

Greater Cleveland Regional Transit Authority



# Audit Committee Meeting

May 5, 2022

GCRTA Internal Audit Department

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# First Quarter Audit Report

**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**

**IPPF – International Professional Practices Framework**

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

**Greater Cleveland Regional Transit Authority**



# Risk-Control Matrix

## 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	<i>Not Tested</i>				
	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

# Completed Projects

## Audit Title

**Objective:** Purpose

**Scope:** Audit program/fieldwork

**Results:** Satisfactory, Marginally Satisfactory, Marginally Unsatisfactory, Unsatisfactory

**Issues for Board Consideration:** Board Level vs Management Level

# 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

# Completed Projects

## 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

# Completed Projects

## 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:** Yes

# Completed Projects

## Sales Agents – Collections

### Issues for Board Consideration:

- Sales Agents Have Not Adopted One and Two-Trip Farecards
- Uneven Distribution of Sales Agents

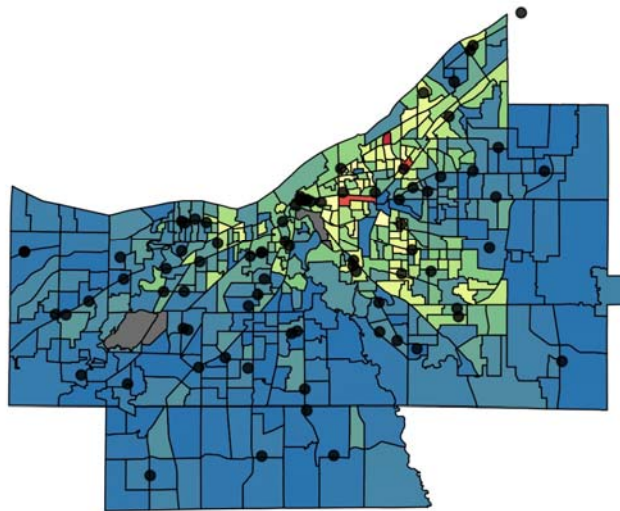
### Implications for Fare Equity Study



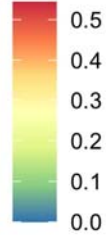
# Completed Projects

## Sales Agents – Collections

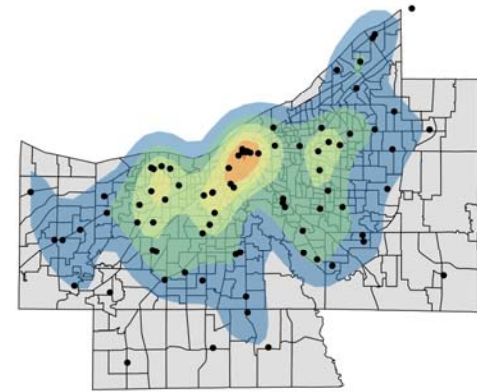
Sales Agents vs. Public Transit Usage by Census Tract



