022.

EXECUTIVE SUMMARY: The proposed policy was reviewed by PFM Asset Management LLC, under contract as Capital Metro's investment advisory firm. Attached is an updated policy along with a red line copy of the changes to the Capital Metro's investment policy, which complies with the Act.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Finance



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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2021-611**

WHEREAS, Capital Metro is required to invest funds in accordance with the Texas Public Funds Investment Act;  
and

WHEREAS, the Texas Public Funds Investment Act requires an annual review of the investment policy and  
investment strategies and such review has been performed.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors  
that the attached Investment Policy, which includes Capital Metro's investment strategies, has been reviewed  
and that the attached proposed revisions to the Investment Policy are hereby adopted.

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

\_\_\_\_\_  
**Secretary of the Board  
Leslie Pool**

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Finance, Audit and Administration Committee  
**Agenda Date:** 10/12/2022

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**Item #:** AI-2022-612

**SUBJECT:**

Approval of Capital Metro's Budget and Financial Planning Policy.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> 1.1 Safe & Reliable Service  | <input type="checkbox"/> 1.2 High Quality Customer Experience | <input type="checkbox"/> 1.3 Accessible System               |
| <input type="checkbox"/> 2.1 Support Sustainable Regional Growth <input type="checkbox"/> 2.2 Become a Carbon Neutral Agency  |   |  |
| <input type="checkbox"/> 2.3 Responsive to Community and Customer Needs <input type="checkbox"/> 2.4 Regional Leader in Transit Planning                                      |   |  |
| <input type="checkbox"/> 3.1 Diversity of Staff   | <input type="checkbox"/> 3.2 Employer of Choice               | <input type="checkbox"/> 3.3 Expand Highly Skilled Workforce |
| <input checked="" type="checkbox"/> 4.1 Fiscally Responsible and Transparent <input type="checkbox"/> 4.2 Culture of Safety <input type="checkbox"/> 4.3 State of Good Repair |   |  |

**EXPLANATION OF STRATEGIC ALIGNMENT:** The policies adopted by the Board of Directors provide strategic direction to the President & CEO and Capital Metro with regard policy matters within the purview of the Board.

**BUSINESS CASE:** Periodic review and updates to policies adopted by the Board of Directors are prudent in order to ensure that they meet the ongoing needs of Capital Metro.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 12, 2022.

**EXECUTIVE SUMMARY:** The Budget and Financial Planning Policy provides a strategic framework for the prudent management of financial resources, facilitates public access to information and examination of

performance, and encourages the use of best practices in financial accounting, budgeting and planning. CapMetro has a fiduciary duty to the community to manage finances over the long term in a way that balances community and customer needs with the long term financial sustainability of Capital Metro. Sound financial policies most directly help to ensure long-term budgetary and service level solvency, as well as financial flexibility. Staff has reviewed this policy in consultation with CapMetro's outside investor, PFM Asset Management LLC. Staff is recommending formatting changes and minor updates to the Policy to align with State law. The proposed revisions are attached in redlined version.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Finance Department.

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2022-612**

WHEREAS, it is prudent to periodically review and update policies adopted by the Board of Directors in order to ensure they continue to meet the needs of CapMetro; and

WHEREAS, the Board of Directors adopted revised Bylaws in 2017 that require policies adopted by the Board of Directors to be reviewed every five years; and

WHEREAS, the Budget and Financial Planning Policy was identified for review in October 2022.

NOW, THEREFORE, BE IT RESOLVED, by the Capital Metropolitan Transportation Authority Board of Directors that the attached proposed revisions to the Budget and Financial Planning Policy are hereby adopted.

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

\_\_\_\_\_  
**Secretary of the Board  
Leslie Pool**

## 1. PURPOSE

The purpose of these policies is to provide a strategic framework for the prudent management of the financial resources of Capital Metropolitan Transportation Authority (“CapMetro”), to facilitate public access to information and examination of performance, and to encourage the use of best practices in financial accounting, budgeting, and planning. CapMetro has a fiduciary duty to the community to manage finances over the long term in a way that balances community and customer needs with the long-term financial sustainability of CapMetro. Sound financial policies most directly help to ensure long-term budgetary and service level solvency, as well as financial flexibility.

## 2. OVERVIEW

CapMetro is subject to the budgetary control provisions of the Texas State statute governing Metropolitan Rapid Transportation Authorities, Transportation Code, Section 451 (the “Code”). One of CapMetro’s primary responsibilities is to ensure compliance with the budgetary requirements set forth by the Code and to establish an effective process of financial planning and budgeting. In addition to the budgetary controls defined in the Code, the CapMetro Board of Directors (the “Board”) has adopted additional financial policies that further enhance the control and utilization of resources. The following sections describe these financial controls and policies.

## 3. GENERAL PROVISIONS

CapMetro will establish accounting practices that conform to generally accepted accounting principles as set forth by the authoritative standard-setting body.

An annual audit will be performed by an independent certified public accounting firm in accordance with Code Section 451.451, and an annual comprehensive financial report (ACFR) shall be issued no later than six months following the end of the fiscal year.

The independent certified public accounting firm shall report the results of the annual audit to the Board’s Finance, Audit and Administration Committee no later than sixty days after the issuance of the ACFR. The Chief Financial Officer shall be responsible for establishing processes to ensure timely resolution of audit recommendations, if applicable.

CapMetro shall provide its annual share of contributions to retirement plans in accordance with actuarial recommendations.

Investments shall be made prudently in conformance with CapMetro’s Investment Policy and state statute. All grants and other federal and state funds shall be managed to comply with the laws, regulations and guidance of the grantor.

A five-year financial forecast shall be prepared annually projecting revenue and expenditures. The forecast shall be used as a planning tool in developing the following year’s budget and five-year capital improvement plan.

