

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

9:02 a.m. February 22, 2023

Committee Members: Koomar (Chair), McCall, Weiss

Not present: Joyce, Moss

Staff: Birdsong Terry, Bowles, Burney, Caver, Crawshaw, Dangelo, Feke, Fields, Fleig, Garlock, Garofoli, Gautam, Miller, O'Donnell, Scott, Shaffer, Talley, Togher, Walker-Minor, Zimmerman

Public: Golias

The meeting was called to order at 9:02 a.m. There were three (3) committee members present.

Internal Audit Quarterly Report

Tony Garofoli, Executive Director, Internal Audit, and staff auditors gave the report.

Independent Validation of Self-Assessment

David Golias of Jefferson Wells USA gave the presentation. The International Standards for the Professional Practice of Internal Auditing requires an external assessment of Internal Audit activity to be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organization. The GCRTA conducted a self-assessment of its Internal Audit (IA) activity and selected Jefferson-Wells as the qualified independent external assessor to conduct a validation of the self-assessment. The independent validation concluded on February 13, 2023.

The three areas of assessment (Attribute Standards, Performance Standards, Code of Ethics) for GCRTA were rated as *Generally Conforms*. This means that IA activity has a charter, policies and processes that are judged to be in conformance with the standards and Code of Ethics (COE). Other ratings include *Partially Conforms* and *Does Not Conform* which GCRTA did not receive.

Recommendations for improvement and best practices were sent to Mr. Garofoli. Ms. Birdsong Terry asked when the recommendations can be shared with management. Mr. Garofoli said they will review the recommendations, consult with the Audit Committee and GM, CEO and provide responses to Jefferson Wells. A final report will be made available.

2023 Audit Planning Methodology and Plan

The IA department is required to submit a risk-based plan each year. They use information from the Board and management to create the plan. Special software is used to organize objectives, strategic risk, risk, controls and rate the strategic risks. The outcome is a priority list of projects aligned with the strategic plan and success outcomes. Work hours are assigned to each project. Several of the 2023 projects will address Customer Experience and they plan to do broader construction audits. Mayor Weiss asked about the software and risk scoring. Mr. Garofoli said they have used the system for 15 years. This system is more modern. The risk ranking process has been used for 27 years. Ms. Birdsong Terry added that she was able to weigh in on the plan.

Staff requests that the Audit Committee recommend to the Board of Trustees the proposed 2023 audit plan for approval. It was moved by Mayor Weiss, seconded by Ms. McCall and approved to move this to the full Board.

Internal Audit Quarterly Report – 4th Quarter 2022 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

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

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 to move form to airslate)
- **Issues for Board Consideration:** None

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

Mayor Weiss asked for the estimated number of travel reports. Staff said approximately 50. Ms. Birdsong Terry added that travel includes trips to Columbus for funding meetings as well as equipment inspection and testing.

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

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

Ms. McCall asked for the findings on Brokaw and Lamar and how expired ads are handled. Staff found that other transit agencies had an advertising policy for their advertising servicing contract, which Dr. Walker Minor had been working on. From Brokaw, there was a minor invoice error, less than \$100 overpayment. Ms. Birdsong Terry said they will bring the advertising policy back to the Board in the Spring. Staff is working with the contractors and staff on addressing expired ads.

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. (eligible job classifications)
- **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.

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.

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:** Reporting

They will expand their review by including a accident/incident training and discipline outcomes audit in the 2023 IA plan.

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:** Reporting

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:** Reporting

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:** Fieldwork

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:** Fieldwork

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:** Fieldwork

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:** Post delivery

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. No current smoking motor issues
- **Current Status:** Fieldwork

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:** Pre-award

Employee Hazard Pay (2nd round)

- **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:** Reporting

The payments were issued by November 17, 2022 for non-temporary employee who were active Nov. 10. Full time employees received \$1,000. Part time employees received \$500. Approximately \$2 million was dispersed. Total for both payouts was \$6.5 million. One terminated employee received hazard pay. Management worked to retrieve the payment.

AUDIT BLITZES

- **Tower City CSC – Complete** - \$5 variance found
- **Mobile Ticketing On-board Validator – Complete** – No issues found
- **Pre-printed Fare Media Inventory – Complete** – No variance found
- 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.

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 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.

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.

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.

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.

Scripts take time to develop, but once in place, require a click to run. Ms. McCall asked if any fraud has been found under Paratransit and if the terminated employee who received hazard pay worked during COVID. No paratransit fraud has been found. The terminated employee came within a week of the deadline to be eligible for hazard pay.

SPECIAL REQUESTS/EMERGING ISSUES

- Reclassification of Fare Revenue – onboard fare features address
- Incompatible Employment – Power & Way - addressed
- Incompatible Employment – Hayden - addressed
- Nepotism - Rail Facilities Maintenance – no findings/audits in place
- Mileage Reimbursement – under review

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 2nd Quarter 2023.

STATUS OF OUTSTANDING FOLLOW-UP

- All audit results and recommendations are tracked and monitored in the Audit Management System.
- Upon verification, issues are closed.

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.

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

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

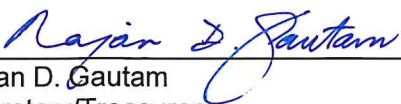
STAFF TRAINING

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)

Mayor Weiss asked for clarification on the healthcare claims audit. Mr. Garofoli explained that this audit is to ensure that the covered dependents that are eligible are included in the program appropriately. RTA is self-insured and relies on a 3rd party to process claims. RTA receives a monthly invoice. This audit ensures the claims are correct.

The meeting was adjourned at 10:08 a.m.



Rajan D. Gautam
Secretary/Treasurer



Theresa A. Burrage
Executive Assistant

