



OFFICE OF THE STATE AUDITOR



February 7, 2022

KERRI L. HUNTER, CPA

STATE AUDITOR

Regional Transportation District (RTD) – Status Report

Members of the Legislative Audit Committee:

Attached is the status report from RTD on the implementation of recommendations contained in the Office of the State Auditor's (OSA) *Regional Transportation District Performance Audit*.

OSA Review of Documentation

As part of the status report process, we requested and received supporting documentation for each recommendation that RTD reported as having been implemented or partially implemented. Specifically, we reviewed documentation on:

- New programs, training, and practices to improve supervision, recognition, and retention of bus and rail operators (operators).
- The new program designed to enhance on-time performance of bus and rail operations, and ensure operators receive adequate rest breaks.
- Policies, procedures, and training to improve work-shift schedules for operators, and reduce operator fatigue.
- The results of assessments of RTD's internal audit function, and changes to ensure that audits are effective and comply with Internal Auditing Standards.
- Work with the RTD Accountability Committee to identify and implement a new metric to measure and report on RTD's effectiveness.

Based on our review, the supporting documentation substantiates RTD's reported implementation status.

OFFICE OF THE
STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, COLORADO
80203

303.869.2800

February 4, 2022

Kerri L. Hunter, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Hunter:

In response to your office's request, the Regional Transportation District (RTD) has prepared the attached status report on the implementation status of the recommendations from the 2020 performance audit. The status report provides a brief explanation of the actions taken by RTD in response to each recommendation.

In the year following the release of the 2020 performance audit report, members of RTD's leadership team and senior staff have worked diligently to address the findings contained in the report, to wit:

- Negotiations are currently underway with the Amalgamated Transit Union Local 1001 to address wages, hours, benefits, and working conditions. In an effort to retain front-line employees and to bolster recruitment efforts to support the agency's core business function of transit service delivery, RTD management is working collectively with the union to address quality of life matters, as well. Further, RTD is implementing new training programs and enhancing existing strategies to equip those same front-line employees with the knowledge and skills necessary for sustained success throughout their careers with the agency.
- Additionally, agency staff has engaged with transit agency peers and contracted audit professionals to further examine the agency's internal audit function, to identify and implement industry best practices, and to begin to solicit and contract with seasoned audit professionals external to the agency to improve operations by evaluating and improving the effectiveness of governance, risk management, and internal controls. RTD's Board Chair has appointed an Ad Hoc Committee for Internal Audit to ensure the formation of an Audit Committee to establish a sustainable internal audit function with governance in adherence to the standards and best practices to minimize risk and exposure to the enterprise for the betterment of the agency.
- And finally, following the passage of House Bill 21-1186 and the corresponding repeal of the statutorily established farebox recovery ratio, RTD is now utilizing the farebox recovery ratio used throughout the transit industry, which is the percentage of transit operating expenses that are covered by revenues from transit fares, and will continue to assess and align metrics identified in the 2021-2026 Strategic Plan to establish meaningful performance measurements of the agency's financial success.

If you have any questions about this status report or RTD's efforts to implement the audit recommendations, please feel free to contact me directly by phone at 303.299.2300 or by email at debra.johnson@rtd-denver.com

Sincerely,

A handwritten signature in blue ink, appearing to read "Debra Johnson", with a long horizontal flourish extending to the right.

Debra A. Johnson
General Manager and CEO

cc: Board of Directors
Doug MacLeod, Chief Financial Officer

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME	Regional Transportation District (RTD), Performance Audit, December 2020
AUDIT NUMBER	1935P
AGENCY	RTD
DATE OF STATUS REPORT	February 4, 2022

SECTION I: SUMMARY

REC. NUMBER	RTD'S RESPONSE FROM REPORT	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
1A	Agree	December 2021	Partially Implemented	April 2022
1B	Agree	December 2021	Partially Implemented	April 2022
1C	Agree	December 2021	Implemented	July 2021
1D	Agree	December 2021	Implemented	December 2021
2	Agree	December 2021	Implemented	December 2021
3A	Agree	December 2021	Partially Implemented	March 2022
3B	Agree	December 2021	Implemented	October 2021
4A	Agree	December 2021	Partially Implemented	April 2022
4B	Agree	December 2021	Partially Implemented	April 2022
4C	Agree	December 2021	Partially Implemented	April 2022
4D	Agree	December 2021	Partially Implemented	April 2022
4E	Agree	December 2021	Partially Implemented	April 2022
4F	Agree	December 2021	Partially Implemented	April 2022
4G	Agree	December 2021	Partially Implemented	April 2022
5	Agree	September 2021	Implemented	October 2021

