

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

2:06 p.m. May 5, 2022

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

Not present: Joyce

Staff: Benford, Birdsong, Bowles, Crawshaw, Dangelo, Fields, Fleig, Garlock, Garofoli, Gautam, Ghanem, Miller, O'Donnell, Schipper, Scott, Togher, Zimmerman

Public: None

The meeting was called to order at 2:06 p.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 – 1st Q 2022

Tony Garofoli, Executive Director of Internal Audit, gave the presentation. Anthony Ghanem, Audit Manager started the presentation. He introduced Andrew Scott, IT Auditor and Darren Garlock, Staff Auditor, who were not present at the last quarterly meeting. Mr. Ghanem went over the agenda.

- 2022 Audit Plan
- Completed Projects
- Continuous Auditing
- Projects in Progress
- Special Requests/Emerging Issues
- External Audit Coordination
- Status of Outstanding Follow-up
- Other Projects
- Staff Training
- Staff Profiles

Each staff member will present their own projects today. Mr. Zimmerman, lead auditor, went over their Risk-Control Matrix which helps them plan, execute and record results of their audits. It identifies the functional area they are auditing. They identify the objectives management created and what risks can impede the achievements of the objectives. They identify the inherent risk rating, which is the risk to the objective in an environment where there are no controls, or the controls are unknown. They rank them based on likelihood and impact and it gives them an overall rating. Based on the rating of those risk, they identify if it will be included in testing.

Most risk of the Authority are mitigated by controls implemented by management. Their testing relates back to whether those controls are designed effectively or working as intended. After testing, they will know if the controls are working as designed or whether they are effective or not. Each project is given a residual risk rating. If a control is designed affectively, the residual risk will decrease. If issues are identified, they communicate those in their report and share those with management.

They identified there is a risk of uncontrolled farebox inventory. They rated the likelihood that it is possible, and the impact is high. Which means if someone gets their hands on our fareboxes, that could be a big

financial impact on the Authority. The control for this is tracking in Ultramain, where they inventory how many fareboxes they have and where they are, and changes are made. They did a survey of our fareboxes to determine if the records in the Ultramain system are accurate. They identified some issues, but overall, the controls were effective. When issues were identified, they shared those with management.

Farebox Inventory										
Objective	Risk	Inherent Risk Rating			Control	Testing	Result	Residual Risk Rating		
		Likelihood	Impact	Rating				Likelihood	Impact	Rating
Physical Security of Assets	Uncontrolled farebox inventory	Possible	High	High	Tracking in Ultramain	Farebox Inventory Sampling	Issues Identified	Unlikely	High	Medium
	Uncontrolled cash box inventory	Possible	Low	Low	Probing; numbered cash boxes at bus districts; cash box pull sheets	Not Tested				
	Improper access to logic board inventory	Unlikely	High	Medium	Physical access (ID card and safe); tracking in Ultramain; logic board replacement form	Logic Board Inventory Sampling	Satisfactory	Very Unlikely	High	Low
Data Integrity/ Integrity of Fare Collection	Loss of fare collection data	Unlikely	High	Medium	Pull sheet; "No Rev" test procedure	Data Integrity Evaluation	Satisfactory	Very Unlikely	Moderate	Low
	Misuse of cyberkey	Possible	Medium	Medium	Cyberkey audit reports; daily download	Cyber Key Testing	Issues Identified	Unlikely	Medium	Low
	Misuse of bulletkey	Unlikely	High	Medium	Revenue - ER segregation	Bullet Key Testing	Issues Identified	Unlikely	High	Low

He showed a template that is used for every completed audit. It identifies the audit, objective, the scope (testing), results (Satisfactory, Marginally Satisfactory, Marginally Unsatisfactory, Unsatisfactory) and issues for Board consideration, if applicable. Most issues identified are appropriate for management intervention.

Ms. O'Donnell, staff auditor went over her completed projects.

