

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

9:02 a.m. March 8, 2022

Committee Members: Moss (Chair), McCall, Koomar, Weiss

Not present: Joyce

Staff: Benford, Birdsong, Bowles, Caver, Coffey, Crawshaw, Dangelo, Fields, Fleig, Garofoli, Gautam, Ghanem, Miller, Mothes, O'Donnell, Schipper, Zimmerman

Public: Loh

The meeting was called to order at 9:02 a.m. There were four (4) committee members present. In accordance with the Ohio Open Meetings Act and House Bill 51, signed into law on February 17, 2022 and effective immediately through June 30, 2022, this meeting will be live-streamed on RTA's Board Page www.RideRTA.com/board via the meeting date for staff and members of the public. House Bill 51 allows Board members to participate by telephone or video and be considered present as if in person. It also allows Board members to vote and be counted for the purpose of determining a quorum while attending by telephone or video.

Internal Audit Quarterly Report – 4th Q 2021

Tony Garofoli, Executive Director of Internal Audit, gave the presentation. This meeting is to take a deeper dive into the Quarterly Internal Audit reporting. Mr. Garofoli and his staff will have a portion of the presentation. He introduced members of his staff who will present today:

- Anthony Ghanem, Manager of Internal Audit
- Steven Zimmerman, Lead Auditor
- Molly O'Donnell, Staff Auditor
- Laura Crawshaw, Staff Auditor
- Randall Bowles, Information Technology Specialist Auditor
- Andrew Scott, Information Technology Auditor – out sick today

They have a written acceptance for the final staff auditor position. He will be introduced at a future meeting.

The sections in the 2021 report include the following:

- 2021 Audit Plan
- Completed Audits
- Continuous Auditing
- Projects in Progress
- Special Requests/Emerging Issues
- External Audit Coordination
- Status of Outstanding Follow-up
- Other Projects
- Staff Training
- Staff Profiles

The 2021 Audit Plan on pages 4-5 was approved by the Board in February 2021. The next section is the COVID-19 projects and activities on page 8. They completed an internal controls review on the American Rescue Plan drawdown funds. FTA did a review of the drawdown process and there were no findings. Mr. Gautam, Deputy General Manager of Finance, shared some internal controls with them and his staff shared segments and parts of the drawdown process to show that the funds were used for allowable expenses. P. 9 list Completed Projects that were in the plan. They include Travel Expense & Reimbursements and two Vehicle Purchases. The vehicle purchases were contract audits for the Buy America provisions. They included the new 16, 60ft BRT vehicles. As of today, there are 15 of 16 vehicles out on the street. The last vehicle will be certified soon. There is an ongoing program for the replacement of diesel vehicles with CNG vehicles. The audit of the latest 20 vehicle contracts was completed. There are 12-13 buses on the property. They are going through the final check and then they are earmarked to go to the Triskett Garage to replace older buses.

Page 11 is the Continuous Auditing program. This is where they have implemented a robotic automation process using our data systems and completing 100% checks where they can compare to a traditional audit shop. Randy Bowles was hired to help them develop those scripts. They had some staff issues, but they prioritized their work to ensure they ran the scripts for our fare collection audit. For the 4th quarter, all the money collected in the fare machines were counted, deposited and booked to the General Ledger. They have described the intentions for several scripts such as P-Card, Nepotism, AP/AR, Fuel Expense and Paratransit Certification System Database. Now that they are fully staffed, they will run those transactions for the period they were missing and provide the results in the next quarterly report in May 2022.

On P. 15 is Projects in Progress. These are scheduled projects based on the approved plan. The fieldwork is complete for the first five projects. This includes Facilities Access (keys), Triskett Garage CNG Plant Construction, Farebox Inventory, Tire Lease & Maintenance, Petty Cash and Public Transportation Agency Safety Plan. The PTASP must be audited every three years. It must be done as part of the State Safety Oversight Program. They are waiting for a response from management or scheduling meetings with management. They will be reported on in May.

P. 16 are Other Projects in Progress. They are in various stages in completion. This includes planning, fieldwork and report writing. They will report on them in the next two quarters. P. 24 is Special Request & Emerging Issues. In accordance with their charter and risk-based plan, they reserve 15-20% of person hours each year so they can engage as directed to conduct reviews or investigation or emerging issues. P. 24 includes the Community Advantage Sales Manager's commissions. Mr. Gautam asked his team to review. The results are provided. The completed field work is done for other special request, which include the Employee Time and Attendance Records, Main Office Garage Repairs, Third Party Telecommunications and Data Services. They will release the reports after they meet with management and report out in May.