SECTION II: NARRATIVE DETAIL

RECOMMENDATION 1A

RTD management should take additional steps to improve supervisory practices to address operator turnover by:

- A. Improving processes for providing operators with feedback on their performance, including regular feedback on what operators are doing well and development areas.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
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RTD UPDATE

- Developed an “operator/employee dashboard” in Workday; information includes commendations, awards, etc., in a single place for ease of employee access.
- Increased site visits from all supervisory/management levels coinciding with employees’ return to RTD facilities, in an effort to make management more visible and accessible to frontline staff and to enhance communication.
- Instituted new supervisor/manager ride checks with operators, which allow for managers to follow-up with operators at or after the ride checks and offer positive coaching opportunities.
- Working on implementing best practices garnered through a peer agency survey regarding performance feedback for operators and their supervisors, employee recognition programs, and exit interviews.
- Continuing the rail operator mentoring program and enhancing the bus operator mentorship program to provide one-on-one mentoring for assisting operators in career development and to provide guidance and support in meeting their goals.
- Established 30-day check-ins with all operators, in their first 18 months of employment, focusing on coaching and mentoring.

RECOMMENDATION 1B			
RTD management should take additional steps to improve supervisory practices to address operator turnover by:			
B. Implementing ongoing training for all bus and rail supervisors on how to provide operators regular performance feedback, timely and personal recognition, and a supportive and trusting environment through communication, and continuing to provide supervisors the communication training that has been developed.			
CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
RTD UPDATE			
<ul style="list-style-type: none"> • Implemented a Leadership Summit Series for Bus Street Supervisors, Dispatchers, and Station Starters, which teaches emotional intelligence and positive team feedback methods, while focusing on coaching, counseling and mentoring to promote good performance rather than to correct performance issues through enforcement/compliance. • A similar program in Rail Operations is in development. • Working on implementing best practices garnered through a peer agency survey regarding performance feedback for operators and their supervisors, employee recognition programs, and exit interviews. • Developing ongoing additional trainings for bus and rail operators and supervisors. 			

RECOMMENDATION 1C			
RTD management should take additional steps to improve supervisory practices to address operator turnover by:			
C. Implementing a process to ensure awards, customer compliments, and other types of personal recognition are provided to operators timely.			
CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	July 2021
RTD UPDATE			
Finalized implementation of:			
<ul style="list-style-type: none"> • The “RTD Way Program”, to deliver timely recommendations to bus and rail operators. • The “Operator of the Month” Program, organization-wide, based on established performance and attendance criteria” to recognize high performing operators. They receive “Excellence in Service” pins and gift cards in recognition of their achievements. • A recognition program for employees who perform well on efficiency checks, in which the General Superintendent of Rail Transportation delivers a signed memo within two business days to the operator as well as the Assistant General Manager of Rail Operations, transportation managers, and union leadership. 			

RECOMMENDATION 1D			
RTD management should take additional steps to improve supervisory practices to address operator turnover by:			
D. Establishing an ongoing process to identify and track the reasons for operator turnover, such as through exit interviews and surveys; report the information to RTD management and human resources staff; and use the information to improve supervision and retention.			
CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	December 2021
RTD UPDATE			
<ul style="list-style-type: none"> • Developed an exit interview process, supported by best practices, for operators who voluntarily leave RTD for other employment. • Implemented best practices, derived from discussions with peer agencies, for improving the agency’s exit interview process. • Exit interview reports are being prepared for and utilized by management to remediate issues that contribute to voluntary terminations. • Improved the operator mentoring program in order to improve morale and help retain employees. • Extended lead supervisor check-ins for operators in their first 18 months. This develops an environment of trust among all staff levels, coupled with a review of operators’ experience following their first year on the job to determine the effectiveness of hiring, training, and support practices. 			

RECOMMENDATION 2			
RTD management should improve its processes to help ensure that bus operators receive adequate rest breaks during their work shifts, in accordance with requirements in the Union Collective Bargaining Agreement (Union agreement), by establishing procedures to capture and analyze more accurate data on the actual breaks that bus operators receive on routes, and use the data to update bus route schedules, as appropriate, to provide operators with required breaks.			
CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	December 2021
RTD UPDATE			
<ul style="list-style-type: none"> Implemented the Route Management Program (RMP) designed to enhance on-time performance check through information gathering from frontline employees regarding issues experienced along their routes; of the 521 Route Management forms collected, 363 reported no issues, and only 8 reported instances related to schedule running time issues as of August 25, 2021. 			