A financial forecast that spans a longer planning horizon shall be prepared at least every five years, or more frequently if dictated by changing conditions or priorities. The long-range financial forecast shall be developed in conjunction with CapMetro’s comprehensive service plan to evaluate whether estimated funding sources are sufficient to address service priorities and capital needs over the planning period.

The Board shall adopt a budget for the coming fiscal year as required by Code Section 451.102 of the Code, and a five-year capital improvement plan as required by Code Section 451.132, no later than its September Board meeting. The Board shall hold a public hearing on the proposed budget before adopting the budget and shall make the proposed budget available for public review at least 14 days prior to the date of the hearing.

#### **4. STRATEGIC PLAN**

The Board shall adopt and annually reevaluate a strategic plan that establishes CapMetro’s mission and goals and summarizes planned activities to achieve the mission and goals in accordance with Section 451.135 of the Code.

The strategic plan will set policy and service priorities that drive development of the budget and five-year capital improvement plan, and guide allocation of resources in the budget. The budget and capital improvement plan should outline key initiatives that CapMetro plans to achieve through the expenditure of public funds that are consistent with the goals and objectives adopted by the Board in its strategic plan. The strategic plan should align with the regional metropolitan planning organization’s long-range transportation plan as appropriate. CapMetro department directors should develop annual work plans with performance measures that support the strategic plan and submit them to their respective business unit Executive Vice Presidents for review.

#### **5. BUDGET DEVELOPMENT AND FORECASTING**

CapMetro will prepare its budget and financial forecasts in accordance with key criteria that are consistent with state statutes and Board policy:

- To the extent possible, ongoing operations will be funded by current and ongoing sources of revenue. New, unrestricted revenue should first be applied to support existing programs prior to funding new or expanded programs.
- The budget and financial forecasts must include operating and capital spending.
- The budget and financial forecasts must show cash and working capital balances, including the proceeds of any anticipated cash flow borrowing, sufficient to pay with reasonable promptness all costs as incurred.
- The budget and financial forecasts should strive to achieve fare levels sufficient to meet CapMetro's recovery ratio goals as set out separately in its Fare Policy.
- The budget and financial forecasts shall be based upon sound financial practices and incorporate assumptions and projections that are reasonable and prudent.
- Prior to undertaking a capital project, all ongoing operational and maintenance costs shall be identified and included as part of the overall program plan.

The operating and capital budget shall serve as the annual financial plan for CapMetro. The budget document will serve as the policy document of the Board for implementing its goals and objectives. The budget shall provide management and staff with the resources necessary to accomplish the Board's determined service levels.

The Chief Financial Officer shall annually prepare a draft balanced operating and capital budget for consideration by the President and Chief Executive Officer (the "CEO") prior to submission to the Board. The budget document should include relevant measures of CapMetro's performance.

## **6. ACCOUNTING BASIS OF THE BUDGET**

CapMetro's operating budget is prepared in a manner consistent with its financial statements, which are prepared on the accrual basis of accounting. The budget shall exclude depreciation, amortization and unrealized gains or losses resulting from the change in fair value of investments. These calculations are performed solely for financial statement reporting purposes to be in compliance with generally accepted accounting principles.

CapMetro shall maintain a chart of accounts consistent with the Federal Transit Administration's financial reporting requirements.

## **7. BUDGET CONTROL, ACCOUNTABILITY AND MONITORING**

Budget accountability rests primarily with individual departments. Department directors and the Finance Department shall review budget variances on a monthly basis. Significant budget variances will be further evaluated by the Finance Department, the respective department director and business unit Executive Vice President to determine whether remedial action is required. If remedial action is required, the Finance Department will make recommendations to the CEO and Deputy CEO to address the variance.

Section 451.103 of the Code states that an authority may not spend for operations in excess of the total amount specified for operating expenses in the annual budget. CapMetro maintains budget control at the departmental level for purposes of operational spending. Section 451.133 of the Code states that an authority may not spend for capital improvements in excess of the total amount allocated for major capital expenditures in the annual budget. CapMetro maintains budget control at the project level for capital expenditures.

Except as provided below, total expenditures may not exceed that which has been approved by the Board without a budget amendment following the process set out in state statute and this policy. Any net increase in CapMetro's budget after approval by the Board requires a public hearing and Board approval.

To ensure compliance with state statute, quarterly reports on operating expenses and capital expenditures shall be shared with the Financial, Audit and Administrative Committee of the Board. These reports should be shared as soon as practicable after quarter close. Such reports will also include information on revenue and other funding sources. The reports will highlight any significant variations from the budget and whether remedial action is required to address identified budget variances. The Finance Department, working with department directors and business unit Executive Vice Presidents, will report year-end financial results to the Board as part of the monitoring and reporting process.

## **8. BUDGET AMENDMENTS AND TRANSFERS**

A department may request a budget amendment during a fiscal year. The request for a budget amendment should demonstrate such strategic or operational necessity that it cannot or should not wait until the next annual budget process. The Finance Department, working with senior management, will first determine that existing budgeted funds within the requesting department or within the scope of CapMetro's total operating budget or capital budget are not available to fund the budget amendment request before initiating the amendment process.

In no case will the amount of any budget amendment result in an increase in the total budget that exceeds the amount of revenue available to support total budgeted expenditures without



the availability of reserves or fund balance sufficient to cover the amount of the budget amendment and without the approval of the Board. The Board may authorize the use of reserves when necessary through the budget or budget amendment process in compliance with its Reserves and Contingencies Policy. In the event of an emergency, it is the Board's priority to process a budget amendment expeditiously. Under state law, the Board may amend the annual budget by order after public notice and a hearing. No budget amendment will put the overall financial health of CapMetro at financial risk.