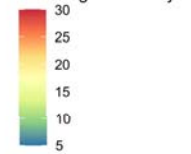
Public Transit Usage



Sales Agents Heat Map



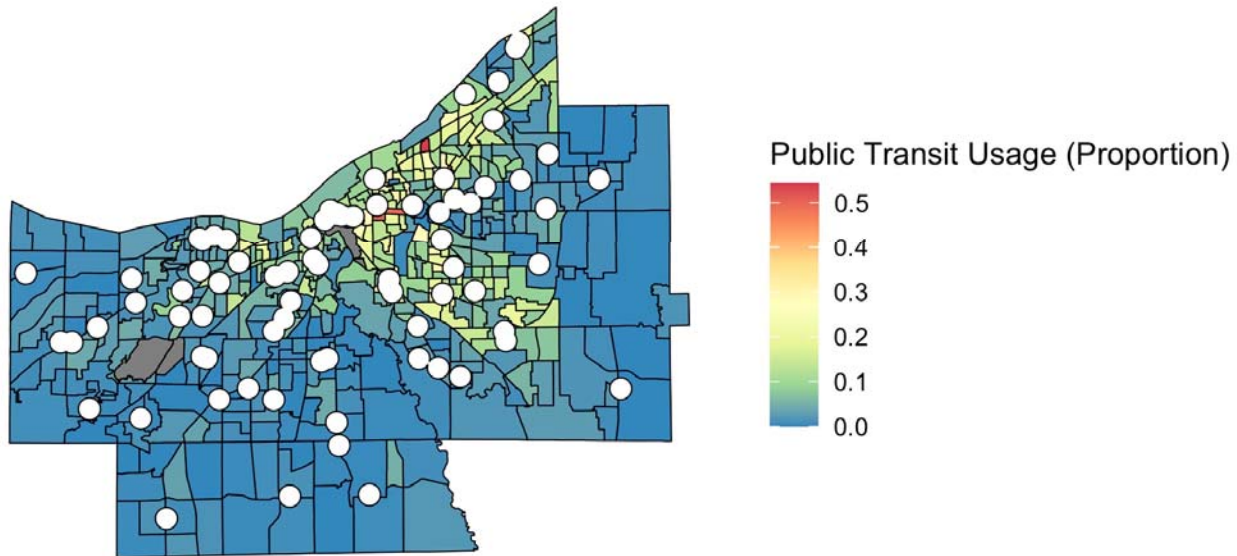
Sales Agent Density



# Completed Projects

## Sales Agents – Collections

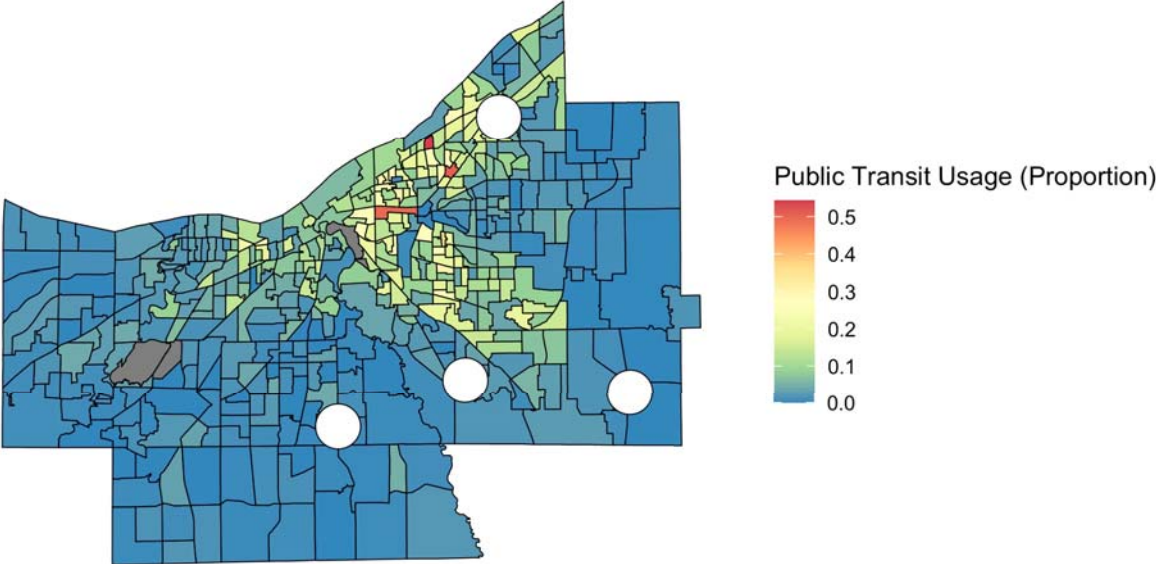
Sales Agent 1/2-Mile Buffer vs. Public Transit Usage By Census Tract



# Completed Projects

## Sales Agents – Collections

One- & Two-Trip Sales Agents 1-Mile Buffer vs. Public Transit Usage



# Completed Projects

## 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

# Completed Projects

## Petty Cash

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

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

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

**Issues for Board Consideration:** None

# Completed Projects

## Others

- 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)

# Continuous Auditing

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

# Continuous Auditing

## Projects

- Purchasing Card
- Fare Revenue Reconciliation
- Nepotism
- Paratransit Customer Accounts
- Accounts Payable (in development)
- Accounts Receivable (in development)
- Fuel Expense (in development)



# Fare Collection

- TVM
- On-Board
- Customer Service Kiosk
- Credit Card

Customer



Brinks



Bank



General Ledger



# Fare Collection Results

## Brinks Collection

- Daily Results were all within 2% error rate.

