

**METRO MANAGEMENT RESPONSES TO
FISCAL 2009 – FISCAL 2012 STATE REQUIRED PERFORMANCE AUDIT
OF THE METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS**

I. INTRODUCTION

Pursuant to Chapter 451, Section 451.454 of the Texas Transportation Code, METRO must have an independent auditor perform a management audit every four years. The audit must include three elements, as follows:

1. Examination of compliance with Chapter 451 and other state laws
2. Review of state-defined performance indicators
3. Performance audit of one of three specified areas – transit operations; system maintenance; or administration/management

Administration/management was selected as the area for this performance audit.

Upon completion of the audit, management must prepare a written response to the report. The response must identify the recommendation status as pending, adopted or rejected. The final report for the period from Fiscal 2009 through Fiscal 2012 has been completed by an audit team headed by CH2MHill, Inc. and contained several recommendations. The attached document is the METRO management response to these recommendations.

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II. RECOMMENDATIONS

TASK 1: COMPLIANCE

Recommendation 1 – Continue efforts to work with the State Auditor to adjust the audit schedule so that METRO is able to meet the audit deadline in the future.

Recommendation Status: Pending (resolution expected in FY2014)

- **Response** – Management agrees with this recommendation. METRO has corresponded with the State Auditor in order to seek a formal opinion with regard to adjusting the audit schedule for all subsequent quadrennial audits.

Recommendation 2 – Establish a centralized repository and procedures to ensure certified agendas and postings are consistently retained in a secured manner.

Recommendation Status: Adopted.

- **Response** – According to the Board Office file plan, METRO's certified agendas and postings are retained on-site for 15 years, and then archived permanently offsite.

Recommendation 3 – Establish procedures and responsible parties to ensure records management filing requirements are performed in a timely manner.

Recommendation Status: Adopted.

- **Response** – METRO has appointed a Records Management Officer to administer its public records program, with the assistance of a Records Management Supervisor and two Records Management Coordinators. The Records Management Officer is responsible for all legally-required filings relating to METRO's records management activities. METRO's Records Management Policy requires that all METRO departments appoint a Records Coordinator and submit a file plan detailing the applicable retention periods for its records. Departments and divisions are periodically audited to ensure continuing compliance with METRO's Policy.

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TASK 2: PERFORMANCE INDICATORS

Recommendation – Develop strategies to increase ridership as the economy improves.

Recommendation Status: Adopted.

- **Response** – Management agrees with this recommendation. Currently, METRO is exploring several strategies to increase ridership. These strategies include: offering a Day Pass, deploying articulated buses on overcrowded routes, extending or modifying routes to meet demand, and adjusting running times to improve reliability. METRO is also currently engaged in a system re-imagining effort to update its service to meet current needs.

TASK 3: MANAGEMENT & ADMINISTRATION - FINANCE

Recommendation 1 – METRO should review the Department of Finance staffing levels and organization and identify opportunities for cross-training and knowledge transfer to support staff development and retention.

Recommendation Status: Adopted.

- **Response** – Management agrees with this recommendation. All divisions of Finance have already initiated cross-training and documentation for knowledge transfer. In addition, Grants staff began Grants certification training in FY12. Finance will make broader cross-training and knowledge transfer a FY14 objective.

Recommendation 2 – Currently, METRO uses “Time Sheet by Exception” which does not require salaried employees to record time or obtain their supervisor’s approval. This has caused time sheet manual corrections due to employee errors in recording time off or time worked. The time sheet errors can be minimized or eliminated by turning on the Manager Self Service time sheet approving functionality in SAP or changing from “Time Sheet by Exception” (employees only record paid time off) to “Positive Time Sheet” (employees must record all time worked and paid time off). The Department of IT and the Payroll section within the Accounting Division should review options and implement functionality in SAP Human Capital Management (HCM) to minimize time sheet manual corrections.

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Recommendation Status: Pending (resolution expected in FY2014).

- **Response** – Management agrees with this recommendation. METRO will evaluate these two options, as well as other options, and select one to be implemented.

Recommendation 3 – The Department of Finance should evaluate its processes that are currently performed manually to determine what steps can be taken to automate the processes to improve efficiency when upgrading the system.

Recommendation Status: Adopted.

- **Response** – Management agrees with this recommendation. Grants has been working on automating processes in FY12 and FY13. In FY13, Budget Services has automated at least one process. In FY14, each division will be asked to submit processes for potential automation, with the goal of implementing at least one process by the end of the fiscal year. During the financial system upgrade, Finance will consider automating additional processes.

Recommendation 4 – The Treasury Services Division should review potential consolidation and/or process improvement opportunities with the Departments of Human Resources and Service Delivery with regard to: 1) data maintenance and records filing for the pension system and 2) revenue collection functions between Service Delivery and Treasury Services including the RideStore and Q® Card Processing Center operations.

Recommendation Status: Pending (resolution expected in FY2014).

- **Response** – Management will work with Finance, Human Resources, Service Delivery as well as executive staff to evaluate process improvement opportunities in FY14.

Recommendation 5 – As part of the annual budget process, and in conjunction with monitoring the annual Business Plan and Budgets throughout the year, the Budget Services Division should work with the departments to define outcome-oriented measurements that better align with both departmental and financial objectives.

Recommendation Status: Pending (resolution expected in FY2014).

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Response – Management agrees that Budget Services could play a larger role in departments' choice of scorecard items, performance measurements, and objectives. We will seek senior management input and approval. This recommendation will be submitted to METRO's Strategic Leadership Council for discussion.

