



# Audit Committee Meeting

February 22, 2023

GCRTA Internal Audit Department

*“Conforms with the International Standards for the Professional Practice of Internal Auditing”*

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# Agenda

- Jefferson-Wells Independent Validation of Self Assessment
- 2023 Audit Planning Methodology and Plan
- Internal Audit Quarterly Report – 4<sup>th</sup> Quarter Activities

# Quality Assurance Review

## Professional Standards – Quality Assurance and Improvement Program

- 1300 - The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.
- 1312 - External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.
  - External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards.



# Internal Audit Self-Assessment QAR with Independent Validation

February 16, 2023

**Draft**

## Summarized Results

Based upon the procedures performed and the results obtained from the Internal Audit Self Assessment and validated by Jefferson Wells, Internal Audit's conformance to the *Standards* and Code of Ethics is rated as follows:

Assessment Results	
Assessment Area	Rating
Attribute Standards	Generally Conforms
Performance Standards	Generally Conforms
Code of Ethics	Generally Conforms
<b>Overall Assessment</b>	<b>Generally Conforms</b>

- The Attribute Standards address the attributes of organizations and the individuals performing the work. These are generally assessed periodically in a QAIP.
- The Performance Standards describe the nature of internal auditing and provide criteria against which the performance of services can be measured. These are generally considered the standards to assess the day-to-day operations of Internal Audit.

# 2023 Proposed Audit Plan

## Purpose

Board Policy - Section 262.07 (a)(1) of the Internal Audit Charter requires the Executive Director to submit annually a risk-based Internal Audit plan.

### **IPPF – International Professional Practices Framework**

**Standard 2010 Planning** – The Chief Audit Executive must establish a risk-based plan to determine priorities of Internal Audit activity consistent with organization’s goals.

**Standard 2020 Communication and Approval** – The Chief Audit Executive must communicate activity’s plans and resource requirements

# 2023 Proposed Audit Plan

## Risk Assessment

Board Policy - 262.06 (a)(1) of the Internal Audit Charter:

Conduct an entity-wide Risk Assessment to prioritize risk and establish a list of auditable entities.

### IPPF – International Professional Practices Framework

**Standard 2010.A1 Planning (Assurance)** – Activities must be based on a documented risk assessment undertaken at least annually.

# 2023 Proposed Audit Plan

## Methodology

1. Consider feedback from the Board, senior management, and line management to understand business objectives
2. Identify strategic and process risks for auditable entities
3. Score strategic risks against organizational objectives
4. Prioritize a list of potential projects to address strategic risk

### **IPPF – International Professional Practices Framework**

**Standard 2010.A1 Planning** – Input of Senior Management and the Board must be considered.

**Standard 2010.C1 Planning** – CAE should consider accepting consulting engagements to improve management of risk and add value. Engagements must be included in the plan.

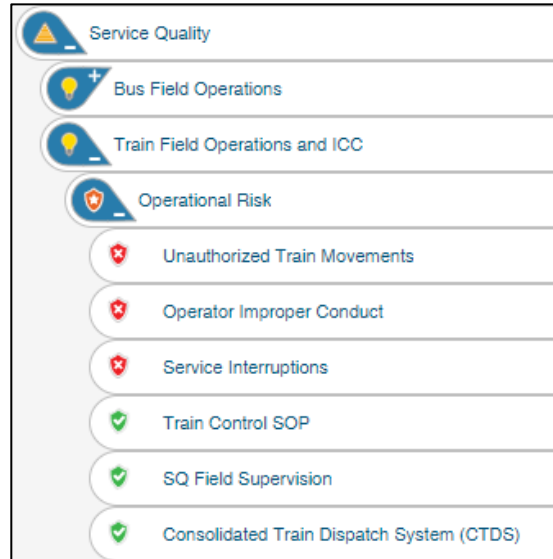




- **Objectives:** An object that represents the goals against the risks that are assessed in the assessment.
- **Strategic Risks:** A high-level risk used to assess the risk in all areas of your organization. The strategic risks are configured to meet your business needs, but some examples might include operation, financial, reputational, or compliance.
- **Risks:** An object in the form of a factor or an event that may affect the attainment of the strategic goals/objectives for the organization. In an assessment, you are assessing the ability of the risk to stop the meeting of the goals as an organization.
- **Controls:** An object describing something to mitigate defined or implied risks.












## Strategic Risks



## Risk Scoring

Used to score the strategic risks and risks for each auditable entity. Risk scores are applied based on the scoring formulas contained in your assessment. The level of inherent and residual risk for an entity informs your audit project decisions.