## Bank Deposits

- 100% match between what Brinks counts and what the Key Bank shows.

## General Ledger

- 100% Match between what was deposited to the bank and booked to our GL.

# PNC Purchase Card

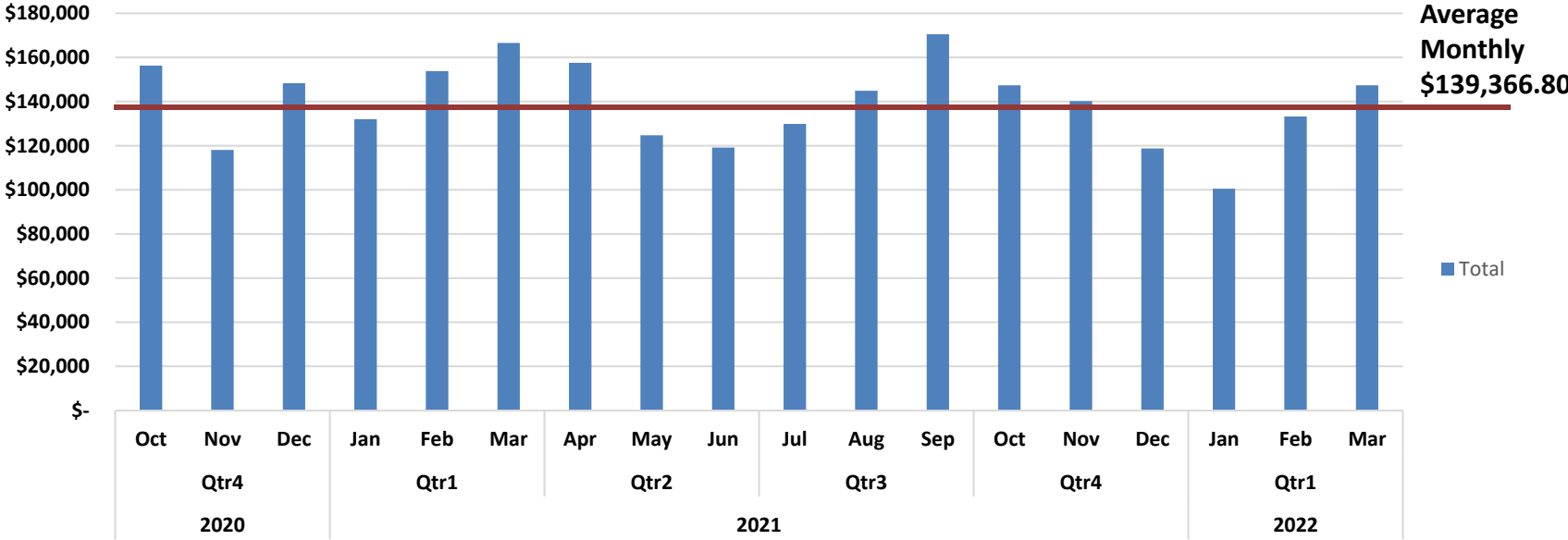
- Over \$2500
- \$500 - \$2500
- Duplicate Payments
- Avoid Approval
- Monthly Card Payment
- Gift Card
- Rounded Purchases
- Supplier and Employee Match
- Cardholder Summary
- Merchant Group Summary
- Holiday Transaction
- Weekend Transaction

