MEETING OF THE

Audit and Finance Subcommittee

Date:
February 13, 2020

Starting Time
12:00 p.m.

Location:
Valley Metro
Lake Powell Conference Room (10A)
101 N. 1st Avenue, 10th Floor
Phoenix

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Agenda

February 6, 2020

Audit and Finance Subcommittee
Thursday, February 13, 2020
Lake Powell Conference Room
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Action Recommended

1.   Public Comment (yellow card)   1.   For Information

The public will be provided with an opportunity at this time
to address the committees on **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.   Minutes   2.   For action

Minutes from the January 16, 2020 Audit and Finance
Subcommittee meeting are presented for approval.

3.   Internal Audit Update   3.   For information

Mary Modelski, Director, Internal Audit, will provide an
update on the actions taken in Internal Audit.

4.   Internal Audit Exceptions Update   4.   For information

The Internal Audit Exceptions log is presented for
information.

5.   RPTA and Valley Metro Rail Fiscal Year 2021 (FY21)   5.   For information
      Budget Assumptions Changes

Paul Hodgins, Chief Financial Officer, will provide an
overview of changes to the RPTA and Valley Metro Rail
FY21 Budget Assumptions.

6.	Intergovernmental Agreements, Contract Change Orders, Amendments and Awards	6.	For information

Paul Hodgins, Chief Financial Officer, will provide an overview on upcoming intergovernmental agreements, contract change orders, awards, amendments.

7.	Executive Session	7.	For action

The Audit and Finance Subcommittee may vote to enter Executive Session for discussion or consultation and for legal advice with the attorney or attorneys of the public body and to consider its position and instruct its attorneys regarding the public body's positions concerning matters listed on the agenda, personnel matters and contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; all as authorized by A.R.S. Section 38-431.03 A.1, A.3, and A.4.

The agenda for Executive Session involves discussion and consultation regarding Valley Metro's internal audit process and quality control assessment.

8.	Executive Session Action Items	8.	For action

The Audit and Finance Subcommittee may take action related to items discussed as part of Agenda Item 7.

9.	Future Agenda Items	9.	For information

Chair Arredondo-Savage will request future AFS Agenda items from members and members may provide a report on current events.

The next meeting of the Audit and Finance Subcommittee is scheduled for <mark>Thursday, March 12, 2020 at 12:00 p.m.</mark>

Qualified sign language interpreters are available with 72 hours notice. Materials in alternative formats (large print, audiocassette, or computer diskette) 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
February 6, 2020

SUBJECT
Public Comment

PURPOSE
The public will be provided with an opportunity at this time to address the committees on **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.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
This item presented for information only.

CONTACT
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ATTACHMENT
None

Minutes

Audit and Finance Subcommittee
Thursday, January 16, 2020
Lake Powell Conference Room
101 N. 1st Avenue, 10th Floor
12:00 p.m.

Meeting Participants
Councilmember Robin Arredondo-Savage, City of Tempe, Chair
Councilmember Lauren Tolmachoff, City of Glendale
Mayor Kate Gallego, City of Phoenix
Vice Mayor Bill Stipp, City of Goodyear
Councilmember Francisco Heredia, City of Mesa

Chair Arredondo-Savage called the meeting to order at 12:09 p.m.

Chair Arredondo-Savage said happy New Year. We're looking forward to 2020. We have a lot going on. And we've done a lot in 2019, so I'm grateful for the work and for your guys' commitment to AFS committee. Thank you for that, even though some of you might have been voluntold [phonetic] to be on the committee. Grateful. Grateful for you.

All right. Let's go ahead and get started. I think at this time we have no public comment. And we'll move on to the minutes.

1.   Public Comment

None.

2.   Minutes

Hopefully everybody had an opportunity to read through the minutes from our last meeting of November. As you remember, we didn't meet in December. Any questions, changes? Do I have a motion for approval?

IT WAS MOVED BY COUNCILMEMBER TOLMACHOFF, SECONDED BY VICE MAYOR STIPP AND UNANIMOUSLY CARRIED TO APPROVE THE JANUARY 16, 2020 AFS MEETING MINUTES.

3.   Maricopa County – Human Services Division Transportation Vendor Invoices Audit

Chair Arredondo-Savage said. we have Michael McGee who is here and who is our next agenda item. And I think many of you know that we recently were a part of an audit from Maricopa County. So with that, Mike, I'll go ahead and turn that over to you. And I know we all have a copy of your findings and I'll look forward to hearing from you personally, so thank you.

Mr. McGee said thank you. My name is Michael McGee. I am the Maricopa County Auditor, report to the Maricopa County Board of Supervisors. I was asked to come and present to you an audit that we performed regarding the paratransit services related to an IGA between Valley Metro and Human Services at Maricopa County.

So I just wanted to give you a brief overview of the audit within a few minutes. And this is for paratransit services in the unincorporated areas. So just to give you some background as to the purpose of the audit and why I was requested to perform this audit, the Board of Supervisors requested because over the years the cost, related to the paratransit services and the program, has significantly increased actually to six-fold over the last six years. And there were some questions they were unclear of.

One was how the costs are allocated to Maricopa County, why the program funds from other sources are going away and what the impact is on Maricopa County related to that and also the ADA certification procedures just to make sure that those procedures are reasonable. And so we started the audit in August completed it in December of 2019, issued our report which is on our Website.

The primary findings were for fiscal year 2019. The charges under the contract were supposed to be capped at $1.4 million. The charges invoiced actually exceeded that amount by $53,000. So our recommendation to Maricopa County was to just seek legal counsel as to how to handle that. I don't know where that's at this point.

Also I provided the board some insights into the ridership and the costs and why they have surged and to point out that they have been surging over the last few years and kind of providing them with a projection of what those costs would look like in the near future if that trend continues. I also provided them some insight into the program funds from other sources and how that would go up by approximately $650,000 in FY20 and that that gap will be funded by the Maricopa County general fund.

So those were the primary findings and the reasons for the audit. Obviously, with some of the insights we gained from this, we also recommended to the Human Services Department that they implement procedures to monitor compliance with this IGA and the costs going forward a little bit more closely. Thank you.

Chair Arredondo-Savage said thank you very much, Mr. McGee. Is there any questions? Yes, vice mayor.

Vice Mayor Stipp said Mike, thanks for the information. I'm the data guy, so I know your report was generated in early December and you have a target date on your recommendation one of the contract language - was that done?

Mr. McGee said yeah, so for the first recommendation the target date was December 31 and this report was issued right before the holidays. We have not heard back yet as to the status of the invoice and whether there's an intent to pay that, and so it's still being handled by Human Services at this point.

Vice Mayor Stipp said okay. Great. Thanks.

Chair Arredondo-Savage: Anyone else? I just want to say thank you because I think one of the things that we've been talking about and I think this board as a whole is what's going on with paratransit and really understanding moving forward we're probably going to have to come up with something that's a little bit more flexible.

So being able to see this data from a third-party, an independent third-party, I think is really beneficial. So I certainly do appreciate that. Thank you very much. And I want to just make sure, too, one of the things that had come up was the fact that I know this is actually going to be published on your website.

Mr. McGee said it is.

Chair Arredondo-Savage said right. Okay. And so one of the things that had come up was us wanting to post it on our website. And now it's not required. We don't have to do that. It's just something and I confirmed that, right, so it was just something if we wanted to we have the ability to do that. My concern was is that we hadn't really responded to the recommendations or hadn't taken any action yet to post something publicly, but I thought I would just throw that out there for the committee.

Yes, Councilmember Tolmachoff.

Councilmember Tolmachoff said what if we just put a link to the report on the county's website, would we be I mean, I don't know if the IGA even allows that sort of a thing, but rather than actually publishing it because it's their report.

Chair Arredondo-Savage said right. We don't own it. It's your report. It's the county's report. I mean, it's up to you. We haven't done it before. I've never been involved with another audit that.

Ms. Modelski said we have actually posted other reports. We published City of Tempe's report that was done of us also, so the City of Tempe did a relocation audit because I was part of the population, so that report has actually been published on our website also in 2018.

Chair Arredondo-Savage said okay.

Ms. Modelski said and the City of Phoenix has also done an audit of us I think in '18 and I think we published that one also.

Chair Arredondo-Savage said well, that's something that we've done in the past. I mean, I don't have a problem moving forward doing that. My thought process is before we do, I'd just like to make sure that we actually have a response to some of those findings as an organization I think that would be part of our due diligence. I don't know, Paul, I know you and I had mentioned that a little bit on our phone call. You wanted to follow up on that.

Mr. Hodgins said I don't have any real issues with the audit. There were three findings, two of them you know, one of them was working with the Human Services Department and I know that our accessible transit staff are working to provide better and more timely information, not just to the county, but to all the members. The third recommendation was on service areas using RideChoice more and we implemented those in October.

The only concern I would have is if for some reason the county's legal counsel felt that they weren't responsible to pay the overage for fiscal '19. As we all know it's a demand based service and we provide the service on behalf of the members all of the cities, the county, and unless we had direction to stop providing service or to limit trips where we can, you know, the expectation is that the cities will pay whatever the service is even if it's above the estimate that we've provided in the IGA.

So I think if the county came back and said that they really don't believe they're responsible for that, that would be a serious concern for me. It would set a precedent that would probably change the way we have to manage paratransit. But, you know, on the flip side, I'm happy that when they went through it, they found that our allocation methods were reasonable, the expenses were reasonable, and how we allocated the cost out to all of the members. It's just that legal opinion. I haven't heard anything from the county that they won't pay the invoice, but that would be my only concern.

Chair Arredondo-Savage said any other thoughts from the committee? Go ahead. Yes, vice mayor.

Vice Mayor Stipp said I do agree with you about getting our management response to that which I think includes the answer from the county and the answer from us before we publish it. I don't think there's a harm in publishing the audit.

Honestly, I found the conclusions about RideChoice versus Dial-a-Ride was only an affirmation of what we had already done as a board. I thought it was very important even from a public facing side that, you know, it's a shift and if you're unfamiliar with that shift, this is a good explanation of why the push away from Dial a Ride to RideChoice why it exists.

So I think there's some really positive information in the report, so I would hate to lose that energy, but I would hate to also publish it without the proper responses as well. So I would agree with, you know, the chair that we should get it out there, but we need to wait until we have it.

Chair Arredondo-Savage said I'm okay with that. I don't think there's a rush to do it. It's already on your website anyway. If people really wanted to find it. And I do think, too, the audit that the city of Tempe did was a little bit different than this audit, so I think that's something that we need to take into consideration. It was more about policy than this.

So I'm okay if we move forward make sure we get the response from our organization and the action steps, so I think that would be wise and we'll go ahead and post it online. Are you guys okay with that? All right. Great.

Mike, thank you so much for being here. Thank you for your work. We definitely do appreciate it. You're more than welcome to stay if you'd like; however, there's no fault actually, you can just go if you'd like. I understand. We won't take it personally.

We are taking action on this item and I would ask for a motion in regard to well, it's not really our audit, so what's the action?

Ms. Modelski said our action is to publish the audit on the website.

Chair Arredondo-Savage said all right. So Vice Mayor, do you want make a motion in regards to posting it, but first making sure that we have the data we'd like clear.

Vice Mayor Stipp said I think we can make a motion to accept the audit, publish it upon the completion of the management's response from Valley Metro and the conclusion of the legal discussion.

Councilmember Tolmachoff said second.

Chair Arredondo-Savage said I will not repeat it, so hopefully, Stephanie you got that. All right. All in favor say aye.

IT WAS MOVED BY VICE MAYOR STIPP, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO ACCEPT AND APPROVE WITH

VALLEY METRO MANAGEMENT RESPONSE TO POST THE MARICOPA COUNTY AUDIT TO VALLEY METRO'S WEBSITE.

Chair Arredondo-Savage said motion passes 5:0. Thank you very much, Vice Mayor. Thank you, again, Mary.

4.   OMC Non-Capitalized Rail Parts and Tool Inventory Audit

Chair Arredondo-Savage said we're just going to go ahead and go back to you, Mary, in regard to Rail Parts and Tool Inventory Audit.

Ms. Modelski said thank you. So we have conducted the OMC's Non Capitalized Rail Parts and Tools Inventory. We are continuing to evolve in internal audit, so we have this beautiful new cover thanks to the Marketing department. Thank you for their assistance.

And as requested by this committee, the Transmittal letter, which is on page 3 of your report, has been modified to hopefully satisfy some of the requests that you had. It's more of a summary of what we found within the audit and address specifically to you.

So we use the Transmittal letter to actually try to summarize some of the things that were seen in here, if you didn't want to read, heartbreakingly enough, our 17 pages behind it. So is there any questions first before I proceed into going through? Okay. Would you like an overview of this?

Chair Arredondo-Savage said yes that would be great.

Ms. Modelski said so the scope of this audit was from July 1 of 2018 through June 30 of 2019. So we covered 18 months of this crossing the fiscal year and a little bit of time into the next fiscal year.

What we were focusing on is the policies, procedures and SOP's. So we were looking at standard operating procedures of what was happening at the Operations and Maintenance Center. With that we looked also at the procurement policies and during this time frame, the 18 months, we also had changes in our procurement policy and also our credit card policy. So please note that credit cards are also used to purchase some of the items that are out at the OMC. And then we looked at, of course, at the standard operating procedures. We also went to Finance which holds our system is called Abila which looks at our inventory values.

On page 5 we took the information out of Abila, which is the financial system of record, to state what the inventory values were for the two different components. So MOE is Maintenance of Equipment. And MOW is Maintenance of Way. So we brought those two spare part inventories over to give you three fiscal year's values to give you an idea of what we're looking at.

Then we also looked at Ellipse. The difference between Abila and Ellipse, Abila is the financial system of record in finance; Ellipse is actually the system that's used at the operations and maintenance center to do the procurement and hold their inventory items or stock items, et cetera.

So in the Ellipse system there's over 6,100 stock items. And of those stock items when you look at the quantity, we have over 346,000 stock items actually in there. So there's a great deal of items that are over actually at the OMC.

What we found during this process, we also had the opportunity of following Finance at the end of the fiscal year to see how the inventory is done at the end of the year. We found that a full inventory is not actually conducted. We do an annual inventory and that annual inventory, which we followed our Finance department and also individuals from the OMC, we did a sample, a sample of what we have. But what compliments that sample is also weekly cycle counts. And we'll talk a little bit more about cycle counts in just a moment.