A budget transfer that moves budgeted funds between accounts within a department or between departments may be processed by the Finance Department after receiving justification and approval from the appropriate department director(s). No increase in agency headcount beyond levels laid out in the budget will occur without approval of the CEO. No budget transfer will be made from contingency to the capital budget or the operating budget without approval of the CEO. The Board will be notified in writing of all budget transfers that cumulatively exceed \$150,000 no later than the next quarterly financial report following the transfer.

## **9. REVENUE**

Sound revenue policy affects all the components of fiscal stability. Ongoing provision of services cannot be achieved without sufficient funding. CapMetro's primary sources of funding come from sales taxes, fares, and federal grants. CapMetro will attempt to diversify its revenue base and limit its dependence on one or only a few revenue sources. It is the policy of CapMetro to charge fees for services when permissible and reasonable.

CapMetro will pursue new grant opportunities but will carefully review financial support of programs that require commitments continuing beyond funding availability. CapMetro will strive to maximize grants, loan interest programs and other intergovernmental sources to help fund capital needs.

## **10. LONG-RANGE FINANCIAL PLANNING**

CapMetro shall prepare and submit a five-year financial forecast to the Board for review. The forecast should reflect structural balance based on projections of available resources and program expenditures. Multiyear operating and capital cost projections shall be updated each year to help evaluate the impact on resources. Program priorities and critical needs that cannot be funded within estimated resources should be identified for Board consideration.

An economic outlook should accompany the annual investment report to help gauge changing economic conditions and potential regulatory and legislative mandates.

CapMetro will prepare the financial forecast based on detailed assumptions and plans for each program element. Major assumptions include program service levels, ridership, vehicle needs, anticipated availability of revenue, and estimated costs of inflation. Assumptions used to develop the projections will be disclosed as part of the report provided to the Board.

## **11. CAPITAL BUDGET AND CAPITAL IMPROVEMENT PLAN**

The capital budget should clearly account for amounts budgeted for each of CapMetro's planned capital projects, including sources of funding. Departments should provide information on proposed capital projects each year, including purpose, expected benefits, estimated funding sources and implementation costs. All ongoing operational and maintenance costs should be identified and included in the appropriate department budget.

As projects are implemented, significant budget variances should be reported to the Board quarterly in the financial report. Comprehensive capital project status reports should be shared with the Board at regular intervals in coordination with the Finance, Audit and Administrative Committee Chair's input on what frequency is currently appropriate. The comprehensive capital project status reports should include updates on major capital projects, including information on project completion, work completed compared to spending, and identification of any contract management concerns. To assist with reporting on capital projects, CapMetro will track capital projects using a consistent method, including the baseline budget and subsequent changes to the budget if applicable, contract awards, contract changes, expenditures to date and planned completion dates.

The Board shall adopt and annually reevaluate a five-year capital improvement plan that links to CapMetro's strategic planning goals and reflects transit industry best practices. The public will be provided the opportunity to review and comment on the capital improvement plan as part of the Board's budget adoption process.

The plan will align with, and support, the regional metropolitan planning organization's long-range transportation plan as appropriate. The capital improvement plan should include, at a minimum, the following elements:

- prioritization of capital projects anticipated over a five-year period;
- description of planned capital projects, including project category and scope;

- financing of capital projects, including implications for ongoing operational costs;
- sources of funding for projects, including local and federal funds;
- policies for capital planning, estimating costs, tracking spending, approving capital projects, cost-benefit analyses, participation of historically underutilized businesses and reporting on projects; and
- impact on ridership, customer service and similar indicators of performance.

## **12. TRANSPARENCY AND AVAILABILITY OF FINANCIAL INFORMATION**

It is the goal of CapMetro to promote accountability and transparency in all of its financial activities. CapMetro will make every reasonable effort to ensure that all financial data described in these policies is made available to the general public in easily accessible forms in a timely manner, electronically and in a format that meets the needs of persons with disabilities.

## **13. REFERENCES**

Reserves and Budgetary Contingency Policy  
Fare Policy  
Investment Policy  
Capital Improvement Plan Policy





# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2022-592

**Agenda Date:** 10/12/2022

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Audit Report - Public Transportation Agency Safety Plan (PTASP)



# PUBLIC TRANSPORTATION AGENCY SAFETY PLAN (PTASP) AUDIT (#22-05)

Terry Follmer, VP of Internal Audit

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## Table of Contents

|   |              |
|---|--------------|
| <b>Executive Summary .....</b>                      | <b>1</b>     |
| <br><i>Results.....</i>                             | <br><i>4</i> |
| 1. Automate the Safety Risk Register.....           | 4            |
| 2. Update and Further Develop the Safety Plan.....  | 5            |
| 3. Enhance Controls Related to ESRS.....            | 6            |
| 4. Safety Performance Targets & Reporting.....      | 7            |
| 5. Further Develop the Safety Training Program..... | 8            |
| <br><i>Appendices.....</i>                          | <br><i>9</i> |
| A. Safety Committees.....                           | 9            |
| B. Safety Performance Targets.....                  | 10           |

## Executive Summary

As part of our Fiscal Year 2022 Internal Audit Plan approved by the Capital Metro Board as required by 49 CFR Part 673, we performed an audit on the Public Transportation Agency Safety Plan (PTASP) to determine whether there were sufficient internal controls to help prevent and detect safety risks, achieve safety performance targets, and meet Federal regulatory requirements. The scope included a review of internal controls over the PTASP and analysis of collected safety data and performance against safety targets. The audit results including the objective, scope, and conclusion are as follows.

