

**Monitoring Report:
Asset Protection (Policy 2.7)**

Finance Committee Meeting Review Date: June 13, 2023

Board of Directors Meeting Review Date: June 22, 2023

INFORMATION TYPE
Monitoring
RECOMMENDED ACTION(S)
<p>That the Board review this monitoring report and consider accepting it as:</p> <ul style="list-style-type: none"> (A) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations. (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO’s stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.is making reasonable progress towards compliance. (C) 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation 2. For policy items x.x.x – the interpretation is not reasonable 3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance 4. For policy items x.x.x – the Board acknowledges and accepts the CEO’s stated non-compliance and the proposed dates for compliance
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<p>Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:</p> <ul style="list-style-type: none"> 1. CEO sends Monitoring Report to all board members 2. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)

ISSUE SUMMARY

TheRide's Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO's interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board's written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.

Per Appendix A of the Board Policy Manual, this report was scheduled for monitoring in June and was submitted in June.

I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.

CEO's Signature**Date**6/7/2023**ATTACHMENTS**

1. Monitoring report for Asset Protection (Policy 2.7)

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Fully Compliant



Partially Compliant



To be determined

Preliminary CEO Interpretations and Evidence

POLICY 2.7

The CEO shall not allow corporate assets to be unprotected, inadequately maintained, or unnecessarily risked.
Further, without limiting the scope of the above by the following list, the CEO shall not:

Degree of Compliance: To be determined

Compliance will be demonstrated when compliance for policies 2.7.1 to 2.7.6 are achieved.

Evidence

Compliance of this policy cannot be determined because policies 2.7.2 and 2.7.2.1 cannot be determined.

POLICY 2.7.1

Allow Board members, staff, and the organization itself to be inadequately insured against theft, embezzlement, casualty, and liability losses.

Degree of Compliance: Compliant

Interpretation

Measure/Standards & Achievement

Compliance with this policy will be demonstrated when

- A. AAATA carries property and liability insurance (private or self-insured) sufficient to replace assets and restore services quickly while remaining affordable for the agency.
- B. For all board members and staff, adequate insurance means that they will be indemnified and free of personal liability for decisions made when pursuing their duties in good faith.
- C. Lower-level policies are compliant

Rationale

- A. Replacement is a reasonable standard and level of achievement because the goal is the restoration of services, not just financial compensation for loss of use. If a natural disaster destroyed the bus garage and a large proportion of the fleet (i.e., fire, tornado, train derailment), insurance that only covered the current value of the assets would likely not be sufficient to rebuild those assets. AAATA’s Risk Management Team meets with the broker annually during the budget preparation period to review claims and the adequacy of coverage.
- B. Indemnifying staff and board members acting in good faith is reasonable because harm or loss is not always preventable and if it happens when the staff or board member is acting in good faith, then they should be indemnified.
- C. Compliance with this policy is inclusive of lower-level policies being compliant.

Evidence

Source of Data: Internal documents

Date of data review: 6/6/23 as verified by DCEO, Finance and Administration

Data:

- A. During the monitoring period, the agency carried sufficient insurance to replace assets within a timeline that would be non-disruptive to service operations.
- B. During the monitoring period there was no incidence leading to the need for indemnifying a staff or board member
- C. Policy 2.7.1.1 is compliant

POLICY 2.7.1.1

Unreasonably expose the organization, its Board or staff to claims of liability.

Degree of Compliance: Compliant

Interpretation

I interpret unnecessary exposure to claims of liability to mean allowing risks that are not called for in the normal course of business.

Standard/Measure

Compliance will be determined when the organization is able to acquire adequate insurance that is reasonably priced.

Rationale

This is reasonable because the insurance company has to review our risk factors and depending on how risky our operations are, insurance companies may or may not insure the organization. Additionally, a higher risk profile results in increased costs of insurance. The ability to acquire reasonably priced insurance indicates that risks are not unreasonable.

Evidence

Source of Data: Internal documents

Date of data review: 6/6/23 as verified by DCEO, Finance and Administration

Data: During the monitoring Staff and the insurance broker met to review the agencies risk profile. There were no concerns that resulted in increased insurance costs or the agency being uninsured due to risk concerns.

POLICY 2.7.2: Receive, process, or disburse funds under controls that are insufficient to meet the board-appointed auditor’s standards.

&

Policy 2.7.2.1: Receive, process, or disburse the organization’s assets under internal controls insufficient to detect, deter and prevent fraud or insufficient to prevent and detect significant deficiencies or material weaknesses.

