



MEETING OF THE

Audit and Finance Subcommittee

Date:

September 8, 2022

Starting Time

12:00 p.m.

Location:

Boardroom/Webex

If you require assistance accessing the meetings on the 10th floor, call 602.262.7433.



Agenda

September 1, 2022

Audit and Finance Subcommittee

Thursday, September 8, 2022

Boardroom/Webex

101 N. 1st Avenue, 10th Floor

12:00 p.m.

Action Recommended

1. Public Comment

1. For information

The public will be provided with an opportunity at this time to address the committees on **non-agenda items and all action agenda items**. Up to three minutes will be provided per speaker unless the Chair allows more at his/her discretion. A total of 15 minutes for all speakers will be provided.

2. Chief Financial Officer's Update

2. For information

Jim Hillyard, Acting Chief Financial Officer, will provide an update on current issues.

3. Minutes

3. For action

Minutes from the August 4, 2022 Audit and Finance Subcommittee meeting are presented for approval.

4. Chief Financial Officer (CFO) Recruitment Process Update

4. For information

Jessica Mefford-Miller, Chief Executive Officer, will provide an update on the CFO recruitment process.

5. Annual Review of Internal Audit Charter

5. For action

Sebrina Beckstrom, Chief Auditor, will request approval of the Internal Audit Charter with no changes.

6. Internal Audit Fiscal Year 2022 Audit Report

6. For information

Sebrina Beckstrom, Chief Auditor, provide the Audit and Finance Subcommittee with a summary of the Fiscal Year



2022 Internal Audit activities, external audits, and recommendation implementation.

7. Internal Audit Update

7. For information

Sebrina Beckstrom, Chief Auditor, will provide an update on the actions taken in Internal Audit, external reviews and prior audit findings and recommendations.

8. Fiscal Year 2024 Budget Development Timeline

8. For information

Tyler Olson, Manager of Budget and Operational Financial Controls, will provide an overview of the FY 2024 timeline.

9. Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

9. For information

Intergovernmental Agreements, contract change orders, amendments and awards that will appear on the Board agendas are provided for information.

If AFS members have questions regarding this item, please contact Valley Metro staff.

10. Report on Current Events and Suggested Future Agenda Items

10. For information

Chair Stipp will provide members the opportunity to report on current events and suggest future agenda items for consideration.

The next meeting of the Audit and Finance Subcommittee is scheduled for **October 13, 2022 at 12:00 p.m.**

Qualified sign language interpreters are available with 72 hours' notice. Materials in alternative formats (large print or flash drive) are available upon request. For further information, please call Valley Metro at 602-262-7433 or TTY at 602-251-2039. To attend this meeting via teleconference, contact the receptionist at 602-262-7433 for the dial-in-information. The supporting information for this agenda can be found on our web site at www.valleymetro.org.



Information Summary

DATE

September 1, 2022

AGENDA ITEM 1**SUBJECT**

Public Comment

PURPOSE

The public will be provided with an opportunity at this time to address the committees on **non-agenda items and all action agenda items**. Up to three minutes will be provided per speaker unless the Chair allows more at his/her discretion. A total of 15 minutes for all speakers will be provided.

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

COMMITTEE PROCESS

None

CONTACT

Jim Hillyard
Acting Chief Financial Officer
jhillyard@valleymetro.org
602-262-7433

ATTACHMENT

None



Information Summary

DATE

September 1, 2022

AGENDA ITEM 2**SUBJECT**

Chief Financial Officer's Report

PURPOSE

Jim Hillyard, Acting Chief Financial Officer, will provide an update on current issues.

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

COMMITTEE PROCESS

None

CONTACT

Jim Hillyard
Acting Chief Financial Officer
jhillyard@valleymetro.org
602-262-7433

ATTACHMENT

None



Minutes

August 11, 2022

AGENDA ITEM 3

Audit and Finance Subcommittee
Thursday, August 4, 2022
Via WebEx/Phone
12:00 p.m.

Meeting Participants

Councilmember Bill Stipp, City of Goodyear, Chair
Councilmember Clay Goodman, City of Buckeye (phone)
Vice Mayor Laura Pastor, City of Phoenix
Councilmember Francisco Heredia, City of Mesa (phone)

Chair Stipp called the meeting to order at 12:05 p.m.

1. Public Comment

Chair Stipp said we'll go ahead and start. Hopefully, Vice Mayor Pastor will be able to join us. I would like to call to order the Audit and Finance Subcommittee meeting of Thursday, August 4, 2022.

First, I would like to welcome Councilmember Goodman from Buckeye joining the Committee and hopefully, we'll have our 5th member next month so welcome, Councilmember Goodman.

Councilmember Goodman said thank you. I appreciate the opportunity.

Chair Stipp said we're looking forward to it. This starts a new fiscal year and hopefully, we have a different tenor moving forward this year than we have the past couple of years.

So with that we'll go ahead and open the meeting with Public Comment. I assume since Mr. Crowley is here. He didn't just come this way to look at us so. There you go. Well, you've got three minutes, Blue, thank you.

Mr. Crowley said did you happen to see in the paper where the Governor vetoed your upcoming legislation.

Chair Stipp said I've heard that.

Mr. Crowley said right. Well, and on your item -- I think it's \$11M or it's way in the back.

It says: Background and discussions. It says: These corridors were narrowed down by MAG and included the regional plan as a part of the 400 tax extension. So what you're basing what you're going to be doing here is on that extension and as you and I know, when he vetoed that, over the next two years, we have what chance, if let us say, if Lake is elected Governor, of getting it passed especially with the right turn that the legislature is already predicted to be



doing because of the -- I would say gerrymandering, but being a Democrat that might be considered to be sour grapes.

I had requested Pat give me the information that you guys kicked to MAG so that I can see what you guys are doing, right? And then I find out that MAG already had done that and it was already a document at the beginning of this legislative session. So when I see that I asked for what it is that you guys said and did on that, what she did is she send me a draft of the Regional Transit Transportation Plan. I figure I'm supposed to discern it out of that.

Well, you know the drama I bang the most is this one on the supergrid. Well, you know that supergrid was a part of the Regional Transportation Plan and when I'm reading in this that you can do nothing unless MAG has it in the Regional Transportation Plan for you, but what I've seen is that you have done nothing which is another way of doing something with the plan. I look on 83rd and 75th Avenue. These are the things the last four years: Dunlap Avenue, Litchfield Road to Metrocenter. Didn't get done. Val Vista and Wills Drive to Thomas Road, Greenfield. Didn't get done. 83rd Avenue and 75th Avenues, Desert Sky Transit Center to Arrowhead. You did get an 83rd Avenue bus on, but it's only the City of Phoenix because they're the ones that pay for it. And then the one you're supposed to be doing next year is Litchfield Road. I have never seen you guys reach out and try to do the bus things and such to acquire them and get it done.

And in the document that I got from the planning department when I came in to find out what had been done with this, the document they handed me was one that said that of all the supergrid, you had only dropped two routes. So when you don't do the routes to completion, how is that not also dropping them? And you know where Dysart Road is. That's one that got dropped so where's the other one? And why don't you get the job done and do it right? And isn't it nice that when it comes to transit and transportation plans, you have what part of a say? Oh, you don't.

Chair Stipp said thank you, Blue. Any other comments? Okay.

2. Chief Financial Officer's Update

Ms. Mefford-Miller said good morning, Mr. Stipp. In Mr. Hillyard's absence, I would be giving the update on a typical basis, however, the one item I want to update you on is Item number 10 on the agenda that is CFO recruitment.

Chair Stipp said okay. Great.

3. Minutes

Chair Stipp said the minutes from the June 2, 2022, Audit and Finance Subcommittee meeting are presented for approval.

Chair Stipp said hopefully, you've had some opportunity to look at that. I would like a motion to approve the minutes from June 2nd.



Motion by Vice Mayor Pastor, second by Councilmember Goodman.

Any further discussion? All in favor, say aye. Motion carries.

IT WAS MOVED BY VICE MAYOR PASTOR, SECOND BY COUNCILMEMBER GOODMAN AND UNANIMOUSLY CARRIED TO APPROVE THE AFS MINUTES FROM JUNE 2, 2022.

4. IT Identity and Access Controls Management Audit

Chair Stipp said for Councilmember Goodman's frame of reference, we have been delaying a number of the audit reports through the budget process as that became very complicated as the end of the fiscal year came on so we will have a number of audits to take action on today. That's not typically how we do it, but that's the situation that we're in so Sebrina and her team are here to present. So with that, I'll turn it over to Sebrina.

Ms. Beckstrom said thank you, Mr. Chair. Lawrence Kondrat, Larry was the Senior Auditor on this audit so I will turn it over to him to present the report.

Mr. Kondrat said thank you, Sebrina. Good afternoon, Chair Stipp and members of the Subcommittee. The audit of IT Identify and Access Control Management was conducted as part of the Internal Audit fiscal year 2022 audit plan.

As indicated on this slide, the overall report risk is determined to be medium. Internal Audit determined that Valley Metro has processes in place for identity and access control management, however, some enhancements to existing processes can be made and documenting those processes can further strengthen controls and minimize risks.

Do you have any questions or concerns concerning the report area risk? If not, I'll move on.

Chair Stipp said no. Move on.

Mr. Kondrat said conclusions pursuant to the audit objective are presented as two findings and five associated recommendations in this report. Internal Audit rated the risk of each finding assigning a risk rating that reflects the likelihood and impact of negative events occurring in the audited areas.

Finding 1 was assigned a high-risk rating while finding 2 was assigned a low-risk rating. Do you have any questions or concerns regarding the risk ratings? Okay.

All right. The objective of the audit was to provide an independent assessment relating to the effectiveness of identity and access control management and its policies, procedures and governance activities. The audit scope focused on current IM standards, guidelines



and procedures as well as on the implementation and governance of these activities related to the Active Directory system.

Do you have any questions or concerns? Okay. Moving on.

Chair Stipp said would it just be okay if we just interrupted you if we had questions?

Mr. Kondrat said sure.

Chair Stipp said so just plow through it until.

Mr. Kondrat said sounds good. All right. Methodology. Auditors use variety of research and analysis techniques to obtain enough evidence to support our conclusions. We reviewed valley Metro policies and procedures. We looked at industry standards and best practices most notably the National Institute of Standards and Technology. We interviewed various leadership and staff from Human Resources and IT. We completed extensive test work and we made observations such as observing the server room environment.

Moving on to the audit findings. Finding 1. Internal Audit found that access management controls need to be strengthened. Valley Metro has processes in place for access management, but these current controls should be strengthened. Specifically, user access was not consistently disabled in a timely manner for some former employees. Consequently, Internal Audit recommends that Valley Metro should ensure that user access for former employees and contractors is disabled in a timely manner.

The second part of the finding, some users had access rights that were not required for performing their job responsibilities and as a result, Internal Audit recommends that Valley Metro should conduct and document periodic formal reviews of user access rights that are completed by appropriate management to ensure that access rights remain commensurate with user job responsibilities.

And the third part of Finding 1, the administrators do not log on with separate unique user accounts when performing non-administrative tasks. Subsequently, Internal Audit recommends that Valley Metro should limit the use, where possible, of administrator accounts for system administration functions only.

Councilmember Goodman said what is meant by "timely"? Is there a time frame?

Mr. Kondrat said timely. There is no specific time frame, but you want to disable access, basically, immediately upon separation from the company. And in some instances, that's not possible when an employee leaves on a Friday. So, then I found most instances, access was disabled on the Monday. Yeah. You want to do it -- there's no guidelines that are specific, but you want to do it immediately upon separation or close to it. Yes.



Councilmember Goodman said okay. Now, when an employee separates, do they need to surrender their badge immediately.

Mr. Kondrat said they do. There's a process that the employee goes through with Human Resources and also, IT is involved in it where they account for all the equipment that was assigned to them and it all has to be returned. There's a sign-out sheet that they must complete.

Councilmember Goodman said okay. Thank you.

Chair Stipp said so there's nothing -- there's almost no reason though that when they're surrendering their badge that we can't turn that access off.

Mr. Kondrat said there's no reason. What I found was that IT wasn't being notified in a timely manner from the different administrative assistants or managers, supervisors. And so, HR is going to take a more active role in that and they're going to notify IT immediately, upon an employee leaving Valley Metro.

Chair Stipp said so we're looking at policy changes as well then as a result of this?

Mr. Kondrat said we are. Yes. And a separation policy.

Chair Stipp said okay.

Mr. Kondrat said termination policy, I should say.

Chair Stipp said because I think that's what Councilmember Goodman was getting at.

Mr. Kondrat said yes.

Chair Stipp said in what our side conversation was here.

Mr. Kondrat said yeah. There's going to be new procedures in place where HR is -- takes a more active role.

Chair Stipp said okay. Thank you.

Mr. Kondrat said you're welcome.

Vice Mayor Pastor said so in all the systems that I worked in, when I'm separating in any system, HR is heavily involved and they know the date of the separation. They also have a checklist that I have to go through and say, here's my identification, here's my key, my badge, all these other things. There should be on the checklist separation date, and something sent to IT to separate everybody.