## Background

In 2018, the Federal Transit Administration (FTA) issued a new PTASP (a.k.a. “Safety Plan”) requirement for public transportation systems that receive federal funding under the FTA Urbanized Area Formula Grants to develop a Safety Plan by 2021<sup>1</sup>. Safety Plans provide an outline on how a transit agency will monitor and improve the safety outcome of their transit system. The FTA requires Safety Plans to include a comprehensive Safety Management System (SMS) that include the following components:

- 1) Safety Management Policy (commitment)
- 2) Safety Risk Management (identify, assess, prioritize)
- 3) Safety Assurance (mitigate, measure, monitor)
- 4) Safety Promotion (communication)

Additionally, the Safety Plan is required to define key safety roles within the organization (i.e., Accountable Executive, Chief Safety Officer, etc.), detail the processes behind the SMS, and annually update and certify the Safety Plan. CapMetro was able to meet the FTA deadline and completed a Safety Plan for bus and demand response operations in June 2020<sup>2</sup>.

The Safety, Risk Management, and Accessible Services Management Department (Safety Department) oversees and administers the Safety Plan. The department’s mission is to put systems in place to ensure the safety of customers, employees, and property. The Safety Department is responsible for identifying and collecting safety data (e.g., fatalities, injuries, hazardous occurrences, safety hazards in the office, improper use of heavy machinery, etc.) using various sources. Next, safety concerns are documented in the Safety Risk Register kept on Microsoft Lists if they meet the definition of a hazard (see Definition of a Hazard to the right). The Safety Risk Register tracks date, location, description, severity, likelihood of consequence, mitigation action plan, estimated mitigation date, etc., and sends an email alert to the responsible employee(s) so they can address the identified safety hazard. The Safety Department has implemented a process to track safety concerns or risk hazards, and they monitor and follow up on corrective actions. The biggest risk facing the Safety Department is unidentified hazards which are not mitigated in a timely manner so they have developed a Risk Register to collect safety data. See the diagram below for sources of safety data.

### **Definition of a Hazard**

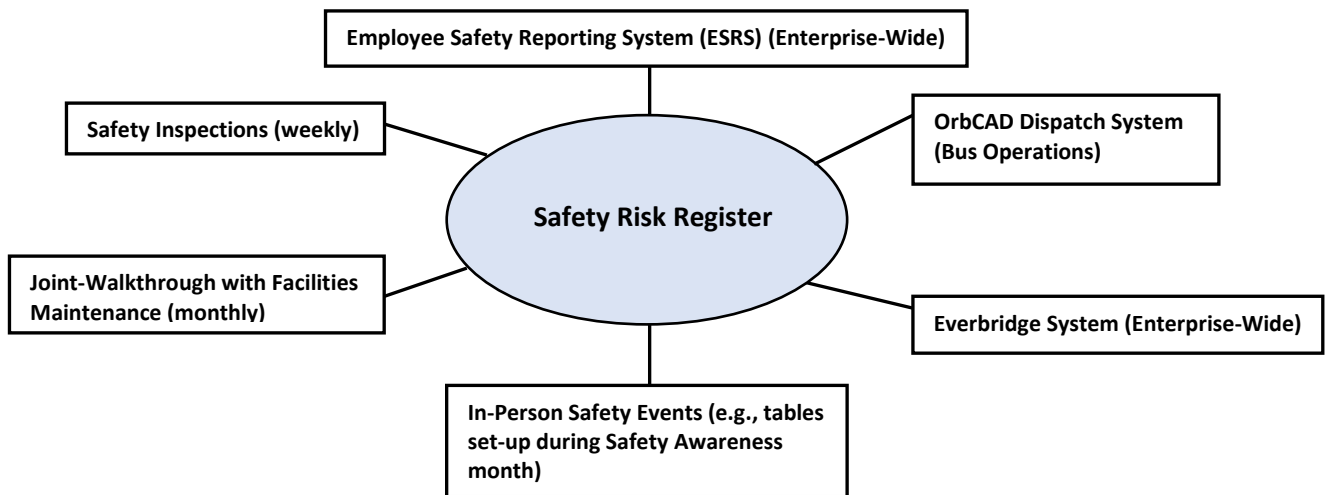
A hazard means any real or potential condition that can cause injury, illness, or death; damage to or loss of the facilities, equipment, rolling stock, or infrastructure of a public transportation system; or damage to the environment.

<sup>1</sup> See [49 CFR Part 673 – Public Transportation Agency Safety Plans](#) for more details.

<sup>2</sup> This audit did not include rail operations (commuter and freight) because rail is governed by the Federal Railroad Administration (FRA) and not the Federal Transit Administration (FTA).



### Potential Sources of Safety Data



As required by federal regulations, CapMetro implemented an Employee Safety Reporting System (ESRS) in 2019. The system is available to employees on the Intranet and Safety Department staff promote the system using flyers, periodic emails (CapMetro Weekly News), and by hosting safety events and speaking with vehicle operators.

The FTA requires transit agencies to include safety performance targets in their Safety Plan, which are used by management to determine whether implemented safety risk mitigations are appropriate and effective and to determine how well safety performance is in-line with established safety objectives. While agencies can set their own safety categories and calculations, at a minimum they must include the four areas listed below. Additionally, the FTA recommends agencies should select safety performance targets that are appropriate to their operations and environment and meet the SMART requirements (specific, measurable, attainable, relevant, and time-bound). The FTA-required safety performance targets include the following four categories:

- 1) **Fatalities** – Total number of reportable fatalities and rate per total vehicle revenue miles by mode.
- 2) **Injuries** – Total number of reportable injuries and rate per total vehicle revenue miles by mode.
- 3) **Safety Events** – Total number of reportable events and rate per total vehicle revenue miles by mode.
- 4) **System Reliability** – Mean distance between major mechanical failures by mode.