Degree of Compliance: TBD

CEO notes that these two policies are similar with policies in 2.5.3:

“Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor’s standards.” and requests the Board to review policy placement.

Both policy 2.5 and 2.7 will be submitted to the Board in June for monitoring. However, since 2.7.2 and 2.7.2.1 have not been addressed here, the CEO notes that its compliance in 2.7 cannot be determined yet. 2.5.3 is addressed in policy 2.5.

POLICY 2.7.3

Cause or allow buildings and equipment to be subjected to improper wear and tear or insufficient maintenance.

Degree of Compliance: Compliant

Interpretation

Measure/Standard

Compliance with this policy will be demonstrated when the Federal Transit Administration (FTA) reviews and finds no deficiencies in our Transit Asset Management (TAM) Plan. If deficiencies are found, they are to be corrected within the timeline provided by the federal agency.

Rationale

This is reasonable because the TAM Plan requires transit agencies to maintain their physical assets in a state of good repair, and details at which point capital assets (vehicles, heavy equipment and facilities) are to be repaired or replaced and is reviewed every three years by an independent third party- the FTA.

The FTA may update their requirements as it sees fit and therefore TheRide may have deficiencies from time to time. However, corrected deficiencies within the set time shows good faith and an intent to keep all capital assets in a state of good repair.

Evidence

Source of Data: Internal documents

Date of data review: 05/31/23 as verified by Manager of Fleet and Manager of Facilities

Data: During the Triennial Review conducted in 2022, deficiencies were found with the FTA requirements for the maintenance of fleet and facilities. These deficiencies were corrected and on January 3rd, 2023, the FTA sent a letter noting deficiencies were appropriately corrected and the Triennial Review closed.

POLICY 2.7.4

Allow intellectual property, information and files to be exposed to loss, significant damage or unauthorized access.

Degree of Compliance: Compliant

Interpretation

Measure/Standard

Compliance with this policy will be demonstrated when

- A. The agency is able to acquire Cyber insurance, and pass any required Information Technology Controls Audit
- B. All physical files of employee and client records are stored, collected and managed based on set standard operating procedures that appropriately secure documents and limit access.

Rationale

This is reasonable because

- A. The Cyber insurance company conducts a risk assessment of the agency prior to providing insurance. Part of the assessment includes reviewing internal risk controls. This assessment is done annually prior to the renewal of the insurance coverage. It is not possible to acquire Cyber insurance without having proper processes and procedures in place. This includes practices such multi-factor authentication. IT controls audits are conducted by external third parties and includes reviewing regulatory compliance
- B. Internal controls ensure the agency keeps personal information safe from unauthorized access and unreasonable exposure to damage or loss

Evidence

Source of Data: Internal documents

Date of data review: 6/6/23 as verified by DCEO, Finance and Administration and Manager of Human Resources

Data:

- A. The agency had cyber insurance throughout the during the monitoring period and passed the IT control audit.
- B. Employee and Paratransit service customer data is the only information stored in paper form. A review shows that this information was stored and managed within existing standard operating procedures.

POLICY 2.7.5

Endanger the organization's public image, credibility, or its ability to accomplish Ends.

Degree of Compliance: Compliant

Interpretation

I interpret credibility and public image to mean the overall public confidence and trust in the agency as an institution.

Measure/Standard

Compliance with this policy will be demonstrated when

- A. When polling data (when available) suggests a high degree of confidence in the agency.
- B. When there are no *legitimate* public accusations suggesting significant mismanagement of the AAATA due to a factor over which the CEO has control. and there are no *legitimate* public accusations suggesting the agency has broken a promise or failed to deliver on a commitment.
- C. Compliance with policies 2.7.5.1 - 2.7.5.4 is achieved.

Rationale

This is reasonable because

- A. Use of polling data provides public perception of the agency collected by a third party (CJI Research)
- B. The CEO can only be accountable for what they control, not what others may believe, say or do. As a public body, there will always be criticism of the agency. Some may allege mismanagement or broken trust when the actual issue is a disagreement about the decision. Limiting AAATA to only decisions that contain no risk of raising objections would severely limit our ability to pursue Ends outcomes. Mismanagement implies significance and/or negligence rather than a one-time error or an unimportant defect. The CEO cannot stop someone from blowing a small issue out of proportion. A legitimate case of mismanagement would likely involve decisions that were unlawful, imprudent, or in violation of commonly accepted business practices or professional ethics (policy 2.0).
- C. Compliance with this policy is dependent on lower-level policies being compliant.