Farebox Inventory

Objective: Evaluate controls governing inventory and physical security of Fareboxes and their components.

Scope: Inventory records of fareboxes and logic boards in the maintenance management system, fare collection data integrity, access to the farebox mechanical components (cyberlock/cyberkey controls), and access to open the cashbox (bullet keys).

Results: Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

For this audit they significantly expanded efforts to inventory the fareboxes. They validated the location of a sample of fareboxes that are on our vehicles. Their sample was 10% of 450 vehicle fareboxes. One hundred percent (100%) of their sample reconciled against inventory records. They validated the location of 100% of approx. 200 fareboxes stored on the mezzanine at CBM. They validated the location of fareboxes at rail stations, districts, and other stand-alone fareboxes. Some of the farebox locations remain outstanding. Management accepted their recommendations, and they are working to locate those fareboxes. They determined that controls around the inventory and handling of components were effective.

Tire Lease & Maintenance

Objective: Evaluate compliance with the terms and conditions of the contract. Document and evaluate the management controls in place to ensure compliance with the agreement.

Scope: Invoicing, communications and reporting, tire inspections, tire maintenance activities, spare tire inventory, scrap tire disposal, and staffing.

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

Issues for Board Consideration: None

This is an audit of our current contract with Michelin for tires and run out of the previous contract with Goodyear. They identified a contract compliance issue with Michelin around reporting that was addressed during the audit. Additional findings included Michelin using lug nuts while RTA was not. This causes a potential safety issue. Lug nuts ensures tire retorts are completed. Otherwise, risk exist that lug nuts could come loose on coaches. Management is addressing the issue. Contract management was transferred from Fleet Engineering to Supply Chain mid-audit which addressed the other contract management issues.

Sales Agents – Collections

Objective: Evaluate the effectiveness of the GCRTA sales agent program, identify and test management controls, and determine if the program is achieving the business goals/objectives.

Scope: Consignment agreements, sales agent invoicing, GCRTA order fulfillment, program growth, and the geographic distribution of sales agents.

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

Issues for Board Consideration:

- Sales Agents have not adopted One and Two-Trip Farecards
 - These farecards were a result of the fare equity study. They provide transfer privileges.
- Uneven Distribution of Sales Agents
 - This also has implications from the fare equity study.

Implications for Fare Equity Study

Approximately 36 of the sales agents were missing consignment agreements. They met with management, and they are working to rectify the issue. They found there has been the expansion of sales agent programs in recent years, but it's limited however, there are factors that could prevent expansion of the program such as significant liability insurance requirements, cost of processing credit cards that exceeds the sales commission on tickets and low commissions that don't incentivize joining the program.

There were significant areas in Cleveland with high ridership and inner ring suburbs on the east side that do not have easy walking distance access to a sales agent meaning customers would have to go to Customer Service at Tower City, buy onboard, or go to another center. There are several census tracts that have public transit usage and about 50% that don't have a ½ mile access to sales agents. There are only four sales agents that ordered the fare equity farecards and they are all in suburban locations at the northeast edge of Cuyahoga County. Reasons that the cards may have not been adopted in certain areas is because the commission is relatively low. The commission does not cover the credit card transactions. Management is working on the findings. The new fare mobile system may address some of the findings.

Public Transit Agency Safety Plan – Procurement Activities

Objective: Evaluate organizational compliance with the Procurement requirements outlined in the GCRTA Public Transit Agency Safety Plan.

Scope: Verification that PTASP procurement sections comply with FTA and ODOT requirements, validation that GCRTA adheres to the procurement requirements in the PTASP.

Results: Satisfactory, no findings.

Issues for Board Consideration: None

They took a sample of the contracts that were considered safety sensitive and thus the procurement sections applied to them. In their sample, all contracts had the relevant safety specs included. There was 100% compliance within the sample. Additionally, they sampled contracts requiring safety department sign offs. Procurement provided evidence of safety department sign off for 100% of the contracts in the sample.