 Inherent Impact	 Inherent Impact	 Inherent Likelihood	 Inherent Likelihood	  Inherent	  Inherent	 Inherent Trend
				5.00		
				1.00		
				3.00		

Title <input type="text" value="Search"/>	Weight	Inherent Impact	Inherent Impact	Inherent Likelihood	Inherent Likelihood	Inherent
Greater Cleveland Regional Transit Authority >>						3.1970
Board of Trustees >>						
Executive >>						3.1970
Operations >>						3.2173
Fleet Management >>						3.0909
Transit Police >>						3.0000
Service Quality >>						3.8077
Rail District >>						3.2778
Paratransit District >>						2.8939
Hayden District >>						2.9063
Triskett District >>						2.8750
Service Management >>						3.1970
Asset & Configuration Management >>						3.8750
Innovative Transit Technology/Intelligent Transportation Systems >>						3.2813
Power & Way - Rail >>						3.3958
Heavy Railcar Replacement Program >>						4.5000
Finance >>						3.1628
Engineering & Project Management >>						3.3864
Administration & External Affairs >>						3.0833
Human Resources >>						3.2845



# 2023 Proposed Audit Plan

## Result

- Hours are assigned to projects prioritized by risk ranking
- Projects are aligned with organizational strategic plan and success outcomes

### **IPPF – International Professional Practices Framework**

**Standard 2030 Resource Management** – CAE must ensure Internal Audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

**Standard 2050 Coordination and Reliance** - CAE should coordinate activities with external service providers.

Project	Budgeted Hours	Success Outcome(s)	Project	Budgeted Hours	Success Outcome(s)
<b>Consulting Projects</b>			<b>Information Technology Audits</b>		
Change Order Committee	40	III	Access Management	120	III
Data Analytics	20	III	Accrued Leave Reconciliation	160	III, IV
Hiring Practices	150	III,IV	Change and Patch Management	100	III
Insurance Application Support	100	III	Consolidated Train Dispatch System	150	I, III, IV
RFP/IFB Competitiveness	80	III	Cyber Liability Assessment	100	III, IV
Third-Party Risk Assessment	240	III	Information Technology Governance	80	III, IV
<b>Internal Audits</b>			Information Technology Security	100	III, IV
Accident/Incident Training and Discipline Outcomes	160	III, IV	Maintenance-Management System Upgrade	100	III, IV
Bus Stop/Rail Station Signage	200	I, II	Operator Time & Attendance System Upgrade	100	III, IV
Capital Planning Funding Process	150	II, III	Oracle System Upgrade/Migration	100	III, IV
Claims Process	200	III, IV	Transit Police Body Worn Cameras	200	I, II, IV
Compensation Study Implementation	120	III, IV	TransitMaster Input Controls	150	III, IV
Customer Communication - Service Interruptions	250	I	TransitMaster System Upgrade	100	III, IV
Customer Service Center - Tower City	40	I, II, III	<b>Revenue Collection Audits</b>		
Electronic Funds Transfer Approval Process	40	III	Fare Media Inventory	40	I, III
Engineering Project Controls & Project Support	300	III	Paratransit - Third-Party Revenue Collection	300	I, III
FMLA - Payroll Compliance	200	III, IV	Special Events Collection	40	I, III
Healthcare - Employee & Dependent Eligibility	200	III, IV	<b>Contract Audits</b>		
Overtime	80	III, IV	Central Facilities Contract Management	150	III
Petty Cash	40	III	City of Shaker Heights Maintenance Expense	200	II, III
Physical Inventory	100	III	Common Area Maintenance - Tower City	40	I, II, III
PTASP - Configuration Management	400	III	Compressed Natural Gas Vehicle Replacement	100	I, II, III
PTASP - Internal Safety Audit Program	200	I, II, III, IV	FOP and ATU Contract Implementation	100	III, IV
Rail Yard Operations	100	III	Healthcare Claims Expense Review	40	III
Records Retention	60	III	Locomotive Purchase	40	III
Service Quality Field Supervision	250	I	Paratransit Vehicle Replacement	40	I, II, III
Shelter Maintenance	150	I, II	Rail Vehicle Replacement	500	I, II, III
Telephone Information Center - Complaint Process	150	I	Railcar Mover Purchase	40	III
TRACTION Performance Measurement	250	I, II, III, IV	Supply Chain Contract Management	150	III
Transit Police Overtime and Compensated Time	200	III, IV	Trunk Line Signal Project	100	II, III
Travel Reimbursement	120	III	Waterfront Line Bridge Rehabilitation	100	I, II, III
Work Order Management	1000	III	Special Requests & Emerging Issues		
Workers Compensation Claims Review	40	III	2000		
<b>Continuous Auditing</b>			<b>Success Outcomes</b>		
Accounts Payable	40	II, III	I. Customer Experience		
Accounts Receivable	40	II, III	II. Community Value		
Nepotism	40	IV	III. Financial Sustainability		
Paratransit Eligibility/Certification	40	I, II	IV. Employee Engagement		
Payroll	40	III, IV	<i>"The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals" - Institute of Internal Auditors Professional Standards – Planning 2010.</i>		
Purchasing Card Expense	40	III, IV			
Revenue Collection	40	III			
Script Development	840	I, II, III, IV			
<b>External Audits</b>					
Federal Transit Administration - Triennial Review	100	II, III			
Financial Audit Support	160	II, III			
System Security Plan	200	I, II			



