



GREATER CLEVELAND
REGIONAL TRANSIT
AUTHORITY

INTERNAL AUDIT
QUARTERLY REPORT
First Quarter - 2016

May, 2016

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
JANUARY 1, 2016 THROUGH MARCH 31, 2016**

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INTRODUCTION

Presented herein and in accordance with Board Policy is the report of the Internal Audit Department activities for the First Quarter 2016. The report outlines work performed, recommendations and management's responses, including specific steps for the implementation of all agreed-upon recommendations and other pertinent data.

The Internal Audit Department is an independent appraisal function established within the Authority to examine and evaluate its activities as a service to the Board of Trustees and management. The objective is to assist management in the effective discharge of their responsibilities. To this end, Internal Audit furnishes management with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.

The Internal Audit Department will respond to the Board of Trustee requests for audit services in a timely manner. Please contact me at (216) 566-5064 to service your requests.



5/5/16

Anthony A. Garofoli
Executive Director of Internal Audit

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2016 INTERNAL AUDIT PLAN

Contract Audits

Blanket Purchase Order Contracts
Brookpark Rapid Transit Station Rehabilitation
Cleveland Metropolitan School District - Student Transportation Agreement
Fare Collection Systems
Fiber Optic Network Replacement
Elevator/Escalator Maintenance
Magnetic Fare Media Cards
Marketing/Advertising Consultant
Supplemental Paratransit Services
Tire Lease/Services
Tower City Escalator Replacement
Tower City Track Replacement
U-Pass Programs (CSU, CWRU, CCC)
Vehicle Purchases
Vehicle Warranty Program

Internal Audits

Customer Service Center Operations
Employee Hiring Practices
Employee Separation Process
Facilities Access System
Force Account Reimbursements
Fuel Hedging Program
Paratransit Operations
Payroll
Petty Cash
Purchasing Card Program
Safety System Program Plan
Sub-Recipient Monitoring
Third-Party/Worker's Compensation Claims
Transit Police Compensation Time
Transit Police System Security Plan
Travel Expense Reimbursement
Waterfront-Line Operations

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2016 INTERNAL AUDIT PLAN

Information Technology Audits

Accrued Leave
Claims System Implementation
Consolidated Train Dispatch System
Health Care Claims
Information Technology Systems Security
Telephone System Replacement

Continuous Auditing Program - *

Absence Control
Accounts Payable
Accounts Receivable
Fuel Expense
Inventory Management
Revenue Collection

External Audits

Ohio Department of Transportation
Federal Transit Administration
State of Ohio – Office of the Auditor
US Department of Homeland Security

Revenue Audits

Fare Enforcement/Proof-of-Payment
Fare System Increase Reprogramming
Manual All Day Pass Program
Lease Revenue
Special Event Collections

Staff Training
Audit Recommendation Follow-up
15% of budgeted hours will be reserved for Special Requests and/or Emerging Issues

**Continuous Auditing is achieved through the use of audit software tools to assure the internal control system is functioning to detect fraud, errors and waste.

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COMPLETED PROJECTS

GCRTA Employee Travel & Expense Account Reimbursements

Purpose:

The Internal Audit Department reviews all employee travel expenses to ensure they are properly approved and are reimbursed in accordance with the Authority's policies and procedures.

Scope:

Internal Audit reviewed all requests for employee travel expense reimbursements for the period January 1, 2016 through March 31, 2016 prior to cash disbursement. The review included tests for allowability, reasonableness and timeliness.

Results:

All requests were reviewed and, if necessary, adjusted to comply with applicable policies and procedures.

Vehicle Purchases

(Board Resolution 2013-110 - Gillig, LLC)

(Board Resolution 2014-111 - Gillig, LLC)

(Board Resolution 2015-048 - Gillig, LLC)

(Board Resolution 2015-060 - Gillig, LLC)

(Board Resolution 2015-096 – Transportation Equipment Sales Corp.)

Purpose:

Contract 2013-100 was authorized to manufacture and deliver up to (240) 40 foot Compressed Natural Gas (CNG) buses, training, tooling and spare parts. The first order was placed with the contractor to deliver (60) buses.

Contract 2013-100 was authorized to manufacture and deliver up to (240) 40 foot Compressed Natural Gas (CNG) buses, training, tooling and spare parts. The second order was placed with the contractor to deliver (30) buses.