They have to consider work completed by external auditors; State financial, FTA, ODOT (Vital Assurance). The FTA performs a number of independent reviews. The State Auditor began interim work for the 2021 Single Audit last fall. They are now on site conducting the detailed work for the 2021 Single Audit. They expect they will complete that work in May and report out in Executive Session in June. This is under Mr. Gautam's direction. ODOT's State Safety Oversight Program was audited in a Triennial Review by the FTA. Legal and Safety were engaged in the review. In a month, management is required to provide a response to the review. It was a good review. They work with the external auditors to minimize duplication of efforts and cost. They want to ensure they share in the risk, learning and risk profiles so they have proper coverage.

Pages 28-30 are Outstanding Follow Up issues. When they issue an audit report and there are recommendations, they have a responsibility to follow up with management, review the corrective action,

verify it and close out any outstanding matters. They have a computerized audit management system. They track the outstanding matters and interface it with the email system to obtain status updates from management on a periodic basis. It triggers them to go out and close out matters. They manage a fraud hotline. The Association of Certified Fraud Examiners recognizes that 40% of fraud activity is discovered through tips. They have an internal tip mechanism and out-facing tip mechanism for the public. Tips can be shared anonymously and directly. Mr. Garofoli serves on the Change Order Committee as a standing member. It is comprised of management. Any change order greater than \$50,000, regardless of the source is reviewed by the committee. They complete different task and inform the GM/CEO in a recommendation to move forward. Ms. Moss added that change orders over \$100,000 are brought to the Board.

Internal Audit is a non-voting member of the Railcar Replacement Steering Committee. Proposals are due tomorrow. They are doing a pre-award cycle audit under the direction of Melinda D'Angelo, Director of Procurement. They will report out in an interim report on the pre-award process. P. 33 list training for the quarter. Their Internal Audit Standards require they have appropriate training to maintain certifications and to be up to date on industry standards. They are a member of each local chapter of the Internal Auditors, Information Systems Auditors and Association of Fraud Examiners. On the last page of the report are Staff Profiles.

Ms. McCall asked about the Northeast Ohio Information System Audit and Control Association. Mr. Garofoli said it is an established chapter. The certification is very rigorous. Andrew Scott, IT auditor, is studying for the exam. They put on a number of trainings in the region. It is focused on cyber reliability and risk. We have a good effort with our cyber liability. RTA went through a self-assessment process to get the cyber liability insurance. The training was in line with the assessment. Ms. McCall suggested they discuss public safety tabletops with Chief Jones. Mr. Garofoli added that TSA wants to do a cyber-liability demonstration at RTA and put it into a tabletop. Mayor Weiss asked how staffing relates to projects that were not completed. He asked if the staff would be full with the last hire. Mr. Garofoli confirmed that the staff was full and said they do not intend to drop any work and will complete the projects. If a project is deemed no longer applicable, they will come back to the Board on the change. The scripts for all projects were completed. The scripts will be executed. All projects will be caught up. Ms. Moss added that the reports would cover a longer period. The results of the scripts will include issues to evaluate and follow up on. The International Professional Practices Framework (IPPF) sections have been added to each slide for reference.

2022 Internal Audit Plan

Ms. Crawshaw said they would share the 2022 Internal Audit plan with the CEO, Executive Management and Board. They will present the methodology, proposed plan, and ask for feedback. They will request the Audit Committee to refer the plan to the full board for adoption via resolution at the March 29th Board Meeting and Committee of the Whole. 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. They follow professional standards from the Institute of Internal Audit (IIA). Section 2010 Planning – The Chief Audit Executive must establish a risk-based plan to determine priorities of Internal Audit activity consistent with organization's goals. Section 2020 Communication and Approval – The Chief Audit Executive must communicate activity's plans and resource requirements.

Mr. Zimmerman will go over the risk assessment process. The audit plan is based on an entity-wide risk assessment performed at the beginning of the year. This is a continual process, year over year, based on past audit activities and past risk assessments, that captures a continually evolving risk landscape at the Authority. The risk-based plan is required per the audit charter, and explicitly listed as a requirement in the standards.

Mr. Ghanem will share the methodology of how they perform their risk assessments. Several elements go into the plan construction according to standards of the IIA and IPPF. Section 2010.A1 Planning – Input of Senior Management and the Board must be considered. Risk universe is based upon obtaining an understanding of entity wide resources, including the 10-year strategic plan, performance management initiatives including the GCRTA scorecards, past audit experience, Operating and Capital Budgets, management reports, organizational charts, and tactical plans. To supplement this risk universe with management expertise, they do one-on-one interviews, look at areas of risk, and get feedback from the GM/CEO and Board of Trustees. With their risk universe, they can create a list of auditable entities; these include internal programs and processes, contracts with third parties and information systems. They consider all divisions and departments when generating their list of auditable entities and organize them by business unit. Once they have established their list, they score each entity based on 14 risk factors.

