



Audit

Tuesday, October 4, 2022, 12:30 P.M.

DART Board Room – 1st Floor

1401 Pacific Ave., Dallas, Texas 75202

(Estimated Meeting Time: 1 hour 35 minutes)

1. Approval of Minutes: September 13, 2022
2. Public Comments
3. Approval of Trinity Railway Express Positive Train Control Audit
(Jonathan R. Kelly/Chris Koloc) *[5 minutes - presentation; 5 minutes - Q&A]*
4. Approval of Track and Right-of-Way Maintenance Audit
(Jonathan R. Kelly/Chris Koloc) *[5 minutes - presentation; 5 minutes - Q&A]*
5. Approval of Audit of Construction Activity (Jonathan R. Kelly/Chris Koloc)
[10 minutes - presentation; 5 minutes - Q&A]
6. Approval of Fiscal Year 2023 Internal Audit Plan
(Jonathan R. Kelly/Chris Koloc) *[5 minutes - presentation; 5 minutes - Q&A]*
7. Approval of Fiscal Year 2023 Internal Audit Department Budget
(Jonathan R. Kelly/Chris Koloc) *[5 minutes - presentation; 5 minutes - Q&A]*
8. *Briefing on Status of Fiscal Year 2022 Internal Audit Budget
(Jonathan R. Kelly/Chris Koloc) *[5 minutes - presentation; 5 minutes - Q&A]*
9. *Briefing on Status of Fiscal Year 2022 Internal Audit Plan
(Jonathan R. Kelly/Chris Koloc) *[5 minutes - presentation; 5 minutes - Q&A]*
10. *Briefing on Status of Management Action Plans
(Jonathan R. Kelly/Chris Koloc) *[10 minutes - presentation; 10 minutes - Q&A]*
11. Identification of Future Agenda Items
12. Adjournment

***This is a Briefing Item Only**

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.

This facility is wheelchair accessible. For accommodations for the hearing impaired, sign interpretation is available. Please contact Community Affairs at 214-749-2799, 48 hours in advance.

Chair – Jonathan R. Kelly

Vice Chair – Patrick J. Kennedy

Members – Mark Enoch, Carmen Garcia, and Paul N. Wageman

Staff Liaison – Chris Koloc

**MINUTES
DALLAS AREA RAPID TRANSIT
AUDIT COMMITTEE MEETING
September 13, 2022**

The Dallas Area Rapid Transit **Audit Committee** meeting convened at 12:31 p.m., on Tuesday, September 13, 2022, at DART Headquarters, 1401 Pacific Avenue, Dallas, Texas, with Vice-Chair Kennedy presiding.

The following Committee Members were present: Patrick J. Kennedy, and Carmen Garcia.

Other Board Members present: Gary Slagel, Lee Ruiz, Rick Stopfer, and Michele Wong Krause.

Prior to beginning the meeting, Vice-Chair Kennedy stated that Chair Kelly was recusing himself for the entirety of the meeting and he would be the presiding officer.

Pursuant to Article V, Section 4 to the DART Board Bylaws, amended by Resolution No. 000159, dated September 12, 2000, Board Member Lee Ruiz was hereby appointed to the Audit Committee to serve as alternate member of the committee for purposes of making a quorum. The above-named Board Member shall have all the privileges of other committee members so long as the Board Member's presence is necessary to maintain a quorum. This appointment shall be effective only until the adjournment of the meeting for which the appointment is made.

This appointment form shall be filed with the Office of Board Support prior to the convening of the Committee meeting.

Others present: Nadine S. Lee, Gene Gamez, Chris Koloc, Lon Nickles, Donna Henry, and Josefina Chavira.

1. Approval of Minutes: August 9, 2022

Mr. Ruiz move to accept the Minutes from August 9, 2022, Audit Committee Meeting, were entered into record as written.

Ms. Garcia seconded, and the Minutes were accepted unanimously.

2. Public Comments

There were no public comments.