Mr. Kondrat said I agree.

Vice Mayor Pastor said and I don't know if in the policy that will be within Valley Metro in the policy happen within if separation is Friday at 5:00, one hour after -- within that hour all access is gone.

Mr. Kondrat said yes. And that is their intention moving forward.

Vice Mayor Pastor said okay.

Mr. Kondrat said for HR to play a more active role and to notify them.

Vice Mayor Pastor said thank you.

Mr. Kondrat said you're welcome. Okay. If there's no more questions on Finding 1.

Finding 2. Internal Audit found that policies and procedures need enhancement. Valley Metro had generally effective processes in place for certain IT functions, but current IT policies and procedures need to be enhanced. Specifically, Valley Metro's access control policy needs to be update. There was a reference in the access control policy to an older version of the NIST Special Publication 800-53 which provides guidelines for access control and standards. Internal Audit recommends that Valley Metro should enhance their policies and procedures for documenting review and updating the access control policy annually and as appropriately needed.

In the second part of Finding 2, Valley Metro lacks certain written IT procedures. We found that Valley Metro had not developed written procedures for certain IT functions such as the modification of existing accounts and assignment, use and monitoring of administrative accounts. So as a result, Internal Audit recommends that Valley Metro should develop and implement written procedures to provide guidance for the modification of existing accounts and assignment, use and monitoring of administrative accounts. So are there any questions or concerns related to Finding number 2? Yes.

Chair Stipp said Larry, this is reminiscent of a prior audit that we had a number of years ago, a couple years ago. These same procedural things when it comes to control, access control and whatnot. I know it wasn't specifically part of this audit, but I think generically, and for Jessica's benefit, this is a repeat of something that we've already had before so perhaps we can either find out where we were at previously. Is this a duplicate? Or is this just a cousin of that original one? And trying to get that focus a little narrower on this IT access control stuff because I think that it's almost word for word of this just kind of flooding over me that we've already heard this before related to other issues.

Mr. Kondrat said okay. And I'll definitely follow up on that, Chair Stipp.



Chair Stipp said if we can -- I don't know that we need to, close the loop on anything, but I think certainly with, Jessica coming in and looking at the organization, we need to -- we need to take a lot at that so thank you.

Mr. Kondrat said yes.

Councilmember Goodman said just a follow-up. Is this a paperwork gap that, within a process or procedure the instructions aren't clear as to how to do this or is it a people problem? Are the instructions clear, but the folks responsible just aren't doing what they're supposed to be doing.

Mr. Kondrat said they're doing what they're supposed to be doing, sir, except there's no written guidance or policies that. So, if we do get new IT personnel that come in, they might not be familiar with the procedures. And so, they bring susceptibility to Valley Metro for unforeseen events that occur. So, you want a consistency amongst the staff and it's basically, for the benefit of new employees that come in. During the audit, I did not come across any instances where they weren't performing their job correctly or.

Councilmember Goodman said so how do we know they're performing their job correctly if we don't have guidance on how to do those jobs. What do we do benchmarking against?

Mr. Kondrat said well, looking at existing accounts and assignment, I didn't come across many instances where users had access right. There were six out of our sample and that could be improved, but the majority of -- the majority of the staff had access rights that were commensurate with their job responsibilities and yeah. That's -- six employees that didn't and that was from their -- from not having reviews done of their access rights.

Councilmember Goodman said six out of how many? What was your N?

Mr. Kondrat said here were 34 internal and external users and from those 34 users, they had anywhere from 10 to 50 different modules that they can access. And there was only six that had unnecessary access.

Councilmember Goodman said six out of 34?

Mr. Kondrat said six out of 34 users yes. It was six groups or modules that they had access to that they didn't need access to.

Councilmember Goodman said so if I understand it correctly, six employees had access to areas that they shouldn't have out of 34 that you looked at.

Mr. Kondrat said correct.

Councilmember Goodman said so close to 20 percent.



Mr. Kondrat said correct, sir.

Councilmember Goodman said a little less than 20 percent.

Mr. Kondrat said yes. But they also had access to say 30 different groups and one of those -- one out of the 30 was inappropriate. So the percentage is actually less than that.

Councilmember Goodman said well, I'm kind of (indiscernible)

Mr. Kondrat said it's roughly 20 percent of the users, but when it comes to the different groups that they were assigned, it was a small percentage.

Councilmember Goodman said well, I -- the six out of 34 is what has me concerned. That 20 percent if you extrapolate that and then it only takes one. So obviously, we're moving in the direction where we have zero.

Mr. Kondrat said yes. And Valley Metro will implement procedures and written procedures and policies to address that issue.

Councilmember Goodman said and the appropriate training will follow.

Mr. Kondrat said correct.

Councilmember Goodman said and how is that going to happen? Do we know yet?

Mr. Kondrat said IT is in the process of developing training for all staff, but it's part of their response to the recommendation. And they will institute a training within the next year.

Councilmember Goodman said but we haven't written the policies or procedures yet, but they're building training on those.

Mr. Kondrat said we have some, but they are developing the final procedures. They'll be up for review.

Councilmember Goodman said okay. As we move forward on this, Mr. Chair, I'd like to see some examples of how that's happening.

Chair Stipp said we can certainly do that. I think the other thing I want to call to your attention is at the back of the audit report there is an appendix, there's the actual response matrix when -- who's responsible, when it will get done. I think we'll --

Councilmember Goodman said I read that so.

Chair Stipp said we'll have you follow that up, with how does this work component. Is that what you're asking?



Councilmember Goodman said yes.

Ms. Mefford-Miller said Mr. Chair, if I may? Do you want that response at a later date? Or would you like that response today? So, the responsible parties for these -- okay. That will be Mr. Ozlin and Ms. Lynch who are in the room today, so we'll discuss that.

Chair Stipp said and I think Councilmember Goodman is looking for the example of how does this -- how does this look? Not -- and we -- I think to help chart the course forward, you know, we have a deadline in here of October. There's a lot of ground to cover between now and then so perhaps we can send something out outside of the meeting to just say this is what we've done, and this is the procedure between now and implementation

Councilmember Goodman said that will be fine.

Ms. Mefford-Miller said we can do that.

Councilmember Goodman said yeah. That would be fine. Thank you.

Chair Stipp said thank you.

Mr. Kondrat said thank you.

Vice Mayor Pastor said may I suggest that you as you're going through this you just keep the Board informed because really where it comes down to is we have these processes and we read them, but we never when it got implemented and how's it working and do we need to revise. So, but I don't know if that's the weeds so that's just me in my management role.

Chair Stipp said just to refresh everyone's memory. When we get the update from Sebrina every month, we have a progress report of where things are at, when things are accomplished so that we have the verification that yes, this deadline was set, yes, this deadline was met. And then if you've got any follow-up questions from that you can certainly go from there. But we'll get this additional information as an example of how we're implementing this one, specifically, for Councilmember Goodman's benefit. But if we can send that to the entire AFS that would be helpful. Okay.

Vice Mayor Pastor said that's good and the reason why I went there was because of the statement we've been down this road before. And so that's why I was like well, then how do we close the gap amongst ourselves?

Chair Stipp said right.

Vice Mayor Pastor said thank you.



Mr. Kondrat said are there any more questions related to Finding number 2?
Okay. If not, then I submit the audit for the Audit and Finance Subcommittee approval.

Chair Stipp said great, Larry. Thank you for the presentation. With that, I will entertain a motion to accept the results of the IT Identity and Access Control Management Audit.

Motion by Vice Mayor Pastor, second by Councilmember Goodman.

Any other discussion? Seeing none. All in favor, say aye. Any opposed. The ayes have it.

IT WAS MOVED BY VICE MAYOR PASTOR, SECOND BY COUNCILMEMBER GOODMAN AND UNANIMOUSLY CARRIED TO ACCEPT THE RESULTS OF THE IT IDENTITY AND ACCESS CONTROL MANAGEMENT AUDIT.

5. Federal Grant Compliance – Bus Purchases Audit

Ms. Beckstrom said thank you, Mr. Chair. Jennifer Davis is our Senior Auditor on this audit, and she'll present the results.

Ms. Davis said thank you, Sebrina, Chairman Stipp, AFS Committee members. Today, I'm providing you a report out on the Federal Grant Compliance Review for Bus Purchases. This review is also included on the FY22 Audit Plan. Our objective was to determine if internal controls over the processes were effective and efficient and if those processes and documentation complied with the requirements.

As Larry mentioned, for each audit, we evaluate associated risks based on likelihood and impact of negative events occurring in the audited area. Based on the controls and the evidence that we reviewed, we're ranking this report as a low-risk area. Controls supporting this process are strong. We had no areas of non-compliance noted and we have no areas of recommendation for improvement at this time.

Moving on to scope and methodology. FTA's recent triannual procurement review of the City of phoenix included Valley Metro's heavy-duty buses, therefore, we focused our review on the three medium bus purchase contracts that were awarded back in 2019. The two with Creative Bus Sales and the one with Motorcoach Industries.

For criteria, we used FTA's procurement system guidance, the grant reimbursement requirements for the grant agreements and Valley Metro's policies and procedures. We reviewed the procurement practices that leading up to the contract awards in 2019, their current activities and any change orders, payment documentation and reimbursement requests. We found no areas of non-compliance and we have no recommendations for improvement at this time.



That concludes my report out and I'm available for any questions and provide any clarifications you guys might need.

Chair Stipp said awesome. Thank you. Anybody have questions? All right. Seeing none. I will accept a motion for us to accept the results of the Federal Grant Compliance Bus Purchases audit.

Motion by Vice Mayor Pastor, second by Councilmember Goodman.

Any other discussion? Seeing none. All in favor, say aye. Any opposed? The ayes have it.

IT WAS MOVED BY VICE MAYOR PASTOR, SECOND BY COUNCILMEMBER GOODMAN AND UNANIMOUSLY CARRIED TO ACCEPT THE RESULTS OF THE FEDERAL GRANT COMPLIANCE – BUS PURCHASES AUDIT.

6. Continuous Monitoring – Contract Change Orders, Second Review

Ms. Beckstrom said thank you, Mr. Stipp. We completed the second review of change orders and found no instances of non-compliance. This report is included in your packet and we're happy to answer any questions, but if there are no questions on this report, we submit this for your approval as well.

Chair Stipp said all right. Councilmember Goodman.

Councilmember Goodman said no. I was just waiting for my –

Chair Stipp said I didn't know who you were waving at. All right. So -- see you have to come down here and enjoy this. So with that, I'll entertain a motion to accept the results of the Contract Change Order, Review number two.

Motion by Councilmember Goodman, second by Vice Mayor Pastor.

Any other discussion? All in favor, say aye. Any opposed? The ayes have it.

IT WAS MOVED BY COUNCILMEMBER GOODMAN, SECOND BY VICE MAYOR PASTOR AND UNANIMOUSLY CARRIED TO ACCEPT THE RESULTS OF THE CONTINUING MONITORING – CONTRACT CHANGE ORDERS, SECOND REVIEW.

7. Fiscal Year 2023 Audit Plan

Ms. Beckstrom said thank you, Mr. Chair. Each year Internal Audit performs an annual risk assessment which includes conducting interviews of selected -- with selected Board members and Valley Metro staff, researching national trends, data analysis, prior audit reviews along with some other inputs that we put into our risk assessments. This risk



assessment is used to inform the audit work for the upcoming year. The audit topics that received the highest risk prioritization along with those that were of particular interest to Board members or Valley Metro leadership were selected for the annual audit plan.

I have budgeted hours for each of these audits and have also include reserve hours for any special requests from Valley Metro leadership or Board members. I also continually review the audit report against changing risks and priorities which are -- which requires that the audit plan be dynamic. If we feel that an audit needs to be adjusted on the plan or that plan needs to be adjusted in any way, we bring those suggestions back to the Audit and Finance Subcommittee for approval to move things around on the plan.

With that, I would ask if there are any specific questions on any of those items listed on the fiscal year '23 audit plan?

Chair Stipp said great. Does anybody have any questions on the 20 -- FY23 Audit Plan? Sebrina and I met before -- as this was being finalized and just want to call out and I think it's really important for us to remember that with each one of these audits comes time. And may not necessarily have a dollar amount attached to it, but oftentimes it does so the fact that Sebrina has taken the time to assign a not only dollar amount, but a time amount to each one of these audits is very important and that's she's built in the capacity for the team to be able to move forward with those. And I think that shows really the quality of Sebrina as our Chief Auditor, so I just want to point that out and say thank you, Sebrina.

So with that, I'll accept a motion to approve the Fiscal Year 2023 Audit plan.

Motion by Councilmember Goodman, second by Vice Mayor Pastor.

Any other discussion? All in favor, say aye. The ayes have it.

IT WAS MOVED BY COUNCILMEMBER GOODMAN, SECOND BY VICE MAYOR PASTOR AND UNANIMOUSLY CARRIED TO ACCEPT THE FISCAL YEAR 2023 AUDIT PLAN

8. Internal Audit Update

Chair Stipp said why is this for action?