Contract 2014-170 was authorized to manufacture and deliver up to (8) 35 foot trolley replica coaches, training, tooling and spare parts.

Contract 2015-048 was authorized to manufacture and deliver up to (4) 35 foot trolley replica coaches, training, tooling and spare parts.

Contract No. 2015-159 was authorized for the purchase and delivery of up to twenty (20) dedicated mobility access vehicles, training, tools and spare parts.

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COMPLETED PROJECTS

The Federal Transit Administration obligates federal funds to the GCRTA for purchasing buses to carry passengers in mass transit service. Recipients of these funds must comply with several federal regulations, one of which is the Pre-Award and Post Delivery Rule.

Scope:

Audit Staff completed the applicable Buy America Review, required by Federal Transit Administration.

Results:

(60) Bus Order: Audit staff completed Post-Delivery Review. This included an on-site review of contractor records, toured the manufacturer's final assembly plant, inspected the vehicles and reviewed GCRTA records. Both the contractor and GCRTA management complied with federal regulations. Considering this result, GCRTA management transferred title and can place the vehicles in revenue service.

(30) Bus Order: Audit staff completed Post-Delivery Review. This included an on-site review of contractor records, toured the manufacturer's final assembly plant, inspected the vehicles and reviewed GCRTA records. Both the contractor and GCRTA management complied with federal regulations. Considering this result, GCRTA management transferred title and can place the vehicles in revenue service.

(12) Trolley Bus Order(s): Audit staff completed Post-Delivery Review. This included an on-site review of (2) contractor records, toured both manufacturers' final assembly plants, inspected the vehicles and reviewed GCRTA records. Both the contractors and GCRTA management complied with federal regulations. Considering this result, GCRTA management transferred title and can place the vehicles in revenue service.

(20) Mobile Access Vehicle Order: Audit staff completed Post-Delivery Review. Both the contractor and GCRTA management complied with federal regulations. These vehicles were built prior to the contract. Audit staff obtained supporting evidence to support compliance with federal regulations. Considering this result, GCRTA management transferred title and can place the vehicles in revenue service.

Rail Car Electric Motor Repair

(Board Resolution 2014-007 – Sherwood Electromotion Incorporated)

(Board Resolution 2014-008 – RAM Industrial Services, LLC)

Purpose:

Contracts 2013-185A and 2013-185B were authorized for the rebuilding of rapid transit electrical motors.

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COMPLETED PROJECTS

Scope:

Audit Staff will evaluate compliance with the respective contract terms and conditions.

Results:

Audit staff identified contract non-compliance and management control deficiencies. Audit staff traveled with management to the contractor's shop to re-establish quality assurance and contract compliance. Management established business objectives to maintain an inventory of spare motors for the aging rail fleets.

Internal Audit will complete a follow-up review to evaluate implementation of audit recommendations.

Railcar Movements and Repair

Purpose:

The Federal Transit Administration created a state-managed oversight program to improve rail transit safety and security. The Ohio Department of Transportation administers the program.

The Internal Audit Department and the Safety Department conduct a program of annual audits of the Authority's System and Security Plans to evaluate operational compliance as well as to measure the effectiveness of the respective programs.

Scope:

Internal Audit developed a plan to evaluate:

- Control Center directed train movements
- Pre & Post Trip railcar inspections
- Defect Reporting
- Yard Control
- Vehicle Maintenance
- Inventory Management

Results:

Audit staff completed a series of process audits. We conducted several workshops with front-line employees. We issued 23 recommendations to 4 operating departments to improve the efficiency and effectiveness of operations.

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COMPLETED PROJECTS

Management accepted the recommendations. We will complete a follow-up review to ensure recommendations are implemented.

Central Bus Maintenance Facility – ISO 14001 Certification

Purpose:

The ISO 14001 standard represents a core set of standards used by organizations for designing and implementing an effective Environmental Management System (EMS).

Management is engaged in an effort to seek certification for the Central Bus Maintenance Facility. This includes documented sustainable and environmental processes for the use and/or disposal of certain elements such as rags, scrap metals, waste oil and other elements.

The standards include an internal audit component to evaluate compliance.

Scope:

Audit staff will develop an audit program to evaluate compliance with established processes. We will support the certification oversight and management teams to attain the objective.

Results:

Management achieved certification.