At the bottom of page 5, so at the end of at the beginning of June that's when we actually have finance pull a report that actually selects items to do that sample annual inventory. And they use a specific category field from that. The category field is built into the Ellipse system. But what we found is that a hundred items selected from those two areas, MOW and MOE, and those two locations then are sent over to the OMC for them to actually work with a third-party to include the bin locations. But the inventory sheets have the inventory on-hand quantities.

So the vendor goes out there and actually does the inventory location's on there. And then the inventory is actually done. This we found actually 23 days after those sheets were pulled. And they really aren't doing what's called surprise accounts for that. So with that they actually have a hundred items that are actually sent over to them. There's an additional ten items that are selected from both the MOE and the MOW to kind of do a surprise for the overall.

And on the bottom of page 5 we talk about what those percentages based on number of items. So there's approximately 3,918 items in the MOE, so the 110 items represents 2.8 percent of their inventory and approximately 2,053 items in the MOW which represents about 5.4 percent is actually counted. That's during the June time frame.

If you look at page 6, page 6 kind of gives you an idea of what the actual inventory sheets look like. That first column to your left, that bin location, is what is added by the third party vendor. So what happens is they actually go over and take a look at those items.

You'll see underneath table what we looked at with those count sheets how they inventory population of those 110 items that are selected, there was a total of eight stock items didn't have a category, so they were deselected. They weren't part of the population. And when we look at the actual items in terms of the value of those eight stock items, they're about $174,000 worth of items. So they weren't being counted.

But since then, management's actually worked with the vendor to actually update the category so they can see that in the future. Then what we've done is, so they populated those items so they can see them going forward.

As we proceed to page 7, we talk about the weekly counts. So what happens on a weekly count is these count sheet details, there's a sample of populations pulled for the MOE and the MOW and those items are actually then, once again, the stock on hand is presented for management to count. And these are actually done by OMC staff. They're actually doing the physical counts themselves for the cycle counts. And they send these count sheets back to finance to state that these are the dates that were counted, here's how much was on hand, let's do the reconciliation.

Page 7 shows you what the form looks like. We did kind of synopsis so you can see the current on hand, the date it was counted, who it was counted by, and if there was an adjustment form, yes or no. So the information is actually provided to the OMC when they do it.

What we did see is when the stockroom personnel review the inventories, they were supposed to investigate any type of discrepancies, but we didn't see any type of record specifically saying that how they actually reviewed or if there was any variances from that perspective. So we're unable to detect if there was any type of   or do tests if there was any type of discrepancy investigation process. There is a column on there for any type of adjustment, but we don't know how discrepancies are actually investigated from that perspective.

So then actually the finance actually received these count sheet detail reports back so they can actually see what type of counts are actually being done.

If you flip over to page 8, on page 8 what happens is finance combines all of those particular items. With these particular items what happens is they make sure that the inventory of the MOE and MOW is actually counted to get a comfort level in terms of how many items are actually counted as a whole.

What we did find also is there's a number of obsolescence items. When we actually compare the fiscal year '19 to the fiscal year '18 reports year over year we saw that there was some items that had no movement to it. You can see in the middle of the page here year over year there's about 2,261 items in the MOE and about 1,714 in the

MOW items that had no material change in value, so they didn't seem to have any type of movement.

In the middle of the page there's a picture, and this picture happens to be an item is considered a ticket vending machine that was purchased. So these TVMs we purchased these and they've been sitting in the basement of the MOW. We purchased those back in 2009 and with those items they're still wrapped in the original packing and they are not considered part of the inventory because we don't use those machines. We actually use Brinks to actually come out there and do our cash counts for these particular items, so they're still sitting on the pallets from that perspective.

And then additionally what we found is that there's items that are tagged that may be on hand such as they're saying do not inventory or they have a defect tag, but what's happening is we're not seeing a documented process to actually remove those items from the inventory. They've been sitting with these items.

If we flip over to page 9, we talk about precious metals and items. We have a number of spools of copper that's located in the MOE basement. And with this what we saw is there's the ability to write on the spools that wood in terms of how much length of wire is actually left. But we didn't see any type of documented process to say how much wire is actually removed or any process, really, to verify how those wires are removed off there, so they're not secure. And picture No. 1 shows that there's a loop of cable of copper that's just sitting there, so how is that secured from that perspective. So we're not seeing that process for precious items.

Then we finally get into the fact is we have a lot of tools. We do a lot of maintenance. We do a lot of work on our trains and items down at the MOW and the MOE. And we have a number of individuals that are assigned to it. So we have a quality assurance administrator, a QAA. What they do is he actually maintains a separate sheet for calibration of our items our tools that have to have calibration. And with that those items are for the three different areas that we have calibrated items. And with that, he's supposed to be tracking items, calibrated tools, that are active or inactive and in terms of if they're no longer needing to be calibrated or should they be disposed of or have they been broken.

And on the bottom of page 9 you'll see that when we took a look at those spreadsheets that he's using to track his calibrated items, there's a number of items that were past due for calibrations, they were not active, they were items that were noted as not being active, inactive, decommissioned, they couldn't be located. We found some that they had not been submitted for calibration on their scheduled time frame, so with that when we inquired about the calibration schedule, some of them on the list says is being out for calibration.

When we went into the specific areas, MOW, for example, on page 10, they have invested in what's called a CribMaster for storage of items. And we found what the CribMaster actually provides a wonderful daily monitoring report that actually says these items have been checked out, but what we're finding is that when items are checked out from the CribMaster, there wasn't any type of monitoring to say that these items were actually checked back in even though there's a report that comes out saying these items are checked back in.

And then we also found that the fact that there's some tracking sheets that are used that determine in terms of where items are in terms of are they being found missing are they actually in inventory and we found that there was a number of spreadsheets used by the different areas: traction power and SigCom that these items were listed as these should be inventoried, but we didn't know where they were. They were listed as missing so we couldn't tell what happened with them what was the disposition of them or the actual tool sets that they had, so if you had a multiple tool set, there were components of that that were missing, too, so we didn't know what was happening with particular items.

When we got down to the MOE we actually found that there's a number of tool boxes. So the shop floor has 46 tool boxes. And with these toolboxes we use good quality tools. We use Snap on and J.H. Williams tools. And based on these we actually see that when an individual comes in to work for us, they're actually assigned a toolbox. So they're given based on the shop tool box, they're assigned this. And there's an inventory sheet that they sign saying I received this toolbox. But that toolbox is never counted again until they terminate or they're off boarded. So with that there's no inventory that's actually done of these particular tools to see what happens during the course of their employment with us. And if there is a situation where they do terminate or leave, any type of missing tool we absorb the expense for those, so there's nothing back to employee related to that.

So we asked the question if there was any type of inventory of these particular tool boxes. And with that we did see that there were four toolboxes we watched inventoried. Took about thirty minutes to inventory each of these and they actually recorded what the contents of that. Those four particular toolboxes that we watched inventoried there was a total of 22 of the 800 tools missing. And with that we went out to the Website well, how much would it cost for us to actually go out there and replace these tools. And looked about $726 just to replace those. So we're seeing that there's not a full inventory. There's not accountability for those.

We also found that we're increasing the number of toolboxes. We're bringing on ten more toolboxes on for about $40,000 of new inventory being brought in. We found that there was a number of tools being put into place from that. And with that we've talked to management saying you really should be doing some type of inventory for these toolboxes coming into place.

We also found until the tool room and there's a shop floor, on the bottom of page 11 you can actually see what some of the tool rooms look like and some of the shop floor areas look like. And with this, you can actually see that they're not performing   they don't actually have any type of inventory process for this. There is a sign out sheet for this particular log in terms of the employee is supposed to sign the tool out and sign it back in, but we found that there was not a consistent process to follow up for these tools to actually be done.

On page 12 you'll actually see that when we went through the entries the line items to see what was going on, there was a number of tools that were missing from here. We did go over to facilities management, facilities maintenance and with that we actually had worked with the facility maintenance manager over there and that individual when we had said that we were doing this audit, they proactively went out and did a full inventory of their area. He proactively went out there and made sure that his area was all organized and they had records in terms of where everything was located. He also updated any of his documentation regarding inventory, so it was very proactive in making sure that information went through, so we did see some really good action in the facilities maintenance area.

And also on page 13, you'll see that he went an extra step above and beyond to go out there and state if there's an item that needs to have any type of professional PPE, personal protection equipment, to label those types of items also, and also updated his documentation for procedures for sign out to make sure that they have actual where it's located where it's supposed to be.

On the bottom of page 13, looking at how we purchase all these items, we looked at in terms of how procurement's happening. I mentioned up front that we have a system called Ellipse and that Ellipse system is what is used at the OMC to actually do any type of non-contract procurement. So we actually have OMC personnel that's actually purchasing items through Ellipse. So what's happening is contract and procurement personnel don't have access to Ellipse, so they're not going into Ellipse and seeing what the procurements are.

The individual, the LRV maintenance administrative assistant II, is the one who will go out and obtain any type of quotes related to items that need to be purchased, will also get the approval signatures from the superintendents of the maintenance area and any type of assistant superintendents. When an invoice is received for those items in Ellipse, it actually goes to the OMC and then what happens is the management over at the OMC would actually sign off on these. If the item or the invoice exceeds $7500, it will go to the chief operating officer, Mr. Abraham, and then the documentation for the information is kept at the OMC. It's not forwarded to finance. What finance actually receives is a signed invoice and a copy of the purchase order for payment on that.

What we did go through is we looked at what type of purchases were purchased within Ellipse for the time frame for the 18 months of review. When we looked at the OME purchase orders, which is the maintenance of equipment, we found there was 2,369,000 that was purchased through 115 vendors. And when we looked at the MOW we found that there was $567,000 worth of items purchased through the Ellipse system.

If we move on to page 14, at the top of the page here, we looked at those vendors to see if we were having any vendors that were approaching that $150,000 threshold which is the authorization that needs to come to the board. We saw on these particular five vendors they were starting to approach, but before they actually hit the $150,000 they came to board. And you can see in the last column to your right there was board approval, but what happened was it wasn't proactive to be done before they started purchasing. It was reactive is you're starting to hit thresholds that they went to.

The last one NASG, they actually approached that 153. There were almost simultaneous when they were getting the approval for you on that. Not only did we look at the system Ellipse from the purchasing side, we also looked at the user access of it. So on the bottom of   middle of page 14, we talked about who can access Ellipse. So from that we actually pulled a list of active employees and terminated employees from human resources and compared those to the individuals who had access to Ellipse. And we found that there were 144 users in Ellipse that were active. Two of those individuals had terminated. One of them was terminated in May of 2019. And the other one was a contract vendor which we don't know when that contract vendor had left.

So with that, once we notified the Ellipse administrator that person actually removed those two individuals disabled those accounts. But in addition, while we have that human resource list, we went back to Ellipse and said if we had individuals in there, how long is it taking the Ellipse administrator to turn off access. In the middle of the page, you can see a table. And what we're seeing is that there were six users that were disabled within a time frame of one to seven days all the way to the point of there was seven users that were disabled in Ellipse between 106 and 185 days.

So with that, we talked to the administrator for Ellipse and said why is this happening. And what they explained is the fact that they're not receiving consistent and timely notification when somebody's being terminated or they're leaving. So we talked about the system. And then we talked about access, physical access. One of the other systems that they have is called DSX system. And that's to get into the storeroom and have access to the actual equipment. With that we used the same human resource list and compare that to who had access to the storeroom area. There are 88 people who had physical access of it. We found five people that were no longer with Valley Metro. One employee terminated back in June of 2014. Another employee terminated in June of '17. And then we had three former contractors. Once again, we didn't know when they left.

Based on the fact that we had those five individuals, once again, we talked to the administrator and that was actually closed off. But what we also looked at is those five individuals who had left, we wanted to make sure no one was accessing the physical location. So we did go back 90 days which is how long we could access the DSX and see that there was no access to the inventory, so that was good.

Once again, we talked to the administrative assistance who handles the DSX and asked them why aren't we modifying or actually removing those individuals. One, once again, they stated they're not being notified in a timely basis, but the physical badge, which is what they should be using to physically access should be surrendered upon termination. And if that's the case, then they should not have access to it.

Finally, on page 15, we took a look at their overall standard operating procedures. We found that there's 17 operating areas within this division. With that, we saw that there was an index on that. And the index said the SOP, standard operating procedures, were updated in June of '19 and there were 251 active procedures. Well, once we started going through those procedures, we saw that there were 80 procedures that had been revised within the past two years about 171 of those procedures hadn't been updated since prior to 2017. And of those 171 procedures, 22 of those didn't reflect current processes.

So then we drilled down a little bit further and said let's look at this calibration of tools procedure because that was an area of concern that we found earlier and said let's look at this procedure which was dated 4/26/12 and see if it was relevant for the information. And within it we found there were components of those procedures that were missing such as there was no action or direction as to what happened if they can't locate an item that was calibrated, what happened if something didn't pass calibration, what happened if it didn't require calibration but it was spare or being used for spare parts.

So based on this we disclosed to the quality assessment   quality administrative assistant that they should have a process to review it and they stated yes, they have a regular process to review in September of 2018, but we didn't see any type of revisions as to how these procedures were actually being reviewed and actually being updated. But management during the course of this audit in December 16, 2019, issued a new standard operating procedure effective 12/3 to state that an annual review would actually be taking place.

This audit we took a different approach in terms of how to go out there and make a recommendation. With it, we actually offered just one finding, which is located on page 16. And with that, we did an encompassing finding to state that management should establish an inventory management policy. And with this, we brought the fact that we should have a written inventory policy and this written policy   also written procedures as to how to document how you're going to handle precious items, how you're going to handle precious items, how you're going to do reconciliation, how you're going to handle

disposal and obsolescence items and also the fact is your documentation should be reconciled back to Ellipse to make sure that you have good inventory. We also said that management's not conducting a full inventory, so you should do a full inventory to know what you actually have. You should actually reconcile back as I mentioned. And then also take a look at stock movements and work with the fact of analyzing if something's not having a useful value or you don't have necessity for it, it's unused or it's obsolete work with finance to work through that process.

On the bottom of the 16, we actually went through specifically what should be addressed within the policy and the procedures in terms of what management should want to go through. On page 17 management actually included two pages of a comment that's listed here. We asked them to move it to a comments page versus in between the report so it's summarized. And then also they stated that they would take action to go ahead and create that policy and look at those procedures going forward. They gave us a date of August 31 of 2020. With that, we have so far finished testing on this unless there's additional work you would to do for it.

