Agenda

Audit
Tuesday, May 25, 2021, 12:00 p.m.
DART Conference Room C – 1st Floor
1401 Pacific Ave., Dallas, Texas 75202
(Estimated Meeting Time: 45 minutes)

Due to the COVID-19 virus and current extension of the Disaster Declaration issued by the Governor, all DART Board Meetings and Public Hearings are closed to the public. All meetings will take place by videoconference and will be available at https://www.dart.org/about/board/boardvideo.asp.

1. Roll Call
2. Approval of Minutes: April 27, 2021
3. Approval to Call a Public Hearing for State-Required Performance Audit and to Release the Audit Following the Public Hearing (Jonathan R. Kelly/Chris Koloc) [20 minutes]
4. Approval of Service Planning and Scheduling Process Audit (Jonathan R. Kelly/Chris Koloc) [10 minutes]
5. Approval of FY2021 Liability Claims Process Audit (Jonathan R. Kelly/Chris Koloc) [10 minutes]
6. Identification of Future Agenda Items
7. Adjournment

The Audit Committee may go into Closed Session under the Texas Open Meetings Act, Section 551.071, Consultation with Attorney, for any legal issues, or under Section 551.074 for Personnel matters, or under Section 551.076 or Section 551.089, Deliberation Regarding Security Devices or Security Audits, arising or regarding any item listed on this Agenda.

Chair – Jonathan R. Kelly
Vice Chair – Ray Jackson
Members – Gary Slagel, Rick Stopfer and Dominique P. Torres
Staff Liaison – Chris Koloc
MINUTES
DALLAS AREA RAPID TRANSIT
AUDIT COMMITTEE MEETING
April 27, 2021

Due to the COVID-19 virus, DART Board meeting rooms were closed to the public. All meetings took place by videoconference and are available at https://www.dart.org/about/board/boardvideo.asp.

The Dallas Area Rapid Transit Audit Committee meeting came to order at 12:34 p.m., Tuesday, April 27, 2021, via videoconference, at DART Headquarters, 1401 Pacific Avenue, Dallas, Texas, with Chair Kelly presiding.

The following Committee Members were present: Jonathan R. Kelly, Gary Slagel, Rick Stopfer, and Dominique P. Torres.

Other Board Members present: Michele Wong Krause, and Paul N. Wageman.

Others present: David Leininger, Chris Koloc, Gene Gamez, Gabriel Beltran, Donna Johnson, Nancy Johnson, Tracy A. Cantu, and Josefina Chavira. Kevin A. Smith, Partner of Public Sector at Crowe, was also in attendance.

1. **Roll Call**

   Chair Kelly took Roll Call, officially confirming a quorum was present.

   Chair Kelly stated the Committee would conduct the actions of the meeting by Roll Call vote. He then provided voting instructions prior to continuing with the agenda items.

2. **Approval of Minutes: March 23, 2021**

   Hearing no objection, Chair Kelly stated the approval to accept the March 23, 2021, Audit Committee Meeting Minutes to be entered into record, as written.

3. **Approval of FY 2020 Defined Benefit Retirement Plan Audit**

   Chair Kelly recused himself at 12:37 p.m. and delegated the Presiding Officer’s responsibilities to Committee Member Slagel.

   Mr. Chris Koloc, Director of Internal Audit, introduced Mr. Kevin Smith, Partner at Crowe Horwath, who briefed the Committee.

   **Mr. Stopfer motioned to accept this item for receipt, and recommendation, for the DART Board’s review, as presented.**

   **Ms. Torres seconded.**

   Committee Member Slagel took a Roll Call vote, and the motion was approved unanimously.

   Chair Kelly rejoined the meeting at 12:44 p.m., resuming the Presiding Officer’s responsibilities.
4. **Briefing on Status of Fiscal Year 2021 Internal Audit Budget**
   Mr. Koloc briefed the Committee.

   Chair Kelly questioned what is being communicated to the employees that are working remotely. Mr. David Leininger, Interim President & Chief Executive Officer, responded by providing the Return To Work Plan.

   After some discussion, Chair Kelly requested a briefing on the Return to Work Plan at the appropriate committee.