TASK 3: MANAGEMENT & ADMINISTRATION – INFORMATION TECHNOLOGY

Recommendation 1 – Reduce the number of organization layers, or move the Department of IT higher in the METRO organization structure. In many transit agencies, the CIO reports directly to the President & CEO. In transit agencies of METRO's size, if the CIO does not report to the CEO, he/she typically reports to a direct report of the CEO (C-Level). The exceptions to this structure are agencies that, because they are part of a municipality, have much smaller IT departments with smaller strategic requirements. Placing the CIO higher in the METRO organization will naturally provide higher visibility and strategic importance to IT initiatives.

Recommendation Status: Pending (resolution expected in FY2014).

- **Response** – The Executive Office is currently reviewing METRO's organization chart. As METRO's central technology support function IT should have high visibility within the organization which will result in greater opportunities to become a strategic partner with other departments in meeting goals and objectives. This review process should be completed during FY2014.

Recommendation 2 – Establish executive sponsorship for all IT projects of a certain size. Projects without executive sponsorship invariably don't get the attention they deserve. All projects of strategic importance to METRO should have a C-Level sponsor to ensure that they get proper organizational visibility and respect within the agency.

Recommendation Status: Pending (resolution expected in FY 2014).

- **Response** – Management agrees with this recommendation that all IT projects of strategic importance and magnitude should have executive or C level sponsorship. The IT Department will work with the IT Steering Committee (ITSC) to improve the current process to ensure strategic projects are assigned an executive sponsor responsible for oversight of METRO's valuable resources. These improvements should be completed during FY2014.

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Recommendation 3 – Establish an Enterprise Architecture (EA). EA is an organizing logic for business processes and IT infrastructure reflecting the integration and standardization requirements of METRO's operating model. The operating model is the desired state of business process integration and business process standardization for delivering goods and services to METRO's customers. An EA would define what METRO does, who performs individual functions within METRO, how the organizational functions are performed, and how information is used and stored. The benefit of an EA is that IT costs are reduced and responsiveness of IT systems is improved. An EA is the simplest way to translate METRO's overall goals and strategies into practical solutions that can be applied to the IT systems. For an IT organization the size of METRO's, it is an important foundation for good governance.

Recommendation Status: Pending (resolution expected in FY 2014).

- **Response** – Management supports this recommendation. Contingent on support and funding, IT plans to reinstate this function which was eliminated due to budgetary constraints.

Recommendation 4 – Establish a Project Management Oversight (PMO) function and framework. The function of a PMO is to ensure that projects are managed the same way throughout the organization and that there is high visibility into the nature of the projects, the success metrics, and the progress of the projects as they are being implemented.

Recommendation Status: Adopted.

- **Response** – Management has utilized IT's internal resources and has complied with this recommendation.

Recommendation 5 – Enhance visibility of METRO's system for ranking and selecting IT projects for implementation so METRO staff have an understanding of the process and the future projects to be implemented by IT.

Recommendation Status: Pending (resolution expected in FY 2014).

- **Response** – Management will work with the governing body, the IT Steering Committee (ITSC), to ensure that decisions made by the governing body are properly communicated to staff.

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Recommendation 6 – Actively work to reduce the number of core IT systems. Executive sponsorship, an EA, and a project scoring system that takes into account the efficiencies and benefits of a reduced number of systems will naturally lead to this. It is also recommended that this should be a Department of IT objective and scorecard metric.

Recommendation Status: Pending (resolution expected in FY 2014).

- **Response** – Management will work with the IT Steering Committee (ITSC) to determine priorities for METRO's core IT systems and identify the necessary funds in order to complete the task. METRO is seeking to replace the outdated Oracle system possibly with an SAP solution or upgrading to the latest version of Oracle. IT plans to make this a department level scorecard objective.

Recommendation 7 – Evaluate the impact of losing the primary network for core systems at remote locations as well as options for better secondary network connectivity. Currently, failure of the primary network (fiber) does not count against network availability figures. While it is true that phones and e-mail are still functioning, other core systems cannot function well or often at all on the secondary (T1) network. Further fiber redundancy would likely be prohibitively expensive, but a cost benefit analysis that takes into account true system availability should be performed. This might result in changed response to the primary network failure or to seeking alternate and improved secondary networks.

Recommendation Status: Pending (resolution expected in FY 2014).

- **Response** – Management will evaluate options that provide additional secondary bandwidth to facilities and make recommendations to the IT Steering Committee (ITSC), contingent on approval and funding.

Recommendation 8 – Evaluate after-hours support needs and response. While there are currently off-hours procedures for the Support Center that make support available, they are not effective for some users. An analysis should be done of all the off-hour needs for Support Center response and, based on the analysis, the off-hour procedures and responses should be reevaluated.

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Recommendation Status: Pending (resolution expected in FY 2014).

- **Response** – Management will evaluate current after-hours support requirements and present recommendations and funding requirements to the IT Steering Committee (ITSC) for approval.

Recommendation 9 – The Department of IT should review the currently assigned access to the Oracle system to determine whether access to Oracle is assigned to the users with the greatest need for access, that the levels of access are adequate for users, and whether access is needed for additional users. It is recognized that all current Oracle licenses are in use by METRO and that additional licenses are a large agency expense and if METRO moves toward an ERP, the need for additional Oracle user access may be superseded. However, a periodic review of user access rights is a good practice.

Recommendation Status: Pending (resolution expected in FY2014).

- **Response** – Management will evaluate the licensing requirement for Oracle users and make recommendations for license count and funding to the IT Steering Committee (ITSC) for approval.