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PROJECTS IN PROGRESS

Health Care Benefits - Claims Audit

(Board Resolution – 2010-081 - Medical Mutual of Ohio)

(Board Resolution – 2011-094 - Caremark PCS Health, LLC (Caremark))

(Board Resolution – 2010-083 - MetLife Securities, Inc.)

Purpose:

GCRTA employee health care benefits expense totals approximately \$20,000,000 annually. The Board of Trustees authorized:

Contract No. 2010-72A with Medical Mutual of Ohio to provide medical plan insurance coverage;

Contract No. 2011-108 with Caremark PCS Health, LLC (Caremark) to provide a managed prescription drugs benefit program; and

Contract No. 2010-72C with MetLife Securities, Inc. to provide dental insurance coverage

Scope:

Internal Audit will perform a healthcare claims audit to evaluate third-party administrator compliance with respective plan designs and contract terms and conditions for the period January 1, 2012 through December 31, 2014.

Update:

Field work is complete for the period January 1, 2012 through December 31, 2013. The audit identified several issues to discuss with the respective third-party administrators. We engaged an audit consultant to co-source this work.

Contract provisions require us to complete the 2-year audit before we can analyze the 2014 calendar year claims.

Information Technology Security

Purpose:

Management relies on data from a variety of business and intelligent transportation systems. Audit staff will evaluate controls over user access to GCRTA mission critical systems.

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PROJECTS IN PROGRESS

Scope:

The scope of the audit is to evaluate whether user access to GCRTA's network, applications and data is adequately controlled, including the process for granting, maintaining and removing such access. We will also evaluate administrator rights, password management and policy awareness.

Vehicle Purchases

(Board Resolution 2015-048 - Gillig, LLC)

Purpose:

Contract 2014-170 was authorized to manufacture and deliver up to (8) 35 foot trolley replica coaches, training, tooling and spare parts.

Contract 2015-048 was authorized to manufacture and deliver up to (4) 35 foot trolley replica coaches, training, tooling and spare parts.

The Federal Transit Administration obligates federal funds to the GCRTA for purchasing buses to carry passengers in mass transit service. Recipients of these funds must comply with several federal regulations, one of which is the Pre-Award and Post Delivery Rule.

Scope:

Audit Staff will complete the applicable Buy America Review, required by Federal Transit Administration

**GCRTA – Cleveland State University Student Universal Access Fare Program
(U-Pass Program)**

(Board Resolution 2004-001)

Purpose:

The GCRTA entered into an agreement to provide prepaid and universal access to public transportation services. Each full time student pays a flat fee per semester and is able to ride GCRTA services on an unlimited basis during the semester.

Scope:

Internal Audit will evaluate compliance with the agreement.

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PROJECTS IN PROGRESS

GCRTA – Case Western Reserve University Student Universal Access Fare Program (U-Pass Program)

(Board Resolution 2008-127)

Purpose:

The GCRTA entered into an agreement to provide prepaid and universal access to public transportation services. Each full time student pays a flat fee per semester and is able to ride GCRTA services on an unlimited basis during the semester.

Scope:

Internal Audit will evaluate compliance with the agreement.

GCRTA – Cuyahoga Community College Student Universal Access Fare Program (U-Pass Program)

(Board Resolution 2015-62)

Purpose:

The GCRTA entered into an agreement to provide prepaid and universal access to public transportation services. GCRTA and CCC agreed upon a semester rate, with an escalation clause through 2021. Students are able to ride GCRTA services on an unlimited basis during the semester.

Scope:

Internal Audit will evaluate compliance with the agreement.

Continuous Auditing

Purpose:

Continuous Auditing defines the technologies and processes that allow an on-going review and analysis of business information on a real time basis. Internal Audit will monitor specific information electronically and incorporate the use of intelligent agents, computer modeling and other software tools. Continuous auditing will give end users of information more timely assurance that information is correct and may eventually lead to continuous reporting where business information is updated and published as events occur.

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PROJECTS IN PROGRESS

Scope:

The General Manager identified and monitors “Key Performance Indicators.” These include Revenue and Absence Control. Internal Audit will assist management to develop continuous “monitoring” queries to provide management “real time” information to meet organizational goals. Internal Audit will develop continuous “auditing” queries to test for compliance and control risk.