3. Approval of DART Police Property Room Audit

Mr. Chris Koloc, Director of Internal Audit, introduced Mr. William Villegas, Contract/Construction Audit Manager, who then briefed the Committee.

Mr. Stopfer entered the meeting at 12:39 p.m.

After some discussion, Mr. Ruiz motioned to accept this item for receipt, and recommendation, for the DART Board's review, as presented.

Ms. Garcia seconded, and the motion was approved unanimously.

4. *Briefing on Fiscal Year 2023 Internal Audit Plan

Mr. Koloc briefed the Committee.

Ms. Wong Krause entered the meeting at 12:46 p.m. and then stepped out at 12:47 p.m.

Ms. Garcia inquired how often would Mr. Koloc keep the Committee abreast of the areas that he had concerns with, in terms of the audit. She further asked if Mr. Koloc would provide a timeline. Mr. Koloc responded, currently, staff is scheduled to kick-off the audit next spring, however, between now and the start of that audit, he will be in conversations with Mr. Julius Smith, Executive Vice President/Chief Information Officer, and his staff, to make sure the Audit team stays on target. He noted that if that timeline should slip, he will notify the Audit Committee. Ms. Garcia requested Mr. Koloc take an overview of the full picture and prioritize which audits have not been done in quite some time, so that staff could get back on track in the areas that are critical to the agency.

After some discussion, Vice-Chair Kennedy inquired for clarification regarding line item 1, under Finance, if this item had not been completed in Fiscal Year (FY) 2021. Mr. Koloc responded he did not recall what had occurred in that timeframe, however, he would look at his notes and provide a response to the Committee.

Ms. Wong Krause reentered the meeting at 12:52 p.m.

After further discussion, Mr. Ruiz noted he was confused by the guide to the provided table in reference to Vice-Chair Kennedy's earlier comment about audits being completed or not being completed. In reference to the meaning of the letters, he recommended add a different letter that would indicate when an audit is completed as opposed to an audit that is due. Vice-Chair Kennedy agreed and recommended adding a letter behind the "A" to indicate when an item is complete, pending, etc.

5. Identification of Future Agenda Items

There were no future agenda items identified for this Committee.

6. Adjournment

There being no further business to discuss, the meeting adjourned at 1:01 p.m.



Josefina Chavira, CAP
Assistant Board Administrator

/jc

* Briefing Item



Agenda Report

DATE: October 4, 2022

SUBJECT: Approval of Trinity Railway Express Positive Train Control Audit

RECOMMENDATION

Recommend forwarding final audit report to the Board of Directors.

BUSINESS PURPOSE

- DART Commuter Rail Management directed implementation of the Trinity Railway Express (TRE) Positive Train Control (PTC) system and is responsible for the ongoing regulatory requirements, as well as oversight of the contractors to which operation and maintenance of the system are outsourced.
- The purpose of this audit was to determine whether the TRE PTC system is currently operating in compliance with applicable regulatory requirements. Evaluating the effectiveness of internal controls designed to mitigate operational and technology risks related to the routine function and maintenance of the TRE PTC system was an additional audit objective.
- Based on the result of our review, the TRE PTC system is generally operating in compliance with applicable regulatory requirements, which are expected to continue evolving as the PTC technology matures. The TRE has well defined operating rules addressing human functions that interact with the PTC system.
- The process designed to ensure that personnel responsible for TRE operations (i.e., Dispatchers, Engineers, and Conductors) complete the training regarding rules and procedures required to operate the PTC system is effective. However, we identified improvement opportunities related to the training requirements for personnel responsible for maintaining equipment that is part of the TRE PTC system.
- TRE and TEXRail PTC systems share a mutually redundant configuration designed to ensure system availability in the type of situation where a specific primary component belonging to either system becomes disabled. We evaluated that redundant design by observing a failover test conducted by the technology division of the primary TRE Operations & Maintenance contractor and determined it is currently operating effectively.
- TRE also has its own Configuration Management Plan, which includes a Change Advisory Board (CAB) that has not yet convened. Management has developed an action plan to assemble a CAB for internal oversight of proposed changes to the TRE PTC system.