Ms. O'Donnell will cover the 14 risk factors. They scored the auditable entities based on 14 risk factors as recommended by the IIA in their guide for Audit Planning Best Practices. After scoring, they excluded the "Relative Level of Activity" factor from their risk ranking because it did not adequately reflect risk in our business. A list of each factor was included on the slide.

Mr. Bowles will discuss the results of their risk scoring. In the Audit Plan, the budgeted hours and how it is allocated on each audible entity are shown on Pages 6-7. The risk factors associated with each project is ranked based on the risk. For example, if something is liquid and easily converted to cash, it will rank higher. If something requires effort to convert to cash, it will rank lower. They give each entity a score and rank from high to low. They can estimate the hours of work based on experience. Just because it drops off the list, it still stays on their radar and other factors could put the item back on the list. They look at how long the audit has been off the list to access if it should come back on. They also reserve 15-20% of budgeted hours for special requests and emerging issues, as well as additional hours for training and continuing education.

Mr. Garofoli summarized that they linked their IA Plan to the different success outcomes and scorecards that are presented under the governance of GM/CEO Birdsong. Page 7 list the success outcomes at the bottom of the page. There is money from American Rescue Plan (ARP) so they are maintaining the Internal Controls Review. They will replace the IA Management System this year, which is budgeted. They are in the process of looking at different systems and implementation dates. They will conduct an internal Quality Assurance Assessment of their department. They will report out on that at the next quarterly meeting. They will implement the lessons learned. In the 4th quarter, they will work with the GM/CEO, Audit Committee and Procurement to secure an external review firm to do a formal assessment. They will push through the Continuous Auditing projects, catch up and look at other opportunities for robotic process automation.

They have identified a number of contracts they will audit this year on page 6. They look forward to working with the external auditors. They divided work with the Safety Department on the PTSAP. They are required to review the Transit Police System Security Plan according to TSA regulations. Their IT auditor's focus is on IT governance, internal controls, policies and procedures for the IT division and how it rolls out to the organization. There are some significant system upgrades and system replacements in 2022. They will work with management to help test the systems and if necessarily lend a consulting arm. The Internal Audits category includes various risk-based projects. They expect to receive federal infrastructure money this year. They will work with Finance on the drawdown process and Engineering & Project Management on the use process. They continue to audit revenue collections. They will work with Mike Lively, ITS Director, on the mobile application replacement for fare collection. IA will test the application from a customer perspective and IT perspective.

Ms. Moss asked that Ms. Birdsong review the report and provide input. Ms. Birdsong met with the IT team. She believes the plan is comprehensive. There is a 15% bandwidth of total hours if issues should come

up. New audits have been added to the list. Mayor Weiss asked if the time used for each project is reviewed at the end of the quarter/year. Mr. Garofoli said they will begin to implement a best practice called cycling at the end of each audit. They will debrief what the risk were, outstanding issues, time utilized, when the project should be brought back, etc. Areas of improvement could be decreasing the time between the field work and the report. Mayor Koomar asked if the plan incorporated any projects that dropped off last year due to shortage of hours. Mr. Garofoli said it is their intention to work with the GM/CEO to review those projects. Any audit in the 2021 Plan is listed in Projects in Progress. If the risk is still applicable; they are listed in the 2022 Plan. Ms. Moss reiterated that any project that is determined moot would be brought back to the committee for approval.

The plan is subject to review and approval by the Board. The plan will be shared with EMT and the GM/CEO for feedback before it is brought back. Mayor Weiss confirmed that the standards require audits that are added or eliminated, comes back to the committee. Ms. Moss added that this meeting was scheduled for them to review the report. This allows the next committee chair to understand the process and plan development. Mr. Garofoli added that they are looking to put together a static agenda with some special agenda items for forthcoming meetings. He will have his subject matter experts available to share the results of individual reports. This report had more of the planning involved. It was moved by Ms. McCall, seconded by Mayor Koomar and approved to bring this to the full Board.

Executive Session Requested

Ms. Moss asked for a motion to consider the appointment, employment, dismissal, promotion, demotion, or compensation of a public employee or official and to consider the investigation of charges or complaints against a public employee, official, licensee, or regulated individual. No action will be taken after they come out of session.


It was moved by Mayor Koomar, seconded by Mayor Weiss to go into executive session. There were four (4) ayes and none opposed.

If was moved by Ms. McCall, seconded by Mayor Koomar to come out of executive session. There were four (4) ayes and none opposed.

The meeting was adjourned at 10:48 a.m.



Rajan D. Gautam
Secretary/Treasurer



Theresa A. Burrage
Executive Assistant