The Safety Department continues to make improvements through safety committees and systems (see Appendix A for more details). They lead three safety committees at CapMetro with various responsibilities and member compositions. For example, some committees include just CapMetro employees from various departments and others include service provider employees. All of the safety committees have a common purpose of overseeing the Safety Plan's development and implementation and creating a culture of safety awareness at CapMetro. During 2022, they will begin implementing a Governance, Risk and Compliance (GRC) system that will allow them to further automate safety processes and data analytics.

## **Audit Objective & Scope**

The primary objective of this audit was to determine whether there were sufficient internal controls related to the Public Transportation Agency Safety Plan (PTASP) to help prevent and detect safety risks, achieve safety performance targets, and meet Federal regulatory requirements. The scope included a review of internal controls over the PTASP and analysis of collected safety data and performance against safety targets.

## **Opinion**

In our opinion, internal controls are generally in place and properly functioning over CapMetro's Safety Plan. We found the PTASP was in compliance with federal requirements, however, we identified some areas where internal controls could be further strengthened as follows:

- 1) Automate the Safety Risk Register*
- 2) Update and Further Develop the Safety Plan*
- 3) Enhance Controls Related to ESRS*
- 4) Refine Safety Performance Targets & Reporting*
- 5) Develop the Safety Training Program*

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:

- Sarah Daigle, Internal Auditor III (Project Lead)
- 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 timely.

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

| <i>Issues &amp; Risk</i>   | <i>Recommendation</i>   | <i>Management Action Plan</i>   |
|--|---|---|
| <p><b><u>1. AUTOMATE THE SAFETY RISK REGISTER</u></b></p> <p>The Safety Department collects safety information from safety inspections, joint walkthroughs with Facilities Maintenance, in-person safety events, Employee Safety Reporting System, etc., and tracks them in a Safety Risk Register. However, this is a manual process and there is no centralized system to collect entity-wide safety data so processes can be further automated, and information can be used to identify trends, recommend trainings, etc. In October 2022, the Safety Department will start the implementation of the GRC system which will help automate the Safety Risk Register.</p> | <p>The Director of Safety should complete the following:</p> <p>a) Automate the Safety Risk Register and related data feeds (i.e., OrbCAD, Everbridge, ESRS, safety inspections, etc.) as part of the GRC implementation. Additionally, ensure key service provider employees can directly add safety concerns to the system to help with coordination.</p> | <p>Management agrees with the recommendations.</p> <p><b><u>Target Completion Date:</u></b><br/>December 31, 2023</p> |

| <i>Issues &amp; Risk</i>  | <i>Recommendation</i>   | <i>Management Action Plan</i>   |
|---|---|---|
| <p><b><u>2. UPDATE AND FURTHER DEVELOP THE SAFETY PLAN</u></b></p> <p>The purpose of the Safety Plan is to establish a structured safety management approach and address applicable FTA requirements. However, we identified the following areas of improvement:</p> <ul style="list-style-type: none"> <li>• The Safety Plan did not reflect certain Demand Response inputs.</li> <li>• Some safety processes documented in the Safety Plan were not fully developed in practice. For example, safety data comes from several sources, however, the frequency and method the information should be pulled and input into the Safety Risk Register is not defined.</li> <li>• The Safety Plan includes a survey to collect safety data, however, currently no surveys are conducted.</li> <li>• While the Safety Plan was signed and certified by management in 2020, it was not updated, signed, and recertified in 2021, due to staffing changes. The FTA requires this on an annual basis. As a result, we found the current Safety Plan didn't always reflect current practices.</li> </ul> | <p>The Director of Safety should complete the following:</p> <ol style="list-style-type: none"> <li>a) Continue to develop the safety processes listed in the Safety Plan using committees, safety data, best practices, etc.</li> <li>b) Ensure appropriate Demand Response inputs are documented in the Safety Plan.</li> <li>c) Send out yearly safety risk surveys to members of management as outlined in the Safety Plan.</li> <li>d) Ensure the Safety Plan is updated, signed, certified on a yearly basis as required by the FTA.</li> </ol> | <p>Management agrees with the recommendations.</p> <p><b><u>Target Completion Date:</u></b><br/>December 31, 2023</p> |