Agenda Report

DATE: October 4, 2022

SUBJECT: Approval of Track and Right-of-Way Maintenance Audit

RECOMMENDATION

Recommend forwarding final audit report to the Board of Directors.

BUSINESS PURPOSE

- DART's Track and Right-of-Way Section, within the Ways, Structures, and Amenities Division (WSA), is responsible for the inspection and maintenance of DART's track structure and right-of-way (ROW). Track maintenance is classified into time based, condition based, and corrective maintenance. Additionally, this section is responsible for the inspection and maintenance of Dallas Streetcar's track structure and right-of-way.
- We conducted our audit to determine the effectiveness of controls in place for performing the Track Maintenance Plan, as well as the oversight of the maintenance plan. The scope of our audit included track maintenance, both the mainline, Streetcar, and storage yards. We reviewed maintenance types and schedules, maintenance inspection forms used, monthly maintenance reports, field inspection reports, training transcripts, and maintenance schedules generated by the Spear and Maximo systems.
- The Track and Right-of-Way Section has programs to maintain and repair the track structure and right-of-way as needed. Track Maintainers have appropriate training in accordance with the Technician Career Plan. The Track and Right-of-Way Section complies with their Track and ROW Maintenance Management Plan and scheduled maintenance is performed timely and is properly documented. Site visits are conducted by the supervisors and the field inspection reports are complete to ensure all areas of maintenance and safety are being monitored.
- Maximo, a maintenance management system which was recently implemented, has created some challenges for the group in documenting the maintenance work scheduled and performed. Our review determined over 600 work orders remain open because incorrect cost codes were preloaded into the system during the implementation. Additionally, management reporting to help ensure maintenance is performed timely as required is not available. Management has developed action plans to address these issues.



Agenda Report

DATE: October 4, 2022

SUBJECT: Approval of Audit of Construction Activity

RECOMMENDATION

Recommend forwarding final audit report to the Board of Directors.

BUSINESS PURPOSE

- DART completed work on the platform extensions for the Red and Blue lines, a Construction Manager/General Contractor (CM/GC) contract. DART also continued work of the Cotton Belt/Silver Line commuter rail, a design-build (DB) project.
- The CM/GC contract provides for the construction contractor to evaluate design work and offer suggestions from a constructability standpoint. The design-build (DB) method tasks the contractor team with both the design and construction of the project, limiting DART's role in design development to the initial preliminary design and to review and approval of the DB-produced final project designs.
- We conducted audits of construction safety, quality management, change control, design management, integrated testing, and progress billing. Our audits comprised an assessment of the internal controls and processes of the identified functions, as well as testing of their implementation. We adopted a consultative audit approach that included examination of work-related documentation, as well as attendance at project meetings and periodic observations of construction-related activity at various project sites. Our audit complied with standards of the Institute of Internal Auditors and the Internal Audit Department.
- Our review determined the agency maintains a comprehensive change control process with an active change control board that oversees and administers issues arising during construction. Our review of the system safety certification process determined personnel adequately track open items and follow them through to resolution. Our review of the progress billings process noted they were accurate, properly reviewed and adjusted, and in compliance with contractual requirements.
- The contractor has responsibility for safety on the job site. Our review determined DART safety administration conducts regular inspections to ensure good safety practices of the contractors. Contractors are also required to maintain quality assurance and quality control programs, which include oversight by DART staff. Our review confirmed DART staff provided effective oversight of the contractors' quality programs to ensure the contractor work conforms to DART specifications.
- DART's contracts include a quarterly incentive program to provide resolution to community concerns during construction, promote a safe working environment, and to ensure the quality of work. Our review determined DART staff reviewed and evaluated the contractors' work to ensure the quarterly incentive payments complied with the requirements of the contract.