So, ma'am, and members of the committee, this is my report.

Chair Arredondo-Savage said great. Thank you, Mary. Really do appreciate it. It was very thorough, a lot of really good information. So I don't know, I'm going to throw it out to the committee. Is there any questions or concerns, clarifications that you would like? Yes, vice mayor.

Vice Mayor Stipp said surprise, surprise. Ray, I noticed you had generated the memo and we've got you listed as you and Paul as the responsible parties for getting this done. Is the August 31 deadline so this will be the theme for 2020. Is that attainable? Or will we be sitting here next year in December?

Mr. Abraham said we believe that we could put some of the policies in place. Understand some of the controls we should have in place, but we don't have. Like our maintenance of way stockroom is only manned five days a week 7:00 to 3:00. Next year in the budget we're asking for a second person there. But to control this inventory 24/7, it's five people. And when Mary talks about the MOE, the cage where we have our power tools and that, that isn't manned at all. That would take a lot of staff to actually put a solid control there. We talk about the vending machine type that we have at the MOW. That was $50,000 and to put that in the MOE to keep some of our expensive tools captured, we're talking four or five of them, so we're talking a quarter of million dollars or more to have that type kind of tight controls.

So there's a lot that we're going to try to do. But some of like let me give you an example. The MOW trucks. They're out there 24/7, three shifts, they cross over. We have talked about this for years of having each shift inventory their truck. That's a half hour of productivity on both ends of every shift to have a technician pull into the shop,

inventory the tools in their truck, then the new technician coming onboard has to inventory to make sure that they're receiving all the tools that should be there. It's a lot of productivity and not to dispel the loss, but some of these losses we don't have a time frame. They would be from 2008. So I'm trying to balance does the lost justify hiring five more people, ten more people, does it justify losing two hours of productivity on every skill set. It's a hard balance. I would be glad to do it, but it's not that easy.

Vice Mayor Stipp said well, I think it's really important for, you know, we talk about the total inventory between those two lines

Mr. Abraham said yes.

Vice Mayor Stipp said is $17 million so it's a lot.

Mr. Abraham said absolutely.

Vice Mayor Stipp said and then so I think to just say, you know, it's hard for us to do and for us to hand wave that and say it's okay. You know, and I'm suggesting that you're just saying we're not doing it. But I think there's got to be at the end of whatever this period is we need a definitive this is what we can and this is what we can't do and this is why.

Mr. Abraham said yes.

Vice Mayor Stipp said after a thorough management analysis.

Mr. Abraham said analysis. And I think August is a fair date. We do have a lot going on, but I think we could do that understanding that there may be still some cases that we just can't control without staff, so we're going to do our level best. I don't think there's been a lot of discrepancies in the inventory. I think it's more tools.

Vice Mayor Stipp said sure. And I kind of get that and there's way of doing it. So, you know, prior life a fire engine has a lot of tools and equipment on it and it has drugs and there is a method for that to happen without affecting productivity that is not, so I don't think we're talking about really recreating something that can't be done. And then we don't want to do this check in/check out kind of thing because on the military side, I see units that do the same mission that pick up from the other. They won't do it unless there's a receipt. And that doesn't make sense either.

Mr. Abraham said right. Right.

Vice Mayor Stipp said so I understand there's a balance in there and I would just really encourage you and the staff that are down there to really try to find a solution. It may

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not be we're going to count every nut and bolt. But it can't be we're not going to count anything.

Mr. Abraham said of course not.

Vice Mayor Stipp said so maybe there's, look, there's ten tools on every truck that are really key ones, and these are the ones that we've got to do. And again, to start this where or to end it where I started it was if you can get that to us by August, I want to hold everyone accountable to those dates and if you think it's achievable then I'm okay with waiting until August and not put the pressure on, oh my God, the sky's falling, we've got to do this by April.

Mr. Abraham said I think August is achievable. We were talking April, May, but in light of everything that's going on on the rail side right now, we felt that August would give us a little bit of breathing room.

Vice Mayor Stipp said I'm good with that. Thank you.

Chair Arredondo-Savage said Councilmember Tolmachoff.

Councilmember Tolmachoff said thank you, Chair Arredondo-Savage. So is it a person thing or is there like asset management software or tools or other ways we can accomplish this? And I understand and I agree with Bill, I mean, we can't account for everybody single nut and bolt, I understand that. And tools break and they get lost and things happen but is there some other and is there ever a conversation with some of these EnoMAX exchanges where other cities with even larger systems and more, you know, maintenance needs how do they manage that their inventory.

Mr. Abraham said there has some conversation a couple of our peer properties have a lot of the electronic devices that they put a lot of their expensive tools and equipment in so that they are card controlled. Most properties have their stockrooms manned 24/7, you know, and from our start up time until now we've been getting by with so pretty much in the afternoon, evenings on the system's side a technician has to go into the stockroom on their own. And yes, we know that they went in the room, but they might be going into the room to get one bottle of water. If they took five out I wouldn't know. But again, I don't see an issue on our parts inventory. It's basically the tools that are out there in the system. And again, tools get misplaced. Tools get lost. Tools get broken.

We could do a better job of keeping track of them and we're going to find a way without it affecting time or people. I think you'll see in here the one where we have the cage where tools were checked out but not shown checked in, but we're not showing any sign that the tools aren't there. It's not that they didn't   somebody just failed to check it in at the end of their shift. It's there, but they didn't write on a document that it's been checked in.

Councilmember Tolmachoff said so what is the process? I know Mary talked about when an employee's terminated for whatever whether they leave or they're asked to leave, but what is the process or is there a process to inventory to put those tools to make sure the tools are returned, make sure they're all returned and then put back into the inventory or discarded or whatever needs to happen with them.

Mr. Abraham said the vehicle maintenance folks are issued the toolbox. And when they leave, we do inventory the toolbox and there have been shortages. To date, we don't have a policy to where we charge them, and I think there's HR reasons why we don't. There's limitations to what we could attach their final paycheck and we as an agency just have never engaged in that right now. We certainly can.

Councilmember Tolmachoff said well, that's not what I was suggesting.

Mr. Abraham said I understand.

Councilmember Tolmachoff said I just wanted to know if there was a process as part of the severance.

Mr. Abraham said we do inventory it and we see that there's ten tools missing three sockets and we just, as Mary have said, we absorb it and make it a full tool box again.

Councilmember Tolmachoff said okay. Thank you.

Mr. Hodgins said just to add, on the system side we are looking at currently going through demonstrations on a new enterprise resource planning enterprise asset management system. That will replace both the Abila financial system and the Ellipse work order system at the OMC which right now don't talk to each other. The new system that we're looking at will definitely talk to each other, will enhance our capabilities, so we're hoping that reviewing all of these business processes all these standard operating procedures in concert with implementing new systems will provide a lot better control for us.

Chair Arredondo-Savage said thank you, Paul.

Councilmember Heredia said that was part of my question if these tools talk to each other, so that's what you're moving towards to; right, so is there a reason why the contractors and procurement staff do not have access to Ellipse or would that be helpful? I'm not sure if I understand the software by it seems like

Mr. Abraham said they can have access to it. I don't think they felt the need for it. I don't want to is that correct?

Mr. Hodgins said we added a position in this year's budget for another contract's person that we're in the process of hiring that will actually be housed at the OMC at the maintenance center to provide additional procurement support, have access to the Ellipse system. It's just a little more difficult with the staff at the 101 building to try to, you know, connect with the OMC staff, but we're working on that.

Ms. Modelski said and there's no technical incompatibilities, so I know we pulled our reports from here to the OMC, so there is technical availability for it.

Chair Arredondo-Savage said anything else? You know what, Ray, I just thank you for being here and Mary, thank you for your work on that. I mean, I think that's the one thing that we want to do is make our organization the best that it can be.

Mr. Abraham said absolutely.

Chair Arredondo-Savage said I think there was just one comment in there in regard to that just kind of gave me concern and I think we've just got to look at the culture about it's more cost effective to just replace the tools than to spend the time to inventory them. And they may be the case, absolutely could be the fact. But at the same time I think it's about the culture in caring and making sure we're holding everybody accountable because I am not going to point fingers or nickel and dime any employee in this organization and I don't think that's our responsibility or what we want to do. But we want people I would think our employees to care about, you know, they're tool boxes and what they have.

And if there is a way, if there's a happy medium to find some common ground, because we can't continue to do what we've been doing, but I want to make it realistic as we move forward and think about, you know, the dollars and where that comes from, because really it ultimately comes from our residents from our member cities and it's really important that I think we are doing everything we can to be as accountable as we can, doesn't mean we're going to be perfect, but we need to be at least doing something. So I look forward to it. I appreciate your candor in regard to the August timeline. I am totally fine with that.

Mr. Abraham said okay.

Chair Arredondo-Savage said and if you find some challenges or want to speed things up along the way, please feel free to reach out to us.

Mr. Abraham said we will do that.

Chair Arredondo-Savage said all right.

Mr. Abraham said thank you.

Chair Arredondo-Savage said anything else from the committee? No. Okay. Great. Thank you very much. Much appreciated.

We need to approve the inventory audit the OMC non capitalized parts and tools. Is there a motion?

IT WAS MOVED BY VICE MAYOR STIPP, SECONDED BY COUNCILMEMBER TOLMACHOFF AND UNANIMOUSLY CARRIED TO ACCEPT THE OMC NON-CAPITALIZED RAIL PARTS AND TOOL INVENTORY AUDIT.

5.   Internal Audit Update

Chair Arredondo-Savage said thank you guys very much. Mary, going on to the audit update.

Ms. Modelski said just wanted to give you a status in terms of where we are in terms of our audit plan in terms of what's going on. We have two audits the Hardware/Software and the Performance Management audit we've had to delay and that's just availability of individuals. The Hardware/Software, the consultant was going to call in because the fact is we negotiated not to pay for freight for her to fly in excuse me. Not freight. Fly in. They are not available. I have been notified they are not available in February, so they'll be coming in March to do the final presentation of that. And then also Performance Management just availability of an individual to be able to verify the last part of information, we had to push that off to February.

But it kind of gives you an idea of where we are in terms of the audit plan. You've received the Paratransit down at the bottom to kind of give you an idea of what's coming up as we proceed forward from that. And that's just an information perspective.

Chair Arredondo-Savage said and, Mary, I know there was one thing that we talked about in regards to are you going to keep going to talk about okay.

Ms. Modelski said yes.

Chair Arredondo-Savage said okay. Thank you. Fantastic.

This item was presented for information only.

6.   Internal Audit Exceptions Update

Ms. Modelski said and then the next thing is the Audit Exceptions log. I do apologize. For the December meeting we had prepared for you our normal lovely color schemes from this perspective. We did not include the -- and since we canceled December, we did not carry that forward into January, so there were actually five, one, two, three, four,

five, six -- pardon me. Six Bus Service Contract audit specific recommendations that were due in December. They have been reported as remediated by management, so I apologize. I'm going to jump for just a second. So the December report we will sent to you as an after fact so you have a copy of that. This will be the December report that shows those six items from the bus service contract had been remediated. We've moved those over to remediated. Therefore, this report does not show them coming due nor does it show them as past due because they were done for December. So I apologize for that. We put the report together, but we never launched it, so we apologize for that.

This is our current list that we're working on. So these are the current ones that are coming through. The IT policy revisions of course we've got those. We're still holding out because it's part of the Hardware/Software audit that you'll be getting in May, so we'll keep this one on the overdue until we actually get to that March timeframe. So with that to actually come forward from that.

But these are the other ones that are coming through for follow up on that. And then what's coming up –

Vice Mayor Stipp said can you go back to that?

Ms. Modelski said yes, sir.

Vice Mayor Stipp said the last column is the estimated date -- the new estimated date; right?

Ms. Modelski said correct.

Vice Mayor Stipp said correct, I should say. Number 5 was due in November. Do we have?

Mr. Hodgins said as far as I'm concerned, we've completed that. I thought that's how we reported it.

Ms. Modelski said if we go back to our actual discrepancies for No. 5. And when we followed up on per the CFO the reviewing the contract file for completion and ensuring the contracts are being closed appropriately. So we're being told that it's been done, but we haven't been told that it's complete. We're just being told that it's in the process of reviewing. So if you've actually done, that's not the comments that we've received from them. So you're in the process.

Mr. Hodgins said we changed our procedures so that managers are now reviewing contracts and ensuring they're complete.

Ms. Modelski said okay.

Mr. Hodgins said I mean, that's what we said we would do is update our procedures. I can't say that they've reviewed hundred percent of every contract we have, but our procedures have changed to ensure that they're doing, you know, that they're reviewing all of those.

Ms. Modelski said so we'll hope to see in the February Exceptions Log an updated version of management's response.

Mr. Hodgins said I will clarify my response.

Ms. Modelski said thank you. So that you'll see that come forward so that's why we give you the detail in terms of what we receive specifically from management and that's why it carries through from that perspective.

Vice Mayor Stipp said okay. And then can we get an update on No. 6 as well?

Ms. Modelski said yes, sir.

Vice Mayor Stipp said I'm looking that's more for Paul.

Mr. Hodgins said sorry. I'm going back to what No. 6.

Ms. Modelski said it's the DBE.

Mr. Hodgins said oh, yes.

Ms. Modelski said the DBE.

Mr. Hodgins said so the credit card ones and the DBE we hired a new Chief Procurement Officer last month. So I'm working with her. She's reviewing all of the audits. We're going through some of those. On the DBE we're working with the City of Phoenix on how to get the communications properly. We used to have a DBE person that had access to the city's system. We currently don't have access, so we're just trying to work through that with the City of Phoenix Public Transit. So our new CPO is helping to get those managed and I'm hoping that -- I don't know about the DBE one, but all the credit card ones should be resolved before next month.
Vice Mayor Stipp said okay. And then just an update on the DBE if it doesn't.

Mr. Hodgins said okay.

Vice Mayor Stipp said thanks.

Ms. Modelski said and then the upcoming items and this is all carrying through from what we receive from management's comments as to on a monthly basis what's happening with these. And then that's my report on the Exceptions Log.

Chair Arredondo-Savage said all right. Mary, thank you very much. And I just want to say I'm glad to see the Paratransit on there. I think that's going to be really important that we move forward with that.

Ms. Modelski said and as we had mentioned previously as the county finish theirs, we wanted to see what they were looking at so we knew to focus on that. So we will go out there and start to focus on paratransit as a whole for the communities.