Manual All-Day Passes

Purpose:

Each month, Operators are issued one book with 25 Manual All-Day passes. These passes will be issued to passengers when a farebox is capable of collecting cash fares, but the “Trim unit” is malfunctioning and will not print/issue an All-Day pass.

Scope:

Internal Audit is evaluating risks and internal controls for the handling of Manual All Day Passes

Third-Party Contracts – Risk Assessment

Purpose:

Internal Audit will develop risk factors to evaluate third-party contact management.

Scope:

All active contracts and purchase orders.

Workers’ Compensation/Third-Party Claims - Process Review

Purpose:

The Legal Division contracted with an insurance company to evaluate internal controls and processes to manage workers’ compensation and third-party claims.

Scope:

- Effective use of the computerized risk management computer system
- Tests of risk factors identified through an assessment of various processes

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SPECIAL REQUESTS AND EMERGING ISSUES

Paratransit Operations

Purpose:

The Paratransit District Director requested a special audit of Paratransit operations.

Scope:

Internal Audit is evaluating the Paratransit Dispatch Office operations. These activities include:

- Timekeeping
- Scheduling
- Operator Supervision

Update:

Between February 10, 2015 and March 22, 2015, Internal Audit and Transit Police conducted a joint investigation, including interviews of management, dispatchers, operators and schedulers (17 employees). We summarized our findings to meet with GCRTA management, including GCRTA Legal.

Internal Audit reviewed internal controls to identify root cause and provide management recommendations. These recommendations were implemented immediately.

The matter was referred to the County Prosecutor's Office in March 2015. The County Prosecutor referred the matter to the United States Attorney's Office – Department of Justice. GCRTA Internal Audit supported the investigation conducted by the Federal Bureau of Investigation and United States Department of Transportation – Office of the Inspector General. We were informed to suspend our internal investigation. The matter was referred back to the County Prosecutor in August 2015. On January 28, 2016, (2) former GCRTA employees and (1) active employee were indicted by a Grand Jury and various charges of fraud, theft in office and theft.

Audit staff continues to monitor internal controls to provide assurance to management. We will resume the internal investigation as soon as Prosecutor removes the suspension.

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SPECIAL REQUESTS AND EMERGING ISSUES

Management Incident

Purpose:

The Deputy General Manager of Human Resources and Deputy General Manager of Legal Affairs requested an investigation of a management incident between two employees.

Scope:

Audit staff reviewed closed circuit camera video, interviewed employees and related data.

Results:

Management coached and developed performance plans for employees based on the results of the report.

Employee Vacation Account Balances

Purpose:

The Human Resources Information System Manager requested a special audit to review employee vacation accounts. She identified unreconciled differences between the payroll system balances and the time & attendance capturing system balances.

Scope:

Internal Audit will evaluate the employee accounts, system control risks and root causes to determine the scope for audit. Staff will re-calculate account balances and recommend adjustments for management consideration.

Third-Party Contract – Check Printer

Purpose:

A contractor, responsible to print and deliver new checks, delivered an order to a non-GCRTA address. Fraudsters found, altered and cashed some of the checks at various check cashing agencies. The GCRTA's bank third-party controls identified the fraud and informed GCRTA management. Per the controls, the bank did not cash the checks presented by the check cashing agencies.

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SPECIAL REQUESTS AND EMERGING ISSUES

Scope:

Support Transit Police during the investigation and recovery of missing checks.

Update:

This is an on-going investigation.

GCRTA management implemented new controls to mitigate risk.

Railcar Cleaning

Purpose:

The Deputy General Manager of Operations requested a special audit of employee allegations and processes for cleaning railcars.

Scope:

Audit staff will interview employees, review management records, complete a walkthrough of cleaning processes and resources.

Tower City Customer Service Center Operations

Purpose:

The Transit Police Chief requested audit services to evaluate internal controls and processes at the Tower City Customer Service Center.

Scope:

Audit staff will interview employees, review management controls and support the Transit Police as requested.