Staff Auditor Laura Crawshaw will discuss her completed audits.

Petty Cash

Objective: Reconcile 100% of active GCRTA petty cash accounts in accordance with GCRTA Administrative Procedure 003 which require a annual review

Scope: All active GCRTA Petty Cash Accounts.

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

Issues for Board Consideration: None

There were no shortages in the 16 accounts. A few overages were found but nothing significant. The administration of petty cash documentation needs improvement. One deficiency was one account could not be identified, but the amount is immaterial.

Darren Garlock will discuss other completed projects. IA reviews 100% of all travel reimbursement request using the updated 2020 Travel Policy. Any exceptions to the procedure are returned for correction before being submitted for final approval. For vehicle purchases, IA completes all pre-award and post-delivery reviews in accordance with federal regulations. As an added value, they also perform functional testing of all customer facing systems prior to the vehicle being released into revenue service. All 16 HL coaches are in revenue service and are following federal regulations. Of the Gillig replacements headed to Triskett, 14 of the 20 comply with federal regulations and are service ready.

Other Projects

- GCRTA Travel Expense & Reimbursement
- Vehicle Purchase – (16) Five-door 60-ft. Articulated BRT Coaches (New Flyer)
- Vehicle Purchase – (20) Compressed Natural Gas Coaches – (Gillig, LLC)

IT Auditor Andrew Scott will discuss the Continuous Auditing Process. In 2016 the continuous auditing program was started. It is an automatic method used to perform auditing activities, such as control and risk assessments, on a more frequent basis. Technology plays a key role in continuous audit activities by helping to automate the identification of exceptions or anomalies, analyze patterns within the digits of key numeric fields, review trends, and test controls, among other activities. They work with management to

determine needs and the risk. They then develop test scripts to perform an analysis of the data. They run the scripts and it flags the data to perform further analysis.

Continuous Auditing Project Scripts

- Purchasing Card - 100% of analysis on purchases
- Fare Revenue Reconciliation - quarterly
- Nepotism
- Paratransit Customer Accounts – compared to Ohio Department of Vital Statistics to ensure deceased passengers are removed from the database
- Accounts Payable (in development) – ensure payments are accurate
- Accounts Receivable (in development) – ensure receivables are accurate
- Fuel Expense (in development) – analyze amount we are spending on fuel

Fare Collection

Information Technology Specialist Auditor Randall Bowles develops and runs all the continuous audit scripts. He showed a diagram of what the fare collection audit accomplishes. The audit assures that all money collected through TVMs, on board, Customer Service and credit card kiosk is deposited and booked to the general ledger. For Q1 2022, there were over 381,000 transactions. It only takes less than 2 minutes to run the script. We have a 100% match in the general ledger and bank deposits. The Brinks Collection is within a 2% error rate. He ran a demo of a continuous audit. They look at the total spending. Purchases over \$2,500 they flag to ensure document compliance. They also can see who the top ten vendors are. Amazon being the top vendor. RTA receives discounts on Amazon purchases, and it is tax exempt.

Projects in Progress

Mr. Zimmerman explained the template for this section of the report. It shows the audit, objectives, and scope if they have reached the portion of the audit process where a scope has been defined. Usually, they don't identify testing until the risk assessment is complete. For each audit he will outline what phase (Planning/Risk Assessment, Testing/Fieldwork and Reporting) it is in. They may be at a point where an audit is complete and the report is drafted, but if they have not met with management, it would still be considered a project in progress.

Advertising Services (Brokaw, Inc.) – Ms. O'Donnell

This is an audit of our contract with Brokaw.

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

Scope: TBD

Current Status: They completed the Planning/Risk Assessment portion.

Revenue Generating Ads Services (Lamar Transit, LLC) – Ms. O'Donnell

This audit is for transit advertising for shelters, vehicles, and stations and with Pepsi. Lamar has a minimum guarantee in their contract. There have been several change orders to reduce the minimum annual guarantee due to the Pandemic. If RTA exceeds that, we will receive contractual compensation.