Ms. Beckstrom said it shouldn't be.

Chair Stipp said I thought maybe I'm screwing things up. All right.

Ms. Beckstrom said thank you, Mr. Chair. With the last three audit reports presented today, we have completed the Fiscal Year '22 Audit Plan. We will present the annual audit report and complete the annual audit charter review for the September Audit and Finance Subcommittee meeting.



We're also awaiting reports from the two federal triennial reviews completed in June for the City of Phoenix and for the Arizona Department of Transportation. And we'll provide an update on the outcomes of those results as it pertains to Valley Metro once those reports have been received.

And for our Internal review of findings, we do have a couple of audit recommendations that have come due from previous audits. One recommendation required that the Finance Department create standard operating procedures to ensure that vendors were paid within 30 days of a receipt of invoice. Finance indicated that over these last few months they have created the functionality in the new accounting system to ensure that the invoices are paid within 30 days. And they're in the process of creating the standard operating procedures that will complete this -- and will complete this document for Audit's review prior to the next -- to the September AFS meeting.

The other recommendation relates to Procurement receiving annual credit card acknowledgement forms from Valley Metro credit cardholders. Procurement has indicated that this recommendation is complete and Internal Audit will validate the compliance -- validate compliance with that during the upcoming Credit Card Usage Audit actually scheduled to begin next week.

All right. Those are all of my updates for today.

Chair Stipp said great. Any follow-up questions for Sebrina or anybody on the staff? Seeing none. Appreciate the information.

Ms. Beckstrom said thank you, Mr. Chair.

Chair Stipp said thank you.

9. FY22 4th Quarter Budget Variance Review

Chair Stipp said I have asked Tyler and the staff to when we do these budget variance reviews not to -- not to go through during the meeting a tremendous amount of the data since it's all provided to us and really try to give us a high-level brief by exception kind of concept. So Councilmember Heredia and Vice Mayor Pastor, you may see a slight change in brevity on this, but the material is all -- none of the material that we receive has changed, it's just the presentation is geared to technically be a little shorter. So with that, we'll turn this over to Tyler.

Mr. Olson said thank you, Chair Stipp, members of the Subcommittee. I'll quickly walk you through our 4th quarter budget versus actual report. Our target spend to date would be a 100 percent if we're right on track to put that in perspective so. The amounts are still preliminary as we continue to close our books for the year.



Starting with RPTA. All right. So total sources of funds for operating excluding passthroughs to VMR which I'll speak about on the upcoming expense slides, 167 million budgeted. We've received 226 million in revenues for RPTA. So primarily, ARPA funds are a contributor to that. We did not plan on receiving ARPA funds late in the budget process last year. We have welcomed those funds and have drawn those down as we've moved through the year. And, of course, public transportation funding has been higher than forecasted.

Sources of funds for capital. Collected 80 percent of the plan revenue to date for RPTA activities. Under running primarily due to less capital expenditures than planned which I'll talk about on the coming slides.

All right. Moving onto expenses for operating. Total budget variance shown here for each category of operations. Excluding passthrough funds we spent just over 137 million for the year. Most of that underrun is around the areas of fixed route and demand services. Fixed route underrun most significantly is under running due to, again, those ARPA funds in particular for the City of Phoenix purchased service that we use your jurisdictional equity to fund based on your input. ARPA funding applied to that has caused some significant underrun which is great. Demand service, trips have been less than planned and we hope to get more seats in the vans as we move into FY23.

And just to touch on the passthroughs for VMR. These are personnel costs for Valley Metro Rail. All employees are paid by RPTA. However, effort is collected through timesheets on RPTA and VMR, so we know the exact funding sources, the activities they're working on. 100 percent of these costs are reimbursed by Valley Metro Rail to RPTA.

Capital expenditure. 49 million planned, we've only spent 11.7 million primarily due to delays in fleet that we anticipated being delivered this year. We will end up accepting delivery in FY23 and recognizing the expense at that time. PTF funding used for light rail construction that is the passthrough, we're at 96 percent so really right on target there.

So the slides I just presented are really the larger picture of the total budget authority compared to actual spend. Obviously, we're well within our total approved budget for the year so on this slide I'd just like to touch on some of the line items amounts that can be found in your handout some budget variances have trended over. Again, everything is well within budget, but on the operations side of things, as we know, fuel has been higher than we've all wanted it to be this year. That doesn't exclude the service that we operate and the massive amounts of fuel that we purchase for our bus service.

On the administrative and finance side, we've anticipated -- or we've had a need to engage some additional support for the complexities of our business particularly in the areas of payroll and asset management.



On the capital side, as we've talked about throughout the year, we installed operator barriers beginning in FY21 to protect our operators as a result of the pandemic. Due to supply chain issues, some of those costs were delayed into FY22 since those parts were not available and the project not complete.

On the RPTA side of things, again, we're utilizing a little bit more PTF than planned originally in the year, but that kind of goes with capital construction. These activities are very dynamic. We are well within the total annual allocation that we had budgeted for the year.

Again, overall capital and operating budget is within plan.

Moving on to Valley Metro Rail. Total sources of funds. Just hitting on the high notes, fare revenues ended on a very positive note, 2.6 million over plan for the year so we really like that trend and look forward to that continuing as we get closer to our fare collection system modernization project and reining in some of that reduced fare abuse as well. COVID relief funding also higher than plan, again, due to the ARPA funding that I mentioned.

Capital side of things. 39 percent collected to date. We do have a lot of federal reimbursements that lag so we do anticipate that number to catch up a little bit in the coming month.

On to uses of funds for operating. We've got 81 percent spent for the year. I will note that, you know, that does seem like a large amount of underrun, but we did also anticipate the Tempe Streetcar opening earlier in the year in October of '21. That ultimately ended up opening in May toward the end of May so expected underrun in those areas.

On the capital side of things. All projects are slightly behind, but again, final adjustments are still being booked so I'd anticipate that number to increase slightly as we continue to close out the books for the year.

Moving on to budget variances. Returning a little higher than plan for personnel and light rail O&M, that's the operations and maintenance. However, that amount is 100 percent offset by underrun that can be found on the state of good repair activity side. As a result of the pandemic, obviously, we've had challenges in the areas of supply chain for parts as well as labor shortages throughout the year so really just a shift in those activities. We also had significant unanticipated repair of a light rail vehicle that was involved in a major derailment so that hit this year. We also brought forward the COLA adjustment to the Board late in the fiscal year '22 so that you're now seeing on your report combined with some of the retention bonuses for O&M staff which the Board approved.

Overall, operating budget is within plan.

Moving on to the capital side of things. Some additional effort charge for the South Central project construction activities based on those increased -- changing priorities.



We've added additional water line improvement to the Northwest Phase II project that was requested by City of Phoenix. So since our contractor is there working on the project anyways, we're assisting with this water line project. The OMC Expansion that has been completed, however, again, due to supply chain issues, we're receiving some of that furniture that was required and fixtures as part of that expansion, receiving that in '22 which was not anticipated.

System-wide improvements. We had some work delays, again, in FY21 that -- that hit in FY22 and really around our fare collection system modernization project that we've told you about as well as delays in our light rail vehicle fleet.

Overall, total capital and operating budgets within plan.

Vice Mayor Pastor said I have one question about the capital. Is there a possibility to add shade structures sooner than later? I don't know if that's on the City side or Valley Metro side.

Mr. Olson said Vice Mayor Pastor, was that the shade structures -- are those for the South Central project or? Okay.

Vice Mayor Pastor said Uh-huh.

Mr. Olson said I apologize. I'm not familiar with that, but I can certainly inquire.

Vice Mayor Pastor said okay. That's okay. I'll ask later.

Ms. Mefford-Miller said I'll take that action item.

Vice Mayor Pastor said okay.

Ms. Mefford-Miller said and follow up with staff. Yes. Tyler's reporting on FY22 4th quarter actuals, but I will take that item back -- to our design and construction team and follow up with a response to you and the entire AFS.

Vice Mayor Pastor said I'm just asking because the community is asking and I just -- it triggered me.

Ms. Mefford-Miller said got it.

Vice Mayor Pastor said thank you.

Mr. Olson said so that concludes my presentation. I'd be happy to answer any questions that you may have.



Chair Stipp said awesome. Thank you, Tyler. I appreciate the presentation.

Councilmember Goodman or Heredia, do you have any questions on this budget variance? Not seeing any. You're good? Okay. This was provided for our information and if you've got any feedback as we do the 1st quarter of FY23 in this abbreviated format, I'd love to hear that in our next go around. But this certainly was a good step forward so I appreciate that.

10. Chief Financial Officer Recruitment

Ms. Mefford-Miller said thank you, Chair Stipp, members of the AFS. I sent you a packet via email on yesterday. I want to provide a quick update on recruitment efforts for a Chief Financial Officer.

As you're aware, we have a number of critical vacancies within the executive leadership team for Valley Metro especially within the Finance Division. The Chief Financial Officer position has been vacant for over one year and we are ready to move forward posthaste with recruitment of that important position which is made possible in part due to the approval of the executive recruiting contract that went through this Board in the month of June.

We have an executive recruiting firm onboard. In your email, you have a draft job description and a draft process description, and I welcome feedback from AFS. Ideally, this week or early into next week. And once we receive your edits and review or concurrence, we'll begin with posting that position.

Relatively soon thereafter, we will begin the recruitment process for our Chief Procurement Officer. Ideally, I would like for the new Chief Financial Officer to have been selected so that he or she can make a final determination on Chief Procurement Officer. Once that process is underway for CFO, I'll follow up with a draft timeline for Chief Procurement Officer.

Any questions or comments on the status of that search or personnel more globally within Valley Metro? Okay. Thank you.

Chair Stipp said I'm not seeing any. Thank you. One thing that I will ask that I think helped us the last time we went through this is if the intent is for AFS or any member of the Board to participate in that is to try to get that calendared as absolutely early as possible. We had gone through a couple of different iterations, and it was a short timeline and nobody could show up. We found that when we pushed it out, it seemed to be very good for all of us so just to throw that in your direction as you're contemplating moving these forward.

Ms. Mefford-Miller said noted, Chair Stipp. And it is our intention to engage AFS and Board members in that interview process.



Chair Stipp said great. Thanks.

11. Intergovernmental Agreements, Contract Change Orders, Amendments, Awards

Chair Stipp said presented for our information. This is -- and for Councilmember Goodman for your perspective. We get this look at the items before it goes to the Board. The intent is for you to have this information that should you have any questions about any one of those items to try to at least identify what they may be early or reach back to Jessica and the staff to get those questions before we actually get to the Board meeting on -- two weeks from now.

If anything comes up from here that raises a red flag for you or an immediate question, this is a great time to say, hey, be sure that when we talk about item J that we talk about X at the Board meeting. This is not the time for us to hash out each one of those items, but if you have anything, getting the staff a heads up this is kind of that moment which is why this information is presented in great detail. So I appreciate the thumbs up.

12. Report on Current Events and Suggested Future Agenda Items

Chair Stipp said does anybody have any? Not seeing any.

The next meeting of the Audit and Finance Subcommittee is scheduled for September 8, 2022, at 12:00 p.m. Again, I encourage in person participation if we can. This meeting is adjourned.

The meeting was adjourned at 12:56 p.m.



Information Summary

DATE

September 1, 2022

AGENDA ITEM 4**SUBJECT**

Chief Financial Officer Recruitment

PURPOSE

To provide an overview of the status of the recruitment for the Chief Financial Officer.

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

COMMITTEE PROCESS

None

CONTACT

Jessica Mefford-Miller
Chief Executive Officer
602-262-7433

[Jmeffordmiller@valleymetro.org](mailto:jmeffordmiller@valleymetro.org)

ATTACHMENT

None



Information Summary

DATE

September 1, 2022

AGENDA ITEM 5**SUBJECT**

Annual Review of Internal Audit Charter

PURPOSE

Present the Internal Audit Charter to the Audit and Finance Subcommittee (AFS) for discussion and approval.

COST AND BUDGET

None

RECOMMENDATION

Staff recommends that the AFS approves the Internal Audit Charter.

BACKGROUND/DISCUSSION/CONSIDERATION

The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 1000 (Purpose, Authority, and Responsibility) states: The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

The Chief Auditor reviewed the Internal Audit Charter (September 2020) and concurs that the document aligns with the requirements of the Standards. The Chief Auditor proposed no changes to the document and presents it to the AFS for approval.

COMMITTEE ACTION

AFS: September 8, 2022 for discussion and action

CONTACTS

Sebrina Beckstrom

Chief Auditor

sbeckstrom@valleymetro.org

602-256-5813

ATTACHMENT

Internal Audit Charter (September 2020)

Internal Audit Charter

Purpose and Mission

The purpose of Valley Metro's Internal Audit activity is to serve Valley Metro and its Boards of Directors by providing independent, objective assurance and consulting services designed to add value and improve Valley Metro's operational processes. The mission of internal audit is to assist Valley Metro in providing a safe, efficient and reliable transit network by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps Valley Metro accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance¹, risk management, and internal control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. This guidance includes the principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. In addition, the internal audit activity should adhere to Valley Metro's relevant policies and procedures and the Internal Audit's Procedures Manual. The Director, Internal Audit ("Chief Auditor") will report periodically to the Audit and Finance Subcommittee ("AFS"), Chief Executive Officer ("CEO") and senior management regarding the internal audit activity's conformance to the Code of Ethics and the Standards.