# Continuous Audit Demonstration

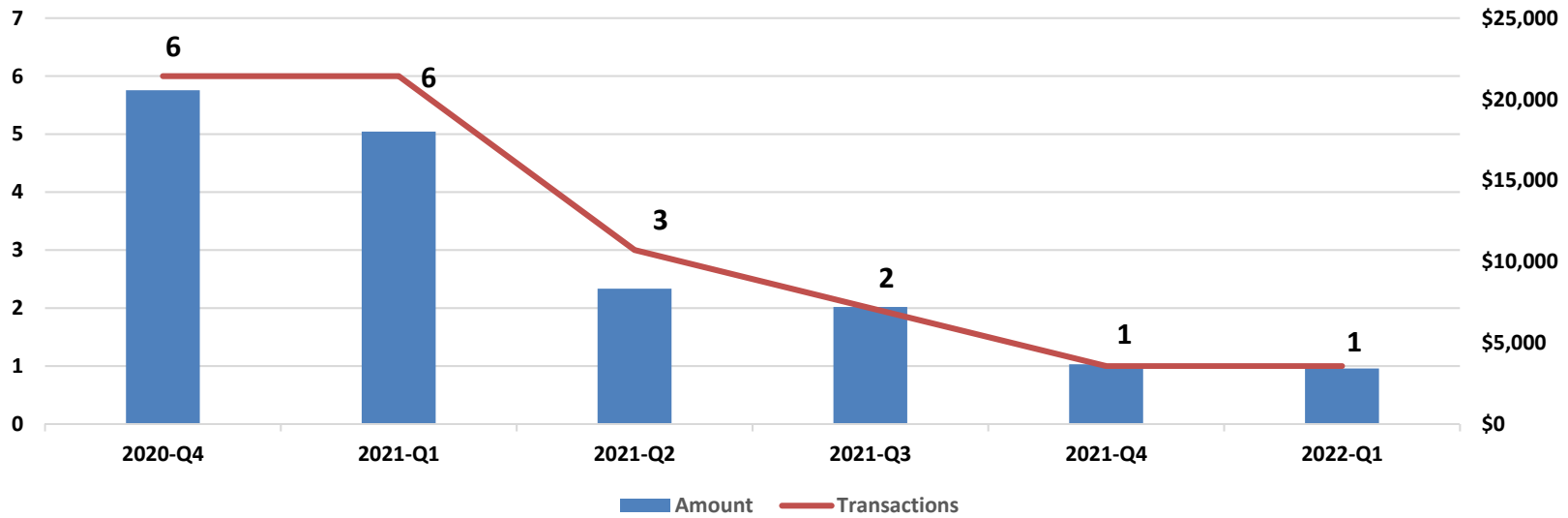
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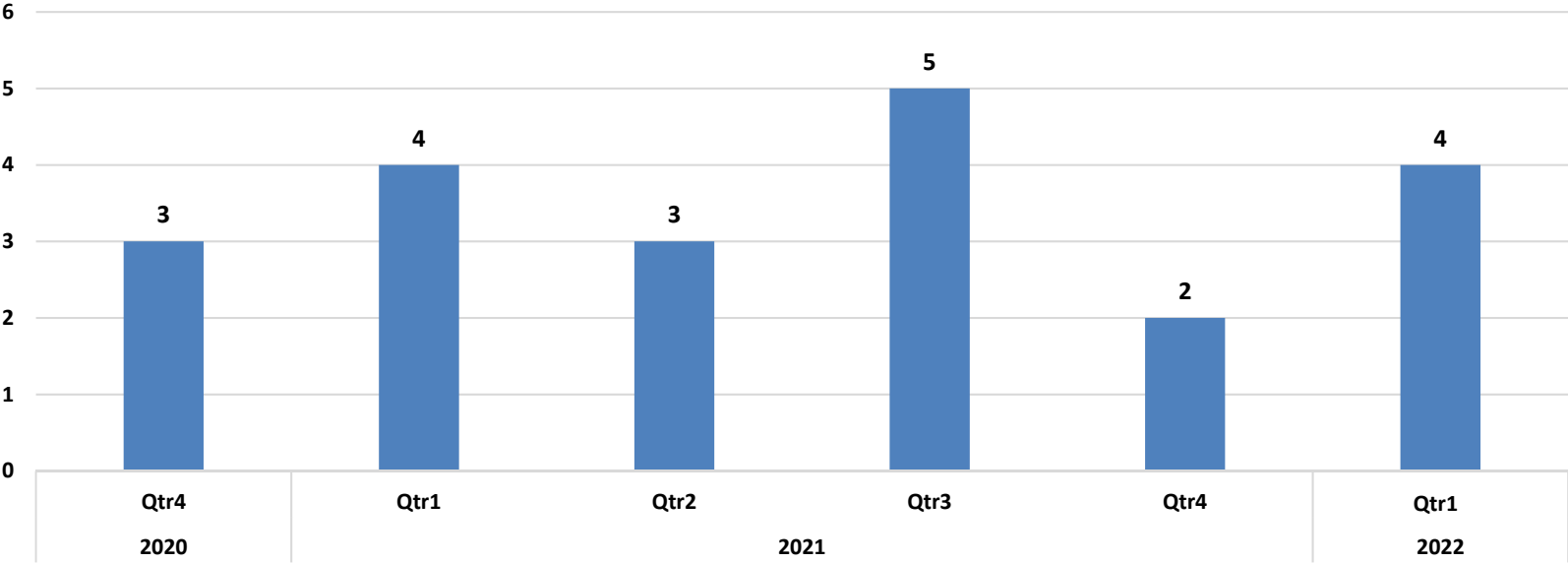
# Total Spend