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EXTERNAL AUDIT COORDINATION AND FOLLOW-UP
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The International Standards for the Professional Practice of Internal Audit provides:

- 2050 – *Coordination:*
 - *“The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.*”

The following Federal and State Agencies performed audits and reviews of the Authority’s policies and records during the First Quarter 2016:

- State of Ohio – Office of the Auditor
 - The State of Ohio – Office of the Auditor is conducting the 2015 Financial/Single Audit.
- State of Ohio – Ohio Department of Transportation (ODOT)
 - ODOT selected a consultant, Battelle Inc., to act as the Program Manager for Rail Safety and Security Audits.
 - Internal Audit will work with GCRTA Safety to perform the audits as required by ODOT.
 - The Consultant meets with GCRTA Management on a quarterly basis to review and follow-up on outstanding corrective action.
 - The Federal Transit Administration will conduct a Triennial Review of the State Safety Oversight Program during the Second Quarter 2016.
- Federal Transit Administration (FTA)
 - The FTA will conduct a Triennial Review during the Third Quarter 2016. Management and Internal Audit provided preliminary information as requested by the review team.
 - The Triennial Review is one of the Federal Transit Administration's (FTA) management tools for examining grantee performance and adherence to current FTA requirements and policies. Mandated by Congress in 1982, the Triennial Review occurs once every three years. It examines how recipients of Urbanized Area Formula Program funds meet statutory and administrative requirements. The review currently examines 17 areas. In addition to helping evaluate grantees, the review gives FTA an opportunity to provide technical assistance on FTA requirements and aids FTA in reporting to the Secretary, Congress, other oversight agencies and the transit community on the Urbanized Area Formula Program

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STATUS OF OUTSTANDING FOLLOW-UP
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The International Standards for the Professional Practice of Internal Audit provides:

- 2500 – Monitoring Progress
 - “The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”
 - “The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”

(See the Recommendation Implementation Tracking Report on the next 3 pages)

The report is generated from the GCRTA Internal Audit Department audit management system (TeamMate). All outstanding issues and recommendations from internal and external audits and reviews are tracked within the application module (TeamCentral).

Audit staff is directed to follow-up with management to evaluate actions have been effectively implemented.

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STATUS OF OUTSTANDING FOLLOW-UP

Recommendation Implementation Tracking

Recommendation	State	Project Code	Issue	Issue Type	Priority	Estimated Date	Revised Date	Actual Date	Owner	Entity
<u>Documentation Standards</u>	Started	2013 - IA - 13 - Rail District Maintenance Program	Missing Maintenance Management System Supporting Documentation	Reportable Condition		8/31/2014	5/31/2016		Fedikovich, John	Rail District Maintenance Program
<u>Unrecorded Parts Inventory Issuance</u>	Started	2014 - SP - 07 - May 26, 2014 Railcar Derailment - Investigation	Unrecorded Parts Inventory Issuance	Reportable Condition	High Priority	12/31/2014	12/31/2016		Coleman, Teresa	Rail District
<u>Covert Alarm Standard Operating Procedure</u>	Started	2015 - CA - 13 - Gillig CNG Bus Purchase	Covert Alarm Standard Operating Procedure	Reportable Condition	High Priority	10/30/2015	6/30/2016		Lively, Michael	
<u>Audio Quality of Transit Police Dispatch</u>	Started	2015 - SP - 06 - Transit Police - 07/26/15 Incident Handling - Special Investigation	Audio Quality of Transit Police Dispatch	Management Letter	Medium Priority	11/30/2015	5/18/2016		O'Neil, Sean	Transit Police
<u>TP Patrol/Supervisor Car Inventory/Monitoring</u>	Started	2015 - SP - 06 - Transit Police - 07/26/15 Incident Handling - Special Investigation	Standard equipment for all TP vehicles	Management Letter	High Priority	12/31/2015	5/13/2016		O'Neil, Sean	Transit Police
<u>Reevaluate Change Card configurations</u>	Started	2015 - RA - 03 - Farebox Change Cards	Change Cards have embedded transfers	Reportable Condition	Medium Priority	12/31/2015	6/30/2016		Lively, Michael	Revenue
<u>Judgmental Training Simulator Plan</u>	Started	2015 - SP - 06 - Transit Police - 07/26/15 Incident Handling - Special Investigation	Judgmental Training Simulator Plan	Management Letter	Medium Priority	12/31/2015	5/1/2016		Gettings, Michael	Transit Police
<u>Tablet installation</u>	Started	2015 - SP - 06 - Transit Police - 07/26/15 Incident Handling - Special Investigation	Standard equipment for all TP vehicles	Management Letter	High Priority	12/31/2015	5/13/2016		O'Neil, Sean	Transit Police
<u>Train Control Center Rail Supervisor</u>	Started	2015 - IA - 18 - Rail Yard Operations	No Railyard Training	Reportable Condition	High Priority	1/29/2016	6/30/2016		Meroer, Robert	Service Quality
<u>General Police Orders Update</u>	Started	2015 - SP - 06 - Transit Police - 07/26/15 Incident Handling - Special Investigation	General Police Orders Update	Reportable Condition	Medium Priority	1/31/2016	6/4/2016		O'Neil, Sean	Transit Police
<u>Upgrade the Fare Collection System</u>	Pending	2015 - RA - 03 - Farebox Change Cards	GFI software outdated	Reportable Condition	Medium Priority	1/31/2016	6/30/2016		Lively, Michael	
<u>Fare Collection Data/Systems Manager</u>	Started	2015 - RA - 03 - Farebox Change Cards	Fare Collection Data/Systems Manager	Reportable Condition	Medium Priority	2/29/2016	6/30/2016		Lively, Michael	
<u>Employee Background Checks - Customer Service Center</u>	Pending	2016 - SP - 04 - Tower City Customer Service Center Investigation	Employee Background Check Customer Service Center	Compliance	High Priority	4/29/2016			Fields, George	Customer Service Center
<u>Customer Service Center - Over/Under Fund</u>	Pending	2016 - SP - 04 - Tower City Customer Service Center Investigation	Customer Service Center Representatives (Tellers) Daily Reconciliation	Reportable Condition		4/29/2016			Perez, Hilda	Customer Service Center
<u>Credit Card Cash Advances</u>	Started	2016 - SP - 04 - Tower City Customer Service Center Investigation	Credit Card Machine Use	Reportable Condition		4/29/2016			Perez, Hilda	Customer Service Center