Chair Arredondo-Savage said thank you. Very nice. Thank you very much for that. Now we're going to go ahead and move on to Item No. 7. RPTA fiscal year mid-year budget adjustment. I will go ahead and turn it over to you.

This item was presented for information only.

7.   RPTA Fiscal Year 2020 (FY20) Mid-Year Budget Adjustment

Paul Hodgins, Chief Financial Officer, provided a brief presentation of the RPTA Fiscal Year 2020 (FY20) Mid-Year Budget Adjustment that included the following items:

- Changes – Operations Activities
- Uses of Funds – Operating ($000,000)
- Sources of Funds – Operating ($000,000)
- Operating Fund Changes
- Changes – Capital Activities
- Uses of Funds – Capital ($000,000)
- Sources of Funds – Capital ($000,000)

Chair Arredondo-Savage said question? Yes.

Vice Mayor Stipp said now I understand better even though it was fast. But at the end of this we're basically seven and a half almost eight million dollars, $7.5 million that are just going to -- we're going to fund it through the PTF.

Mr. Hodgins said yes.

Vice Mayor Stipp said so from the -- from our side we hear about our funds et cetera and these carry overs and what not and we don't here at Valley Metro we don't talk about where the pots of money. Is there a substantial amount of PTF funding that we're not using that we can dip into for seven and a half million dollars?

Mr. Hodgins said all of the changes that affect the PTF here are already programmed in the TLCP. So it's been accounted for in the financial model. It's just because of the timing again, the operating budget –

Vice Mayor Stipp said no, yeah, I get that.

Mr. Hodgins said but all of those were approved and so they're within the model for the TLCP.

Vice Mayor Stipp said so the TLCP if I can use this --

Mr. Hodgins said it kind of -- PTF over the twenty -- it kind of dived in the PTF over the twenty years of Prop 400. So all of this is programmed within the TLCP.

Vice Mayor Stipp said I get that.

Mr. Hodgins said I know I'm not answering your question.

Vice Mayor Stipp said right. So, you know, we talk about carry over from one year to another at the city level. We've got general fund moneys that were unexpended. We can't allocate for the next year. There are capital improvement project money that is multiyear that we carry over in fund balance but then reprogram.

Mr. Hodgins said right.

Vice Mayor Stipp said so we've got kind of that accounting for all of that. Is there a similar fashion that we've -- because it sounds like we're printing seven and a half million dollars of new money, which I haven't seen a press anywhere. That's what I'm looking for. Where is it coming -- is it carry over money from prior years, fund balance money is that where it comes from.

Mr. Hodgins said so the money for the operating projects would for practical purposes practically for practical purposes come out of the fund balance.

Vice Mayor Stipp said okay.

Mr. Hodgins said or current revenues. Our revenues are a little higher than what we budgeted, so it will come out of current revenues. All of the capital projects -- I shouldn't say all. The facilities are being deferred, but all of the other ones except for the nine vanpool vans are carried over from a previous year, so that's not really new money. It's just a carry forward from the previous year where we didn't spend it.

Vice Mayor Stipp said that's the answer. Thank you. Thanks. I appreciate that.

Mr. Smith said if I could add something real quickly to further clarify, the transit life cycle plan is really a twenty-year budget that goes to 2025. So when Paul says it's in the TLCP, every April, is it, Paul, I think we present to the board the TLCP and what you vote on is the plan through 2025. Then that overall plan is then subdivided into annual appropriations. But if you have a fund balance it's based on the long-term plan and what Paul's saying is that some of these changes, although they seem like they're new requirements of money, since they were anticipated in that longer term plan, they've already been accounted for. The money has already been identified. And part of the TLCP is to make sure that through the end of 2025 we have sufficient fund balance to fund the program.

Chair Arredondo-Savage said thanks, Scott. Did you guys get that? Okay. All right. Thank you, Paul. We're moving on.

I guess we're going to stay right there with you for the contract change orders, amendments and awards.

This item was presented for information only.

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

Mr. Hodgins said yes. We have a few items coming to the board with some financial impact. The first one is the transit asset management consulting services contract award. This is to help us with our transit asset management plan. But also a part of it is to help us go through our asset not the spare parts inventory, but kind of our asset inventory out at the OMC to ensure that we know what we have, that it's properly accounted for, that we have condition reports and things of that nature, and that will also with our transition to a new asset management system as we review all of that information. Anything you want to add to that, Ray?

Mr. Abraham said no, I think you pretty much covered it. We just have one employee working on our transit asset management plan, so we need some expert help to do assessments of all of our assets. We're going to need help with transitioning from our present system to a new system. Even our present system needs a lot of updating, so we need some skilled help.

Mr. Hodgins said the next one is.

Chair Arredondo-Savage said hold on one second.

Mr. Hodgins said I'm sorry.

Councilmember Tolmachoff said I do have a question. So this is being requested now of the board and not being rolled into the 2021 budget? Is that.

Mr. Abraham said it goes to the board in January.

Mr. Hodgins said it's going to the board for contract award. I believe it's already budgeted in the fiscal '20 budget.

Mr. Abraham said yes.

Mr. Hodgins said yes.

Chair Arredondo-Savage said it is. Okay. All right. Thank you. I think that's a good point maybe that's something that we can think about when we see this information. I think the more data you could give us in regard to where the funds are coming from would be helpful.

Mr. Hodgins said yes. We do identify in the cost and budget section that is in the adopted budget.

Vice Mayor Stipp said okay. I'm with you. And the executive summary is very helpful.

Councilmember Tolmachoff: Yeah, because it's not broken down by amount down here either.

Mr. Hodgins said if there's additional detail that you feel the board would like in the memo, we can discuss that and we could change the memo. It's really looking at the procurement process and awarding a contract and less about -- probably less about where the funding's coming from, but if you think it would be helpful to add to more to the cost and budget section we could do that.

Chair Arredondo-Savage said okay. We can talk about that.

Vice Mayor Stipp said I'm looking at the information summary for this item, I would bet that this is the only piece of paper of all of the information that anyone is going to look at and just adding in there as approved in the 2020 budget we are requesting to execute the three-year contract blah, blah, blah. And that's it. And kind of talk about each one of those.

Mr. Hodgins said so up in like the purpose section?
Vice Mayor Stipp said under purpose and then item and then A.

Mr. Hodgins said okay.

Vice Mayor Stipp said just adding.

Chair Arredondo-Savage said I think he's just moving things around a little bit.

Vice Mayor Stipp said just adding where it -- just in a quick summary.

Mr. Hodgins said okay.

Vice Mayor Stipp said I think from a board perspective you're probably looking at people just looking at executive summaries.

Councilmember Tolmachoff said we have a lot of stuff to read.

Mr. Hodgins said understood.

Vice Mayor Stipp said not that the background isn't important because I think it's really important for those that do deep dives and for the public. But the quick decision maker it will probably speed that along.

Mr. Hodgins said we can do that.

The next one is a contract award for vanpool vans. It's a five-year contract with Creative Bus Sales almost $16.6 million. As a note, vanpool vans are funded by hundred percent federal. We're able to use flex funds from highway programs at a hundred percent.

Mr. Hodgins said next one pass-through grant agreements with the City of Phoenix. City of Phoenix is the designated grant recipient. They're the grantee to FTA. And so for us to receive funds we have to have an agreement with Phoenix. So this item is for RPTA for all of the fiscal '19 grants. Later on is an item for all of Valley Metro Rail pass-through rants.

The one in between there rail transportation services, we have a need for additional supervisors and one trainer to support all of the work at the operations and maintenance center dealing with the expansion project and then all of the work downtown when we'll be single tracking for South Central and then rolling into the Tempe Streetcar, so these additional supervisors will provide a lot of work for us in supporting those projects. It's just over two million dollars, but it is for almost a two-and-a-half-year period.

That's a summary of what we feel are financial-related items that you'll see. And if you have any additional questions or need additional information please let us know.

Chair Arredondo-Savage said and maybe we'll just work on that executive summary presentation.

Mr. Hodgins said yes.

Chair Arredondo-Savage said make sure that we get that right information in there that we like. Okay. Great. Thank you very much. Anything else from you, Paul? Our next item is Executive Session.

This item was presented for information only.

9.   Executive Session

The Audit and Finance Subcommittee may vote to enter Executive Session for discussion or consultation and for legal advice with the attorney or attorneys of the public body and to consider its position and instruct its attorneys regarding the public body's position concerning matters listed on the agenda, personnel matters and contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; all as authorized by A.R.S. Sections 38-431.03 A.1, A.3., and A.4.

The agenda for Executive Session involves discussion and consultation regarding Valley Metro's internal audit and quality control process.

IT WAS MOVED BY MAYOR GALLEGO, SECONDED BY VICE MAYOR STIPP TO ADJOURN GENERAL SESSION AND COMMENCE EXECUTIVE SESSION.

The regular meeting adjourned at 1:20 p.m.

The regular meeting reconvened and was adjourned at 2:08 p.m.

10.   Executive Session Action Items

The Audit and Finance Subcommittee may take action related to items discussed as part of Agenda Item 7.

NO ACTION WAS TAKEN ON THIS ITEM.

11.   Future Agenda Items

This item was presented for information only.

12.   Next Meeting

The next meeting of the Audit and Finance Subcommittee is February 13, 2020 at 12:00 p.m.

With no further discussion, the meeting adjourned at 2:38 p.m.

Information Summary

DATE   **AGENDA ITEM 3**
February 6, 2020

SUBJECT
Internal Audit Update

PURPOSE
To update the Audit and Finance Subcommittee on Internal Audit activities.

BACKGROUND/DISCUSSION/CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
Item presented for information only.

CONTACT
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Internal Audit Director
mmodelski@valleymetro.org
602-322-4453

ATTACHMENT
None

Valley Metro
Audit and Finance Subcommittee
Internal Audit Update

February 2020

VALLEY METRO RAIL | VALLEY METRO

1

Update:

VALLEY METRO RAIL | VALLEY METRO

Fiscal Year 19/20 Audit Plan

Process	Status
Credit card transactions	Not started - April
Travel expenses	Not started - April
Professional Development	In progress
Full-Time Employee Additions	Complete
Contract Management (specific)	Not started – April/June
Paratransit Contract Management	In progress
OMC Non-Capitalized Rail Parts and Tools Inventory	Complete
Hardware/Software Management	March
Performance Evaluation	Delayed
Internal Safety and Security Audit Review	Not started – February/March
CSD Invoice Processing	Not started - March
HR Information Management System (HRMIS) Implementation	Not started - April
ERP Implementation	Monitoring
External Audits – anticipated:	
Maricopa Co. – Paratransit	Complete
City of Phoenix - Fare Revenue	Complete
City of Phoenix – Contract Risk Assessment	Report March
ADOT – Rail Safety Audit	Report March

2

2

Memo

To: Audit and Finance Subcommittee

From: Mary Modelski, Internal Audit Director

Date: February 6, 2020

Re: Maricopa County – Human Service Division
Transportation Vendor Invoices Audit

Committee members,

Maricopa County leadership requested the County Auditor to perform an audit of Valley Metro Paratransit invoice billing due to a surge in ridership and invoiced costs, combined with depleting program funds from outside services.

The findings of the audit are presented for your review and understanding Maricopa County Human Services will consult with legal counsel to determine if payments are based upon terms and conditions described within the Intergovernmental agreement. In addition, procedures will be implemented to monitor Valley Metros contract for compliance and invoice costs.

Maricopa County Audit had presented this audit to County leadership and released the information for public information.

We present this audit for your knowledge of the results of the County's audit and actions being taken by Human Services.

To: **Audit and Finance Subcommittee**

From: **Paul Hodgins, CFO**

Date: **February 7, 2020**

Re: **Maricopa County Audit of Paratransit Services**

The audit was directed to the Human Services Division (HSD), which contracts with Valley Metro for the provision of RideChoice and Paratransit services. Valley Metro was not asked to respond to the audit conducted by Maricopa County. The audit resulted in three findings for HSD.

1. Prior to paying the excess invoice amount carried over from FY19 to FY20, consult with legal counsel to determine if payment is due based on the terms and conditions described in the IGA.
2. Implement and maintain written procedures to monitor contract compliance and costs for the Maricopa County paratransit program.
3. Conduct a study to determine the feasibility of performing all non-ADA trips through the RideChoice system rather than the Dial-A-Ride system.

The County Auditor found that Valley Metro's cost allocation methodology is reasonable. Services that are demand based, such as our Paratransit and RideChoice programs, are very difficult to estimate. The Accessible Transit Services staff provide their best forecast for each city, town and county, but we recognize that no forecast for demand-based services can be precise.

It would be very concerning if Maricopa County legal counsel were to determine that they were not obligated to pay the balance of costs for FY19 for trips delivered to County residents. This could set a precedent that could change the nature of how we manage service on the County's behalf.

Valley Metro Accessible Transit staff are working with the County HSD to provide better and more timely contract performance data to support finding 2.

Changes to the service delivery in Maricopa County were implemented on October 1, 2019 to address finding 3.

Special Request - Human Services Department
Transportation Vendor Invoices
Maricopa County Internal Audit
December 2019

Why This Audit Is Important

The Human Services Department (HSD) oversees public transportation assistance to elderly (65+) and/or disabled persons in unincorporated areas of Maricopa County. The transportation services are contracted to a vendor, Valley Metro, via an intergovernmental agreement.

This audit was requested by county leadership due to a surge in ridership and invoiced costs, combined with depleting program funds from outside sources. We performed procedures to validate the Valley Metro invoices for services rendered during fiscal year 2019 and to assess the impact of program funding changes.

Our scope of work was limited to interviewing key Valley Metro employees and reviewing their records, including system-generated reports. We did not perform completeness and accuracy testing of the system-generated information provided. We also did not review information and/or contracts between Valley Metro and its subcontractors used to provide the services.

Key Findings

- Charges exceeded the contract amount by $53,502 in FY19

- Ridership and costs have surged over the last few years and program costs will increase if this upward trend continues

- Program funds from other sources, including carryforward funding, will drop by approximately $650,000 during FY20 and the gap is to be funded by the County General Fund

- There is an opportunity to reduce costs by shifting trips, where possible, to the RideChoice system rather than Dial-A-Ride

All key findings requiring corrective action were addressed through agreed-upon management action plans.

What We Audited

Below is a summary of work performed and findings. Corresponding recommendations and responses start on page 3. The responses were approved by Bruce Liggett, Director, on December 4, 2019. More detailed observations and recommendations were communicated to management throughout the audit process.