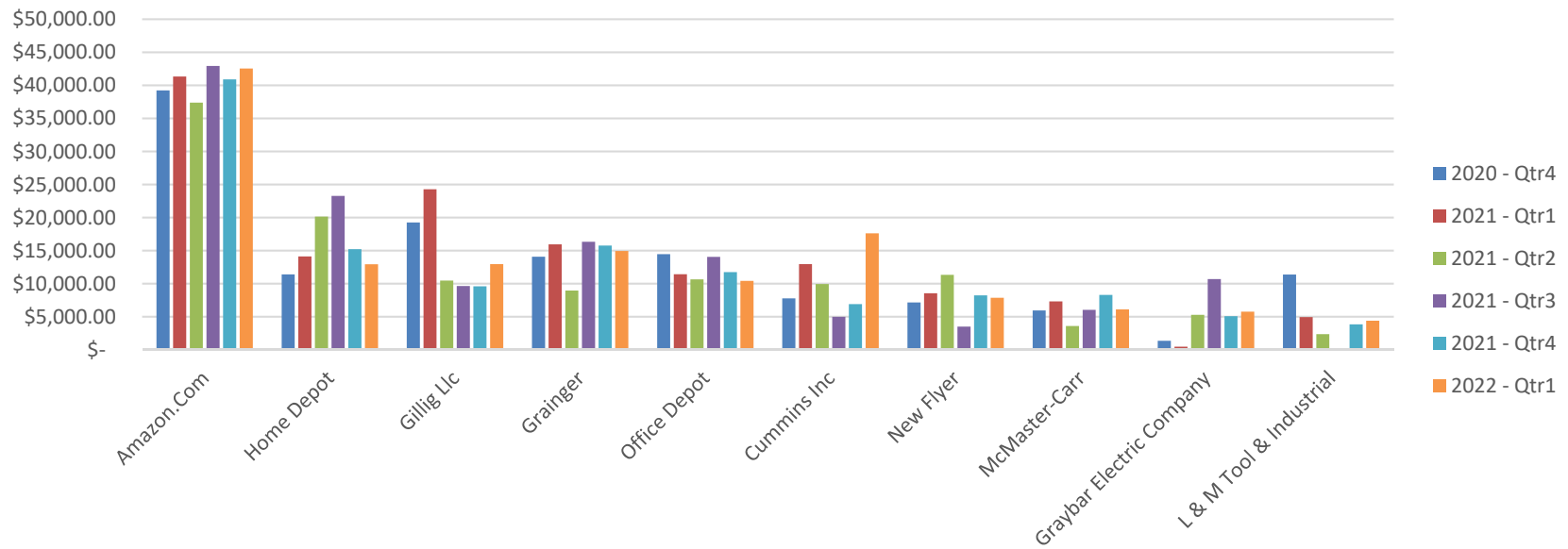
# Purchases over \$2500



# Avoid Approvals



# Top 10 Vendors





# Projects in Progress

## Audit Title

**Objective:** Purpose

**Scope:** Audit program/fieldwork

## Current Status:



# Projects in Progress

## Advertising Services (Brokaw, Inc)

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

**Scope:** TBD

### Current Status:



# Projects in Progress

## 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:** TBD

### Current Status:



# Projects in Progress

## Facilities Access – (Keys)

**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.