5. **Briefing on Status of Fiscal Year 2021 Internal Audit Plans**
   Mr. Koloc briefed the Committee.

6. **Briefing on Status of Management Action Items**
   Mr. Koloc briefed the Committee.

7. **Mid-Year Review of FY 2021 Goals and Performance Measures: Director of Internal Audit**
   Chair Kelly stated that it was 1:08 p.m. on Tuesday, April 27, 2021, and unless the individual being reviewed requests that this item be discussed in public, the Dallas Area Rapid Transit Audit Committee was going into Closed Session under the Texas Open Meetings Act, Section 551.074, which allows deliberation of a personnel matter, to discuss Agenda Item 7, *Mid-Year Review of FY 2021 Goals and Performance Measures: Director of Internal Audit.*

   The Committee reconvened into Open Session at 1:20 p.m.

8. **Identification of Future Agenda Items**
   There were no future agenda items identified for this Committee.

9. **Adjournment**
   There being no further business to discuss, the meeting adjourned at 1:21 p.m.

Tracy A. Cantu
Tracy A. Cantu
Board Support Analyst
/tac

* Briefing Item
AGENDA ITEM NO. 3

Agenda Report

DATE: May 25, 2021

SUBJECT: Approval to Call a Public Hearing for State-Required Performance Audit and to Release the Audit Following the Public Hearing

RECOMMENDATION

Approval of a resolution to: 1) call a public hearing on July 6, 2021, at 6:30 p.m., in the DART Board Room to receive comments on an independent performance audit report of DART's transit operations, compliance with applicable state law, and state-required performance indicators of the Agency; and 2) approve release of the audit following the public hearing.

BUSINESS PURPOSE AND FINANCIAL CONSIDERATIONS

• DART’s legislation requires that an independent performance audit be conducted every four years to review the authority’s compliance with applicable state law, certain of DART’s operational key performance indicators and one or more of the following: 1) the administration and management of the authority; 2) transit operations; or 3) transit authority system maintenance. The audit must be conducted by a firm that has experience in reviewing the performance of transit agencies. This year's audit was a review of transit operations and was performed by IMG Rebel Advisory, Inc (Rebel).

• Previous audits which have been conducted as required by DART’s legislation are:

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<tr>
<th>Audit Focus</th>
<th>Date</th>
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<tbody>
<tr>
<td>Transit Authority System Maintenance</td>
<td>2004</td>
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<tr>
<td>Transit Operations</td>
<td>2009</td>
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<tr>
<td>Administration and Management</td>
<td>2012</td>
</tr>
<tr>
<td>Transit Authority System Maintenance</td>
<td>2016</td>
</tr>
<tr>
<td>Transit Operations</td>
<td>2020</td>
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• Following completion of the audit, DART’s legislation also requires DART to conduct a public hearing on the results of the audit. The public hearing is scheduled for July 6, 2021. Subsequent to the hearing, DART will deliver a copy of the performance audit report and the authority’s response to the city, county, and state elected officials as specified by the Code.

• Representatives from Rebel will be available at the May 25, 2021 Audit Committee meeting to brief the committee on the results of the audit.

• The discussion will help achieve Board Strategic Priority 3: Innovate to enhance mobility options, business processes, and funding.
LEGAL CONSIDERATIONS

- Section 452.454 of the Texas Transportation Code requires that DART contract every fourth state fiscal year for a performance audit of the authority to be conducted by a firm that has experience in reviewing the performance of transit agencies.

- Section 452.456(c) of the Texas Transportation Code requires DART to conduct a public hearing on each performance audit report and the authority’s response.

- Section 452.457 of the Texas Transportation Code requires DART to deliver a copy of the performance audit report and the authority’s response to city, county, and state elected officials as specified by the Code.
DRAFT

RESOLUTION

of the

DALLAS AREA RAPID TRANSIT BOARD

(Executive Committee)

Approval to Call a Public Hearing for State-Required Performance Audit and to Release the Audit Following the Public Hearing

WHEREAS, Section 452.454 of the Texas Transportation Code states that DART shall contract every four years for a performance audit to be conducted to review the authority's compliance with applicable state law, certain of DART's operational key performance indicators, and one or more of the following: 1) the administration and management of the authority; 2) transit operations; or 3) transit authority system maintenance. This year's audit was a review of transit authority system maintenance and was performed by IMG Rebel Advisory, Inc (Rebel); and

WHEREAS, following completion of the audit, Sections 452.456(c) and 452.457 of the Texas Transportation Code require the Board to conduct a public hearing on the results of the audit and to deliver a copy of the performance audit report and the authority's response to city, county, and state elected officials as specified by the Code.