| <i>Issues &amp; Risk</i>   | <i>Recommendation</i>   | <i>Management Action Plan</i> |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |
|--|---|-------------------------------|--|--------|---------|---|-------------------|-----|-----|----------|----|-----|------------------------|----|----|-------|---|----|---------------|------------|-------------|---|--|
| <p><b><u>3. ENHANCE CONTROLS RELATED TO ESRS</u></b></p> <p>We analyzed the ESRS data for Bus Operations and found, on average, there were 6 (255 total reports over 42 months) safety reports per month. Safety reports came from the following sources:</p> <table border="1" data-bbox="205 516 781 734"> <thead> <tr> <th colspan="3">Sources of Reported Data for ESRS<br/>January 2019 - June 2022</th></tr> <tr> <th>Source</th><th>Total #</th><th>%</th></tr> </thead> <tbody> <tr> <td>Unknown/Anonymous</td><td>189</td><td>74%</td></tr> <tr> <td>CapMetro</td><td>41</td><td>16%</td></tr> <tr> <td>Bus - Service Provider</td><td>22</td><td>9%</td></tr> <tr> <td>Other</td><td>3</td><td>1%</td></tr> <tr> <td><b>Total:</b></td><td><b>255</b></td><td><b>100%</b></td></tr> </tbody> </table> <p>We noted the following opportunities for improvement:</p> <ul style="list-style-type: none"> <li>According to the Safety Plan, reported safety issues should be closed within 14 days. However, the average number of days to close an issue in ESRS was 99 days. While not all safety issues can be resolved within 14 days, staff should work towards addressing issues in a more timely manner. As a note, 43 safety concerns weren't closed in ESRS, and as a result, not included in this calculation.</li> <li>The Safety Plan doesn't explicitly state employee protections for reporting safety issues (i.e., protection from retaliation and confidentiality).</li> </ul> <p>Management will be implementing a GRC solution which may be able to replace the current ESRS intake system.</p> | Sources of Reported Data for ESRS<br>January 2019 - June 2022 |                               |  | Source | Total # | % | Unknown/Anonymous | 189 | 74% | CapMetro | 41 | 16% | Bus - Service Provider | 22 | 9% | Other | 3 | 1% | <b>Total:</b> | <b>255</b> | <b>100%</b> | <p>The Director of Safety should complete the following:</p> <ol style="list-style-type: none"> <li>Automate ESRS as part of the GRC implementation and add a risk rating (low, medium, high) to each hazard, and assign target days to close based upon risk rating.</li> <li>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's closer to the 14-day goal or, alternatively, revise the target goal.</li> <li>Update the Safety Plan to explicitly state how employees are protected when they report safety concerns (i.e. protection from retaliation and confidentiality).</li> </ol> | <p>Management agrees with the recommendations.</p> <p><b><u>Target Completion Date:</u></b><br/> 3a) December 31, 2023<br/> 3b) December 31, 2022<br/> 3c) December 31, 2022</p> |
| Sources of Reported Data for ESRS<br>January 2019 - June 2022  |   |                               |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |
| Source   | Total #   | %                             |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |
| Unknown/Anonymous  | 189   | 74%                           |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |
| CapMetro   | 41  | 16%                           |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |
| Bus - Service Provider   | 22  | 9%                            |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |
| Other  | 3   | 1%                            |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |
| <b>Total:</b>  | <b>255</b>  | <b>100%</b>                   |  |        |         |   |                   |     |     |          |    |     |                        |    |    |       |   |    |               |            |             |   |  |

| <i>Issues &amp; Risk</i>  | <i>Recommendation</i>   | <i>Management Action Plan</i>   |
|---|---|---|
| <p><b><u>4. SAFETY PERFORMANCE TARGETS &amp; REPORTING</u></b></p> <p>CapMetro has developed safety performance targets for fatalities, injuries, safety events, and system reliability (see Appendix B). These safety performance targets are compared to actual results to help the Safety Department determine whether CapMetro has achieved successful safety performance and make any necessary adjustments. We reviewed the fatality, injury, and safety event targets and identified the following areas of improvement:</p> <ul style="list-style-type: none"> <li>• Safety performance targets set in 2020 were not calculated in a timely manner after being established (i.e., 7 months after year-end) due to the COVID-19 pandemic and limited resources. As a note, the Safety Department creates a separate monthly safety report with statistics, so they are calculating safety data just not the targets from the Safety Plan.</li> <li>• We calculated safety performance and compared it to the targets using data submitted to the National Transit Database (NTD) and found Bus Operations did not meet any of the targets and Demand Response did not meet 2 of the 3 targets (see Appendix B). This could be a result of setting unattainable targets or a lack of developed safety processes and service provider monitoring.</li> <li>• While CapMetro's safety performance targets include rates, they do not include total incident numbers, as required by federal regulations.</li> </ul> | <p>The Director of Safety should complete the following:</p> <ol style="list-style-type: none"> <li>a) Calculate and refine or adjust safety performance targets every year so that safety performance can be evaluated and continually improved upon. Document this frequency in the Safety Performance Target section of the Safety Plan.</li> <li>b) Present safety performance targets to executive management and service providers on a quarterly basis to help improve CapMetro's safety awareness.</li> <li>c) Use benchmark data from other transit agencies to improve our standard calculation of safety performance targets.</li> </ol> | <p>Management agrees with the recommendations.</p> <p><b><u>Target Completion Date:</u></b></p> <p>4a) December 31, 2022<br/>4b) March 31, 2023<br/>4c) December 31, 2022</p> |

| <i>Issues &amp; Risk</i>   | <i>Recommendation</i>   | <i>Management Action Plan</i>  |
|--|---|--|
| <p><b><u>5. FURTHER DEVELOP THE SAFETY TRAINING PROGRAM</u></b></p> <p>Federal regulations require transit agencies to implement a comprehensive safety training program for employees and service providers. At CapMetro, the service provider was previously required to provide safety training to employees, but now CapMetro is responsible for all training and in the process of developing a training academy. We found the safety training process for Bus Operations could be further strengthened as follows:</p> <ul style="list-style-type: none"> <li>• While training is provided for new employees and includes safety elements, there is currently no separately defined or formalized safety training standard. The Safety Plan lists examples of safety training, but it is not fully detailed, and the training academy is still being developed.</li> <li>• Historically, CapMetro doesn't use collected safety data or recommendations from the Safety Department staff to supplement the yearly training program. This data helps ensure training is focused on current and relevant safety issues, instead of just relying on a generic training program.</li> </ul> | <p>The Director of Safety should complete the following:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol> | <p>Management agrees with the recommendations.</p> <p><b><u>Target Completion Date:</u></b><br/>September 30, 2023</p> |