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<u>Revise Railcar Pre-Trip Inspection Form - Rail District Transportation Management</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Revise Railcar Pre-Trip Inspection Form - Rail District Transportation Management	Reportable Condition	Medium Priority	5/13/2016	Rehfluss, Dennis	Rail District
<u>Cash Deposit and Re-Order Process</u>	Pending	2016 - SP - 04 - Tower City Customer Service Center Investigation	Cash Deposit and Re-Order Process	Reportable Condition	High Priority	5/13/2016	Perez, Hilda	Customer Service Center
<u>Update GCRTA Train Control SOP for Yard Control Responsibilities</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Lack of Yard Personnel Supervision Criteria within CCS Train Control SOP	Material Weakness	Medium Priority	5/31/2016	Meroer, Robert	Service Quality
<u>Finalize Electric Motor Overhaul Plan and Execute Tasks</u>	Started	2015 - CA - 03 - Railcar Electric Motor Repair	Electric Motor Shortfall vs Forecasted Demand	Material Weakness	High Priority	5/31/2016	Blaze, Casey	Rail District
<u>Evaluate CCTV System</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Camera Bandwidth	Reportable Condition	Medium Priority	5/31/2016	Orlando, Chns	Service Quality
<u>Akron Metro Fare Media Sales</u>	Started	2016 - SP - 04 - Tower City Customer Service Center Investigation	Akron Metro Fare Media Sales	Reportable Condition	Medium Priority	5/31/2016	Bitto, Steve	Customer Service Center
<u>Develop Qualifications for Yardpersons</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Missing Yardperson Test Results	Reportable Condition	Medium Priority	5/31/2016	Rehfluss, Dennis	Rail District
<u>Develop a Job Description for the Rail District Yardperson Position</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Job Description	Reportable Condition	Medium Priority	5/31/2016	Meroer, Robert	Rail District
<u>Assign a Control Center Supervisor to Yard Control during Peak Service</u>	Started	2015 - IA - 18 - Rail Yard Operations	Control Center Supervisor - Yard Control	Reportable Condition	High Priority	5/31/2016	Meroer, Robert	Service Quality
<u>Procure Headphones</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Control Center Noise	Reportable Condition	Medium Priority	5/31/2016	Newell, Richard	Service Quality
<u>Define Pre-Trip Inspection Roles and Responsibilities</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Conflicting Responsibility for Pre-Inspection Duties	Reportable Condition	Medium Priority	5/31/2016	Carlton, Cynthia	Rail District
<u>Rail Equipment Vehicle Maintainer Shift Schedule</u>	Started	2016 - SP - 01 - Railcar Cleaning	Rail Equipment Vehicle Maintainer Shift Schedule	Reportable Condition	Medium Priority	5/31/2016	Blaze, Casey	Rail District
<u>Cleaning Railcars</u>	Started	2016 - SP - 01 - Railcar Cleaning	Maintenance Requirements for Cleaning Railcars	Reportable Condition	High Priority	5/31/2016	Blaze, Casey	Rail District
<u>Update Railcar Defect Card</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Defect Card Design	Reportable Condition	Medium Priority	5/31/2016	Rehfluss, Dennis	Rail District
<u>Lost and Found Internal Controls</u>	Pending	2016 - SP - 04 - Tower City Customer Service Center Investigation	Lost and Found Internal Controls	Reportable Condition	High Priority	5/31/2016	Perez, Hilda	Customer Service Center
<u>Establish Dedicated Rail Yard Radio Communication Channel</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Yard Radio Communication	Reportable Condition	High Priority	5/31/2016	Newell, Richard	Service Quality
<u>Re-assign a Service Quality Supervisor to E 55th Yard and Station during Peak Service</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Limited Rail Yard Control Supervision	Reportable Condition	High Priority	5/31/2016	Meroer, Robert	Service Quality