Authority

The Chief Auditor will report functionally to the AFS and administratively (i.e., day-to-day operations) to the CEO. To establish, maintain, and assure that Valley Metro's internal audit activity has sufficient independence and authority to fulfill its duties, the AFS, in coordination with the CEO, shall:

- Approve the internal audit activity's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit activity's budget and resource plan.
- Approve any proposed material deviation from the approved internal audit plan.
- Approve specific internal audits or engagements to be performed in addition to those outlined in the risk-based plan at the request of the AFS, CEO or senior management.
- Receive communications from the Chief Auditor on the internal audit activity's performance relative to its plan and other matters.

¹ Throughout this charter, "governance" is defined as "the combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives."
[The Institute of International Auditors 2017 IPPF (Redbook)]

- Make appropriate inquiries of management and the Chief Auditor to determine whether there is inappropriate scope or resource limitations.
- Perform the annual performance evaluation of the Chief Auditor, in consultation with CEO, and review with the Chief Auditor and provide input and feedback as appropriate.
- Approve decisions regarding the annual performance evaluation, appointment or removal of the Chief Auditor.
- Approve the Chief Auditor's annual salary and benefits or any adjustments to them.

Administratively, the day-to-day operations of the internal audit activity includes budget and management accounting oversight, human resource administration, adherence to Valley Metro's and internal audit activity's policies and procedures and the facilitation of internal communications and information flow across the organization.

The Chief Auditor shall have unrestricted access to communicate and interact directly with the AFS and CEO, which may include a request for private meetings without senior management present.

By approving this Charter, the AFS, in coordination with the CEO, authorizes the internal audit activity to:

- Have full, free, and unrestricted access to all Valley Metro functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information, except when prohibited by law.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Valley Metro, as well as other specialized services from within or outside Valley Metro, in order to complete the engagement.

Independence and Objectivity

The Chief Auditor will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the AFS and the CEO.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.

- Performing any operational duties for Valley Metro or its affiliates.
- Initiating or approving transactions external to the internal audit activity.
- Directing the activities of any Valley Metro employee not employed by the internal audit activity, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the AFS and the CEO.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Auditor will confirm to the AFS and the CEO, at least annually, the organizational independence of the internal audit activity and will disclose any difficulties or issues related to completing engagements, performing work, or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examination and evaluation on the adequacy and effectiveness of Valley Metro's governance, risk management, and internal control processes as well as the quality of performance in carrying out assigned responsibilities to achieve Valley Metro's goals and objectives. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Valley Metro's strategic objectives are appropriately identified and managed.
- The actions of Valley Metro's officers, directors, employees, and contractors are in compliance with Valley Metro's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, plans, procedures, laws, and regulations that could significantly impact Valley Metro.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

An audit report shall be prepared and issued by the Chief Auditor or designee following the conclusion of an approved internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the AFS in a format in accordance with IIA standards.

An internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings or recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area, should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Chief Auditor shall report periodically, but no less than each calendar quarter, to the AFS, the CEO and senior management regarding:

- The internal audit activity's plan and performance relative to its plan.
- The internal audit activity's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the AFS or the CEO.
- Results of audit engagements or other activities.
- Resource requirements.
- Any decisions by management to accept an identified risk that internal audit deems may be unacceptable to Valley Metro.

The Chief Auditor may participate in non-internal audit services work, consultations and evaluations, authorized by the CEO and senior management, or special projects and investigations, approved by the AFS, to improve procedures, controls, systems and/or efficiency of operations, and issue reports or memos, including documenting the project objectives, work performed and results of those procedures in project workpapers that are not intended for distribution in the same manner as an audit report.

The Chief Auditor may also coordinate activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit activity does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the AFS, CEO and the appropriate level of management, when appropriate.

Responsibility

The Chief Auditor has the responsibility to:

- Submit, at least annually, to the AFS, the CEO and senior management an internal audit plan for review and approval.

- Ensure the development of an internal audit plan based on a prioritization of the audit universe using a risk-based methodology, including input from the AFS, CEO and senior management, and will consist of a work schedule as well as budget and resource requirements for the fiscal year.
- Communicate to the AFS, the CEO and senior management the impact of resource limitations on the internal audit plan or any significant interim changes to the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Valley Metro's business, risks, operations, programs, systems, and controls.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Ensure that any proposed material deviation from the approved internal audit plan is communicated to the AFS, CEO and senior management through periodic activity reports.
- Follow up on engagement findings and corrective actions, and report periodically to the AFS, the CEO and senior management any corrective actions not timely implemented. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter and continually improves proficiency and the effectiveness and quality of services.
- Ensure trends and emerging issues that could impact Valley Metro are considered and communicated to the AFS, CEO and senior management as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Ensure adherence to policies and procedures designed as a course or method of action to train and guide the internal auditors and internal audit activity.
- Ensure adherence to Valley Metro's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the AFS, the CEO and senior management, as appropriate.
- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
 - If the internal audit activity is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by Government Accountability Office, the Chief Auditor will ensure that the internal audit activity conforms with the Standards, even if the internal audit activity also conforms with the more restrictive requirements of Government Accountability Office.

Quality Assurance and Improvement Program and Peer Review

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply

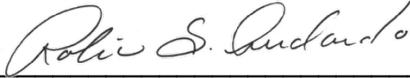
The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for organizational improvement.

The Chief Auditor will communicate to the AFS and the CEO on the internal audit activity's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments (peer review) conducted every five years (or more often if deemed necessary) by a qualified, independent assessor or assessment team from outside Valley Metro.

Internal Audit Activity Charter

Approved on the 10th day of September 2020.

Approval/Signatures



Audit and Finance Subcommittee Chair

September 17, 2020
Date



General Counsel

Sep 14, 2020

Date



Chief Executive Officer

Sep 14, 2020

Date



Information Summary

DATE

September 1, 2022

AGENDA ITEM 6**SUBJECT**

Internal Audit Fiscal Year 2022 Audit Report

PURPOSE

To provide the Audit and Finance Subcommittee with a summary of the Fiscal Year 2022 Internal Audit activities, external audits, and recommendation implementation.

COST AND BUDGET

None

RECOMMENDATION

Item presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION

None

COMMITTEE ACTION

None

CONTACTS

Sebrina Beckstrom

Chief Auditor

sbeckstrom@valleymetro.org

602-256-5813

ATTACHMENT

Fiscal Year 2022 Annual Audit Report

Message from the Chief Auditor:



The Valley Metro Internal Audit Division is designed to serve Valley Metro and its Boards of Directors by providing independent, objective assurance and consulting services which add value and improve Valley Metro's operational processes. In late January 2021, the Valley Metro Board of Directors hired a new Chief Auditor. The Internal Audit Division utilized FY22 to introduce a new method of internal auditing based on risk. The Internal Audit Division strives to continuously improve processes and work product in an effort to provide the most value to the Board of Directors and Valley Metro. As part of the continuous improvement efforts undertaken in FY22, Internal Audit worked to build strong professional relationships with the Board of Directors, Valley Metro staff, and stakeholders. These efforts allowed the Valley Metro Internal Audit Division to have a productive fiscal year completing all audits on the FY22 Annual Audit Plan.

The Internal Audit Division follows International Auditing Standards known as the International Professional Practices Framework (IPPF). This framework requires the Chief Audit Executive to maintain a system to regularly report results to leadership. In addition, these standards require the Chief Auditor to follow-up on prior audit recommendations to ensure recommendations have effectively been implemented or that management has accepted the risk of not acting upon the recommendations. This audit report fulfills the reporting requirement by providing background and updates about the internal audit profession, and a summary of the responsibilities and activities performed by the Division in FY22.

During FY22, the Internal Audit Division completed 10 internal audits, 9 safety and security audits, provided assistance to external auditors, and followed-up on the implementation of 16 recommendations.

In addition, as required by the IPPF, I attest that our organizational independence remains intact. Our activity continues to be free from interference in completing audit work. Further, the Audit and Finance Subcommittee continues to provide oversight for auditing activities. More information about independence and compliance with ethical standards can be found in the annual report.

Internal Audit appreciates all of the support received this year from the Board of Directors, the Audit and Finance Subcommittee, the Valley Metro staff, City and County partners, and other stakeholders.

Respectfully Submitted,



Sebrina Beckstrom, CIG, CFE, GIGA
Chief Auditor

Background:

Audit Standards—The Valley Metro Internal Audit Division is governed by the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. This guidance includes the principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Audit Definition—The IPPF defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Mission—The mission of Internal Audit is to assist Valley Metro in providing a safe, efficient and reliable transit network by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps Valley Metro accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and internal control processes.

Audit Committee:

The Audit and Finance Subcommittee (AFS) was originally formed by the Valley Metro Regional Public Transportation Authority (RPTA) Board of Directors (Board) as the Budget and Finance Subcommittee (BFS) in 2006 after the passage of Proposition 400 to provide policy oversight of the expanded financial activities of the RPTA. The RPTA and Valley Metro Rail (VMR) Boards renamed the Subcommittee to the AFS in 2016 and expanded the scope of the AFS to add oversight of internal audit functions and to oversee financial and audit functions of VMR. Committee members during FY22 included:

Committee Chair: Councilmember Bill Stipp

Vice Chair: Councilmember Robin Arredondo-Savage

Member: Councilmember Lauren Tolmachoff

Member: Councilmember Francisco Heredia

Member: Mayor Kate Gallego (July 2021-August 2021) Vice Mayor Laura Pastor (September 2021-June 2022)

Committee Oversight Responsibilities—During FY22, the Audit Committee continued to provide oversight responsibilities of the Internal Audit Division. Specific activities included, but were not limited to the following:

- Participated in the annual audit risk assessment
- Provided guidance to the Chief Auditor and Audit Team
- Approved the annual internal audit plan
- Received and approved internal audit reports
- Received periodic updates of internal audit activities
- Received recommendation implementation status updates

Internal Audit Division:

Our Team—Internal Audit consists of the Chief Auditor, two Senior Internal Auditors and an Audit Intern. The Board has approved the hiring of an additional Senior Information Technology Internal Auditor in fiscal year 2023. This position is currently vacant.



Independence, Objectivity and Ethics—Internal Audit reports directly to the Audit and Finance Subcommittee which provides assurance that Valley Metro staff cannot unduly influence the nature or scope of the audit work and gives Internal Audit a direct line of communication to the Board of Directors. Auditors are required to complete an annual statement of independence and disclose any impairments which are identified. In addition, during specific audits, auditors are required to disclose any concerns regarding independence that were not previously identified in the annual disclosure. In FY22, no impairments to independence were identified. Auditors also completed their annual attestation of conformity with the Code of Ethics in Internal Auditing.

Auditing Process—The Internal Audit Division follows standard audit operating procedures as outlined in the Internal Audit Manual. Following these audit standards helps to ensure high quality and timely audit reporting. The general internal audit process is as follows:



Types of Engagements—

 **Operational/Performance Reviews:** These processes are used to evaluate agency operating procedures to determine if there is an adequate control environment, and to determine whether processes are effective.

 **Compliance:** Compliance audits are designed to ensure that processes are in compliance with regulatory requirements, Board-adopted policies and procedures, management policies and procedures, and applicable terms and conditions of contracts, grants, memorandums of understanding, or other agreements.

 **Internal Control Reviews:** These reviews are designed to ensure that controls in place are

adequate to ensure compliance with applicable criteria and adequate to ensure appropriate usage of resources.

 **IT Audit:** Review and assessment of IT systems, policies, operations, and infrastructures to ensure efficiency and effectiveness.

 **Special Requests:** Special audit and consulting services requested by Valley Metro Board Members through the AFS, and Valley Metro Leadership through the CEO.

 **Follow-up Activities:** These reviews take place throughout the audit year and are designed to determine when audit recommendations have been implemented.

Quality Assurance—The Chief Auditor maintains a quality assurance program within Internal Audit to ensure adherence to auditing standards. These quality assurance activities include:

- Regular review of compliance with IPPF standards
- Quality review process for each audit completed
- Regular staff meetings to discuss issues and audits
- Completed annual independence and ethics disclosures

Staff Development, Training, and Professional Affiliations—Audit Staff have met all training requirements to maintain compliance with the IPPF and Association of Fraud Examiners competence and training standards. Members of our team hold various certifications including Certified Internal Auditor, Certified Fraud Examiner, Certified Inspector General, and Certified Inspector General Auditor, and have professional affiliations with the Institute of Internal Auditors, The Association of Fraud Examiners, and the Association of Local Government Auditors.