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

Scope: TBD

Current Status: They completed the Planning/Risk Assessment portion.

Facilities Access – Keys – Ms. Crawshaw

This audit is to look at physical security and access. This audit was requested by the GM/CEO.

Objective: Evaluate compliance with AP 053 Key Control.

Scope: Key issuance and return, lost or stolen keys, KeyWatcher controls, high-authority and restricted-area keys, and track switch key inventory (evaluated separately because they are not governed by AP 053)

Current Status: The audit is in the reporting phase. They are waiting response from management.

Employee Separation Process – Ms. Crawshaw

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.

Current Status: They are in the testing/fieldwork phase and moving into reporting.

Cycle Counting – Inventory Parts – Ms. Crawshaw

Cycle counting is an acceptable alternative to an annual physical inventory. Last year the state auditor determined that the inventory is material to our financial statements. They are coordinating with their office to minimize duplication of efforts.

Objective: Evaluate the processes and controls supporting the 2021 cycle count program.

Scope: Asset Value Classification, cycle count sheet review, IT input controls, physical security controls, year-end reporting accuracy, and inventory valuation.

Current Status: They are in the testing/fieldwork stage.

Cash Collection Sites – Mr. Garlock

The handling of cash is a high-risk item per their annual risk assessment. RTA has several cash collection sites where employees are required to receive, record and remit to accounting for cash handling. They identified four sites and are in the process of documenting and evaluating controls.

Objective: Review controls for cash collection sites at GCRTA.

Scope: TBD

Current Status: They are in the planning and risk assessment phase.

Consolidated Train Dispatch System (CTDS) – Mr. Scott

Objective: Review administration of CTDS and evaluate if controls are in place for effective system operation. Review daily operations of CTDS, including procedure for system outage.

Scope: System administration and back-end functions, day-to-day operations, and system failure procedures.

Current Status: They are in the reporting phase. They are waiting for management response.

He showed a diagram of the Tower City West portal. If the system goes down and they can't get it up immediately, Service Quality will use emergency control panels to run the system.

Transit Police Body Cameras – Mr. Scott

They met with TP management. They are moving from the pilot steps to the final implementation. They identified several items for the post implementation of the audit. TP will finish issuing the cameras to the officers and continue with testing and moving forward with working with Legal on records request.

Objective: Track Transit Police project for effective implementation of new technology

Scope: Compliance with contracts, GCRTA/TP policies, records retention and data storage plans and policies, and the processes and chain of custody for information transference

Current Status: They are in the testing/fieldwork phase.

IT Change Management – Mr. Scott

Objective: Review controls in place to ensure safe and effective changes to the IT environments

Scope: Policies/Procedures/Practices regarding: Hardware and Application upgrades, installations/replacements, patching, functional modifications, and rollbacks

Current Status: They are in the planning/risk assessment stage.

Heavy Rail Motor Overhaul – Mr. Zimmerman

We are experiencing issues with the motors where there have been smoking motor incidents. They are collaborating with rail equipment, quality assurance, safety, and engineering to evaluate the problem.

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 (potential catenary and OCS implications).

Current Status: They are in the testing/fieldwork phase.

Railcar Procurement – Mr. Zimmerman

They have several non-voting members on the proposal.

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.

Current Status: They are in the pre-award phase. They are validating that RTA is adhering to federal and state procurement regulations and preparing for the pre-award Buy America audit required for rail cars and any rolling stock. They will carry this audit to the post award stage and post-delivery.

The remaining projects in progress are listed in the report.

Special Requests/Emerging Issues

Third Party-Telecommunication and Data Services with AT&T. – Ms. O'Donnell

Objective: The Director of Procurement requested an audit to evaluate third-party telecommunications and data services invoices.

Scope: Invoice records from February 2020 – September 2021. Financial Management records from 2014 – present.