NOW, THEREFORE, BE IT RESOLVED by the Dallas Area Rapid Transit Board of Directors that:

Section 1: A public hearing is called for July 6, 2021, at 6:30 p.m., in the DART Board Room to receive comments on an independent performance audit report of DART's transit operations, compliance with applicable state law, and state-required performance indicators of the Agency.

Section 2: The audit is approved to be released following the public hearing.
Approval to Call a Public Hearing for State-Required Performance Audit and to Release the Audit Following the Public Hearing

Prepared by: /s/ Joseph G. Costello *

Joseph G. Costello
Chief Financial Officer

Approved as to form: /s/ Gene Gamez *

Gene Gamez
General Counsel

Approved by: /s/ David Leininger *

David Leininger
Interim President & Chief Executive Officer

* Reviewed and approved, but not signed due to COVID-19 Coronavirus Pandemic
Agenda Report

DATE: May 25, 2021

SUBJECT: Approval of Service Planning and Scheduling Process Audit

RECOMMENDATION

Recommend forwarding final audit report to the Board of Directors.

BUSINESS PURPOSE

• Service Planning and Scheduling operates under a set of Service Standards adopted by the DART Board of Directors to provide guidance in evaluating the performance of the fixed-route and demand-responsive services the agency provides to the general public. The Service Standards establish guidelines and measurements that will direct the development, implementation, monitoring, and modification of transit services.

• Our audit focused on verifying compliance with DART and departmental standards, policies, and procedures and Federal Transit Administration (FTA), Department of Transportation (DOT) and other regulatory requirements in the development, implementation, monitoring and modification of fixed-route and demand-responsive services the agency provides to the general public.

• The processes used by Service Planning and Scheduling ensure major route changes and modifications follow the process as outlined in the DART Service Standards with appropriate approvals and reviews by management and the board before any changes and modifications are implemented. Temporary and minor route changes and modifications also follow DART Service Standards and are well documented and communicated with management. Internal Audit found no exceptions in any of the service changes we reviewed.

• The audit was performed through interviews with appropriate personnel, examination of relevant documentation, and tests of controls and procedures as considered necessary. We performed the audit in accordance with the standards of the Institute of Internal Auditors.
Date: May 25, 2021

Subject: Approval of FY2021 Liability Claims Process Audit

Recommendation

Recommend forwarding final audit report to the Board of Directors.

Business Purpose

- During fiscal year 2021, Liability Claims staff closed approximately 233 claims and approved settlements of approximately $798,000 as of March 31, 2021. There are 428 active claims pending additional review and investigation. Year-to-date claims processed in FY21 are consistent with the number of claims processed in FY20, which are slightly lower than the claims processed in FY19. Staffing of the Liability Claims Section consists of one Manager, four Claim Adjusters, and one Subrogation Specialist. The Liability Claims staff had significant turnover during fiscal year 2021 due to the voluntary retirement incentive program. Currently, new staff includes a manager and three claims adjustors.

- The audit comprised assessment of management controls over the Liability Claims processes. We examined procedures for the claim setup and administration, internal and external communications, collection of relevant information to determine responsibility and liability, and the utilization of RMIS. The audit scope covered fiscal year 2021 claim activities and relevant support.

- We reviewed controls over documentation of claim files and settlement payment approvals during FY2021. Our review noted opportunities to improve the documentation of the claim files. Notations by adjusters in claim files did not consistently advise where the claim was in the investigation process and management approvals were not consistently documented in the claim files. Risk Management needs to communicate documentation expectations to ensure all claim information is documented in a consistent manner within RMIS. This will help ensure the new Claims Adjusters and new Claims Manager include the proper amount of documentation in the claim files. Follow-up on this will be performed in July 2021.