RECOMMENDATION 3A			
RTD management should improve its processes for assigning schedules to operators by:			
A. Working with the operators' union to identify ways to improve scheduling processes to help ensure fatigue risks are distributed among all operators equitably, and then implementing solutions agreed upon by both parties, and clarifying language in the Collective Bargaining agreement as needed.			
CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	March 2022
RTD UPDATE			
<ul style="list-style-type: none"> RTD is negotiating changes to the Collective Bargaining Agreement (CBA) with the Amalgamated Transit Union (ATU) Local 1001, including implementing improvements to the scheduling processes and incorporating the American Public Transportation Association (APTA) standard break of at least 10 hours between operating shifts, an increase from the previous 8-hour minimum break. Eliminated mandated sixth day of work for operators, which has significantly improved issues with operator fatigue, as part of the agency's ongoing commitment to implement service levels commensurate with workforce availability, as well as in support of the agency's Strategic Plan Priority of Employee Ownership. 			

RECOMMENDATION 3B			
RTD management should improve its processes for assigning schedules to operators by:			
B. Providing ongoing training to operators and supervisors on how to manage and mitigate operator fatigue.			
CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	October 2021
RTD UPDATE			
<ul style="list-style-type: none"> Staff has created training tools to identify and mitigate risks associated with operator fatigue. Nearly all of the 761 eligible bus operators have completed the training as of October 11, 2021. Modified existing operator training to develop customized supervisor fatigue training. 			

RECOMMENDATION 4A			
RTD's Board of Directors (Board) and management, in consultation with the internal audit manager, should improve the effectiveness of the internal audit unit and its compliance with Internal Audit Standards by revising the Board's Bylaws, the Internal Audit Charter, and the internal audit manager's position description, as appropriate, to:			
A. Establish procedures to require the internal audit unit to conduct risk assessments to identify audit topics that address the highest risks to the organization and help meet organizational goals, when developing the annual internal audit plan. Procedures should include submitting the assessments to the Board for review before it approves the plan, and management involving the audit manager in strategic planning and risk assessment meetings.			
CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022

RTD UPDATE

- Engaged with APTA to perform a peer review of RTD’s Internal Audit Function, which resulted in several actionable recommendations.
- Contracted with RubinBrown, a Certified Public Accountant and Business Consulting firm, which completed an organization-wide risk assessment, created documentation to perform future risk assessments by staff, identified the top risks faced by RTD and determined whether adequate controls are in place or further remediation is required.
- RubinBrown interviewed senior RTD management, which identified the risk universe. Survey of larger group was completed to establish a risk matrix and heat map, which was presented to the RTD Board.
- Ongoing risk assessments, audit plans, and strategic planning will be implemented subsequent to procurement of an outsourced internal audit firm (also see 4B and 4C updates).

RECOMMENDATION 4B

RTD’s Board and management, in consultation with the internal audit manager, should improve the effectiveness of the internal audit unit and its compliance with Internal Audit Standards by revising the Board’s Bylaws, the Internal Audit Charter, and the internal audit manager’s position description, as appropriate, to:

- B. Ensure the internal audit unit is independent in accordance with guidance from the Institute of Internal Auditors. This should include, but not be limited to, defining the Board’s functional role and authority over the audit manager’s appointment, removal, compensation, and performance evaluation, and the internal audit unit’s budget and resource plan.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
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RTD UPDATE

- Working on implementing recommendations from the APTA peer review panel regarding the Internal Audit function’s reporting structure and the optimal structure of the Board Audit Committee, in consultation with RubinBrown’s recommendations.
- The RTD Board approved the Internal Audit Charter in July 2021 which follows Institute of Internal Auditors (IIA) standards.
- RubinBrown has provided RTD with recommendations for an Audit Committee following IIA standards and best practices used in the transit industry.
- RubinBrown has provided a recommended optimal structure for the Internal Audit function, which is to outsource to a qualified firm to leverage their expertise.
- RTD is currently pursuing procurement of the outsourced firm.

RECOMMENDATION 4C

RTD’s Board and management, in consultation with the internal audit manager, should improve the effectiveness of the internal audit unit and its compliance with Internal Audit Standards by revising the Board’s Bylaws, the Internal Audit Charter, and the internal audit manager’s position description, as appropriate, to:

- C. Establish written expectations regarding how the audit manager should communicate to the Board on items required by Standards, including regular updates on audits in progress and the results of completed audits, and should participate in the Board’s Finance, Administration, and Audit Committee meetings.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
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RTD UPDATE

- RubinBrown has recommended that the internal audit function be outsourced. Upon entering into a contract with this outsourced firm, an independent audit committee will be established to determine communications to the RTD Board. The contracted outsourced internal audit firm will identify and develop an internal audit report template that meets standards and practices promulgated by the Institute of Internal Auditors (IIA) that is tailored to RTD’s needs.