Results: Unsatisfactory.

Issues for Board Consideration: Yes. Two issues were identified. They have completed testing and drafted a report, but they have not issued the final report. They will include responses from management and stakeholders in the final report.

Issues for Board Consideration:

- Amount Spent on AT&T PO Exceeded Contract Amount
- AT&T PO Exceeded Contract Duration

While reconciling the invoices in the testing scope to the financial management system records, she identified issues related to the spend on the 2014-2019 AT&T contract. The 2014 contract was for a wide scope of services each with their own terms. That contract had a five-year term. NTP was given in 2014 and would have expired June 2019. The issues are summarized in the table below. We exceeded the contract amount prior to June 2019 by \$34,000. Following the expiration of the contract, RTA continued to spend on the PO. They identified \$318,495 of payments that exceeded the contract authorization after the contract period ended.

While reconciling the invoices, they identified that the contract has been unbundled to separate services with different terms on separate purchases orders for better monitoring. Now management can better monitor the spend and duration. They are working with management to introduce a Change Order (C/O) for the payments more than the original contract authorization. Management will seek ratification from the Board for this C/O.

Contract		Payments	
Original Contract Amount	\$2,129,573	Authorized Payments	\$2,342,530
Change Order 1	\$36,300	Payments Exceeding Contract Amount During Contract Period	\$34,132
Change Order 2	\$18,050		
Change Order 3	\$0	Payments Exceeding Contract Amount After Contract Period Ended	\$318,495
Change Order 4	\$158,607		
Total Contract Authorization	\$2,342,530	Total Payments	\$2,695,157

Other Special Request/Emerging Issues – Mr. Garofoli

They reserve 10%-14% of their time to emerging issues brought to them from management, board, and their hotline. They will report on the last four projects in the list as they mature.

- Employee's Time & Attendance Records – Issued
 - There was an over payment of compensation. They reported it to management. An agreement was put in place and the recovery is going forward. Root cause was identified, and management has mitigated the risk.
- Main Office Building Garage Repairs – Issued
 - An engineering study was completed. There is a short-term and long-term plan. The short-term plan was completed to make the garage safe and to address some of the corrective actions. The long-term plan is forth coming.
- Purchasing Card – Computer Purchases – Issued
 - There was some noncompliance by an employee. Management addressed it and recovered the property. The employee resigned.
- IT Director Hiring Process
- ODOT Request – Operator Complaint
- Employee Background Checks – requested by Mr. Gautam and Ms. Birdsong
- Employee Overtime

External Audit Coordination

Part of their role is to not duplicate efforts with external auditors and to have maximum risk coverage. External Auditors rely on some of the IA work.

State of Ohio – Office of the Auditor

- Currently on-site conducting 2021 Single Audit
- Draft report scheduled for June presentation to Board of Trustees

State of Ohio – Ohio Department of Transportation (ODOT)

- FTA issued March 2022 Triennial review of ODOT SSO program
- Management is developing a response to address corrective action

Status of Outstanding Follow-up

- All audit results and recommendations are tracked and monitored in the Audit Management System which is tied into email. They have an exit conference and manage status, follow up and implementation.
- Upon verification, issues are closed

Other Projects

Audit Management Software Upgrade

- Replacement of our Audit Management System
 - They have a sole source provider. They have used the current system for 16-17 years. They are in the demo phase.
- 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

Healthcare Claims Co-sourcing

- Annual healthcare expenses exceed approximately \$32 million
- We will reengage our audit software provider to update our claims auditing system (Audit IQ) to evaluate healthcare claims for compliance with plan design. They will follow up to recover dollars if there are anomalies.
- Scope will include previous two years of claims

Other Projects

- Fraud Hotline – they address all tips through phone and text
- Information Technology Steering Committee – Nonvoting members to share their knowledge. Where they see there is risk, the chairs and stakeholders can request internal consulting or audit
- Change Order Review Committee
- Railcar Replacement Steering Committee
- Maintenance Management System Upgrade (Ultramain)
- Oracle Upgrade Steering Committee

Internal Audit Department staff received the following training during the First Quarter 2022. They work with local chapters to keep the cost down and for networking. They plan to get their new staff members into training.