Audit Work Completed—Internal Audit completed 10 internal audits in FY22. These audits were:

| Report Number | Report Name | Month Issued |
|---------------|---|---------------|
| No. 22-01 | Mobility Center Cash Collections Audit | August 2021 |
| No. 22-02 | Contract Management - Planning and Community Relations Support Services (PCRSS) | November 2021 |
| No. 22-03 | Contract Management - Rail Transportation Services Audit | December 2021 |
| No. 22-04 | Contract Change Orders, Review #1 | February 2022 |
| No. 22-05 | Contract Management - Federal Government Consulting Services Audit | February 2022 |
| No. 22-06 | Travel Expenses Review #1 | March 2022 |
| No. 22-07 | Credit Card Transactions Audit | March 2022 |
| No. 22-08 | IT Identity and Access Control Management Audit | July 2022 |
| No. 22-09 | Federal Grant Compliance - Bus Purchases | June 2022 |
| No. 22-10 | Contract Change Orders, Review #2 | June 2022 |

Additionally, Internal Audit assisted the Safety and Security teams in completing all nine of the Internal Safety and Security Audit (ISSA) reviews required by the Arizona Department of Transportation (ADOT) for this period. Areas reviewed included:

- Rules and Procedures Review (#13)
- Passenger/Employee Personal Security Program (#3)
- Hazard Management Program (#6)
- System Modification, Design Review, and Approval Process (#8)
- Procurement (#21)
- Facilities and Equipment Inspection and Maintenance Inspections (#14 and #15)
- Accident Incident Reporting (#10)
- Data Acquisition and Analysis (#9)
- Emergency Response Planning & Reporting; Policy, Goals, and Objectives; and Availability to ADOT Process (#11, #1, and #5)

Minimal recommendations were made for the documentation and processes reviewed, and the Valley Metro management teams implemented all recommendations.

Internal Audit Recommendations—During FY22, Internal Audit monitored and tracked the status of 16 internal audit recommendations: three from FY21 reports and 13 from FY22 reports issued throughout the year. The Valley Metro management teams implemented or addressed all recommendations from FY21 and five of the FY22 recommendations. The remaining eight recommendations will be addressed in FY23.

External Audit Reviews—

ADOT:

In May 2020, ADOT’s State Safety Oversight Program issued the final report on their Three-Year On-Site Rail Safety Audit of Valley Metro. The ADOT report contained 80 safety-related corrective action plans (CAPs) and nine security-related CAPs. Internal Audit assisted with the closure and tracking of 81 of the 89 CAPs during FY21 and the remaining eight CAPs during FY22. On August 25, 2022, ADOT confirmed closure of all CAPs previously issued.

Arizona Attorney General:

In July 2021, the Arizona Attorney General issued the *Fiscal Year 2021 Maricopa Association of Governments Regional Transportation Plan* performance audit in response to Arizona Revised Statutes §28-6313 and Proposition 400 passed in November 2004. The report contained no findings and no recommendations for improvement.

City of Phoenix:

In September 2021, Phoenix’s City Auditor Department issued the *Public Transit Department Contract Audit - Valley Metro Vanpool* report. This report contains one recommendation for Valley Metro, and it was implemented timely.

Federal Transit Administration (FTA):

In June 2022, the FTA performed fieldwork on two separate reviews: the Triennial review of Phoenix Public Transit Department (PTD) and the Triennial review of the implementation of the Arizona Department of Transportation (ADOT) State Safety Oversight (SSO) Program. Final reports will be provided, and Internal Audit will assist as needed to address and track any recommendations.



Information Summary

DATE

September 1, 2022

AGENDA ITEM 7**SUBJECT**

Internal Audit Update

PURPOSE

To update the Audit and Finance Subcommittee on current Internal Audit activities, external audits, and recommendation implementation.

COST AND BUDGET

None

RECOMMENDATION

Item presented for information only.

BACKGROUND/DISCUSSION/CONSIDERATION

None

COMMITTEE ACTION

None

CONTACTS

Sebrina Beckstrom

Chief Auditor

sbeckstrom@valleymetro.org

602-256-5813

ATTACHMENT

Schedule of Prior Audits Findings and Recommendations (SPAF)

Schedule of Prior Audits Findings and Recommendations
September 2022

| No. | Internal Audit Recommendation | Severity of Issue | Response | Audit Client Response Comments | Responsible Person(s) | Estimated Implementation Date |
|--|---|-------------------|----------|---|--------------------------------|---|
| IT Identity & Access Control Management Audit | | | | Report No. 22-08 | Dated: 7/25/2022 | Finding Status: Open |
| Finding 1 – Access Management Controls Need to be Strengthened | | | | | | |
| 1 | Internal Audit recommends that Valley Metro should strengthen its access management controls for: | | | | | |
| a. | ensuring that user access for former employees is disabled in a timely manner. | High | Concur | The sample showed that delays in access termination were the result of untimely notification by the supervisor/manager. Going forward HR will take on that role to ensure timely notification of employee departure to IT and other relevant parties. | Penny Lynch (602) 523-6024 | July 31, 2022 |
| b. | conducting and documenting periodic formal reviews of user access rights that are completed by appropriate management to ensure that access rights remain commensurate with user job responsibilities. | High | Concur | IT will develop a user permissions confirmation form and process for supervisors, then work with HR to include this assessment into the existing annual employee performance review process. | Phil Ozlin (602) 495-8253 | July 31, 2023 |
| c. | limiting the use, where possible, of Administrator accounts for system administration functions only. | High | Concur | Individuals with administrative access will be provided with 'A' accounts that have administrative privileges to be used solely for administration functions, and their primary accounts will be restricted to standard user permissions. This transition is already undergoing testing within a selected group to ensure a global shift won't create any operational disruption. | Phil Ozlin (602) 495-8253 | January 31, 2023 |
| Finding 2 - Policies and Procedures Need Enhancement | | | | | | |
| 2 | Internal Audit recommends that Valley Metro should enhance policies and procedures for: | | | | | |
| a. | Documenting review of and updating the access control policy annually and as appropriately needed. | Low | Concur | Valley Metro does review policies annually (policy was previously reviewed on 2.25.2022 and 2.9.2021), however the revision change in the NIST standard was missed and is being corrected. | Phil Ozlin (602) 495-8253 | October 30, 2022 |
| b. | developing and implementing written procedures to provide guidance for the modification of existing accounts and assignment, use, and monitoring of administrative (privileged) accounts. | Low | Concur | New procedures are being drafted to cover these items, with dissemination and training to occur over the next month. | Phil Ozlin (602) 495-8253 | August 31, 2022 |
| IA presented the report at the August AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status. | | | | | | |
| Contract Management - TS Audit | | | | Report No. 22-03 | Dated: 12/28/2021 | Finding Status: Open |
| Finding 2 – Valley Metro’s contractor payment processes were generally effective, but enhancements can be made. | | | | | | |
| 2 | Internal Audit recommends that Valley Metro should create written standard operating procedures (SOPs) and monitor open pay applications to ensure payments of approved invoices are made within 30 days after receipt. | Medium | Concur | Finance will develop SOP to ensure payments are made within 30 days after receipt. Procurement will work with the customer to ensure POs are entered into CORE to allow for prompt payment. | Liz Rozzell and Patty Clark | June 2022 August 2022 TBD 2022 |
| Updated 8/30/22- Due to personnel changes and year-end commitments, Finance requested an extension to finalize the SOP. As the processes are established, IA agreed an extension of time to formally document the process was reasonable. | | | | | | |
| Prior update 07/27/22: Finance indicated that they have worked to ensure functionality in the new Oracle system to calculate and track a due date, based on invoice date and supplier terms, to help ensure payments are made within 30 days. Finance also indicated that desk procedures have been created for much of the process and will utilize those desk procedures to create the new SOP which will be finalized before the September AFS meeting. | | | | | | |
| IA presented the report at the January AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status. | | | | | | |

Schedule of Prior Audits Findings and Recommendations
September 2022

| No. | Internal Audit Recommendation | Severity of Issue | Response | Audit Client Response Comments | Responsible Person(s) | Estimated Implementation Date |
|---|---|-------------------|----------|---|--|---|
| Credit Card Transactions Audit | | | | Report No. 22-07 | Dated: 3/28/2022 | Finding Status: Closed - Pending Validation |
| Finding 1 – Annual Agency Credit Cardholder Agreement and Request Change Forms should be signed at the beginning of the fiscal year. | | | | | | |
| 1 | Internal Audit recommends the Valley Metro Procurement Department implement a monitoring process to ensure the forms are signed at the beginning of the fiscal year as the policy requires or update the policy to reflect the current practice of having the forms signed annually. | Low | Concur | Management commits to verifying timely completion of the Agency Credit Cardholder Agreement and Request Change Form. | Patty Clark Chief Procurement Officer pclark@valleymetro.org | August 2022 |
| <p>Update 08/30/22: IA will verify signed forms during the Credit Card Transactions Audit testing.</p> <p>Prior update 07/27/22: Procurement indicated all twenty-three FY23 card holders have received their annual Agency Credit Cardholder Agreement and Request Change Forms, and as of 7/26/22, twenty-two signed forms have been returned. IA will verify the signed forms.</p> <p>IA presented the report at the April AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.</p> | | | | | | |
| Contract Management - TS Audit | | | | Report No. 22-03 | Dated: 12/28/2021 | Finding Status: Open |
| Finding 1 – The procurement manual does not reflect all the current procurement practices for professional services contracts. | | | | | | |
| 1 | Internal Audit recommends that Valley Metro continue in the process to develop standard operating procedures (SOPs) to specify contract practices for the various types of contracts entered into by Valley Metro and include references to SOPs in the manual. Additionally, Valley Metro should provide regular refresher training to applicable staff on the procedures. | Medium | Concur | Procurement will develop SOP for contract administration for the various types of contracts entered by Valley Metro and will also provide training for each SOP. | Patty Clark Procurement Team | June 2022 4th quarter 2022 |
| <p>Prior Updates-</p> <p>07/27/22: The manual is expected to be finalized in the 4th quarter of 2022.</p> <p>05/25/22: Updates to Procurement SOPs and the Procurement Manual are ongoing. However, due to several management changes, the manual is not expected to be finalized until the 4th quarter of 2022. This additional time will allow incoming leadership the opportunity to review and provide feedback. During this audit, no errors were found in the procurement steps taken, rather the issue lies with the manual being vague, outdated, and omitting documentation of procurement practices utilized. These updates to the manual will reduce potential risk in the future. However, it is important that management review changes before officially implemented and as a result IA accepts the requested time extension.</p> <p>IA presented the report at the January AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.</p> | | | | | | |
| Contract Management - PCRSS Audit | | | | Report No. 22-02 | Dated: 11/17/2021 | Finding Status: Open |
| Finding 1 – The procurement manual does not reflect all the current procurement practices for professional services contracts. | | | | | | |
| 1 | Internal Audit recommends that Valley Metro develop standard operating procedures (SOPs) to specify contract practices for the various types of contracts entered into by Valley Metro and include references to SOPs in the manual. Additionally, Valley Metro should provide regular refresher training to applicable staff on the procedures. | Medium | Concur | Procurement will develop SOP for contract administration for the various types of contracts entered into by Valley Metro and will also provide training for each SOP. | Patty Clark Procurement Team | June 2022 4th quarter 2022 |
| <p>**See Contract Management - TS Audit Finding #1, 05/25/22 Update Above**</p> <p>IA presented the report at the December AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status.</p> | | | | | | |