# 2023 Proposed Audit Plan

## Request for Plan Approval

- Staff requests that the Audit Committee recommend to the Board of Trustees the proposed 2023 audit plan for approval.

### **IPPF – International Professional Practices Framework**

**Standard 1110 Organizational Independence** - CAE reports functionally to the board, which includes the board approving the risk-based internal audit plan.

# Fourth Quarter Report

**Introduction**

**2022 Internal Audit Plan**

**2023 Proposed Audit Plan**

**Completed Projects**

**Continuous Auditing**

**Projects in Progress**

**Special Requests and Emerging Issues**

**External Audit Coordination**

**Status of Outstanding Follow-up**

**Other Projects**

**Staff Training**

**Staff Profiles**

**IPPF – International Professional Practices Framework**

**Standard 2060 Reporting to Senior Management and the Board – The Chief Audit Executive must report periodically on Internal Audit activities.**



# Completed Projects

## Paratransit Vehicle Purchase – (20) Western Reserve Coach

**Objective:** The Board of Trustees authorized the purchase under Contract 2022-103 with Western Reserve Coach Sales, Inc., for the purchase and delivery of up to 20 Western Reserve Diamond Paratransit coaches.

**Scope:** Audit Staff completed the applicable pre-award Buy America Review, required by the Federal Transit Administration.

**Results:** Satisfactory, pre-award certificate issued.

**Issues for Board Consideration:** None

# Completed Projects

## Petty Cash

**Objective:** Reconcile 100% of active GCRTA petty cash accounts in accordance with GCRTA Administrative Procedure 003.

**Scope:** All active GCRTA Petty Cash Accounts.

**Results:** Satisfactory

**Issues for Board Consideration:** None

# Completed Projects

## Employee Separation Process

**Objective:** Define current employee separation process, evaluate process controls, and identify process improvement areas.

**Scope:** Employee release form asset tracking, IT access termination, payout/arrears calculation, pre-termination hearings, and timeliness of processing.

**Results:** Marginally Satisfactory, with findings and recommendations for management.

**Issues for Board Consideration:** None

# Completed Projects

## GCRTA Travel and Expense Reimbursement

**Objective:** Review all trip reports and travel expense reimbursements for compliance with policy and procedures.

**Scope:** 100% of fourth quarter related trips and expenses.

**Results:** Satisfactory, with findings and recommendations for management.

**Issues for Board Consideration:** None

# Completed Projects

## Advertising Services (Brokaw, Inc)

**Objective:** Evaluate contract compliance with scope of services and invoice requirements.

**Scope:** Invoicing, monitoring of contract spend, and campaign KPIs.

**Results:** Satisfactory, with findings and recommendations for management.

**Issues for Board Consideration:** None

# Completed Projects

## Revenue Generating Ads Services (Lamar Transit, LLC)

**Objective:** Obtain and review all revenue generating ad contracts, identify terms and conditions for each contract, validate revenue streams for each contract.

**Scope:** Advertising revenue payments, sales report veracity, revenue share benchmarking.

**Results:** Satisfactory, with findings and recommendations for management.

**Issues for Board Consideration:** None

# Completed Projects

## Collective Bargaining Agreement – Contract Implementation (ATU 268) Tool and Shoe Allowance

**Objective:** Review compliance with the ATU Collective Bargaining Agreement rules on tool allowances and shoe reimbursements.

**Scope:** Tool allowance and shoe reimbursement payment validation in 2021.

**Results:** Marginally Unsatisfactory, with findings and recommendations for management.

**Issues for Board Consideration:** None

# Projects in Progress

## Healthcare – Employee and Dependent Eligibility

**Objective:** Evaluate compliance with GCRTA Personnel Policies and Procedures regarding eligibility for healthcare benefits for employees and their dependents.