Northeast Ohio Internal Audit Local Chapter

- Fraud Day
 - Embezzlement and Procurement Fraud – Association of Certified Fraud Examiners
 - Corporate Fraud, Internal Investigations, Asset Recovery – Flannery/Georgalis, LLC
 - “Wolf of Wall Street Investigation” – Federal Bureau of Investigation
- Environmental, Social, and Governance – Deloitte
- Top Risks for 2022 from the Internal Audit Perspective – Protiviti
- Accounting and Auditing Perspectives on Campus – Baldwin Wallace University

Northeast Ohio Certified Fraud Examiners Local Chapter

- Security and Biometrics

Northeast Ohio Information System Audit and Control Association

- Blockchain, Cryptocurrency, and Ransomware

Greater Cleveland Regional Transit Authority

- Active Shooter Training

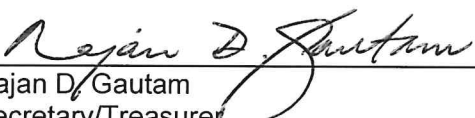
Mayor Koomar asked for the timeline for the AT&T matter to come to the Board and if we will be in compliance. He also asked if this has been brought to our external auditors. Mr. Garofoli is meeting with stakeholders next week. The C/O ratification will be in June or July. Procurement implemented some risk mitigation to better monitor spend with those agreements. There are some outstanding invoices that management is addressing. He has a meeting planned with the external auditors to go over all issues, including this one. Ms. Birdsong said this was a good example for IT to look at processing and how to utilize the administrative support in that department.

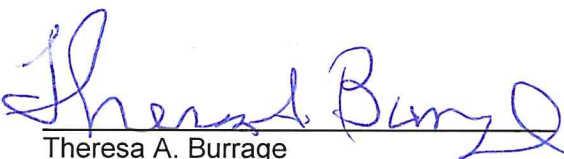
Ms. Moss asked if controls are in place to signal when contracts ends. Mr. Garofoli said there are alerts in the financial management system. They are looking at the alert to ensure it is working effectively. The control is in place, but as the auditor described earlier, some of the products may have been purchased 2-3 year after the beginning of the contract. Procurement unbundled it to better monitor the spend. Ms. Moss asked why we are doing a PO on something that has been paid. Mr. Garofoli said some of the expenses were emergency related due to cancellation notices, so the GM/CEO provided authorization. They plan to go back, ratify, and provide appropriate authorization for the expenses.

Mayor Weiss asked about the healthcare claim software and if RTA is self-insured. Mr. Garofoli said we are self-insured. Internal Audit purchased the software a few years ago. The third-party administrators that process our claims provide them on a quarterly basis then we filter through the software for noncompliance with our plan designs. The software needs updating because each period, the American Medical Association (AMA) updates procedure codes and diagnostic codes. Each year, management along with the union agreement changes the plan design and the formulary for drugs. Our third-party administrator is Medical Mutual in joint effort with Express Scripts for pharmaceuticals.

Ms. Moss asked about for a nepotism audit update. Mr. Garofoli said our collective bargaining agreements have different job classifications where they pick where they work. The change must be timed up with the script to evaluate the landing point. They work with HR to notify them when there is a conflict. They have a control in place during onboarding where new hires must disclose their relationships. Employees must disclose this information again during open enrollment. Ms. Moss asked if there is a duty from employees to self-report and is there a consequence if they don't. He said there is a duty to self-report and there is an employee performance code and ethics requirements. We have a formal positive discipline program.

The meeting was adjourned at 3:18 p.m.


Rajan D. Gautam
Secretary/Treasurer


Theresa A. Burrage
Executive Assistant