## **Appendix A – Safety Committees**

| <b>Number</b> | <b>Name</b>                                | <b>Composition</b>   | <b>Meeting Frequency</b> | <b>Responsibilities</b>  |
|---------------|--|--|--------------------------|--|
| 1             | Safety Management Systems Committee (SMSC) | CapMetro employees from various departments  | Monthly                  | <ul style="list-style-type: none"> <li>▪Responsible for overseeing the safety plan’s development and implementation.</li> <li>▪Review agency progress toward meeting safety performance targets and review JHSC recommendations.</li> <li>▪Support SMTSC by serving as subject matter experts of their operational area during SMS implementation.</li> <li>▪Provide expertise on how to adapt existing practices for the SMS, identify and develop employee safety reporting tools, and identify data and information resources.</li> <li>▪Conduct safety assurance activities as it relates to adherence to the Capital Metro Safety Management Policy, Safety Risk Management, Safety Assurance, and Safety Promotion and its subcomponents.</li> </ul> |
| 2             | Joint Health and Safety Committee (JHSC)   | CapMetro employees, Bus - Service Provider Employees, & Demand Response - Service Provider Employees                 | Monthly                  | <ul style="list-style-type: none"> <li>▪Responsible for overseeing the safety plan’s development and implementation</li> <li>▪Review performance targets and goals on a monthly basis including but not limited to leading and lagging indicators.</li> <li>▪Serve as key staff for safety reporting, communication, mitigation, and monitoring.</li> </ul>  |
| 3             | Joint Labor-Management Safety Committee    | Equal number of frontline employee representatives (selected by a labor organization) and management representatives | Quarterly                | <ul style="list-style-type: none"> <li>▪Identify and recommend risk-based mitigations or strategies necessary to reduce the likelihood and severity of consequences identified through the agency’s safety risk assessment.</li> <li>▪Identify mitigations or strategies that may be ineffective, inappropriate, or were not implemented as intended.</li> <li>▪Identify safety deficiencies for purposes of continuous improvement.</li> </ul>  |



## Appendix B – Safety Performance Targets Performance for 2021

| Fixed Route Bus - Safety Performance Target Analysis   |   |                               |                                       |                                 |  |                                    |
|--|---|-------------------------------|---------------------------------------|---------------------------------|--|------------------------------------|
| Calendar Year 2021   |   |                               |                                       |                                 |  |                                    |
| Year   | Fatality Rate                           |                               | Injury Rate                           |                                 | Safety Events Rate                           |                                    |
|  | Fatality Rate per 100,000 Revenue Miles | Was fatality goal met (0.00)? | Injury Rate per 100,000 Revenue Miles | Was the injury goal met (0.35)? | Safety Events Rate per 100,000 Revenue Miles | Was safety events goal met (0.20)? |
| 2021   | 0.01                                    | No                            | 0.41                                  | No                              | 0.51   | No                                 |
| *Source: Data pulled from the FTA's National Transit Database ( <a href="https://www.transit.dot.gov/ntd">https://www.transit.dot.gov/ntd</a> ). |   |                               |                                       |                                 |  |                                    |

| Demand Response - Safety Performance Target Analysis   |   |                               |                                      |                                 |  |                                    |
|--|---|-------------------------------|--------------------------------------|---------------------------------|--|------------------------------------|
| Calendar Year 2021   |   |                               |                                      |                                 |  |                                    |
| Year   | Fatality Rate                           |                               | Injury Rate                          |                                 | Safety Events Rate                           |                                    |
|  | Fatality Rate per 100,000 Revenue Miles | Was fatality goal met (0.00)? | Injury Rate per 10,000 Revenue Miles | Was the injury goal met (0.25)? | Safety Events Rate per 100,000 Revenue Miles | Was safety events goal met (0.08)? |
| 2021   | 0.02                                    | No                            | 0.02                                 | Yes                             | 0.42   | No                                 |
| *Source: Data pulled from the FTA's National Transit Database ( <a href="https://www.transit.dot.gov/ntd">https://www.transit.dot.gov/ntd</a> ). |   |                               |                                      |                                 |  |                                    |



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee  
**Agenda Date:** 10/12/2022

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**Item #:** AI-2022-593



# Internal Audit Advisory Project: Downtown Station Construction Project Closeout Process

# Downtown Station Construction Project Background

- Construction on the Downtown Station began in March of 2019
- The station opened to the public in October of 2020
- The station expanded the capacity of the MetroRail Red Line service
- The station allows for easy connections between MetroRail and other types of transportation
- Capital Projects Group (CPG) oversaw this project



# Advisory Project Background

- Project Objective
  - Review CapMetro's Construction Project Closeout Process through the Downtown Station Construction Project lens.
- This Advisory was Initially categorized as a *Contingent* Audit Project
  - Recategorized at the request of Executive Management to be completed as a part of the Fiscal Year 2022 Audit Plan
  - Completing the projects associated with Project Connect will require an efficient and effective Construction Project Closeout Process

## Review Methodology

- Benchmarked CapMetro Processes Against Other Transit Agencies
  - Compared CapMetro processes to those of:
    - Dallas Area Rapid Transit (DART)
    - VIA Metropolitan Transit in San Antonio (VIA)
    - Washington Metropolitan Area Transit Authority (WMATA)
- Benchmarked Industry Standards
  - Compared CapMetro Construction Project Closeout Process to standards from:
    - Project Management Institute (PMI)
    - Construction Specifications Institute (CSI)
- Tested adherence of the Downtown Station Project Closeout Process to defined CapMetro Policies and Procedures

# Control Design and Effectiveness

- Internal Controls
  - Formal Policies and Procedures
    - Written in accordance with PMI and CSI standards
  - Standard Templates
  - Project Management System
    - Enterprise Project Portfolio Management (EPPM) System
- Operating Effectiveness
  - Review of the Downtown Station project closeout process confirmed that internal controls are:
    - In place
    - Comparable to industry standards
    - Properly functioning

# Summary of Recommendations

## Opportunities for Improvement

- CPG should consider consolidating all project closeout-related steps into one document or checklist
- Consider adding additional direction and explanation in policy and procedure manuals to project-closeout steps that are not Procurement-specific
- CPG should update the templates in the *Capital Policies Group Policies and Procedures Manual* to reflect the templates currently in use
- Implement standard time frames in process documents for closeout-related steps, where possible
  - For example: The time between CapMetro accepting final deliverable and...
    - Final Payment to Prime Contractor (Subcontractor, DBEs, and SBEs)
    - Release of Retainage
    - Contract Closure
- Employ a Contract Management System to uniformly track and complete the contract closeout process
  - This can be accomplished using the Diligent HighBond GRC system currently being implemented by CapMetro