Invoice Compliance with Agreement

Background – The intergovernmental agreement (IGA) established with Valley Metro included Maricopa County providing up to $1.44 million for transportation costs for ADA mandatory and non-mandatory services provided to individuals in unincorporated areas of Maricopa County for FY19. Valley Metro sent the county two invoices, one for FY19 charges and one indicating adjustments for FY19 charges.
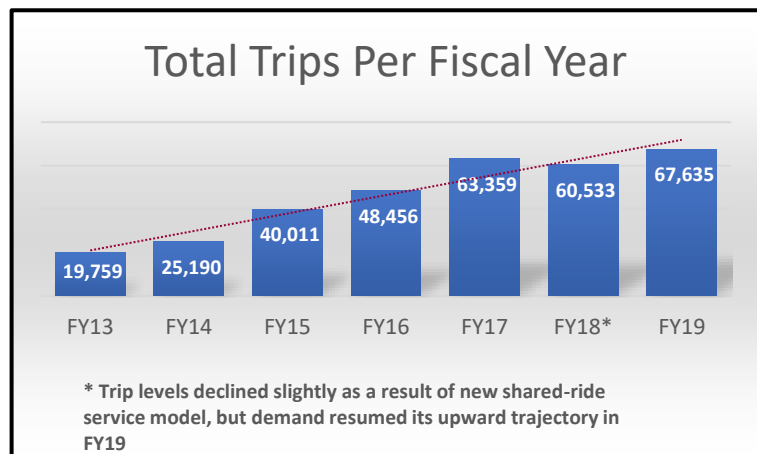
Observations – We reviewed the FY19 invoices and determined that the charges appeared reasonable based on our review of ridership data and other supporting documentation. However, the total amount charged for FY19 was $53,502 higher than the "not-to-exceed" amount allowed by the FY19 IGA and the unpaid balance will be carried over to the FY20 invoice (**Recommendation 1**).

Ridership and Funding

Background – Population increases, aging population, development in unincorporated areas, and city expansion of transit services influence the number of riders using the transportation services provided. Continued forecasting of increases in ridership helps HSD anticipate budget resources and manage costs.

Observations – Anticipating an upward trend in ridership, we estimated that costs may increase by approximately $100,000 for a 5% increase in ridership, and approximately $530,000 for a 25% increase in ridership. On average, ridership has increased 24% per year over the past six fiscal years.

In addition to increasing costs, we noted that $653,533 of excess program funds from other sources (e.g., lottery) were exhausted in FY19; for FY20 and beyond, these amounts will be required from the County General Fund.

Total Trips Per Fiscal Year

Fiscal Year	Total Trips
FY13	19,759
FY14	25,190
FY15	40,011
FY16	48,456
FY17	63,359
FY18*	60,533
FY19	67,635

* Trip levels declined slightly as a result of new shared-ride service model, but demand resumed its upward trajectory in FY19

Due to the changing costs and funding, there is a need for contract monitoring procedures to help ensure that changes in ridership, costs, or vendor performance are evaluated (**Recommendation 2**).

Non-ADA Trip Cost Reduction

Background – Two transportation systems are utilized by Valley Metro for providing transportation services. Dial-A-Ride is tasked with providing all ADA transportation needs; non-ADA transportation is typically managed through the RideChoice program.

Observations – We reviewed the FY19 supplemental invoice information and determined the average cost per ride was $48.97 for Dial-A-Ride and $22.44 for RideChoice. We also noted that

18,744 non-ADA trips were managed through the Dial-A-Ride program. If those trips were transferred to the RideChoice program, the annual savings would be nearly $500,000 (**Recommendation 3**).

ADA Certifications

Background – Public transportation assistance is provided to elderly residents and to disabled individuals who are defined by the Americans with Disabilities Act (ADA) as being unable to utilize established bus route services due to physical or cognitive disabilities. Improper qualifying/certifying riders as eligible for ADA reduced/subsidized fares could result in higher than required ridership and higher than required billings to HSD.

Observations – Valley Metro contracts with another vendor for ADA certification procedures. We interviewed staff, reviewed applicable ADA applications and assessment guides, and examined the mobility testing center. We concluded that ADA certification processes were adequate.

Additional Information

This audit was approved by the Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited.

If you have any questions about this report, please contact Mike McGee, County Auditor, at 602-506-1585.

Recommendations and Responses

Recommendations	Responses
1 Prior to paying the excess invoice amount carried over from FY19 to FY20, consult with legal counsel to determine if payment is due based on the terms and conditions described in the IGA.	Concur – in progress Carryover charges and process are included within the new IGA with Valley Metro (C-22-20-007-3-00). HSD will confirm with legal counsel that this language is sufficient to pay the FY19 carryover charge. Target Date: 12/31/2019
2 Implement and maintain written procedures to monitor contract compliance and costs for the Maricopa County paratransit program.	Concur – in progress HSD will write and implement procedures to monitor contract compliance and cost for the Maricopa County transit program. Target date: 06/30/2020

Recommendations	Responses
3 Conduct a study to determine the feasibility of performing all non-ADA trips through the RideChoice system rather than the Dial-A-Ride system.	Concur – completed Policy changes were implemented as of October 1, 2019, which did the following: 1) Only provide Dial-A-Ride trips to ADA certified riders within the ADA mandated area; 2) Any non-ADA certified riders as of March 31, 2019 were grandfathered and are only authorized to use the RideChoice System; and 3) All new riders as of April 1, 2019 must receive ADA certification. ADA certification is required to receive trips in both the RideChoice and Dial-A-Ride systems.

Memo

To: Audit and Finance Subcommittee

From: Mary Modelski, Internal Audit Director

Date: February 6, 2020

Re: City of Phoenix – Public Transit Department
Light Rail Fare Compliance

Committee members,

The City of Phoenix Internal Audit Department performed an audit of Valley Metro Light Rail Fare Compliance which was listed on the annual audit plan.

The results of the audit are presented for your review and understanding. The City of Phoenix, Public Transit Department response to the audit was to work with Valley Metro to determine the feasibility of implementing a process to check for reduced fare eligibility.

The City of Phoenix Auditor had presented this audit to City leadership and released this report for public information on the city's website.

We present this audit for your knowledge of the results of the City of Phoenix audit and actions being taken by Public Transit and Valley Metro leadership.

To: **Audit and Finance Subcommittee**

From: **Paul Hodgins, CFO**

Date: **February 7, 2020**

Re: **City of Phoenix Audit of Light Rail Fare Enforcement**

The City of Phoenix Internal Auditor recently conducted an audit of Valley Metro's fare enforcement on light rail; the audit was conducted for and delivered to the City's Public Transit Department (PTD).

The audit found that VMR has a fare inspection process in place to ensure that all riders have valid fares; however, inspectors were not checking passengers for reduced fare eligibility. The VMR target compliance rate is 94%-97%. The 4,651,687 inspections conducted for the entire line resulted in a fare compliance rate of 93%. This was one percent lower than the contracted rate.

The audit resulted in one recommendation.

1. Public Transit – Work with Valley Metro to develop a process to check for reduced fare eligibility.

Valley Metro and the City of Phoenix PTD recognize the challenges with fare enforcement in general, but with reduced fares in particular. Fare challenges result in more interactions with passengers than any other reason. For that reason, Valley Metro and PTD have been reticent to require and strictly enforce reduced fares at the point of use (i.e. on the bus or rail platform). Rather, the region has taken steps recently to implement solutions that will check reduced fare eligibility at the point of sale, including updating the agreements with retail sellers to require that the retailer check for proof of eligibility before selling reduced fares. That change took effect in early 2019. PTD is currently gathering data for the first year of implementation to determine the effectiveness of that policy.

In addition, as we have reported to the Board of Directors, PTD and Valley Metro are procuring a new fare collection system for the region's bus and rail programs. The new system will provide a technological solution to ensuring reduced fares are used only by eligible persons. The new system will use primarily mobile tickets and smart cards which are account based. For a mobile ticket or smart card to be eligible for reduced fare, the account holder will need to be certified as eligible. Reduced fare tickets and smart cards will not be available for sale at retail outlets.

Public Transit Department
Light Rail Fare Compliance

January 14, 2020

Report Highlights

Fare Inspections

Valley Metro Rail has a fare inspection process in place to ensure that all riders have valid fares; however, inspectors were not checking passengers for reduced fare eligibility.

Compliance

The fare inspection rate conducted by Valley Metro Rail was within the contract limits. However, the compliance rate during the period tested was lower than the anticipated contract rate. Valley Metro Rail has since added more Fare Inspectors to increase compliance.

Project Team

Ross Tate
City Auditor

Cristina Preciado
Deputy City Auditor

Karen Tash
Internal Auditor

Andrew Nullmeyer
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Project Number

1190067

This report can be made available in alternate format upon request.

City Auditor Department
140 N 3rd Avenue Phoenix, AZ 85003
602-262-6641 (TTY use 7-1-1)

Purpose

Our purpose was to determine that Valley Metro Rail's fare inspection process met contract requirements.

Background

Light rail service in Phoenix began December 2008 as a partnership between Valley Metro Rail (VMR) and the Cities of Phoenix, Tempe, and Mesa. It is an open boarding system, also referred to as a proof-of-payment fare collection system, where passengers board trains without having to proceed through a fare collection barrier. Characteristics of the proof-of-payment method include: (a) barrier-free platforms or entrances, (b) passengers boarding without needing to show proof of fare, (c) random or spot inspections for valid proof of payment, and (d) passengers are not able to pay while in transit.

In December 2011, VMR became responsible for fare inspection and enforcement for the City of Phoenix (City) line. VMR contracted with Allied Universal Security Services (Allied Universal), the security company who performed fare inspections for Tempe and Mesa. Based on the VMR - Security Services Contract 1/20/17 Policy# A-2, the contractor's primary responsibility is fare inspection. Inspection methods used should result in a 15-20% inspection of ridership and maintain a 94%-97% compliance rate.

Ridership from June 2017 through June 2019 was 32,074,335.

Results

VMR has a fare inspection process in place to ensure that all riders have valid fares; however, inspectors were not checking passengers for reduced fare eligibility.

The contract between the City and VMR states that VMR shall ensure that passengers pay the appropriate fares and do not ride for free, unless specifically authorized to do so, as part of the fare structure. Additionally, Exhibit A of the contract states that VMR shall ensure that the regional fare structure, as published in the Valley Mero Transit Book, is enforced.

VMR contracted with Allied Universal to conduct fare inspections. Passengers are required to show a valid fare when asked by a Fare Inspector. Handheld verifiers (HHV) were used to validate fare media and to record the different types of fare media used. Reduced fare passes are issued for seniors over 65, disabled passengers, and youth ages 6 to18. We interviewed two Fare Inspectors and were informed that they were not checking for eligibility cards of passengers carrying a reduced fare pass.

We conducted an unannounced inspection before teaming up with two Fare Inspectors. We verified that fare enforcement was done, as required by the contract. We observed 238 inspections. Five riders did not have proof of a valid fare. The Fare Inspectors

cited three of the five riders. The other two exited the train and refused to show their ID's when requested to do so by the Fare Inspector.

The fare inspection rate conducted by VMR was within the contract limits.

The VMR fare inspection procedures state that Fare Inspectors are required to work a minimum of 2,280 hours a week, while randomly inspecting approximately 15-20% of the ridership daily, to keep within a 94%-97% compliance rate. Fare Inspectors are assigned to 5 zones in the City of Phoenix and work four, ten-hour shifts each week. They work in teams of two to inspect each passenger in a car. Inspections take place 24 hours a day on weekends, and between 3:00 a.m. and 1:00 a.m. during the week.

We obtained inspection, ridership, and fare compliance reports submitted by VMR staff to Public Transit for June 2017 through June 2019. Based on these reports, 4,651,687 inspections were conducted on a ridership level of 32,074,335, resulting in an inspection rate of 15%.

The compliance rate during the period tested was lower than the anticipated contract rate.

The VMR target compliance rate is 94%-97%, based on the number of fare inspections conducted with the HHV and the number of identified fare evaders. Of the 4,651,687 inspections conducted for the entire line, 316,886 fare evaders were identified resulting in a fare compliance rate of 93%. This was one percent lower than the contracted rate. Public Transit stated that VMR recently increased the deployment of fare inspectors to be more present on trains to improve compliance. Public Transit will review the results at its next quarterly meeting in January 2020.

Recommendation

1.1 Public Transit – Work with Valley Metro to develop a process to check for reduced fare eligibility.

City Auditor Department

Department Responses to Recommendations

Rec. 1.1: Public Transit -Work with Valley Metro to develop a process to check for reduced fare eligibility.	
Response: Public Transit will work with Valley Metro on an evaluation to determine the feasibility of implementing a process to check for reduced fare eligibility.	***Target Date***: 4/15/20
Explanation, Target Date > 90 Days: N/A	

<u>Scope, Methods, and Standards</u>

Scope

We reviewed the City of Phoenix contract with Valley Metro Rail (VMR), and portions of the VMR contract with Allied Universal for fare enforcement of the light rail system. Our time frame was June 2017 through June 2019.

Methods

We used the following methods to complete this audit:

- We interviewed PTD, VMR, and security contractor staff.
- We obtained and reviewed related policies and procedures.
- We observed the fare inspection process.
- We obtained automated passenger count records.
- We reviewed fare inspection reports.
- We calculated inspection levels and fare compliance rates.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.

Information Summary

DATE
February 6, 2020

SUBJECT
Audit exceptions update

PURPOSE
Update the Audit and Finance Subcommittee on the progress of audit exceptions.

BACKGROUND/DISCUSSION/CONSIDERATION
The International Standards for Professional Practice of Internal Auditing (Standards) 2017 version, Standard number 2500 Monitoring Progress states: *The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.*

COST AND BUDGET
Funding for monitoring the progress of audit exceptions is included in the FY 2019/20 Valley Metro Budget.

COMMITTEE PROCESS
None

RECOMMENDATION
Items presented for information only.