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STATUS OF OUTSTANDING FOLLOW-UP

<u>Lack of Railcar Cleaning Supplies and Tools</u>	Pending	2016 - SP - 01 - Railcar Cleaning	Lack of Railcar Cleaning Supplies and Tools	Reportable Condition	High Priority	5/31/2016	Blaze, Casey	Rail District
<u>Thoroughly Evaluate Candidates</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Operator Recruitment Rail Car	Reportable Condition	High Priority	5/31/2016	Fields, George	Rail District
<u>Rail Car Movements - Communication/Supervisory Controls</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Movements - Communication/Supervisory Controls	Reportable Condition	Medium Priority	6/30/2016	Meroer, Robert	Service Quality
<u>Standards for Capturing and Reporting Mechanical and Facility Corrective Maintenance</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Defect Reporting - Control Center	Material Weakness	High Priority	6/30/2016	Newell, Richard	Service Quality
<u>Use of Yardpersons to Operate Railcars in Revenue Service</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Use of Yardpersons to Operate Railcars in Revenue Service	Material Weakness	High Priority	6/30/2016	Ferraro, Scott	Rail District
<u>Point of Sale System - Cash Register</u>	Pending	2016 - SP - 04 - Tower City Customer Service Center Investigation	Point of Sale System - Cash Register	Material Weakness	High Priority	6/30/2016	Perez, Hilda	Customer Service Center
<u>Revise Training for Control Center Supervisors</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Test Failures	Reportable Condition	Medium Priority	6/30/2016	Strack, Sandra	Service Quality
<u>Evaluate and Revise Standard Process for Defect Reporting</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Defect Reporting - Rail Cars	Reportable Condition	Medium Priority	6/30/2016	Rehfuss, Dennis	Rail District
<u>Comply with System Design for Work Requests</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Creating Work Orders from Work Requests	Material Weakness		6/30/2016	York, Mike	Service Quality
<u>Create Control Center SOPs for Rail Yard Control</u>	Pending	2015 - IA - 18 - Rail Yard Operations	Rail Yard Control	Reportable Condition	High Priority	6/30/2016	Meroer, Robert	Service Quality
<u>Customer Service Center Facility and Equipment</u>	Pending	2016 - SP - 04 - Tower City Customer Service Center Investigation	Customer Service Center Facility and Equipment	Reportable Condition	High Priority	8/31/2016	Bitto, Steve	Customer Service Center
<u>Railcar Key Installation</u>	Started	2015 - IA - 18 - Rail Yard Operations	Railcar Key Installation	Reportable Condition	Medium Priority	11/30/2016	Blaze, Casey	Rail District

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OTHER PROJECTS

Fraud Hotline

The GCRTA Fraud Hotline (216) 781-4080 is established to reduce and recover the loss of public funds from any acts of fraud, waste and/or abuse. GCRTA contracts include contact information and require contractors to call whenever they suspect an illegal act or an ethics violation. The Hotline is available to our employees and the public. Audit Staff will work closely with Management, Transit Police as well as law enforcement agencies, prosecutors, professional associations and the public to ensure GCRTA assets are safeguarded.