**Scope:** To be determined at the conclusion of Risk Assessment.

### Current Status:





# Projects in Progress

## Tower City Common Area Maintenance Agreement

**Objective:** Identify agreement requirements, validate compliance with terms and conditions, and evaluate risks and controls.

**Scope:** Invoice accuracy, utility billing, reimbursable expenses, maintenance/management system assets, Tower City maintenance obligations.

**Update:** GCRTA has hired a new Property Manager. Internal Audit will meet with the new property manager prior to resuming fieldwork.



# Projects in Progress

## Public Transportation Agency Safety Plan – Accident/Incident Notification

**Objective:** Evaluate GCRTA compliance with FTA, NTSB, and SSO requirements for Accident and Incident Notification.

**Scope:** PTASP compliance with FTA standards, GCRTA SOP compliance, accident notifications, accident investigations, SQ supervisor reporting.

**Current Status:**



# Projects in Progress

## Public Transportation Agency Safety Plan – Drug & Alcohol

**Objective:** Evaluate GCRTA Drug & Alcohol program adherence to federal regulations and FTA guidance.

**Scope:** Evaluate PTASP compliance with ODOT and FTA checklists for content as it relates to Drug and Alcohol Programs.

**Current Status:**



# Projects in Progress

## GCRTA – Fare Media Ticket Stock

**Objective:** Review ticket stock vendor contract, identify compliance obligations and risks to management objectives. Document controls and evaluate compliance with the contract.

**Scope:** Pre-printed ticket stock inventory, blank ticket stock inventory, farecard testing, fare media destruction, and contract invoicing

**Current Status:**



# Projects in Progress

## Physical Inventory - Parts

**Objective:** Provide assurance for management's physical inventory of parts, accounting until 12/31/22.

**Scope:** Management is counting 80% of inventory by value. Audit will observe management counts, reconcile records, evaluate controls, and conduct sample counts.

**Current Status:**



# Projects in Progress

## Employee Hiring Practices

**Objective:** Recruitment audit to document and understand the current process, evaluate any bottlenecks, evaluate compliance with applicable laws and regulations, and learn how the candidates perceive the GCRTA during the process.

**Scope:** Consulting engagement to review efficacy of hiring process.

### Current Status:



# Projects in Progress

## Overtime

**Objective:** Prepare an analytic of overtime expense across the Authority. Explore the data to identify patterns and red flags for follow-up.

**Scope:** Overtime expense from 2019 – 2022, Maintenance Management System work order records. Operator Time and Attendance System records.

**Current Status:**



# Projects in Progress

## Vehicle Purchase – (20) Compressed Natural Gas Coaches – (Gillig. LLC)

**Objective:** The Board of Trustees authorized the exercise of an option under Contract 2021-071 with Gillig, LLC, for the purchase and delivery of up to 20, 40-ft., low floor CNG coaches including training, special tooling and spare parts.

**Scope:** Audit staff will complete the applicable Buy America review, required by the Federal Transit Administration.

### Current Status:





# Projects in Progress

## Heavy Rail - Motor Overhaul (Swiger Coil Systems)

**Objective:** Evaluate evolving HRV smoking motor issue.

**Scope:** Contract compliance with Swiger Motor overhaul contract, review of GCRTA Quality Assurance review process, and evaluation of third-party engineering services task order.

**Update:** Management continues to receive delivery of overhauled motors.

**Current Status:**



# Projects in Progress

## Railcar Vehicle Replacement

**Objective:** Provide pre-award audit assurance on procurement activities and to complete necessary Buy America reviews.

**Scope:** Internal Audit will evaluate contract compliance and management controls.

**Update:** Management expects to solicit board award in April 2023.

### Current Status:



# Projects in Progress

## Employee Hazard Pay

**Objective:** Conduct a review after the final payment installment.

**Scope:** Internal Audit will review the implementation of terms and conditions for compliance with the agreement.

**Current Status:**



# Audit Blitzes

**Tower City CSC - Complete**

**Mobile Ticketing On-board Validator – Complete**

**Pre-printed Fare Media Inventory – Complete**

Healthcare Dependent Eligibility – Promoted to full assurance engagement

Records Retention – 2023 Audit Plan

Third Party Paratransit Revenue Collection – 2023 Audit Plan

# Continuous Auditing

## Paratransit Eligibility

**Objective:** GCRTA certifies eligible applicants for Paratransit services. Management utilizes a computerized system to store inactive and active customer information.