RECOMMENDATION 4D

RTD’s Board and management, in consultation with the internal audit manager, should improve the effectiveness of the internal audit unit and its compliance with Internal Audit Standards by revising the Board’s Bylaws, the Internal Audit Charter, and the internal audit manager’s position description, as appropriate, to:

- D. Establish written expectations regarding how the audit manager should track and monitor the status of internal audit recommendations as well as update the Board and management about the status and corrective actions taken to address the recommendations.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
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RTD UPDATE

- The contracted outsourced internal audit firm will establish reporting and recordkeeping policies and procedures, including retention schedules.
- An independent audit committee that reports to the RTD Board will develop expectations of the internal audit firm.

RECOMMENDATION 4E

RTD’s Board and management, in consultation with the internal audit manager, should improve the effectiveness of the internal audit unit and its compliance with Internal Audit Standards by revising the Board’s Bylaws, the Internal Audit Charter, and the internal audit manager’s position description, as appropriate, to:

- E. Clarify written expectations regarding the timeframes for completing planned audits to help ensure they are timely and regarding communications with the Board on resource limitations that may affect the audit plan.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
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RTD UPDATE

- The outsourced internal audit firm and RTD audit committee, in consultation with the RTD Board, will establish expectations and timeframes for audits and communications.
- The outsourced internal audit firm will have the resources and expertise necessary to complete RTD’s internal audit function in a timely manner and according to recognized standards.
- RubinBrown has provided audit report examples from peer agencies as well as audit report best practices from IIA standards.

RECOMMENDATION 4F

RTD’s Board and management, in consultation with the internal audit manager, should improve the effectiveness of the internal audit unit and its compliance with Internal Audit Standards by revising the Board’s Bylaws, the Internal Audit Charter, and the internal audit manager’s position description, as appropriate, to:

- F. Establish an annual process for an internal self-assessment of the quality of internal audits by the internal audit manager or other competent internal audit professionals, and annual reporting to the Board on the results of the assessment.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
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RTD UPDATE

- The outsourced internal audit firm will establish an internal self-assessment process in consultation with the RTD audit committee.
- A process for regular independent peer reviews of the outsourced RTD internal audit function will be performed in accordance with IIA best practices.

RECOMMENDATION 4G

RTD’s Board and management, in consultation with the internal audit manager, should improve the effectiveness of the internal audit unit and its compliance with Internal Audit Standards by revising the Board’s Bylaws, the Internal Audit Charter, and the internal audit manager’s position description, as appropriate, to:

- G. Establish procedures for the Board to ensure that adequate funds are allocated for external assessments of the quality of internal audits and that such assessments are conducted by a qualified assessor at least once every 5 years.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	April 2022
RTD UPDATE			
<ul style="list-style-type: none"> • RTD is establishing an independent audit committee responsible for reviewing funding needs for the internal audit function, which will be integrated into the RTD budget process, and for ensuring that regular independent peer reviews of the RTD Internal Audit function are performed in accordance with IIA best practices. • RTD has developed an internal estimate of the anticipated costs of outsourcing the internal audit function and has determined that the 2022 Budget includes adequate appropriations to fund this initiative. 			

RECOMMENDATION 5			
RTD’s Board and management should work with the RTD Accountability Committee to identify a meaningful performance metric(s) that accurately measures the efficiency and effectiveness of RTD operations and is based on factors that are within RTD’s control. RTD then should work with the General Assembly to amend statute to replace the farebox recovery ratio requirement with the more meaningful performance metric(s) and report on it annually to the General Assembly.			
CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	October 2021
RTD UPDATE			
<ul style="list-style-type: none"> • Following the Colorado General Assembly’s repeal of the fare recovery ratio requirement in HB 21-1186, RTD will utilize the fare recovery ratio customarily used throughout the transit industry. This ratio measures fare revenue to operating expenses and indicates the proportion of operating expenses funded by customer fees as well as the subsidization by taxpayers and other funding sources. RTD intends to publish this ratio on its website as well as in reporting regarding its strategic plan. HB21-1186 repealed the ratio that was established under SB 89-154 and that measured non-federal revenues to operating expenses excluding paratransit and rapid transit expenditures, which was no longer an effective measure for RTD’s financial performance. • RTD will continue to assess and align agency metrics identified in the agency’s Strategic Plan, as well as those suggested by the RTD Accountability Committee, to provide meaningful performance measurements, which will be regularly reported to the Board as well as customers and stakeholders regarding the progress in achieving targets. 			