### Current Status:



# Projects in Progress

## 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.

### Current Status:



# Projects in Progress

## Cycle Counting – Inventory Parts

**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:



# Projects in Progress

## Cash Collection Sites

**Objective:** Review controls for cash collection sites at GCRTA.

**Scope:** TBD

**Current Status:**



# Projects in Progress

## Consolidated Train Dispatch System (CTDS)

**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.

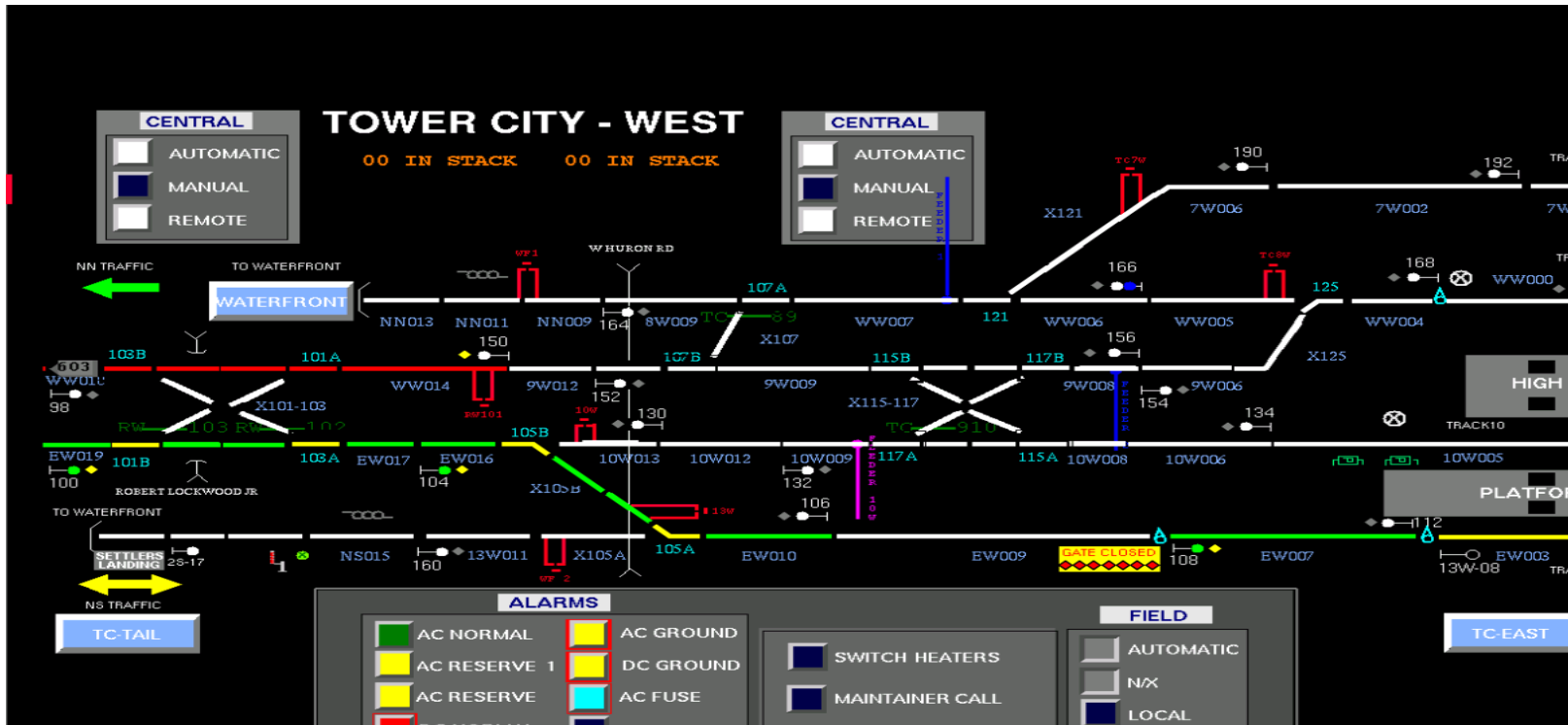
**Scope:** System administration and back-end functions, day-to-day operations, and system failure procedures.