**Scope:** Internal Audit developed a script to evaluate client information with the death records posted to the State of Ohio – Department of Health – Vital Statistics Database.

**Update:** The script has been run and reviewed by Audit leadership. Results are being prepared for Management review and action.

# Continuous Auditing

## Nepotism

**Objective:** The GCRTA Code of Ethics provides policy to ensure the hiring and supervision by the Authority is compliant with Ohio law and avoids personal conflicts of interest.

**Scope:** Internal Audit evaluated the relationships and employment placement for all of the active employees. GCRTA Personnel Policy 300.03 Employment of Relatives.

**Update:** The Nepotism script has been run and reviewed by Audit leadership. Results are being prepared for Management review and action.

# Continuous Auditing

## Purchasing Card

**Objective:** GCRTA P-Card program provides a mean for streamlining payment processes, allowing cardholders to procure certain goods and services in a timely manner.

**Scope:** Internal Audit developed a script to evaluate P-Card transactions for compliance with the GCRTA Procurement Card Policy.

**Update:** The script has been run for the January billing cycle and reviewed by Audit leadership. Results are being prepared for Management review and action.

# Continuous Auditing

## Revenue Collection

**Objective:** To evaluate and provide assurance customer fares collected from fare collection systems are reconciled, posted to accounting records, and deposited to the bank.

**Scope:** Internal Audit developed a script to analyze data from fare collection systems and compared it to cash in transit, accounting, and bank records.

**Update:** Script was executed for the period of October 1, 2022 through December 31, 2022, and reviewed by Audit leadership. Results are being finalized for Management.

\*Note: Cash collections include some immaterial differences between machine totals and amounts deposited, due to known system errors.



# Continuous Auditing

## Payroll

**Objective:** To evaluate payroll data from the Authority's ERP system.

**Scope:** Internal Audit utilizes scripts to analyze payroll data from the Authority's ERP system.

**Update:** The Payroll script has been run and reviewed by Audit leadership. Results are being prepared for Management review and action.

# Special Requests/Emerging Issues

- Reclassification of Fare Revenue
- Incompatible Employment – Power & Way
- Incompatible Employment - Hayden
- Nepotism - Rail Facilities Maintenance
- Mileage Reimbursement

# External Audit Coordination

## Federal Transit Administration – Triennial Review

- Triennial Review is one of FTA's management tools for examining recipient performance and adherence to current FTA requirements and policies.
- The review examines up to 23 areas.
- Desk review in process – virtual field audit planned for 2<sup>nd</sup> Quarter 2023.

### **IPPF – International Professional Practices Framework**

**Standard 2050 Coordination** – The Chief Audit Executive should share information and coordinate activities with other internal and external providers of assurance... to minimize duplication of efforts.

# Status of Outstanding Follow-up

All audit results and recommendations are tracked and monitored in the Audit Management System.

Upon verification, issues are closed.

## **IPPF – International Professional Practices Framework**

**Standard 2500 Monitoring Progress** – The Chief Audit Executive must establish and maintain a system to monitor the disposition of results communicated to management.

# Other Projects

## Audit Management System Replacement

- Existing system will be out of support as of 2023
- This system will enhance our compliance with professional auditing standards, modernize our reporting and communication capabilities, and provide increased efficiencies in our work

Update: Migration and integration of Audit Management System is complete. 2023 audit planning was completed in new system, all future audits will be completed in new system.

# Other Projects

## Healthcare Claims Co-sourcing

- Annual healthcare expenses exceed approximately \$32 million
- We will reengage our audit software provider to update our claims auditing system to evaluate healthcare claims for compliance with plan design
- Scope will include previous two years of claims

# Other Projects

## Others

- Fraud Hotline
- Information Technology Steering Committee
- Change Order Review Committee
- Railcar Replacement Steering Committee
- Maintenance Management System Upgrade (Ultramain)
- Oracle Upgrade Steering Committee

# Staff Training

**Internal Audit Department staff received the following training during the Fourth Quarter 2022:**

- TeamMate+ for Managers (Wolters Kluwer)
- TeamMate+ for Auditors (Wolters Kluwer)
- TeamMate+ Migration and Reporting (Wolters Kluwer)
- Environmental, Social, and Governance and Quality Assurance Review (Northeast Ohio Institute of Internal Auditors)
- CSU Extravaganza: Various Auditing Topics and Auditing Ethics (Northeast Ohio Institute of Internal Auditors)
- Cyber Security Preparedness and Risk Assessment (Northeast Ohio Institute of Internal Auditors/Information Systems Audit and Control Association)



# Questions and Comments