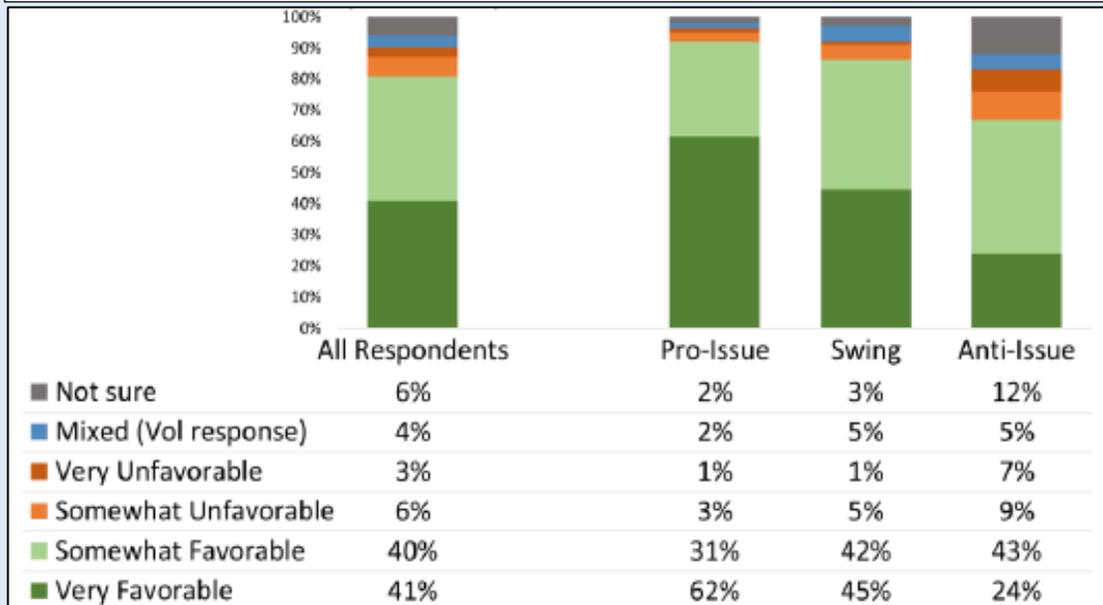
Evidence

Source of Data: External input by members of the public

Date of data review: 5/30/23 as verified by CEO

Data: A. The telephone survey conducted prior in December 2021 indicates that the public had a favorable opinion of the TheRide. See below for that information.

Q10. Overall, would you say you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of AAATA and its local bus service, TheRide?



The AAATA is regarded very favorably by the electorate. Even the Anti-Issue (anti-millage) voters tend to have a favorable view of the agency, with a total of 67% of that group saying they have a *very* or at least *somewhat* favorable view of the agency. This suggests that their opposition has more to do with their attitudes toward taxes, public spending, or other aspects of the issue than to negative feelings about the agency itself.

Notice that the percent viewing the AAATA very favorably vs somewhat favorably decreases with the strength of issue support. This is to be expected. It is an indication of how the attitude toward the agency is tied into the vote. However, the fact that favorability remains at 67% even among the Anti-Issue respondents is an indication of the strong reputation of AAATA.

The “very favorable” percentage on this question has fluctuated over time. In 2011, it stood at 46%, then in 2013 at 39%. In 2017 it was at 44%, and in 2021 it stands at 41%. These are minor and unimportant changes probably the result of slight changes in the samples.

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- B. A review of local newspaper articles found none that suggested agency actions or decisions that the agency had damaged its own credibility.
- C. Lower-level policies are compliant.

POLICY 2.7.5.1

Permit inconsistent, disrespectful or untimely response to stakeholder concerns.

Degree of Compliance: Compliant

Interpretation

I interpret this policy to apply to agency responses to concerns/inquiries from outside the AAATA , primarily from other groups, institutions or officials, but are not customer concerns. Customer concerns are addressed under a different policy (see below). Any concern aside from customer concerns is considered a stakeholder concern. I define inconsistent to mean that the response was treated differently than how most are treated. I define disrespectful to mean rude, discourteous, or unprofessional. I define untimely to mean unreasonably late or delayed.

Measure/Standard

Compliance with this policy will be demonstrated when the CEO, in their professional judgment, finds no evidence of any *legitimate* criticism of the agency’s communications from any outside group on grounds other than desiring a different conclusion.