CONTACT
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602-322-4453

ATTACHMENTS
Audit exceptions log

Exception Summary

Overdue items:

Ref #	Management Action	Due Date	Status/Responsible Party	Estimated Date
1	Credit Card Policy Update – Process update	3/31/2019	CFO	2/12/2020
2	Relocation Process Development	1/31/2020	CFO	Not provided

Exception Summary

Upcoming Due Dates:

Ref #	Management Action	Due Date	Status/ Responsible Party	Estimated Date
3	Network Access Not Removed	3/7/2020	IT Manager and Chief Procurement Officer	3/7/2020
4	Establish a Written Inventory Management Policy	8/31/2020	CFO and Chief Operations Officer	8/31/2020
5	Travel Policy Clarification	-	Pending Review by Audit	Next Travel Audit
6	Travel Policy Exceptions	-	Pending Review by Audit	Next Travel Audit
7	Policy Compliance Documented Approves Not Maintained – Credit Cards	-	Pending Review by Audit	Next Travel Audit
8	Policy Compliance, Incomplete Documents in Reconciliation – Credit Cards	-	Pending Review by Audit	Next Travel Audit

Exception Summary

Issues Reported as Remediated this Month*:

Audit	Recommendation	Management Action
Credit Card	Management should provide training and/or policy changes that outline when it is acceptable to use an agency credit card and when it is not appropriate. Documentation and justification of exemptions to the policy need clarity and communication. Additionally, management should include in the credit card transaction review process a method to track and return credit card packets to Division Heads when exception exists or when all policy-required documentation is lacking.	Per CFO, the Credit Card Administrator has implemented updated procedures to ensure better review of packets for compliance. Credit Card and procurement training is updated to provide guidance on the appropriate use of credit cards versus purchase orders.
Credit Card	Management should utilize a report such as, the Wells Fargo Commercial Card Expense Report, the Abila Current Consolidated Unposted General Ledger Transactions report or any other report, to provide transaction characteristics to facilitate the review. The review should focus upon fields such as description and/or specific transaction criteria that Management pre-established based on historical anomalies. Additionally, the Credit Card Administrator should document the method used to review the credit card transactions and follow-up actions taken.	Per CFO, the Credit Card Administrator has implemented updated procedures to ensure better review of packets for compliance and follow-up with Credit Card Holders.

Exception Summary

Audit	Recommendation	Management Action
Contract Management	Management should establish and communicate clear processes and procedures for contract closeout and periodic self-audit of closed contracts to monitor for compliance with those procedures.	Per CFO, Procurement Managers are now reviewing contract files for completeness and ensuring that contracts are being closed appropriately.
Contract Management	Management should establish a reconciliation process for matching vendor reported contract payments to the Valley Metro payment records. Additionally, the process should include documentation of follow-up actions taken with the vendor and the City of Phoenix, as applicable.	Per CFO, Contract Administrators have been provided with new procedures for tracking and reporting DBE expenses. The Chief Procurement Officer is refining the job description for a position to manage the overall Disadvantaged Business Enterprise (DBE) process for Valley Metro. This position will coordinate with the City of Phoenix to ensure compliance with all aspects of DBE administration and reporting.
Hardware & Software Management Audit Report	Management should define a process by which on an annual basis policies and procedures are reviewed and updated as needed and appropriate. Updates should be communicated and appropriate training provided to necessary individual in order for such individuals to execute their duties or provide backup support of other team members. The user community should also be educated on updates made to applicable policies and procedures to allow for consistent enforcement.	Per Chief Administrative Officer, This finding is resolved. All applicable policies have been updated and published.

Exception Summary

Audit	Recommendation	Management Action
Full Time Employee Additions	HR and Finance should collaborate to determine the components necessary to be completed and captured prior to an employee being recruited or on-boarded. Such process should be clearly documented and shared between Division management to ensure all requirements area addressed, documented, approved, and memorialized.	Per Human Resource Director, met with budget and made appropriate changes to the Position Requisition Form. The new form is available on the intranet.

*Internal Audit will test these items in the next review

Valley Metro - Internal Audit
Audit Finding Follow-Up
February 2020

Ref #	Finding Title	Dept	Finding Description	Recommendations	Management Response	Report Date	Due Date	Responsible Party	AFS Notes
1	Policy Clarifications – Credit Card, Acceptable Use	Finance & Procurement	The Credit Card, Acceptable Use policies (v. 7/28/16 and v. 10/10/18) did not reflect current practices. ⊡ Policies did not address the need for cardholder Division Heads to attend training and acknowledge responsibilities assigned in the policy. ⊡ Policies did not identify the required approval documentation/ signatures for travel, local dining and technology purchases, nor the need to maintain them within credit card reconciliation packets. ⊡ Policies did not clarify that within the Travel policy, Management limited authorization to purchase travel and training related expenses to the Travel Administrators. Additionally, the Credit Card, Acceptable Use policy (v. 10/10/18) did not provide a clear process for users to follow. The policy: ⊡ Referenced obsolete forms: o Credit Card Purchase Approval form (page 5) should reference the Agency Credit Cardholder Agreement, Request & Change form o Credit Card Purchase Approval form (page 5) should reference the Bank Transaction Detail Report ⊡ Required the Division Head to submit paperwork "to Finance within six (6) business days of monthly statement closing." This is one business day prior to when the policy required cardholders to submit paperwork "each month to the Division Head for approval within seven (7) business days following closing date of monthly statement."	Management should align the Credit Card, Acceptable Use policy intent with associated forms and practices. In order to hold cardholders accountable for approved and timely submissions of their credit card transactions, the policy should clearly define the required approval documentation, the form names, submission deadlines and reference other Valley Metro policies.	Management partially concurs with the recommendation. The credit card policy is not the appropriate place to define the required approval documentation for other policies. Those requirements all reside within the policies and responsibility for maintaining and reviewing the documentation is defined within those policies. Multiple copies of complete travel packets, for example, should not be required to be maintained in each credit card packet that has an associated charge. The credit card policy will refer to other relevant policies and note that credit card use must be consistent with and proper documentation maintained to support that transactions were properly approved pursuant to those policies.	2/21/2019	3/31/2019	Chief Financial Officer	2/4/2020 - Per CFO the draft policy is being finalized by the Chief Procurement Officer. The new policy will be finalized and posted by February 12, 2020.
2	Relocation Process	Finance Division	One employee terminated employment with Valley Metro after five months and had been provided a relocation allowance. Upon termination, the employee entered into an agreement to repay the relocation allowance by making monthly payments for six months. The total relocation payment was $10,000, but the total of the repayment agreement required a pay back of $7,149.20. A year after his termination, the employee has not repaid the amount required by the agreement.	Collect the remaining $2,728.94 of the relocation repayment agreement plus the $2,292.88 of employee and employer taxes. Define a process for providing and tracking relocation payments and repayment plans to ensure all funds are handled appropriately.	Management agrees with the recommendation. Finance will document how relocation reimbursements are handled with regard to taxes that were withheld. Finance and Human Resources will develop a process to ensure that there is proper follow up for reimbursement agreements and that funds are reimbursed appropriately.	11/14/2019	1/31/2020	CFO and HR Director	2/4/2020 - No update provided.
3	Network Access	Information Technology	During fiscal year 2018/19, 71 employees terminated. Two of these employees still had active network accounts. One of the employee's had their password changed, so the employee would not be able to access the system. The other employee access was not revoked. Since there is no centralized function that tracks contract employees, we were unable to test whether contract employees' network access was removed from the network. IT staff indicated that they are not consistently notified when a contract employee terminates.	Establish a centralized process to track employees and contract employees to ensure they are properly tracked from hire, modification in roles/responsibilities through termination. In addition, establish a mechanism and/or process to ensure all termination procedures are completed for all employees and contract employees.	Information Technology will assign a Business Analyst to assess the existing employee termination process and recommend modifications to the existing or implementation of a new process to ensure timely and consistent termination of access. Information Technology will implement those recommendations agreed upon by HR and IT to ensure that all information systems access is revoked in a timely and consistent manner and IT devices are recovered. Contracts and Procurement staff will review existing contracts and ensure that there are requirements for contractors to notify Valley Metro timely when contract staff are replaced. Contracts and Procurement will ensure that such requirements exist in all future procurements and resultant contracts.	11/14/2019	3/7/2020	IT Manager and Chief Procurement Officer	2/4/2020 - Per Chief Administrative Officer, this finding is on track for resolution by March 2020. A process to ID contractors and communicate their departure has been developed. It includes the fail-safe automatic deactivation of inactive accounts after a specified period. It will be implemented in February.

Ref #	Finding Title	Dept	Finding Description	Recommendations	Management Response	Report Date	Due Date	Responsible Party	AFS Notes
4	No Established Inventory Management Policy	OMC & Finance	A written Inventory Management Policy for the parts and tools used at the OMC does not exist. Procedures were not documented, and the processes followed were inefficient in addressing the handling of precious items (e.g., copper and steel), and the reconciliation, disposal, and obsolescence of parts and tools. Management could not provide a documented base knowledge of all items on-site to include in the OMC tools and parts inventories. The OMC has not conducted a full inventory of the parts and tools for the MOE and MOW. A reconciliation of parts on-site to the parts recorded in Ellipse and the tools on-site to the Excel tracking spreadsheets has not been completed. Additionally, the stock movement of parts in Ellipse has not been analyzed to determine the usefulness/value/necessity of unused/obsolete inventory.	Management should establish a written: (A) Inventory Management Policy to address: (1) Accounting and securing precious items, metals, parts, and tools; (2) Disposal of obsolete or broken parts and tools; (3) Reconciliation of on-hand quantities of parts and tools, and (4) Employee counseling and/or reimbursement for lost or damaged agency assets. (B) Set of current procedures to address: (1) Performance of full inventory counts of all parts and tools; (2) Enhancement of the inventory process to not display on-hand quantities during cycle and full counts; (3) Standardization of inventory records, so consistent inventory documentation and descriptions are used on logs and in Ellipse; (4) Determining and disposing of obsolete inventory; (5) Securing and disposing of precious items; (6) Investigation requirements for	Taking into account the attached comments, management will establish a written Inventory Management Policy that addresses the four (4) components listed in the audit recommendation. Also, management will establish or modify current written procedures that addresses the other eight (8) components listed in the audit recommendation. These policies and procedures will be written in a manner that will provide the most operationally efficient and economical method.	1/16/2020	8/31/2020	CFO & COO	1/16/2020 - Report Issued
5	Travel Policy Clarification	Finance	The Travel policy: •Encourages individuals to stay at the conference or training host hotel site. If the host hotel nightly rate exceeds the GSA Lodging Rate Schedule, the excess host hotel rate is authorized. GSA §301-11.303 states: "The maximum amount that you may be reimbursed under actual expense is limited to 300 percent (rounded to the next higher dollar) of the applicable maximum per diem rate." 17 of 93 travel instances were identified where the daily rate for lodging was in excess of the GSA published rate but under the 300 percent cap. The rates ranged from $35 to over $100 per night above the allowed GSA rate. Total spending on lodging for travel during fiscal year 2017 was $59,551, of which a total of $2,539 was spent in excess of GSA lodging limits (4.26%). Additionally, the Travel Authorization form states "Hotel expenses are reimbursable up to the maximum GSA hotel rate". Also, "the traveler is responsible for the difference in the rates." Evidence of reimbursement by the traveler of the amount in excess of the GSA rate did not exist. •Defines: "Agency Travel, Conference and Out-of-County Training form – The Valley Metro (Agency) form used to process all authorized and budgeted Agency travel. This form requires Division Head, Chief Financial Officer (CFO) and Chief Executive Officer (CEO) signature approval". Of the 93 forms completed, two Division Head signatures were found not to be present. •Identifies one of the responsibilities of the traveler is to "submit actual post-travel expenses with itemized receipts and the Agency Travel, Conference and Out-of-County Training form to Travel Administrator with five (5) working days after competing travel". Of the 93 forms submitted, we found 45 forms were not submitted within five working days, based upon the date of the Expense Report. Below is a table outlining the number of days, after travel was completed, the Expense form was dated: 2-5 Days 6-9 Days 11-15 Days Over 18 Days 22 forms 11 forms 5 forms 7 forms •States: "The Traveler will adjust the Per Diem amount for meals provided by business host or conference when applicable. If hotel has full breakfast included it will be deducted from per diem; continental breakfasts provided will not be deducted". We found six occasion where a traveler requested per diem when food was to be provided by the host. The policy is silent on situation where the traveler may not be able to take part in others meals provided, due to dietary restitutions or timing of the meal coincides with business requirements. The Travel policy provides the foundation by which travelers and administrators are to operate. Clear direction and instructions as to what is expected, allowed and un-allowed expenses alleviates confusion and incurring of expense which may be declined. The Travel policy continues to mature and expand as travelers encounter situations which brings forth the need for further clarity to address situations not previously considered or addressed within the policy. As travelers are held accountable to the provisions within the Travel policy, areas not previously addressed have come to light.	Management should align the Travel policy intent with associated forms and practices. If circumstances warrant travel to be completed in less than 21-day of the submission the Agency Travel, Conference and Out-of-County Training form, the policy should reflect such verbiage. The Travel Authorization form should be revised to include identification if the user is staying at the host hotel and the rate exceeds the GSA rate. Otherwise, revisions to verbiage related to "hotel expense are reimbursed up the to to the maximum GSA hotel rate; and a traveler is responsible for the difference in the rates" should be considered. Further clarity should be added to the Travel policy advising the traveler if they are taking part in the meal provided by the host, the per diem amount should reflect accordingly. Travelers should be held accountable for submission of their Expense form within the five-days after travel has been completed. Finally, management should ensure appropriate signatures are gained prior to booking or reconciling final travel expenses.	Management concurs with the recommendation. Additional clarity is being added to the Travel Policy and procedures will be updated to ensure that documentation is proper and complete.	4/6/2018	NA	Chief Financial Officer	Pending Next Audit