Integrated testing is performed at the end of the project to ensure the project is in accordance with the agency's requirements, as well as the readiness for revenue service. Testing occurred for various platform extensions during the year. Our review of the testing included all interfaces needed for revenue service and verified personnel effectively and successfully coordinated and executed the testing activities.



Agenda Report

DATE: October 4, 2022

SUBJECT: Approval of Fiscal Year 2023 Internal Audit Plan

RECOMMENDATION

Approval of the Fiscal Year 2023 Internal Audit Plan.

BUSINESS PURPOSE

- DART Audit Committee charter establishes an oversight process to administer the Agency's internal audit function. It includes review and approval of the Internal Audit Department Annual Audit Plan.
- Internal Audit develops an annual plan to audit the agency's processes and operations. This agenda item presents the Fiscal Year 2023 Audit Plan for DART Operations and Information Technology for Audit Committee review and approval.



Agenda Report

DATE: October 4, 2022

SUBJECT: Approval of Fiscal Year 2023 Internal Audit Department Budget

RECOMMENDATION

Recommend approval of the Fiscal Year 2023 Internal Audit Department Budget.

BUSINESS PURPOSE

- DART Charters of the Audit Committee and the Internal Audit Department establish an oversight process to administer the Agency's internal audit function. It includes review and approval of the Internal Audit Department annual budget, which is incorporated in the Agency's total operating budget.
- Internal Audit develops an annual operating budget for the department. The department budget for fiscal year 2023 shows a decrease in Accounting and Auditing services which is related to the new contract for the annual financial statement audit and an overall decrease of approximately 13% in the total operating budget from the prior year.
- This agenda item presents the Fiscal Year 2023 Internal Audit Department annual budget for the Audit Committee review and approval.



Agenda Report

DATE: October 4, 2022

SUBJECT: Briefing on Status of Fiscal Year 2022 Internal Audit Budget

RECOMMENDATION

This is a briefing item only.

BUSINESS PURPOSE

- DART Audit Committee Charter establishes an oversight process to administer the Agency's internal audit function. It includes review and approval of the annual Internal Audit Department budget, which is then incorporated into the Agency's total budget for submission to the Board for approval.
- The Director of Internal Audit will, on a regular basis throughout the year, update and apprise Committee members of the status and progress of the Internal Audit Department Annual Budget.
- As of September 30, 2022, the Internal Audit Department is under budget for the fiscal year. Two major budget categories that are under budget include Salaries and Wages, which is due to open positions in the department, and Accounting and Auditing Services, which is due to auditing services projects that are under budget.
- The purpose of this agenda item is to update the Audit Committee of the status of Fiscal Year 2022 Internal Audit Department Budget.



Agenda Report

DATE: October 4, 2022

SUBJECT: Briefing on Status of Fiscal Year 2022 Internal Audit Plan

RECOMMENDATION

This is a briefing item.

BUSINESS PURPOSE

- DART Audit Committee Charter establishes an oversight process to administer the Agency's internal audit function. The Charter provides for the Director of Internal Audit to submit annual audit plans, using appropriate risk-based methodology, for review and approval to the Audit Committee.
- The Director of Internal Audit will, on a regular basis throughout the year, apprise Committee members of the status and progress of the annual audit plans.
- This purpose of this item is to update the Audit Committee on the status of the Fiscal Year 2022 Financial/Operational, and IT Audit Plans.



Agenda Report

DATE: October 4, 2022

SUBJECT: Briefing on Status of Management Action Plans

RECOMMENDATION

This is a briefing item only.

BUSINESS PURPOSE

- DART Internal Audit Department Charter provides for the Director of Internal Audit to report audit results, management action plans, and target completion to the Audit Committee. The internal audit process includes continuous follow up of prior audit recommendations based on the target completion date.
- This agenda item is to apprise the Audit Committee of the quarterly follow up status of the prior audit recommendations to ensure they are resolved.