Rationale

This interpretation is reasonable because:

1. Customer concerns are addressed under policy 2.1.3.1.
2. It applies to the type of concern, not the individual raising the issue. Owners, customers and others can all raise stakeholder concerns covered by this policy.
3. Criticisms that amount to wanting a different answer, rather than a criticism of the quality of the response, are common and are not inconsistent, disrespectful or untimely. Limiting AAATA to only innocuously safe decisions would severely limit our ability to pursue Ends outcomes.
4. The agency cannot control how responses are perceived, only the degree of professionalism with which they are crafted. People can feel disrespected even if the agency does nothing disrespectful. Trying to avoid all such criticisms would severely limit pursuit of the Ends.
5. Legitimate criticism is determined by the CEO’s professional judgment because there is too much nuance to prescribe rules for all staff communications, and honest misunderstandings are common and often easily resolved.
6. No instances of unprofessional responses are an appropriate target in line with the policy language

Evidence

Source of data: Internal Records

Date of data collection: 5/30/23 as verified by the CEO

Data: During the monitoring period the CEO found no evidence of legitimate criticism of the agency’s communications.

POLICY 2.7.5.2

Allow third-party advertising that violates stated agency guidelines for community standards.

Degree of Compliance: Compliant

Interpretation

Measure/Standard

Compliance with this policy will be demonstrated when AAATA has, and consistently enforces, the administrative advertising policy below which restricts inappropriate third-party advertising in order to protect AAATA’s image and reputation.

AAATA Advertising Policy, 2014

A. The AAATA, by permitting commercial advertising in or on its vehicles, shelters, informational material, buildings, and benches, does not thereby intend to create a public forum. Further, AAATA requires that such advertising comply with specified standards to further the purposes of providing revenue for AAATA, increasing ridership, and assuring that AAATA riders will be afforded a safe and pleasant environment. AAATA reserves the right to approve all advertising, exhibit material, announcements, or any other display and their manner of presentation.

B. In order to minimize the chances of abuse, the appearance of favoritism, and the risk of imposing upon a captive audience, advertising in or on AAATA vehicles, in AAATA shelters, buildings, benches or informational material which does any of the following shall be prohibited.

1. Contains false, misleading, or deceptive material.
2. Promotes illegal activity.
3. Advocates violence or crime.
4. Infringes copyright, service mark, title, or slogan.
5. Defames or is likely to hold up to scorn or ridicule a person or group of persons.
6. States or implies the endorsement of a product or service by AAATA.
7. Contains political or political campaign advertising**.
8. Contains advertising that is obscene or pornographic, or in advocacy of imminent lawlessness or violent action.
9. Promotes alcohol or tobacco products.

(** Note: Recent court cases may force a reconsideration of the prohibition on political advertising.)

Rationale

This is reasonable because by sharing the policy with interested third parties, the agency clarifies expectations. By enforcing these policies, the agency limits possible deviations or violations of agreed upon guidelines.

Evidence

Source of data: Internal Records

Date of data collection: 5/30/23 as verified by the Acting Manager of Community Relations

Data: During the monitoring period AAATA operated and enforced the AAATA's Advertising Policy, 2014. There were no violations to the policy.

POLICY 2.7.5.3 Hire a former Board member as an agency employee or supplier within one year of that member’s departure from the Board.

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POLICY 2.7.5.4 Hire a sitting elected official or former elected official from any jurisdiction that appoints members to the AAATA Board who has not been out of office for at least one year.

Degree of Compliance: Compliant

Interpretation

Measure/Standard

Compliance with this policy will be demonstrated when

- A. The hiring manger confirms that during the monitoring period, AAATA did not hire a current or former Board member as an agency employee or supplier within one year of that member’s departure from the Board.
- B. Additionally, AAATA did not hire a sitting elected official or former elected official that has not been out of office for at least one year from any jurisdiction that appoints members of the AAATA Board.
- C. A review of current Board member Certificates of Disclosure of Financial and Personal Interest does not indicate employee or supplier relationships with AAATA.

Rationale

This is reasonable because the hiring manager has access to all employment records. The Board is expected to sign Certificates of Disclosure every year where they note of any personal financial interest, business interest, or any other obligation or relationship they have that would create a potential conflict of interest assigned duties and responsibilities.

Evidence

Source of Data: Internal documents

Date of data review: 5/17/23 as verified by Manager of Human Resources and the Manager of Procurement

Data:

- A. No current or former board member was hired as an agency employee or supplier during the monitoring period
- B. No sitting elected official or former elected official was hired as an agency employee or supplier during the monitoring period.
- C. All Board Members provided Certificates of Disclosure of Financial and Personal Interest in January 2022. None of them indicated employee or supplier conflicts of interest.