Ref #	Finding Title	Dept	Finding Description	Recommendations	Management Response	Report Date	Due Date	Responsible Party	AFS Notes
6	Travel Policy Exceptions	Finance	After reviewing 93 travel requests, 87 instances were in compliance. In six instances, documentation was insufficient to determine whether costs were appropriate. The six instances were: •One traveler requested to arrive at a more distant airport and rent a car to a different city where the conference was held. The traveler indicated on the Travel Authorization form the arrival city would be a savings. Additionally, a copy of the airfare cost comparison nor explanation was not included. Therefore evidence to verify the saving was not present. •One traveler used a more expensive vehicle option for transportation for a San Francisco hotel to the Oakland airport at the end of the conference. The cost was $96. An explanation as to why this vehicle was selected did not exist within the travel file. •One traveler utilized the terminal parking at Phoenix Sky Harbor airport for two days. Resulting in a reimbursed expense of $50.00 ($25 a day) verses $22 ($11 a day). The Travel policy states: "economy parking should always be used". This was the travelers' first trip for Valley Metro and was unaware of the Travel policy parking requirements. •One traveler purchased the CEO a $150 ticket for the Rail Rodeo Awards Banquet and submitted the expense. The traveler did obtain the CEO approval on her Expense form; but additional approval was not obtained from the CFO nor Board of Directors on the expense for the CEO. •On two occasions airfare was purchased at four and six days prior to departure resulting in fares of $1,052.00 (Savannah GA) and $1,285.20 (San Francisco). The Travel policy states: traveler(s) are to "submit the Agency Travel, Conference and Out-of-County Training Form at least 21-days in advance to travel so that the Travel Administrators can purchase travel at least 14-days prior to departure". The travel was approved, but the reasons why these purchases were made less than 14-days prior to departure was not documented within the travel file. The Travel policy states: "Extenuating circumstances may arise during travel which may require unanticipated expenses. Whenever possible, approval should be received from the CEO and CFO prior to incurring the expense". Evidence to demonstrate follow-up on unusual expenses was not maintained with Expense forms. This is resulting in expenses being Travel policy exceptions.	Management should require travelers acknowledge review of the current Travel policy on an annual basis. Travel Administrators should document within the travel file any unusual requests for travel expenses and receive appropriate approval for such requests prior to booking. Travelers should be required to explain any unusual expenses incurred on the Expense form prior to being approved for reimbursement.	Management concurs with the recommendation. Annual refresher training will be provided to ensure compliance with the Travel Policy.	4/6/2018	NA	Chief Financial Officer	Pending Next Audit

7	Policy Compliance – Insufficient/Incomplete Documents within Cardholder Reconciliation Packets	Finance & Procurement	Credit card reconciliation packets were submitted and processed without all policy required signatures or documentation.
			    One cardholder's Pre-Approval Local Dining and Refreshments form for a credit card transaction, totaling $113, was for a FTA meeting, did not have the CFO and CEO approval signatures, only the Division Head signature existed.
			    Eight cardholders did not have the Pre-Approval Local Dining and Refreshments forms in their credit card reconciliation packets. Fifty-seven credit card transactions, totaling $16,237, were for committee/employee meetings and events. Evidence of a completed form could not be located.
			    Although six cardholders obtained Pre-Approval Local Dining and Refreshments forms for 16 credit card transactions, totaling $1,861, were for committee/employee meetings and events, cardholders did not maintain the approval forms in their credit card reconciliation packets.
				Management should expand the cardholder's training requirements beyond the Credit Card, Acceptable Use policy to include other policies wherein credit card purchases maybe applicable, specifically the Agency Local Dining and Refreshments policy. Additionally, management should include in the credit card transaction review process a method to track and return credit card packets to Division Heads who fail to complete all policy-required documentation.	Management disagrees with the recommendation. Complete documentation for authorized travel or for local dining does not need to be included in the credit card packet, nor should the Credit Card Administrator review travel related charges to ensure that they are authorized. That is all the responsibility of the travel administrators as described in the travel policy, or the Controller as described in the Local Dining policy.
					Additionally, the Local Dining policy fails to acknowledge the accepted and longstanding practice of providing meals at Committee and Board meetings and inadvertently suggests that a local dining approval form is needed for those. Management will update the local dining policy to clarify that standing committee meetings are exempt from the requirements.
						2/21/2019	NA	Chief Financial Officer	Pending Next Audit

Ref #	Finding Title	Dept	Finding Description	Recommendations	Management Response	Report Date	Due Date	Responsible Party	AFS Notes
8	Policy Compliance – Documented Division Head Approvals Not Maintained	Finance & Procurement	Six cardholders did not have evidence of the Division Head's review/approval by means of a dated Division Head signature for 18 monthly credit card reconciliation packets. ⦿ Four cardholders had sixteen credit card reconciliation packets that were not signed by the Division Head, but rather a Manager with no delegation of authority paperwork applicable ⦿ One cardholder had one credit card reconciliation packet that did not have a Division Head signature. Although notations indicating the cardholder was no longer a Valley Metro employee, no Division Head review/approval signature was obtained ⦿ One cardholder had one credit card reconciliation packet that did not have the required Audit and Finance Subcommittee (AFS) Chair signature	Management should expand the policy's training requirement beyond the cardholders to include applicable employees in the Agency's credit card transaction process. Additionally, management should include in the credit card transaction review process a method to track and return credit card packets to Division Heads who fail to complete all policy-required documentation.	Management disagrees with the recommendation. The intent of the credit card policy is to ensure that credit card transactions comply with the procurement policies and procedures. It is management's view that a cardholder's manager is responsible for reviewing and approving the cardholder's transactions. Management will revise the policy to clarify that a management staff (Manager or Director level) must review and approve transactions. Finance staff will confirm that a management staff has approved the credit card packet and return unapproved packets to the cardholder.	2/21/2019	NA	Chief Financial Officer	Pending Next Audit

Information Summary

DATE   **AGENDA ITEM 5**
February 7, 2020

SUBJECT
RPTA and Valley Metro Rail Fiscal Year 2021 Budget Assumptions Changes

PURPOSE
To provide an overview of changes to the preliminary assumptions that are proposed for developing the Fiscal Year 2021 preliminary operations budget.

BACKGROUND | DISCUSSION | CONSIDERATION
Valley Metro is developing the Fiscal Year 2021 annual operating budget. The first milestone in the process was to develop and distribute a preliminary operations budget by October 31st. The preliminary operations budget encompasses all of the transit services that are funded with member city contributions. The intent of the preliminary budget is to provide input to the cities for the development of their city budgets.

Since that time, the budget staff has been reviewing and revising those assumptions as needed, in addition to gathering information for the remaining budget areas, such as planning and regional services.

The updated assumptions are presented to the Audit and Finance Subcommittee for discussion. These updated assumptions have previously been presented to the Financial Working Groups in early February.

RECOMMENDATION
For information only.

CONTACT
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ATTACHMENT
FY21 Position Justifications - RPTA and Shared
FY21 Position Justifications - VMR

FY21 Budget
Key Assumptions

1

RPTA FWG

2

Budget Schedule

Committee/Boards/FWG	
Aug 29, 2019	Board Study Session
Oct 10, 2019	Present Key Assumptions to AFS
Feb 3, 2020	Present update of Key Assumptions to FWG
Feb 13, 2020	Present update of Key Assumptions to AFS
Feb 18, 2020	Present annual budget to FWG
March	Present 5-year plans to FWG
	Present Annual Budgets to Committees/Boards for Info
April	Present 5-year plans to AFS
May	Present Annual Budgets and 5-year plans for action

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Revenues Forecasts

Prop 400
- PTF (up 1.5%)

Fares
- Down 5% (previously flat)

Federal
- Flat (no change)

4

PTF Forecast

	FY19	**FY20**	**FY21**
Bus	$88.6	$93.0	$98.2
Rail	$67.5	$70.9	$74.8
Total	**$156.1**	**$163.9**	**$173.0**
Updated	**$156.1**	**$165.7**	**$175.6**
		1.1%	*1.5%*

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Base Service Levels

	Locally Funded Service			PTF Funded Service			Total Revenue Miles
Project	Circulator	Express	Local	Circulator	Express	Local	
Phoenix	0	0	0	0	0	1,594,030	1,594,030
First Transit	1,643,520	41,916	4,221,485	0	490,985	5,246,320	11,644,226
Total Ride	862,254	23,849	0	0	223,853	0	1,109,956
Total	**2,505,774**	**65,765**	**4,221,485**	**0**	**714,838**	**6,840,349**	**14,348,211**
Updated	**2,575,069**	**69,312**	**3,992,070**	**-**	**714,816**	**7,148,358**	**14,499,624**
	3%	**5%**	**-5%**		**0%**	**5%**	**1%**

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Demand Service Levels

Significant changes in trip forecast:

- **Maricopa County**
  - 5% reduction
- **Mesa**
  - 20% reduction
- **Surprise**
  - 8% reduction

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Regional Planning

- **Avondale Bus Stop Improvements**

- **Paratransit Facility Study**

- **Rider Experience**

- **Emerging Technology: microtransit, autonomous vehicle pilots**

- **Implementation Plans**

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Fare Collection System Replacement

- **Local PTF match:**

	Bus	Rail	Total PTF
FY20	$ 208,000	$ 404,000	$ 612,000
FY21	$ 780,000	$ 1,514,000	$ 2,294,000
FY22	$ 728,000	$ 1,413,000	$ 2,141,000
FY23	$ 364,000	$ 707,000	$ 1,071,000
	$ 2,080,000	**$ 4,038,000**	**$ 6,118,000**

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RPTA 5-Year Staffing

	FY21	FY22	FY23	FY24	FY25
Bus Operations	2	-	-	-	-
TAM	1	-	1	-	-
Accessible Transit	1	-	-	-	-
Safety/Security	-	2	-	-	-
ABTS	1	5	2	2	-
CSD	-	2	1	-	-
Finance	1	-	-	-	-
HR	1	-	2	-	-
Legal	1	-	-	-	-
	8	**9**	**6**	**2**	**-**

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VMR FWG

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Changes to Revenues Forecasts

Fares

- Average Fare down to $0.71 (previously flat at $0.74)
- Ridership flat (previously decrease 2%)

Federal (PM) (no change)

- Increase 1.5% from actual FY20 allocation

Advertising

- Down from FY20 - $1.1M minimum
  - ($1.4M in FY20)

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Streetcar Operations (no change)

Revenue Start Date
- May 21, 2021

New Staffing
- 2 Track Maintainers
- 2 Traction Power Technicians

Fares
- TBD, possibly free for a period

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Rail Transportation

Alternate Concepts Inc.
- Rates up 5% (no change)

Allied Universal
- Rates up 2% (no change)

Propulsion Power
- APS – 5% (no change)
- SRP – 3% (no change)

Contingency
- Reduced from 5% to 3%

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Respect the Ride (no change)

Continue current education campaign

Continue to evaluate programs during FY20 and FY21

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State of Good Repair

• Locally funded major items include:

Equipment	QTY
Replacement CPEV substation batteries	35
Emergency call boxes	39
Replace damaged LRT station sail canopies	6
Station Repainting CPEV Alignment	7
Price PnR Concrete Replacement	1
Replacement water fountain shells	21
Roosevelt TPSS Driveway Improvements	1
Station fencing	4

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State of Good Repair (contd)

Non-Revenue Vehicles	QTY
Replacements due to age/mileage	4
Revenue Vehicles	
Line Filter Choke	35
Repaint LRV Exterior	17

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Regional Planning Activities

- **Capital I-10 West (Phase I)**

- **Capital I-10 West (Phase II)**

- **Fiesta District Corridor Alternatives Analysis**

- **Arizona Avenue Alternatives Analysis**

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VMR 5-Year Staffing

- **Staff dedicated to VMR (no RPTA effort)**

	FY21	FY22	FY23	FY24	FY25
LRV Maintenance	1	6	16	1	6
Maintenance of Way	6	-	4	18	8
Safety/Security	-	4	-	6	-
	7	**10**	**20**	**25**	**14**

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FY21 Position Jutifications
RPTA only and Shared Positions
AFS Review - 2/13/20

Division	Position	Justification
ABTS	ATS Program Supervisor	Historically, the Paratransit and Ride Choice programs have been managed by a single manager. Over the last fourteen months, the Ride Choice program has grown dramatically as cities have substituted Ride Choice for paratransit in areas beyond the required ADA service areas. Ride Choice monthly ridership has increased more than 220%. This growth has made the combined Ride Choice and Paratransit programs too large for a single manager. Continued Ride Choice growth is assured as more cities adopt the program. As a result, this position is needed to established a dedicated Ride Choice program administrator.
	IT Operations Lead Engineer *(Conversion from contractor)*	Valley Metro contracts for a lead engineer position from vendor ETS. The lead engineer is responsible for the implementation and upkeep of Valley Metro's server, network, storage, and telecommunications infrastructure, delivering and maintaining various IT services, and leading and mentoring the administrators and technicians of the IT Operations group. While use of a contactor provides great flexibility, it comes at a cost – the contract's overhead adds approximately 58% to the annual cost. The need for this position is on-going. As a result, Valley Metro would like to convert the position from a contractor to an employee eliminating the contracting company's overhead.
Finance	Payroll Supervisor	Valley Metro is in the process of procuring and implementing a new Enterprise Resource Planning system. Part of that project will be to bring payroll processing in house. Currently we are purchasing the service from ADP. The supervisor will work with payroll staff, ADP and the ERP implementation team to ensure a smooth transition to the new payroll process. Ultimately the supervisor will oversee the entire payroll process including supervising the payroll accountants. Valley Metro currently pays ADP approximately $150,000 per year, which is sufficient to fund the supervisor position once the transition has been made.
Human Resources	Human Resources Technician	An additional Human Resources Technician is required to provide administrative and technical HR support to ensure timely delivery of services and meet regulatory requirements in various functional areas including: Leave Management, Employee Transactions, Recruitment & Selection, Training & Development and Records Management.
Legal	Legal Coordinator	VM has experienced increased growth in the volume and complexity of public records requests. Additionally, as the volume and variety of legal claims increase, additional support is required to manage those claims. Between calendar year 2017 and 2019, the public records requests managed by communications alone increased by 30 percent, growing from 60 to 90 requests. In addition, the requests are becoming more complicated and detailed, especially as our system expands and service increases or changes, e.g. paratransit. Also, with video capturing more incidents on buses and trains, station platforms and park-and-rides, the amount of time spent on public records requests will continue to increase.
O&M - RPTA	Program Coordinator-Operations	Needed to improve the oversight of three contractors that provide bus service. This position will provide a consistent presence in the field monitoring bus service on the street. It will also assist in monitoring other key contract deliverables, such as detour and layover compliance, ride checks, rising complaints, and other service related issues. Recent internal audit findings found that there was insufficient oversight and this position will provide the additional oversight.
	Program Coordinator-Maintenance	Will provide additional oversight on the maintenance activities for all three bus service contracts. This position will also be dedicated to project oversight when new technologies are introduced such as the replacement farebox project, smart yard technology project, and VMS project. The position will address recent internal audit findings.
O&M - VMR	TAM Program Coordinator	In 2016 the FTA published the final rule, including minimum requirements, for transit agencies to establish a Transit Asset Management Plan (TAMP). The final rule requires transit agencies to establish a system to monitor and manage public transportation assets that improve safety and increase reliability and performance, and to establish performance targets. TAM Program Coordinator works with the Transit Asset Management Department to further TAM initiatives. They will provide assistance to the LRT and bus operations staff in areas of condition assessments, performance measures, reporting and data analysis. They will support lifecycle standards and operating procedures related to TAM. They will assist in maintaining the TAM requirements in the new EAM system and ensuring new procedures for TAM are followed. With the addition of new revenue vehicles and LRT extensions as well as bus operation requirements an additional position is need to assist the 1/2 position that currently exists. Though the initial plan has been written it will need to be refreshed with new equipment and new procedures for TAM. It is mandated that the plan be refreshed when new equipment is added or every 4 years. This position will ensure all new equipment is accounted for and help with the rewrites of the plan.