# Professional Standards & Transit Agency Benchmarking

## *Professional Standards Benchmarking*

- The Capital Projects Group construction project closeout process builds in Division 01 Specifications from the CSI MasterFormat
- The Capital Projects Group project life cycle, including project closeout, is modeled after the phases of project management defined by the PMI's Project Management Body of Knowledge

## *Contract Closeout Benchmarking with DART, VIA, and WMATA*

### Fields to consider adding to the Contract Closeout Form

- Training Performed (DART)
- Equipment/System Testing Status and Date (VIA)
- Final Payment Status and Date (VIA)
- Type of Solicitation/Contract (WMATA)
  - IFB, RFP, IDIQ, CPFF, Firm Fixed Price, Other
- Fiscal Data (WMATA)
  - Amount of Base Contract
  - Total \$ Amount of All Modification(s)
  - Amount \$ Paid to Contractor to-date
  - Amt \$ Available for Deobligation
- Significant Dates (WMATA)
  - Award Date
  - Original Contract Expiration Date
  - Actual Contract Completion Date
  - Termination Date

**CapMetro**

Questions?



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2022-605

**Agenda Date:** 10/12/2022

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FY2022 Internal Audit Plan Status

## FY22 INTERNAL AUDIT PLAN

### Department Scorecard

|    | Projects   | Status & % Complete | Additional Details  |
|----|--|---------------------|---------------------|
|    | <b>FAA COMMITTEE &amp; INTERNAL AUDIT CHARTER COMPLIANCE</b>   |                     |                     |
| 1  | Finance, Audit & Administration (FAA) Committee Meetings: 10/13; 11/10; 12/8; 2/14; 4/13; 5/11; 6/13; 7/13; 8/15; 9/14 | Completed           |                     |
| 2  | Semi-annual Implementation Status Report - November 2021   | Completed           | February            |
| 3  | Semi-annual Implementation Status Report - May 2022  | Completed           | July                |
| 4  | FY2022 Risk Assessment & development of FY23 Audit Plan  | Completed           | October             |
|    |  |                     |                     |
|    |  |                     |                     |
|    | <b>FY22 Audit Assurance &amp; Advisory Projects</b>  |                     |                     |
| 1  | GRC (ITS2403) & Contract Performance Management System Advisory (ITS2205)  | Completed           | June                |
| 2  | Transit Store with Ticket Focus (Hardcopy and e-tickets)   | Completed           | December            |
| 3  | Saltillo Development with Focus on Lease Revenues  | Completed           | February            |
| 4  | Business Continuity (COOP Plan, Advisory)  | Completed           | June                |
| 5  | NIST Cybersecurity Framework (Facilitated Self-Assessment) - will resume when BCG Review is completed                  | Deferred to FY23    | BCG Recommendations |
| 6  | FTA Triennial Review - 11/29 Notice; 1/21 Delivered Files; 4/11 Virtual Site Visit                                     | Completed           | July                |
| 7  | QAR (Quality Assurance Review) of Internal Audit practices and IIA & GAO compliance - week of 8/29 for site visit      | Completed           | September           |
| 8  | Annual Cybersecurity Review (Vulnerability Assessment & Penetration Test)  | Completed           |                     |
| 9  | ERP (Oracle) Implementation Advisory   | In-Process          | Jan 2023            |
| 10 | P-Cards & IT Procurement   | Completed           | June - UT Interns   |
| 11 | Public Transportation Agency Safety Plan (PTASP)   | Completed           | October             |
| 12 | Benchmarking Policies & Procedures (Structure, Content, Governance & Training)   | Deferred to FY23    |                     |
|    |  |                     |                     |
|    |  |                     |                     |
|    | <b>CONTINGENT AUDIT PROJECTS - FY22</b>  |                     |                     |
| 1  | Infor (Hexagon) System - post go live review   |                     |                     |
| 2  | Salary Adjustment & Merit Process  |                     |                     |
| 3  | Facilities Maintenance - Contract Monitoring & Compliance  | Completed           | June                |
| 4  | Paratransit & Demand Response Operations   |                     |                     |
| 5  | United Healthcare & Other Self-Insured Benefits (TPA Payments)   |                     |                     |
| 6  | Bytemark - Account-Based System  |                     |                     |
| 7  | Microsoft Sharepoint & Active Directory  |                     |                     |
| 8  | Safety Management System (SMS) - Management of Change  |                     |                     |
| 9  | Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)           |                     |                     |

|   |  |            |            |
|---|--|------------|------------|
|   | <b>NEW PROJECTS ADDED TO FY22 AUDIT PLAN by Terry Follmer</b>                  |            |            |
| 1 | Downtown Station - Closeout (Benchmarking & Analysis)                          | Completed  | Oct 2022   |
| 2 | MV Contract Changes - Audit Support (e.g. Payroll controls, Spare Parts, etc.) | In-Process | Dec 2022   |
| 3 | GRC (Governance Risk & Compliance) System Implementation                       | In-Process | April 2023 |
| 4 | Fastpath Implementation - Analyze Oracle User Access and SOD                   | In-Process | Dec 2022   |
| 5 | GRC (Governance Risk & Compliance) - UT Interns on Bus Ops & Maint             | In-Process | Jan 2023   |
| 6 | GRC (Governance Risk & Compliance) - UT Interns on Rail & Demand Response      | In-Process | Jan 2023   |
| 7 | GRC (Governance Risk & Compliance) - UT Interns on Safety Dept                 | In-Process | Jan 2023   |