Policy 2.7.5.5 Proceed with material changes to services, programs or transit facilities that could be foreseen to create significant resistance from the traveling public and external stakeholders because they had not had the opportunity for consultation, or their input had been ignored.

Degree of Compliance: Compliant

Interpretations

Measure/Standard

The CEO ensures that all final decisions regarding services, programs, or transit facilities (fares are addressed in Policy 2.5.12) provide opportunities for public involvement in line with the AAATA's *Public Input Policy (PIP) for Service and Fare Changes (Board resolution 5/2012)*.

Rationale

This is reasonable because the PIP is compliant with federal regulation regarding public involvement and describes levels, types and timing of engagement needed in relation to the degree of change being considered i.e., major, minor, or adjustment. It also emphasizes not only receiving comments but responding to all input and more so, having two-way conversations to better understand comments or suggestions. Hence preventing or reducing chances where a stakeholder(s) may feel ignored.

Evidence

Source of Data: Internal documents

Date of data review: 5/16/23 as verified by DCEO, Planning

All service changes that occurred in the monitoring period were in accordance with the Public Input Policy.

Policy 2.7.6 Authorize the use of vehicles and their operators to transport persons detained by law enforcement for participating in public demonstrations.

Degree of Compliance: Compliant

Interpretations

Measure/Standard

Compliance with this policy will be demonstrated when no AAATA vehicles (owned or contracted) nor any AAATA staff (directly employed or contracted) are used to transport persons detained by law enforcement for participating in public demonstrations.

Rationale

This is reasonable because it the policy is self-evidence in its intent.

Evidence

Source of data: Internal records

Date of data collection: 5/16/23 as verified by the CEO

Data: During the monitoring period, the CEO did not authorize the use of vehicles or operators to transport persons detained by law enforcement for participating in public demonstrations. No such requests were made to the agency.

Policy Trendlines

The Asset Protection Policy was initially monitored every other year. Below is the compliance trendline for the sub-policies in FY20 and FY22. In FY23, policies about the public image of the organization (external relations) were transferred to the asset protection policy. See below for the trendline. FY23 data is preliminary.

LEGEND	
	Policy is not compliant
	Policy is partially compliant
	Policy is compliant
	To be determined

Policy	FY 20	FY 22	FY23
2.7			
2.7.1			
2.7.1.1			
2.7.2			
2.7.2.1			
2.7.3			
2.7.4			
2.7.5			
2.7.5.1			
2.7.5.2			
2.7.5.3			
2.7.5.4			
2.7.5.5			
2.7.6			

CEO Notes

- Policy 2.7.1** has the word embezzlement added. This is not part of the original boilerplate policy. Embezzlement is a type of financial fraud/theft. Should insurance for this be addressed in 2.7 , or in 2.5?
- There is an overlap and repetition of policy 2.5.3 in policy 2.7.2.
POLICY 2.7.2: Receive, process, or disburse funds under controls that are insufficient to meet the board-appointed auditor’s standards
Policy 2.5.3:Receive, process or disburse funds under controls that are insufficient to meet the Board appointed auditor's standards.

Guidance on Determining “Reasonableness” of CEO Interpretations

Are the interpretations reasonable?

An interpretation is reasonable if the following are provided,

1. a measure or standard,
2. a defensible rationale for the measure or standard,
3. a level of achievement necessary to achieve compliance
4. a rationale for the level of achievement.

Is evidence verifiable?

Evidence is verifiable if there is

1. actual measurement/data,
2. the source of data and
3. the date when data was collected is provided.

Board’s Conclusion on Monitoring Report

Following the Board’s review and discussion with the CEO, the Board finds that the CEO:

- (A) a reasonable interpretation for **all** policy items and that the evidence demonstrates compliance with the interpretations.
- (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO’s stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.is making reasonable progress towards compliance.
- (C)
 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation
 2. For policy items x.x.x – the interpretation is not reasonable
 3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance
 4. For policy items x.x.x – the Board acknowledges and accepts the CEO’s stated non-compliance and the proposed dates for compliance

Board’s Decision

6/22/23 - The board accepted the report as (C) with all policy items accepted except for Policies 2.7.2 and 2.7.2.1 - the interpretation is not reasonable. Evidence for policies 2.7.2 and 2.7.2.1 was requested for July Finance Committee Meeting. 7/12/23 - Finance Committee determined policies 2.7.2 and 2.7.2.1 would be reviewed/revise.