**Current Status:**





# Consolidated Train Dispatch System (CTDS)



# Consolidated Train Dispatch System (CTDS)



Greater Cleveland Regional Transit Authority



# Projects in Progress

## Transit Police Body Cameras

**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:**



# Projects in Progress

## IT Change Management

**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:**



# Projects in Progress

## Heavy Rail Motor Overhaul

**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.

**Current Status:**



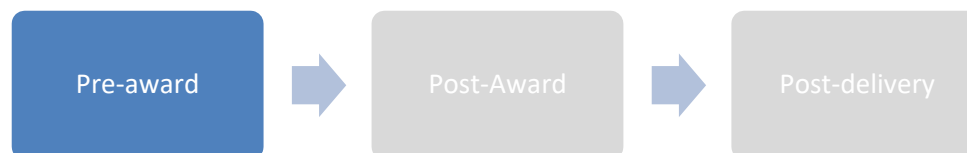
# Projects in Progress

## Railcar Procurement

**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:



# Projects in Progress

## Others

- Triskett Garage Compressed Natural Gas Plant Construction
- Customer Service Center – Point of Sale System
- Special Event – Revenue Collection
- Fare Collection – (Brinks, Incorporated)
- GCRTA – Cleveland State University Universal Access Fare Program (U-Pass Program)
- Paratransit Supplemental Services
- Fiber Optic Line Replacement
- Tower City Track Replacement
- Fare Media Inventory
- Vehicle Purchase – (10) Paratransit Replacement Vehicles
- Viaduct Rehabilitation
- 2021 Consolidated Appropriations Act
- Tower City Common Area Maintenance Agreement
- Locomotive Purchase
- Collective Bargaining Agreement – Contract Implementation
- Mobile Ticketing Application
- Internal Assessment

# Special Requests/Emerging Issues

## Third Party – Telecommunication and Data Services

**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



# Special Requests/Emerging Issues

## Third Party – Telecommunication and Data Services

### Issues for Board Consideration:

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

# Special Requests/Emerging Issues

## Third Party – Telecommunication and Data Services

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		
<b>Total Contract Authorization</b>	<b>\$2,342,530</b>	<b>Total Payments</b>	<b>\$2,695,157</b>

# Special Requests/Emerging Issues

## Others

- Employee's Time & Attendance Records - Issued
- Main Office Building Garage Repairs - Issued
- Purchasing Card – Computer Purchases - Issued
- IT Director Hiring Process
- ODOT Request – Operator Complaint
- Employee Background Checks
- Employee Overtime

# External Audit Coordination

## 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

### IPPF – International Professional Practices Framework

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

# Status of Outstanding Follow-up

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

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

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

# Other Projects

## Audit Management Software Upgrade

- Replacement of our Audit Management System
- 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

# Other Projects

## Healthcare Claims Co-sourcing

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

# Other Projects

## Others

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



# Staff Training

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

## **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

# Questions and Comments