Schedule of Prior Audits Findings and Recommendations
September 2022

| No. | Internal Audit Recommendation | Severity of Issue | Response | Audit Client Response Comments | Responsible Person(s) | Estimated Implementation Date |
|---|--|-------------------|----------|--|--|--|
| Contract Management - PCRSS Audit | | | | Report No. 22-02 | Dated: 11/17/2021 | Finding Status: Open |
| Finding 2 – Valley Metro's contract performance monitoring processes were generally effective, but enhancements can be made. | | | | | | |
| 2 | Internal Audit recommends Valley Metro should revise the Valley Metro Internal Procurement Manual with criteria for which types of contracts require milestones or benchmarks and include language in the task orders that establish defined benchmarks, when applicable. Additionally, Valley Metro should create standard operating procedures for establishing benchmarks and provide training to Valley Metro staff on the procedures. | Medium | Concur | Revision to Procurement Manual will be made to define criteria for the different types of contracts and Task orders that will require milestones, benchmarks and deliverables when applicable. SOP will be developed, and training will be provided. | Patty Clark Procurement Team | June 2022 4th quarter 2022 |
| **See Contract Management - TS Audit Finding #1, 05/25/22 Update Above** | | | | | | |
| IA presented the report at the December AFS meeting and will follow up with Management as the implementation date approaches and report to the AFS the status. | | | | | | |
| Contract Management - FGCS Audit | | | | Report No. 22-05 | Dated: 2/09/2022 | Finding Status: Open |
| Finding – Valley Metro policy did not require that Valley Metro inform the Board of contract utilization changes with the potential to prematurely exhaust the contract's expenditure authority. | | | | | | |
| 1 | IA recommends that Valley Metro should ensure they adhere to the new policy to timely notify the Board when changes in contract utilization may result in prematurely exhausting the Board-approved contract authority. | Low | Concur | Staff has adopted the Contract Authority Monitoring and Reporting (FIN-05.01) Management Policy and will implement it, as required. | Alexis Tameron Kinsey (602) 322-4450 | January 2022 |
| IA presented the report at the March AFS meeting and will follow up to determine if the new policy is being adhered to during the FY23 audit. | | | | | | |
| Contract Management - PCRSS Audit | | | | Report No. 22-02 | Dated: 11/17/2021 | Finding Status: Closed - Pending Validation |
| Finding 4 – To strengthen internal controls Valley Metro should update the Valley Metro Internal Procurement Manual to require maintenance of contract documentation in a central location. | | | | | | |
| 4 | Internal Audit recommends that Valley Metro: (1) updates the Valley Metro Internal Procurement Manual to reflect the processes to save finalized documents in the CORE system, (2) implement a review process to verify the correct documents are maintained (in CORE or Aconex), and (3) provide regular refresher training to applicable staff on the requirements. | Low | Concur | Revisions to the Procurement manual will be made to reflect the documentation is kept in the system of record for CORE and Aconex. SOP will be developed and training will be provided. | Patty Clark | March 2022 Procedure issued 03/22/22 |
| <p>Prior Updates-</p> <p>07/27/22: The manual is expected to be finalized in the 4th quarter of 2022.</p> <p>05/25/22: IA will verify the updated Procurement Manual includes the Management Procedure- Centralized Documents information. Updates to the Procurement Manual are ongoing. However, due to several management changes, the manual is not expected to be finalized until the 4th quarter of 2022.</p> <p>04/25/22: IA will verify language or reference to this procedure is included in the June 2022 update of the Procurement Manual.</p> <p>03/22/22: The Management Procedure- Centralized Documents was finalized and issued on 03/22/22. Additionally on 3/24, the procurement staff was trained on this procedure. IA will verify language or reference to this procedure is included in the June 2022 update of the Procurement Manual.</p> <p>02/23/22: The Contracts and Procurement team is on track for creating an SOP to identify the applicable systems of record. Applicable language will be added to the June 2022 update of the Procurement Manual.</p> | | | | | | |

Schedule of Prior Audits Findings and Recommendations
September 2022

| No. | Internal Audit Recommendation | Severity of Issue | Response | Audit Client Response Comments | Responsible Person(s) | Estimated Implementation Date |
|--|--|-------------------|----------|---|---|---|
| Mobility Center Cash Collections Audit | | | | Report No. 22-01 Dated: 08/27/2021 | Finding Status: | Closed |
| Finding 3 - Mobility Center has implemented some controls over cash collections, but enhancements should be made. | | | | | | |
| 3 | <p>Internal Audit recommends the Valley Metro Mobility Center management team establish written processes and procedures to:</p> <ul style="list-style-type: none"> *Utilize a system-generated method, such as a cash register, for capturing sales data *Use the system sales reporting to periodically reconcile the varying assets *Verify/reconcile the safe contents to the sales reports *Provide the sales reports to Finance Division to support their bank reconciliation. <p>The procedures should include the identification of the team members' roles to ensure segregation of duties.</p> | Medium | Concur | <p>Mobility Center staff and management will draft internal procedures as recommended. We will also coordinate with Finance on the reconciliation process and related procedures.</p> | <p>Alex Potter and Steve Henry and new to be hired Admin. Assistant and Finance designee.</p> | <p>February 28, 2022</p> <p>An electronic transaction platform was implemented February 22, 2022</p> |
| <p>Update 8/30/22: IA performed a site visit on 7/28/22 and confirmed the use of the electronic transaction platform and the reconciliation process followed included proper segregation of duties. Implementation validated.</p> <p>Prior Updates-</p> <p>07/27/22: IA is scheduled to verify the March through June sales reporting and reconciliation processes and will update the AFS accordingly.</p> <p>05/25/22: Finance notified IA on 5/19/22 that changes to the process were needed to further increase efficiencies. Therefore, IA will validate the implementation efforts of these recommendations at a future date.</p> <p>04/23/22: In May, IA will verify the sales reporting and reconciliation processes for March and April to validate implementation efforts.</p> <p>03/22/22: The Mobility Center continues to use the electronic transaction platform; making adjustments to processes as needed. IA will verify sales reporting and reconciliation processes in a couple of months.</p> <p>02/23/22: An electronic transaction platform was implemented at the Mobility Center on 02/22/22. IA will verify sales reporting and reconciliation processes in a couple of months.</p> <p>01/26/22: IT has worked with the Mobility Center and Finance teams to determine a suitable electronic transaction platform. The purchasing process has been initiated.</p> <p>12/29/21: Internal procedures have been drafted and coordination with Finance on the reconciliation process began in November. However, the existing cash register has proven to be</p> | | | | | | |



Information Summary

DATE

September 1, 2022

AGENDA ITEM 8**SUBJECT**

Fiscal Year 2024 (FY24) Budget Timeline

PURPOSE

To provide an overview of the FY24 budget timeline.

RECOMMENDATION

This item is presented for information only.

BACKGROUND | DISCUSSION | CONSIDERATION

None

COST AND BUDGET

None

STRATEGIC PLAN

None

COMMITTEE PROCESS

None

CONTACT

Tyler Olson

Manager of Budget and Operational Financial Controls

tolson@valleymetro.org

602-322-4485

ATTACHMENT

None

Audit & Finance Subcommittee

September 8, 2022



1

FY24 Budget Development Timeline



2

2

FY24 Deliverables



• Preliminary Operations Budgets

- Bus
 - Paratransit
 - Light Rail
 - Streetcar
- } Transit Services Only



• Annual Budgets

• 5-Year Plans

Purpose of Preliminary



• Define Inputs/Assumptions

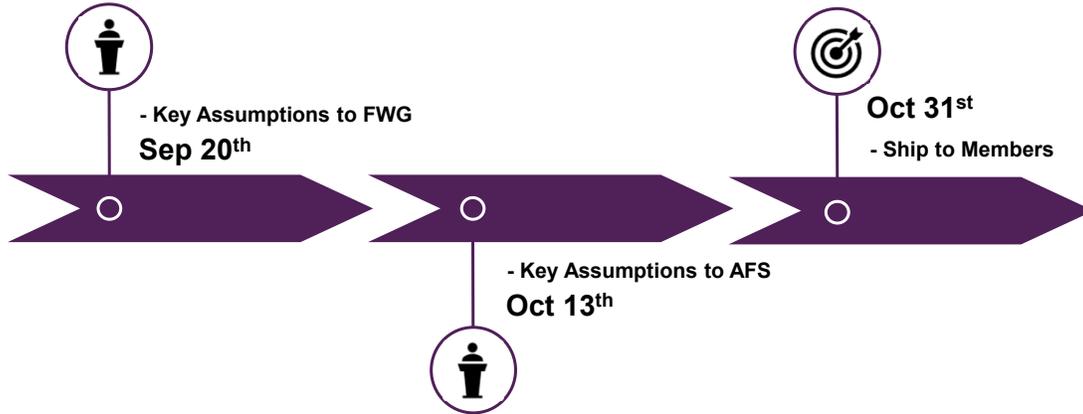
- Planned service
 - Miles, boardings, fare revenues
- Operations & Maintenance Staffing
- Strategic Initiatives
- Contingency

• Goals

- Provide “not-to-exceed” amount
- Fit within your budget process

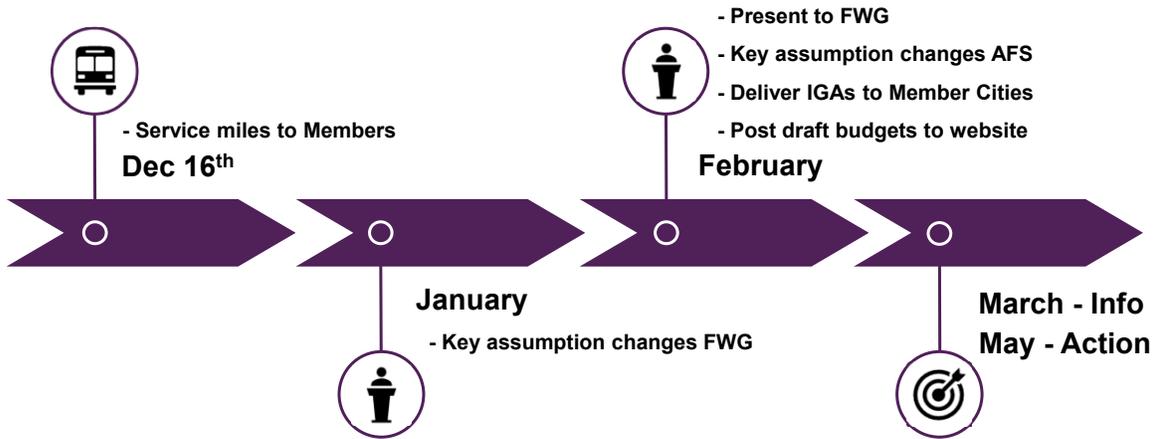


FY24 Preliminary Operations Budgets



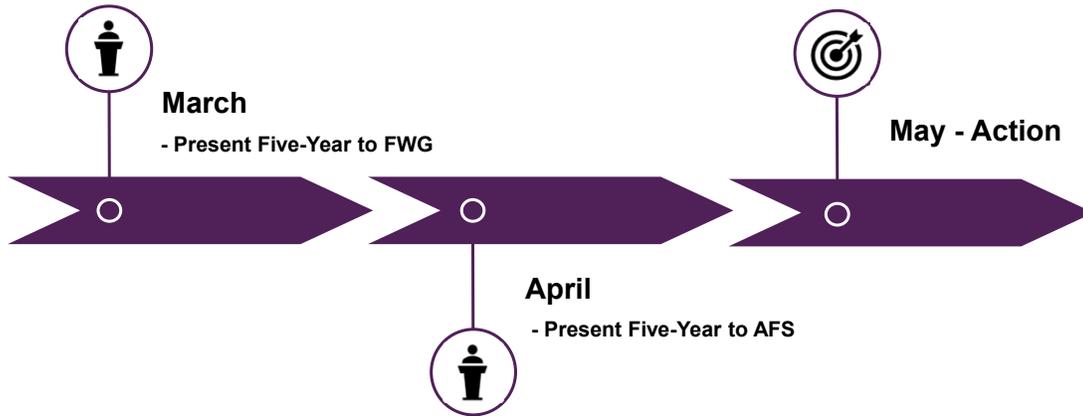
5

FY24 Operating and Capital Budgets



6

Five Year Plan (FY24-28) Operating and Capital Budgets



7

Recap of Important Dates

| Committee/Boards/FWG | |
|----------------------|--|
| September 20, 2022 | Present Key Assumptions to FWG |
| October 13, 2022 | Present Key Assumptions to AFS |
| October 31, 2022 | Deliver FY 24 Preliminary Operations Budget |
| January | Present update of Key Assumptions to FWG |
| February | Present annual budget to FWG |
| February | Present update of Key Assumptions and annual budget to AFS |
| March | Present Annual Budgets to Committees/Boards for Info |
| March | Present 5-year plans to FWG |
| April | Present 5-year plans to AFS |
| May | Present Annual Budget and 5-Year Plans to Committees/Boards for Action |



8



Information Summary

DATE

September 1, 2022

AGENDA ITEM 9

SUBJECT

Intergovernmental Agreements, Contract Change Orders, Amendments and Awards

PURPOSE

To provide an update to the Audit and Finance Subcommittee on upcoming Intergovernmental Agreements, Contract Amendments and Awards that will be presented to the Boards of Directors for action. For additional background information, the Information Summaries are included.

The following items will be presented to the Boards of Directors for approval:

Joint Agenda

- A. **Allied Universal Security Services Contract Change Order – Wage Rates** - authorization for the Chief Executive Officer (CEO) to execute a contract change order with Allied Universal Security Services (AUS) to address wage rate challenges in the regional labor market for operations security services in an amount not to exceed \$2,649,391 for the period October 1, 2022, to June 30, 2026, including a corresponding FY 2023 mid-year budget adjustment to fund the implementation of the change order.

- B. **Community Relations Support Services (CRSS) On-call Contract Awards** - authorization for the Chief Executive Officer (CEO) to execute three-year contracts with two, one-year extensions with 11 firms for on-call services that provide Community Relations Support Services, including community relations coordination, business assistance program development and support, special event planning, crisis communications and other related services in an amount not to exceed \$6.5 million over the up to five-year period. The VMR portion will not exceed \$5.5 million and the RPTA portion will not exceed \$1 million.

RPTA Agenda

- C. **Regional Paratransit Service Replacement Vehicles Purchase** - authorization for the Chief Executive Officer (CEO) to purchase up to 26 paratransit BraunAbility vans from Creative Bus Sales under the Arizona Department of Administration (ADOA) Contract CTR054848 at combined federal and local cost not to exceed \$1,701,730 for the Valley Metro regional paratransit service.