FY21 Position Jutifications
VMR only
AFS Review - 2/13/20

Division	Position	Justification
O&M - VMR	Maintenance Planner/Scheduler	This position will be responsible for using the EAM system to schedule all preventative maintenance and overhauls. This will ensure FTA TAM compliance and ensure that equipment is maintained per OEM guidelines. In order to do this function the scheduler/planner will need to review maintenance manuals and stay current on all of the manufacturers service bulletins to incorporate any changes into the EAM system. This is a safety critical function. This position will also be responsible for updating the EAM system with warranty information. This will help to ensure that LRV maintenance is fiscally responsible by catching all warranty repairs. The scheduler/planner will use the EAM system to update the equipment register when serialized components are replaced or moved to a different vehicle for troubleshooting purposes. This will help to ensure we are generating accurate failure analysis information in order to identify fleet defects. Currently these tasks are handled by LRV maintenance management. With the addition of the new LRVs and the Tempe Streetcars these functions will require a full time employee to ensure that we are compliant with FTA regulations and that the vehicles maintained in a way to ensure safety and reliability.
	Traction Power Systems Technician (Jan 21)	For support and maintenance of the Tempe Streetcar project. Maintenance of the OCS and substations.
	Traction Power Systems Technician (Jan 21)	For support and maintenance of the Tempe Streetcar project. Maintenance of the OCS and substations.
	MOW Materials Handler	Increase in shift coverage of the MOW stockroom. This position will allow 2nd shift coverage. Recent internal audit findings found that we needed more control of the parts room and this position will satisfy that need.
	Track Maintainer (May 21)	For support and maintenance of the Tempe Streetcar project.
	Track Maintainer (May 21)	For support and maintenance of the Tempe Streetcar project.
	Track Allocation Administrator	Position is needed to review, approve, and issue Track Access Permits. MOW staff, facilities maintenance staff, power washing staff and external contractors (i.e.APS, SRP, Kiewit, Stacy Witbeck) require Track Access Permits on a daily basis to perform any work activities on or near the VM right of way (including platforms, substations, tail tracks, sidings). Much of the work directly relates to maintaining transit assets that improve safety, reliability and performance as required by the FTA Transit Asset Management. This position will schedule, plan and ensure proper logistics are in place before issuing permits to ensure the safety of all stakeholders . This position will provide safety oversight of work crews to make certain that work is being performed safely, and in accordance with the stipulations outlined in the work permit. This position is vital to assist with external construction activity taking place near the right of way as construction projects have sky-rocketed as a result of transit-induced economic growth. Additionally this position is crucial to the safety assurance of all current, and future capital development projects (OMC, TSC, NW2, SCE, Capital I-10). It is crucial that all Permit Requests are thoroughly vetted prior to approval as to not compromise the safety of our employees, equipment, or the general public.

Division	Position	Justification
ABTS	ATS Program Supervisor	Historically, the Paratransit and Ride Choice programs have been managed by a single manager. Over the last fourteen months, the Ride Choice program has grown dramatically as cities have substituted Ride Choice for paratransit in areas beyond the required ADA service areas. Ride Choice monthly ridership has increased more than 220%. This growth has made the combined Ride Choice and Paratransit programs too large for a single manager. Continued Ride Choice growth is assured as more cities adopt the program. As a result, this position is needed to established a dedicated Ride Choice program administrator.
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Finance	Payroll Supervisor	Valley Metro is in the process of procuring and implementing a new Enterprise Resource Planning system. Part of that project will be to bring payroll processing in house. Currently we are purchasing the service from ADP. The supervisor will work with payroll staff, ADP and the ERP implementation team to ensure a smooth transition to the new payroll process. Ultimately the supervisor will oversee the entire payroll process including supervising the payroll accountants. Valley Metro currently pays ADP approximately $150,000 per year, which is sufficient to fund the supervisor position once the transition has been made.
Human Resources	Human Resources Technician	An additional Human Resources Technician is required to provide administrative and technical HR support to ensure timely delivery of services and meet regulatory requirements in various functional areas including: Leave Management, Employee Transactions, Recruitment & Selection, Training & Development and Records Management.
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O&M - RPTA	Program Coordinator-Operations	Needed to improve the oversight of three contractors that provide bus service. This position will provide a consistent presence in the field monitoring bus service on the street. It will also assist in monitoring other key contract deliverables, such as detour and layover compliance, ride checks, rising complaints, and other service related issues. Recent internal audit findings found that there was insufficient oversight and this position will provide the additional oversight.
	Program Coordinator-Maintenance	Will provide additional oversight on the maintenance activities for all three bus service contracts. This position will also be dedicated to project oversight when new technologies are introduced such as the replacement farebox project, smart yard technology project, and VMS project. The position will address recent internal audit findings.
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Information Summary

DATE   **AGENDA ITEM 6**
February 6, 2020

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 Board Information Summaries are included.

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

A.   Maricopa County Intergovernmental Agreement Amendment

Execute an IGA amendment with Maricopa County to reimburse Valley Metro for the cost of Paratransit and Ride Choice Services from April 1 to June 30, 2020, not to exceed $309,494.

B.   Operations and Maintenance Center Expansion (OMCEXP) Design/Build Contract Amendment – State of Good Repair Items

Execute a contract amendment with the Operations and Maintenance Center Expansion Design/Build Contractor, Hensel Phelps, to provide State of Good Repair funding for an upgrade to the existing Evaporative Cooling System in the MOE Building and to replace the existing Sanding System at the cleaning platform. The total funding request is $4.4M.

RECOMMENDATION
For information only.

CONTACT
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ATTACHMENT
Information Summaries for items listed above.

Information Summary

SUBJECT
Maricopa County Intergovernmental Agreement Amendment

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute an Intergovernmental Agreement (IGA) amendment with Maricopa County reimburse Valley Metro for the cost of Paratransit and Ride Choice Services from April 1 to June 30, 2020, not to exceed $309,494.

COST AND BUDGET
The IGA is based on a trip estimate of 7,875 for paratransit and 8,359 for Ride Choice, and a net cost estimate not to exceed $309,494. Maricopa County will pay the actual cost of services provided.

RECOMMENDATION
Staff recommends that the TMC forward to the Board of Directors authorization for the CEO to execute an IGA amendment with Maricopa County to reimburse Valley Metro for the cost of Paratransit and Ride Choice Services from April 1 to June 30, 2020, not to exceed $309,494.

BACKGROUND/DISCUSSION/CONSIDERATION
On October 1, 2019, Valley Metro began providing Ride Choice Services to residents of Maricopa County. At the same time, paratransit services were restricted to the federally mandated service area. To facilitate these services, an IGA between Valley Metro and Maricopa County was executed, effective from October 1, 2019 to March 31, 2020. An amendment is needed to continue the service through the end of the fiscal year.

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 1: Increase customer focus
- Goal 2: Advance performance based operation
- Goal 3: Grow transit ridership

COMMITTEE PROCESS
RTAG: January 21, 2020 for information
TMC: February 5, 2020 for action
Board of Directors: February 20, 2020 for action

CONTACT
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ATTACHMENT
None

A copy of the intergovernmental agreement amendment with Maricopa County is available upon request.

Information Summary

SUBJECT
Operations and Maintenance Center Expansion (OMCEXP) Design/Build Contract
Amendment – State of Good Repair Items

PURPOSE
To request authorization for the Chief Executive Officer (CEO) to execute a contract
amendment with the OMCEXP Design/Build Contractor, Hensel Phelps, and provide
funds up to $4,400,000 for:

A. Upgrading the existing Evaporative Cooling System in the Maintenance of
   Equipment (MOE) Facility (Shop Area)
B. Replacement of the existing Sanding System with a new system at the existing
   cleaning platform at the Operations and Maintenance Center (OMC)

COST AND BUDGET
The funding needed for these two state of good repair items are shown in the table
below.

Item	Cost	Contingency	Total Authority
Upgrade Existing Evaporative Cooling System	$2,600,000	$260,000	$2,860,000
Replace Existing Sanding System	$1,400,000	$140,000	$1,540,000
Total	**$4,000,000**	**$400,000**	**$4,400,000**

For the Fiscal Year 2020, the contract obligation is $1,760,000, which is funded within
the State of Good Repair capital project in the VMR FY20 Operating and Capital
Budget. The remaining contract obligation of $2,640,000 falls in Fiscal Year 2021.
Contract obligations beyond FY20 are included in the Valley Metro Rail Five-Year
Operating and Capital Forecast (FY2020 thru FY2024). The source of funding is
regional Public Transportation Funds.

RECOMMENDATION
Staff recommends that the RMC forward to the Board of Directors authorization for the
CEO to execute a contract amendment with the Operations and Maintenance Center
Expansion Design/Build Contractor, Hensel Phelps, to provide State of Good Repair
funding for an upgrade to the existing Evaporative Cooling System in the MOE Building

and to replace the existing Sanding System at the cleaning platform. The total funding request is $4.4M.

BACKGROUND/DISCUSSION/CONSIDERATION
During the site investigation as part of the design phase of the OMCEXP project, two unanticipated items at the Operations and Maintenance Center (OMC) were determined to be in need of repair or replacement. These items were not identified in the original scope of the expansion project and are considered to be state of good repair items that are appropriately funded outside of the expansion project.

The first item is an upgrade to the evaporative cooling system in the existing MOE shop area, and the second is replacement of the existing sanding system at the existing vehicle cleaning platform. With a qualified contractor already on board, it would be most convenient and efficient to have Hensel Phelps perform and coordinate this necessary work with the complex schedule of the expansion project. The needs are described below.

Upgrade of Evaporative Cooling System
While developing the scope for the expansion of the Maintenance of Equipment (MOE) Building, cooling the additional shop space to working conditions for Arizona was used as a baseline for design. The Mechanical Design Engineers were able to provide an acceptable level of working conditions with 20 air exchanges per hour in their study for the new annex to the MOE. However, this study identified significant cooling deficiencies in the existing portion of the shop space which is currently only operating with four air exchanges per hour and is not able to cool the shop space below 105 F to 110 F during hot summer days for durations lasting eight hours or more. This current evaporative cooling system is clearly at the end of its lifecycle.

Therefore, to bring the workspace into a useful condition, the working environment requires 20 air exchanges to effectively bring temperatures of the entire workshop area to more acceptable levels. This requirement matches the new building design and allows the airflow to be balanced.

Replacement of the Sanding System
The sanding system is located on the cleaning platform and its purpose is to pump sand into the sand boxes on the light rail and street car vehicles. The sand is applied to the rails as needed for safe train operation to improve both braking and traction on slippery rails due to wet or icy conditions. The lack of sand can generate dangerous situations, such as over running platforms and signals.

The current sanding system is insufficient and malfunctions regularly, slowing the process of cleaning and inspecting trains as they flow through the cleaning platform each evening. While a retrofit was considered, an evaluation of the current sanding system by other vendors and engineers determined that the current system could not be

reliably repaired or upgraded. The current system intermittently shuts down and faults are not able to be traced back to one source. Furthermore, this European system has no available spare parts, doesn't function well in the extreme temperatures of Arizona, and when any one pump of the system malfunctions, all the other pumps shut down. Therefore, a new sanding system is the only viable solution.

STRATEGIC PLAN ALIGNMENT
This item relates to the following goals and strategies in the Five-Year Strategic Plan, FY 2016 – 2020:

- Goal 2: Advance performance based operation
- Goal 3: Grow transit ridership

COMMITTEE PROCESS
RTAG: January 21, 2020 for information
RMC: February 5, 2020 for action
Board of Directors: February 20, 2020 for action

CONTACT
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ATTACHMENT
None

Information Summary

DATE   **AGENDA ITEM 7**
February 6, 2020

SUBJECT
Executive Session

PURPOSE
The Audit and Finance Subcommittee may vote to enter Executive Session for discussion or consultation and for legal advice with the attorney or attorneys of the public body and to consider its position and instruct its attorneys regarding the public body's position concerning matters listed on the agenda, personnel matters and contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; all as authorized by A.R.S. Sections 38-431.03 A.1, A.3., and A.4.

The agenda for Executive Session involves discussion and consultation regarding Valley Metro's internal audit process and quality control assessment.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
The Audit and Finance Subcommittee may vote to enter Executive Session.

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ATTACHMENT
None

Information Summary

DATE   **AGENDA ITEM 8**
February 6, 2020

SUBJECT
Executive Session Action Items

PURPOSE
The Audit and Finance Subcommittee may take action related to items discussed as part of Agenda Item 9.

BACKGROUND | DISCUSSION | CONSIDERATION
None

COST AND BUDGET
None

COMMITTEE PROCESS
None

RECOMMENDATION
The Audit and Finance Subcommittee may take action related to the items discussed as part of Agenda Item 9.

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ATTACHMENT
None

Information Summary

SUBJECT
Future Agenda Items Request and Report on Current Events

PURPOSE
Chair Arredondo-Savage will request future agenda items from members and members may provide a report on current events.

Future Items

Item	Month

FTE Audit Report
   o Mechanism to track contract employees
   o Contract employees cost/benefit analysis
   o Board/policy discussion of budget process for FTE's
   o HR evaluation of employee turnover
	TBD

Audit Exceptions Update o Management status for overdue/past due items	Ongoing
Present Comprehensive Annual Financial Reports for acceptance	February 2020
Key Budget Assumptions update	February 2020
Enterprise Resource Planning contract award	February 2020
External Audits: o City of Phoenix Contract Management Risk Assessment	March 2020
Present Annual Budgets for information	March 2020
Hardware/Software Management Audit	March 2020
Audit Plan Areas of Concern for future Audit information	March/April 2020
Professional Development Audit	April 2020
Present 5-Year Plans	April 2020
Contract Management (Specific) Paratransit	May 2020
Draft Audit Plan for information	May 2020
Present Annual Budgets and 5-Year Plans for Action	May 2020
Agency Credit card Audit	June 2020
Travel Audit	June 2020
Proposed Audit Plan for FY21	June 2020

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