Information Technology Steering Committee

The Chief Information Officer chairs this committee. The purpose of this committee is to oversee, analyze and prioritize the overall technology needs of the Authority.

Change Order Review Committee

The General Manager/CEO created this committee to review potential contract change orders greater than (50) thousand dollars to validate the appropriateness of the request and to ensure appropriate Procurement and Project Management processes are adhered to. Internal Audit serves as a resource to the committee.

First Quarter 2016 Change Order:

Board Resolution (2016-008)

Authorizing an increase to Contract No. 2009-029 with Bialosky + Partners Architects, LLC for Project 24-J(C) - A/E Services for the Brook Park Rapid Transit Station in the amount of \$6,349.95, for a total contract amount of \$1,325,237.96

System Security Program Planning Committee

The Deputy General Manager of Operations created this committee. The purpose of this committee is to oversee, analyze, and prioritize the overall system security needs of the Authority. The Transit Police provide the agenda for the quarterly meetings.

TransitStat

The Executive Director of the Office of Management & Budget created this Program. The purpose of this Program is to provide management feedback and the resources to self-assess. The program is designed to improve the efficiency and effectiveness of management. Internal Audit serves as a panel member and a resource to management.

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OTHER PROJECTS

Operator Bid Dispatch/Time & Attendance System Steering Committee

The Deputy General Manager of Operations created this Steering Committee. The purpose of the Steering Committee is to participate in the planning and oversight for the Operator Bid Dispatch/Time & Attendance replacement system.

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STAFF TRAINING

The following training was provided to Audit Staff during the First Quarter 2016:

Northeast Ohio Internal Audit Local Chapter

- Current Challenges and Opportunities in Key Audit and Compliance Processes
- Webinar - Training - CEO of IIA 2016 Outlook
- Getting to Know the Proposed Changes to the Standards
- Members Only Webinar - Filling the Void: Addressing Today's Skills Gaps in Internal Audit
- Federal Reserve Bank of Cleveland – Scrum for Audit
- Embrace your inner CEO – Strategic Planning
- Real Estate Construction Audits
- IT Hot Spots – Building Your Audit Approach to Information Technology
- A Practical Approach to Data Analytics

Northeast Ohio Association of Certified Fraud Examiners Local Chapter

- Using Digital Forensics to Identify & Investigate Fraud
- Financial Crime Investigation
- Best Practices for Internal Investigations in 2016
- The Architecture of Fraud: Spiritual & Psychological Dimensions
- Red Flags of Fraud

Northeast Ohio Information Systems Audit and Control Association Local Chapter

- Cyber-Security

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STAFF PROFILES

Anthony A. Garofoli
Executive Director of
Internal Audit

Anthony joined the GCRTA on September 23, 1996. He earned his BBA in Accounting from Cleveland State University. Prior to joining the GCRTA, he worked 16 years in progressively responsible positions for the Office of the Auditor of the State of Ohio. His audit experience includes Financial Audits of State and Local Governmental Units, Fraud and Contract Compliance Audits. He has earned several certifications.

Senior Auditor

Vacant

Bonson Yee
Information Technology
Auditor

Bonson joined the GCRTA on September 6, 2005. He earned his BBA in Accounting from Cleveland State University. Bonson is a Certified Information Systems Auditor.

Edward Gaio
Staff Auditor

Ed joined the GCRTA on February 21, 2006. He earned his BA in Criminal Justice and a BBA in Finance from Kent State University. Edward is a Certified Fraud Examiner.

Anthony Ghanem
Staff Auditor

Anthony joined the GCRTA on June 4, 2012. He earned his BA in Economics and International Studies from Case Western Reserve University and his Master's Degree in Public Administration from Cleveland State University. He is a graduate of the GCRTA Management Development Program.

Maria Shurik
Staff Auditor

Maria joined the GCRTA on June 1, 2014. She earned a BA in Urban Studies and her Master's Degree in Public Administration from Cleveland State University. She is a graduate of the GCRTA Management Development Program.

Neletre Burts-Tolbert
Secretary

Nell joined the GCRTA in 1990. In addition to her clerical and administrative responsibilities, she assists the Executive Director and Audit staff with a variety of specialized audit support services.