- D. **Trapeze Pass Additional Modules - Accessible Transit** - authorization for the CEO to procure additional software modules and professional services for Trapeze. The period of authorization is FY 2023 – FY 2025, in an amount not to exceed



\$689,000 plus a 5% contingency of \$35,000, for a total not-to-exceed authorization amount of \$724,000.

Valley Metro Rail Agenda

E. Non-Revenue Vehicle Purchases - authorization for the Chief Executive Officer (CEO) to purchase expansion and non-revenue replacement vehicles through a cooperative agreement from Sanderson Ford in an amount not to exceed \$271,000.

RECOMMENDATION

For information only. If there are questions regarding these items, please reach out to Valley Metro staff.

ATTACHMENT

Information Summaries for items listed above.



Information Summary

DATE

August 31, 2022

AGENDA ITEM 9A

SUBJECT

Allied Universal Security Services Contract Change Order – Wage Rates

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to execute a contract change order with Allied Universal Security Services (AUS) to address wage rate challenges in the regional labor market for operations security services in an amount not to exceed \$2,649,391 for the period October 1, 2022, to June 30, 2026, including a corresponding FY 2023 mid-year budget adjustment to fund the implementation of the change order.

RECOMMENDATION

Staff recommends the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute a contract change order with Allied Universal Security Services for operations security services in an amount not to exceed \$2,649,391 for the period October 1, 2022, to June 30, 2026, and recommend the Boards of Directors approve the corresponding FY 2023 mid-year year budget adjustment to fund the implementation of the change order.

BACKGROUND | DISCUSSION | CONSIDERATION

On June 16, 2022, the Board of Directors approved the Valley Metro RPTA and Valley Metro Rail fiscal year 2023 Operating and Capital budgets. During the budget approval process, Valley Metro was directed to work with contractors to address labor shortages and to bring to the Board for approval any contact and corresponding budget change needed to maintain services.

In November 2020 the Board of Directors authorized a contract award to Allied Universal Security Services, Inc. to provide Security services for a total term of five years (three-year base contract plus one two-year option). For the total term of the contract, the award amount was \$52,332,000. Under the terms of the contract which commenced on July 1, 2021, the contractor provides all necessary labor, vehicles, tools, supplies, materials, and other related equipment required to perform a full range of Security services related to light rail summarized below:

- Valley Metro Mesa Bus Operations and Maintenance Facility (OMF)
- Valley Metro Operations and Maintenance Center (OMC)



- Light rail park-and-ride lots and security kiosks
- Light rail passenger stations along the LRV alignment
- Light rail operator facilities at end-of-line stations
- All traction and power stations and signal buildings
- Inspection of passenger fare
- Issuing civil citations
- Special event support
- Streetcar passenger stations along the alignment

Recent changes in the labor market have made the contractor's labor rates uncompetitive. Average base wage for a Security Officer position in the Phoenix market is currently \$17.00 (Indeed Analytics/April), and we are commonly seeing entry-level positions advertised at the \$17.00 - \$18.50 range. These positions are typically entry-level crew-based roles in indoor environments with low risk of physical confrontation (not regular civil enforcement).

The requirements for most Security Officers on the Valley Metro contract differ from many standard Security Officer position and include the following:

- Working in an outside environment
- Working around an active rail system
- Working with the public in hostile situations
- Medical responses and standby
- Ability to interact with rail communications
- Addressing passengers experiencing quality of life issues and mental health situations
- Addressing passengers under the influence of drugs and alcohol
- Ability to adapt to unforeseen hazards involving public interaction, bio spills etc.

During the last eighteen months Allied Universal has failed to maintain the required staffing levels and their performance reflects the staffing shortage. Currently there are 114 budgeted Field Security Officers positions and only 67 of those positions are filled (59% vacancy rate). Allied Universal has communicated their efforts to hire staff but have been unsuccessful in achieving full staffing with the current contract wage levels. Those efforts to date have included:

- AUS has authorized a \$1,000 sign on bonus for active guard card holders.
- AUS has authorized a \$500 bonus for new hires without a guard card
- AUS is paying for all guard cards for applicants at a cost of \$72.00 per card
- AUS implemented a referral program by which the referring and new employee are paid \$500.
- AUS launched a system called RPM (Retention Performance Management) to create a communication channel directly between AUS employees and branch leadership. Employees are surveyed 15, 30 and 60 days after hire. Managers are



notified of employee concerns and directed to work with the employee to remediate issues within 48 hours. If employee issues are not resolved with 48 hours, the General Manager is instructed to act.

COST AND BUDGET

Allied Universal Security Services has been navigating the new labor market with their customers in multiple markets. Based on their vacancy rate and the significant increase in wage rates in the Phoenix labor market, AUS has proposed wage increases on Valley Metro’s contract as follows:

| Position | Wage Rate | % Increase | Bill Rate | % Increase |
|-------------------------------------|-----------|------------|-----------|------------|
| Field Security Officer (FSO) | \$19.47 | 18.2% | \$27.78 | 16.5% |
| FSO Fixed Post | \$16.72 | 8.7% | \$23.99 | 7.4% |
| Trainer | \$21.65 | 0.0% | \$30.85 | *0.04% |
| Field Supervisor | \$20.40 | 15.4% | \$29.10 | 14.2% |
| Shift Supervisor | \$22.05 | 13.2% | \$31.29 | 11.8% |
| Dispatcher (PAA) | \$18.02 | 9.4% | \$25.80 | 8.2% |
| Asst. Account Mgr. | \$26.01 | 0.0% | \$34.46 | *0.02% |
| Recruiter | \$17.85 | 0.9% | \$25.62 | 3% |

*Minimal increase

The cost of the change order to the Security services contract with Allied Universal Security Services over the remaining period of the contract is an amount not to exceed \$2,649,391. The table below illustrates the amount of change order by fiscal year.

| Agency | FY 2023 (9 Months) | FY 2024 | FY 2025 | FY2026 | Total | FY22 Underrun | Contract Authority Requested Increase |
|--------------|--------------------|-------------|-------------|--------------|-------------|---------------|---------------------------------------|
| RPTA | \$16,800 | \$21,300 | \$20,300 | \$19,600 | \$78,000 | - \$24,000 | \$54,000 |
| VMR | \$883,347 | \$1,075,802 | \$1,152,190 | \$1,409,051* | \$4,520,391 | - \$1,925,000 | \$2,595,391 |
| Total | \$900,147 | \$1,097,102 | \$1,172,490 | \$1,428,651 | \$4,598,391 | - \$1,949,000 | \$2,649,391 |

*SCEDH and NWEII

For FY 2023, this change will cost \$883,347 to VMR and \$16,800 for RPTA. The FY 2023 IGAs provided to cities include funding sufficient to cover this adjustment.



However, the contingency for wage adjustments was eliminated from Valley Metro's FY 2023 budgets. Therefore, mid-year adjustments in the amounts above are needed to allow Valley Metro to implement the contract change. Contract Obligations beyond FY 2023 will be incorporated into the VMR and RPTA Five-Year Operating Forecast and Capital Program (FY 2023 thru FY 2027).

COMMITTEE ACTION

TMC/RMC: September 7, 2022, for action
Boards of Directors: September 22, 2022 for action

CONTACT

Adrian Ruiz
Director, Safety Security & Quality Assurance
602-652-5054
aruiz@valleymetro.org

ATTACHMENT

None



Information Summary

DATE

August 31, 2022

AGENDA ITEM 9B

SUBJECT

Community Relations Support Services (CRSS) On-call Contract Awards

PURPOSE

To request Board authorization for the Chief Executive Officer (CEO) to execute three-year contracts with two, one-year extensions with 11 firms for on-call services that provide Community Relations Support Services, including community relations coordination, business assistance program development and support, special event planning, crisis communications and other related services in an amount not to exceed \$6.5 million over the up to five-year period. The VMR portion will not exceed \$5.5 million and the RPTA portion will not exceed \$1 million.

RECOMMENDATION

Staff recommends that the TMC/RMC forward to the Boards of Directors authorization for the CEO to execute three-year contracts with two, one-year extensions with 11 firms for on-call services that provide Community Relations Support Services, including community relations coordination, business assistance program development and support, special event planning, crisis communications and other related services in an amount not to exceed \$6.5 million over the up to five-year period.

BACKGROUND | DISCUSSION | CONSIDERATION

Valley Metro has and continues to utilize community relations consultant resources as part of its ongoing business model in order to augment internal staff, provide specialized expertise as well as aid the agency in scaling up/down and being responsive to the community engagement needs of the region and member cities. The consultant staff, at the direction of Valley Metro, have been embedded in capital projects since the development of the light rail starter line, assist, as needed, with service changes and studies and help with special agency initiatives, such as the upcoming outreach necessary for the Fare Collection System Modernization.

The CRSS contracts provide consultant staff who coordinate with Valley Metro staff to conduct community outreach, including:

- Coordinating with key community residents and businesses to facilitate two-way communication;
- Developing, implementing and monitoring business assistance programs;
- Executing specialized outreach programs including community events, hosting in virtual environments and tailoring public involvement plans to meet specific community and project objectives;
- Providing specialized public relations/crisis communications support as the need(s) arise;



- Conducting demographic research to ensure efforts meet local communities where they are;
- Supporting the community relations group with administrative and scheduling support;
- Supporting graphic needs;
- And other activities as necessary to effectively connect with communities.

Consultant staff from the CRSS contract will supplement Valley Metro staff by providing specific expertise on an as needed basis. The specialized expertise that the CRSS contract consultants will support includes creating digital and virtual environments for gathering public opinion, determining data and analysis for a given geography to direct how to effectively conduct community outreach, supporting special events, to create custom graphics including videos and simulations to assist with outreach efforts, providing dedicated support for communicating during a crisis and creating and executing business assistance programs. These are areas in which it is not efficient to retain full-time in-house staff for important but periodic needs. The CRSS contract allows Valley Metro the flexibility to quickly scale up and down for projects and initiatives as regional needs fluctuate.

Currently, VMR and RPTA have a Planning and Community Relations Support Services (PCRSS) contract with HDR Engineering, Inc. In June 2016, following a competitive procurement, the CEO was authorized to execute a contract with HDR Engineering, Inc. for an amount not to exceed \$35 million for an initial five-year term. The contract included an option to extend work up to three additional years. In November 2020, the Boards of Directors authorized the CEO to exercise the first of the three, one-year extensions through June 2022 and amend the contract to add up to \$9 million for the extension. Finally, in May 2022, the Boards of Directors authorized the CEO to amend the PCRSS contract to add up to \$5.1 million for an additional eight-month extension to allow a successful transition from the PCRSS contract to the CRSS on-call contract.

In August 2021, the Boards of Directors authorized the CEO to issue a competitive solicitation for Planning Support Services (PSS) and Community Relations Support Services (CRSS) separately in order to garner greater competition. It was also determined and Board approved that these future solicitations would be structured as “on-call,” meaning interested firms could apply for some or all categories within the scope and multiple awards, in each category, would be made. Staff would then issue task orders with the firm(s) annually or as needed to support the various projects, studies and member city needs.

In January 2022, Valley Metro issued a request for qualifications (RFQ) for on-call contracts to provide CRSS in the below categories. The solicitation was subsequently cancelled and re-solicited in June 2022 to allow for greater small business outreach and to clarify the purpose and structure of this RFQ. It was emphasized that Valley Metro seeks to identify a pool of consultants to support the varying needs of the Community Relations Department and that proposers had the opportunity to submit qualifications on any or all categories that best fit their business model. Below are the categories within the scope of work that could be bid on in full or in part:



1. Community Relations Coordination
2. Virtual and Digital Outreach
3. Business Assistance Program Development and Support
4. Specialized Public Relations/Crisis Communications Support
5. Special Event Planning and Support
6. Research Tasks
7. Graphics and Visualization Support
8. Administrative and Scheduling Support

Robust small business outreach was conducted to promote competition and interest from diverse companies of varying sizes, backgrounds and expertise. A selection committee consisting of Valley Metro staff and a representative each from the cities of Phoenix and Mesa evaluated the proposals on a set of pre-defined evaluation criteria:

1. Understanding/Approach to the Scope of Services (Maximum 300 points)
2. Organizational Capabilities & Experience (Maximum 300 points)
3. Personnel Qualifications & Experience (Maximum 300 points)

The selection committee reviewed the Statements of Qualifications from the following 11 offerors:

- AlphaVu, LLC
- The Colibri Collective
- HDR Engineering, Inc.
- Highnoon
- The Lavidge Company
- OH Partners
- ON Advertising, Inc.
- RIESTER Sonoran, LLC
- Spiral Creative Services
- Torres Multicultural Communications, LLC
- WSP USA, Inc.

The firms were evaluated and scored in the categories in which they responded, based on their qualification statements and demonstrated expertise in those categories.

Table 1 lists all 11 firms, the categories of submittal and their scores. The selection committee recommends issuing on-call contracts with the firms whose scores are shown in **bold text** in order to support the upcoming project needs within each category.



Table 1: Recommended Consultant Firms for the CRSS On-Call Contracts

| | CR Coor. | Virtual/ Digital | Business Assist | Special. PR/Crisis | Special Events | Research Tasks | Graphics Support | Admin. |
|----------------------------|-------------|---------------------|--------------------|-----------------------|-------------------|-------------------|---------------------|------------|
| AlphaVu | | | | | | 907 | | |
| Colibri | | | | 871 | | | 875 | |
| HDR | 915 | 934 | 901 | | 902 | 899 | 902 | 919 |
| Highnoon | 761 | | | 847 | 857 | | 823 | |
| Lavidge | | | | 935 | | | | |
| OH Partners | 838 | 853 | 780 | 876 | 853 | 846 | 834 | 742 |
| ON Adv. | 791 | 808 | 753 | 787 | 815 | 778 | 793 | |
| RIESTER Sonoran | | 889 | | 913 | | 889 | 848 | |
| Spiral | | | | | | | 814 | |
| TMC | 915 | 871 | 874 | 868 | 902 | 886 | 851 | 851 |
| WSP | 865 | 896 | 866 | 860 | 887 | 856 | 861 | 835 |

COST AND BUDGET

The current year expenditure level is estimated at \$1 million (\$850,000 for VMR and \$150,000 for RPTA) and included in the Valley Metro Adopted FY23 Operating and Capital Budget. The total contract value for up to five years will not exceed \$6.5 million (\$5.5 million for VMR and \$1 million for RPTA). Contract obligations beyond FY23 will be reflected in the annual budgets and are included in the five-year program. The projects supported by the CRSS consultants are funded by a mix of federal, regional and local dollars.

Across the prior two fiscal years (FY20 and FY21), Valley Metro spent an average of \$1,505,405 annually with its Community Relation Support Services firm, HDR, as part of the PCRSS contract.

COMMITTEE ACTION

RTAG: August 16, 2022 for information
 TMC/RMC: September 7, 2022 for action
 Boards of Directors: September 22, 2022 for action

CONTACT

Hillary Foose
 Director, Communications & Strategic Initiatives
Hfoose@valleymetro.org

ATTACHMENT

None



Information Summary

DATE

August 31, 2022

AGENDA ITEM 9C

SUBJECT

Regional Paratransit Service Replacement Vehicles Purchase

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to purchase up to 26 paratransit BraunAbility vans from Creative Bus Sales under the Arizona Department of Administration (ADOA) Contract CTR054848 at combined federal and local cost not to exceed \$1,701,730 for the Valley Metro regional paratransit service.

RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to purchase up to 26 BraunAbility vans from Creative Bus Sales under the Arizona Department of Administration (ADOA) Contract CTR054848 at a combined federal and local cost not to exceed \$1,701,730.

BACKGROUND | DISCUSSION | CONSIDERATION

Since July 2012, Valley Metro has required paratransit contract operators to provide the paratransit fleet. When purchased by the contractor, the amortized cost of the paratransit fleet is included in the contractors per trip rate and paid for entirely by the cities through their paratransit IGAs. In 2018, to reduce paratransit costs, Valley Metro amended its contract for paratransit operations so that Valley Metro took over the replacement of paratransit vehicles. Doing so made the vehicles' purchase eligible for 85% federal funding and shifted the remaining 15% to regional PTF, eliminating the passing through of vehicle costs to the cities and saving an estimated \$6.1 million over the full fleet replacement.

Currently, Valley Metro has two separate orders for Regional Paratransit Vehicles, 26 Ford E-350 cutaway vehicles and 54 GMC 1-ton cutaway vehicles. The 26 Ford E-350 vehicles have been on order since March of 2021. However, due to the impact of the pandemic on manufacturing, Valley Metro had to change to a Ford E-Series Chassis. This order of vehicles has not had Chassis assigned after 17-months on order. On January 20, 2022, the Board of Directors approved an increase to the contract authorization to complete the purchase of 26 vans (along with the 54 mentioned above) approved in March 2021 at a combined federal and local cost not to exceed \$4,543,514.

Board action in August 2022 approved a change to the 54 from Ford to GMC 1-ton chassis based on current chassis availability. Pursuant the conversation during the board meeting on smaller vehicles, staff has found 26 Chrysler Voyager LX Chassis for a smaller vehicle manufactured by BraunAbility. The capacity for the vehicle includes two wheelchair positions and 3 ambulatory seating, or up to 7 ambulatory seating when



not transporting individuals using a wheelchair.

The cost of the BraunAbility vehicles is approximately 17 % less than the Board approved purchase price of the Ford E-350 vehicles (\$13,290 each). Because a delivery date for the 26 vehicles currently on order could not be estimated or guaranteed and recognizing the vehicles scheduled to be replaced are well beyond their useful life, and the new solicitation for a service provider is in progress, it is imperative Valley Metro receives the replacement vehicles to ensure Regional ADA Paratransit service is not negatively impacted.

On August 23, 2022, Valley Metro staff met with Creative Bus Sales based on their current state contract for mobility vehicles and their follow-up the same day identified 26 chassis that meet Buy America are currently available. The vehicles could be built and delivered to Valley Metro in the second quarter of FY 2023.

This purchase will utilize the state of Arizona's competitively procured cooperative contract for Mobility Vehicles and Vehicle Conversion Services. The state's contract was procured for the purchase of large quantities of vehicles, and therefore provides more competitive pricing than Valley Metro could secure on its own.

COST AND BUDGET

Paratransit vehicles are eligible for 85% federal funding. The remaining 15% is funded by regional Public Transportation Fund (PTF) rather than from any specific jurisdiction's PTF allocation. For the contract authority addressed in this request, this results in \$1,446,470 of federal funding, which has been identified, and \$255,260 of PTF funds.

COMMITTEE PROCESS

TMC: September 7, 2022 for action

Board of Directors: September 22, 2022 for action

CONTACT

Tom Young

Accessible Transit Services Manager

tyoung@valleymetro.org

ATTACHMENT

None



Information Summary

DATE

August 31, 2022

AGENDA ITEM 9D**SUBJECT**

Trapeze Pass Additional Modules - Accessible Transit

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to procure additional software modules and professional services to support Valley Metro's ADA Paratransit and RideChoice services.

RECOMMENDATION

Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to procure additional software modules and professional services for Trapeze. The period of authorization is FY 2023 – FY 2025, in an amount not to exceed \$689,000 plus a 5% contingency of \$35,000, for a total not-to-exceed authorization amount of \$724,000.

BACKGROUND | DISCUSSION | CONSIDERATION

In June 2020, Valley Metro entered into a Software License and Maintenance Agreement with Trapeze for the scheduling and dispatch software necessary to operate Regional ADA Paratransit services (Trapeze Pass). Previously, the licenses were owned by Transdev, our ADA Paratransit Contractor. Valley Metro agreed to secure the software directly to reduce the cost associated with the contractor holding the licenses, and to ensure continuity of service if the contract were to transfer to a different provider. In addition, Valley Metro is in the process of moving the scheduling and dispatch software from Transdev-owned servers to Valley Metro-owned infrastructure to ensure services continue no matter the provider assigned.

As part of the system today, Transdev uses a third-party provider to connect to the Trapeze scheduling and dispatching system to notify customers of upcoming rides. This system will send voice or text messages to customers the night before they have a scheduled trip and remind them of the trip. It also gives the customer the opportunity to confirm or cancel the trip. In addition, the system will send a voice or text message 30-minutes prior to a vehicle arriving for pick-up the day of the trip.

After evaluating the third-party system Transdev uses, we also requested information from Trapeze on their notification system. After review, ATS staff, working with Valley Metro IT staff, determined the Trapeze product provided the necessary functionality of Transdev's current system and would eliminate the need to have a third-party vendor



involved. Implementing Trapeze Pass Notification system will ensure consistency in services for our customers as we implement the combined administration of the ADA Paratransit and RideChoice program.

To increase customer facing payment options and prepare for the joint administration of the ADA Paratransit and RideChoice programs, we are also proposing to procure three additional Trapeze modules, PASS-Web, EZ-Wallet, and PASS Mobile Application. The PASS-Web and EZ-Wallet modules will ensure RideChoice customers have the same access to their accounts and the ability to make electronic payments as they do today. PASS-Web will enhance customer-facing by allowing trip reservations to be made by the customer, online, without having to make a phone call to the reservation’s office. Adding the PASS Mobile Application will allow customers, ADA Paratransit and RideChoice, to manage and track their rides through electronic means without having to call into the reservations and/or dispatch office and monitor their trips on their mobile device when in the community. These software enhancements will also prepare for the management of additional demand response programs including microtransit.

| Item | One-Time | Annual | Total |
|-----------------------------------|------------------|------------------|------------------|
| Notifications | \$119,000 | \$18,000 | \$137,000 |
| PASS App | \$84,000 | \$7,000 | \$91,000 |
| PASS-Web | \$103,000 | \$11,000 | \$114,000 |
| EZ-Wallet | \$155,000 | \$19,000 | \$174,000 |
| Voice/SMS Fees <i>(Estimated)</i> | --- | \$15,000 | \$15,000 |
| Year One Subtotal: | \$461,000 | \$70,000 | \$531,000 |
| Maintenance | --- | \$58,000 | \$58,000 |
| Voice/SMS Fees <i>(Estimated)</i> | --- | \$18,000 | \$18,000 |
| Year Two Subtotal: | --- | \$76,000 | \$76,000 |
| Maintenance | --- | \$61,000 | \$61,000 |
| Voice/SMS Fees <i>(Estimated)</i> | --- | \$21,000 | \$21,000 |
| Year Three Subtotal: | --- | \$82,000 | \$82,000 |
| Total: | \$461,000 | \$228,000 | \$689,000 |

COST AND BUDGET

The funds for the software and professional services outlined in this memo are already included in the adopted RPTA FY 2023 Operating and Capital Budgets as part of the RideChoice & ADA Paratransit Administrative Broker Services initiative. The currently requested authorization is not to exceed \$724,000 through FY 2025.

Trapeze is the principal owner and proprietor of the technology in the suite Valley Metro is expanding. Trapeze is the sole-source distributor of the suite as well as any services and maintenance required to support the suite.



COMMITTEE ACTION

RTAG: August 16, 2022 for information

TMC: September 7, 2022 for action

Board of Directors: September 22, 2022 for action

CONTACT

Phil Ozlin

Chief Information Officer

pozlin@valleymetro.org

ATTACHMENT

None



Information Summary

DATE

August 31, 2022

AGENDA ITEM 9E**SUBJECT**

Non-Revenue Vehicle Purchases

PURPOSE

To request authorization for the Chief Executive Officer (CEO) to purchase expansion and non-revenue replacement vehicles through a cooperative agreement from Sanderson Ford in an amount not to exceed \$271,000.

RECOMMENDATION

Staff recommends that the RMC forward to the Board of Directors authorization for the CEO to purchase non-revenue vehicles through an AZ State cooperative agreement from Sanderson Ford for an amount not to exceed \$271,000.

BACKGROUND | DISCUSSION | CONSIDERATION

Valley Metro's non-revenue vehicles are used to support operations & maintenance activities for the 28-mile light rail alignment and the three-mile Streetcar alignment. Valley Metro is in need of expansion and replacement vehicles that will provide for efficient use of resources to perform operations and maintenance tasks on the alignments.

Below is a description of the type of vehicles being purchased.

| | Qty. | Reason | Total Cost |
|-----------------------|------|---------------|----------------|
| Ford Explorers | 2 | Replacement | 70,460 |
| Ford Explorers | 3 | New Expansion | 105,690 |
| Ford Escapes | 2 | New Expansion | 63,232 |
| Ford Escape | 1 | Replacements | 31,618 |
| Total | | | 271,000 |

The vehicles will be added to the operations fleet pool for support along the current LRV and Streetcar alignments.

The five expansion vehicles will be used for support of system operations that includes customer experience coordinators (CECs), ACI support for field supervisors on the



Tempe streetcar alignment and support staff at the OMC. The three replacement vehicles have mileage exceeding 150,000 miles and are over their useful life.

Sanderson Ford is a vendor on the State of Arizona Cooperative Contracts. Cooperative Agreements are competitive contracts solicited and awarded by other public entities and whose cooperative language allows Valley Metro to utilize these contracts for its requirements.

COST AND BUDGET

The purchase of the vehicles will be a not to exceed amount of \$271,000. The cost includes extended warranties and sales taxes. All vehicles are included in the Valley Metro Rail Adopted FY23 Operating and Capital Budget.

Funding Sources is a combination of Federal, PTF, and member cities.

COMMITTEE PROCESS

RTAG: August 16, 2022 for information

RMC: September 7, 2022 for action

Board of Directors: September 22, 2022 for action

CONTACT

Ray Abraham

Chief Operations Officer

602-652-5054

rabraham@valleymetro.org

ATTACHMENTS

None



Information Summary

DATE

September 1, 2022

AGENDA ITEM 10

SUBJECT

Report on Current Events and Suggested Future Agenda Items

PURPOSE

Chair Stipp will provide members the opportunity to report on current events and suggest future agenda items for consideration.

CONTACT

Jim Hillyard
Acting Chief Financial Officer
602-262-7433
jhillyard@valleymetro.org

ATTACHMENT

None.

Future Items

