



# Audit Committee Meeting

August 16, 2022

GCRTA Internal Audit Department

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# Audit Committee Meeting

Internal Audit Department Self Assessment  
(Quality Assurance Improvement Program)

GCRTA Internal Audit Department

# Quality Assurance Review

## Professional Standards – Quality Assurance and Improvement Program

- 1300 - The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.
- 1310 - The quality assurance and improvement program must include both internal and external assessments.
- 1311 - Internal assessments must include:
  - Ongoing monitoring of the performance of the internal audit activity; and
  - Periodic self-assessments

# Quality Assurance Review

## Professional Standards – Quality Assurance and Improvement Program

- 1312 - External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.
  - External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards.

# Quality Assurance Review

## Professional Standards – Quality Assurance and Improvement Program

- 1320 - The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

# Quality Assurance Review

- A Quality Assurance Review (QAR) allows the audit committee and chief audit executive to evaluate the activities of their internal audit (IA) function and determine whether policies, procedures and practices of the function adhere to The Institute of Internal Auditors' (The IIA) Core Principles, International Standards for the Professional Practice of Internal Auditing (Standards) and the Code of Ethics.

# Quality Assurance Review



# Quality Assurance Review

- Attribute *Standards* address the characteristics of organizations and parties performing internal audit activities. (19)
- Performance *Standards* describe the nature of internal audit activities and provide criteria against which the performance of these services can be evaluated. (33)



# Quality Assurance Review

The Self Assessment Team included:

Anthony Garofoli – Executive Director of Internal Audit

Anthony Ghanem – Audit Manager

Steven Zimmerman – Lead Auditor

Andrew Scott – Information Technology Auditor

# Quality Assurance Review

- Planning Guides and Programs - each contain four tools specifically developed to gather and evaluate evidence related to an individual segment of the process flow.
- Two other sets of tools—Surveys and Interview Guides—request observations from key stakeholders: executive leadership, operating management, and internal audit staff regarding the internal audit activity.
- Checklists to facilitate flow of information and completion of tools.

# Quality Assurance Review

Six titled sections, including 25 sub-titled sections

- Internal Audit Governance (Standards series 1000, 1100, 1300, Code of Ethics, and the Definition of Internal Auditing)
- Internal Audit Staff (Standards series 1200)
- Internal Audit Management (Standards series 2000, 2100, and 2600)
- Internal Audit Process (Standards series 2200, 2300, 2400, and 2500)

# Quality Assurance Review

## Self-Assessment Results:

- Conformance to the Code of Ethics and Code of Conduct
- Conformance to Governance Standards except for the 1300 series (1300, 1310, 1311,1312, and 1320).
- Conformance to the Internal Audit Staff Standards.
- Conformance to the Internal Audit Management Standards
- Conformance to the Internal Audit Process Standards

**Overall Opinion – Partial Conformance to the Professional Standards**

# Quality Assurance Review

## Successful Internal Audit Practices:

- Internal Audit Charter
- Reporting Structure
- Use of an Audit Management System

# Quality Assurance Review

## Non-Conformance with 1300 Series:

- 1300 - Quality Assurance and Improvement Program
- 1310 - Requirements of the Quality Assurance and Improvement Program
- 1311 - Internal Assessments
- 1312 - External Assessments
- 1320 - Reporting on the Quality Assurance and Improvement Program

# Quality Assurance Review

## Action Plan:

- Develop a written quality assurance improvement program to conform with the Institute of Internal Auditors Standards – *Standard 1300 – Quality Assurance And Improvement Program*.
- Procure the services of a qualified assessor or assessment team to validate the Internal Audit Department’s Self-Assessment and report the results to senior management and the Board of Trustees.

# Quality Assurance Review

## Lessons Learned and Implemented:

- Developed an *Internal Audit Department Manual* to achieve the following objectives: to establish policies and standards for the planning, performance, and reporting of audit work to meet the IIA standards; establish procedures and guidelines to assist staff members in adhering to these standards; help achieve consistency in internal auditing activities and internal audit project execution; and, support the on-boarding and training of new internal audit staff.



# Quality Assurance Review

## Lessons Learned and Implemented:

Two statements for internal audit staff to complete on annual basis:

- Disclosure of any circumstances that might impair their ability to be independent on any audit.
- Confirm their understanding and agree to comply with the Code of Ethics as issued by the Institute of Internal Auditors.

# Quality Assurance Review

## Next Steps:

Procure the services of an independent assessor to validate the self-assessment for conformance with the Institute of Internal Auditors Standards and Code of Ethics.

# Quality Assurance Review

Questions?

# Audit Committee Meeting

## Teammate Plus Implementation Update (Audit Management System)

GCRTA Internal Audit Department

# 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.
- Contract Notice to Proceed was issued.
- Kickoff meeting occurred in July 2022.
- Planned implementation: 4<sup>th</sup> quarter 2022.

# Audit Committee Meeting

## Second Quarter Internal Audit Department Activities

GCRTA Internal Audit Department

# Second 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.**

# Completed Projects

## GCRTA Travel and Expense Reimbursement

**Objective:** Review all trip reports and travel expense reimbursements for compliance with policy and procedures.

**Scope:** 100% of second quarter related trips and expenses.

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

**Issues for Board Consideration:** None



# Completed Projects

## Vehicle Purchase – (20) Compressed Natural Gas Coaches – (Gillig. LLC)

**Objective:** The Board of Trustees authorized the exercise of an option under Contract 2021-100 with Gillig, LLC, for the purchase and delivery of up to 20, 40-ft., low floor CNG coaches including training, special tooling and spare parts.

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

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

**Issues for Board Consideration:** None

# Completed Projects

## Special Event – Revenue Collection

**Objective:** GCRTA management deploys additional equipment and procedures to collect fares during special events.

**Scope:** Internal Audit documented and tested the controls in place to evaluate revenue collection and trace the collections to the bank and accounting records.

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

**Issues for Board Consideration:** None

# Completed Projects

## Mobile Ticketing Application

**Objective:** Evaluate the implementation of the fare collection application.

**Scope:** Tested access controls, configuration, input processing and output controls. Fare media configurations were validated.

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

**Issues for Board Consideration:** None

# Completed Projects

## American Rescue Plan Act of 2021 (ARP)

**Objective:** Management drew down available funds for operating expenses. Internal Audit developed an audit to evaluate compliance with the ARP Act.

**Scope:** In April 2022, Internal Audit staff reviewed supporting documentation for GCRTA Accounting Department's American Rescue Plan draw-downs for the months September 2021, October 2021, November 2021, December 2021, and January 2022, totaling (\$81,293,421.60).

**Results:** Satisfactory, \$0 dollars remain available for draw down from this grant.

**Issues for Board Consideration:** None

# Completed Projects

## Consolidated Train Dispatch System

**Objective:** Internal Audit reviewed the access controls, data processing, and output controls. We evaluated the support agreement, condition of the back-end computer hardware, and other system components. We interviewed operations and maintenance employees.

**Scope:** Existing system used to control and monitor the rapid transit signal system from a single facility.

**Results:** Unsatisfactory, with recommendations shared with management. Management is in the process of replacing the system.

**Issues for Board Consideration:** None



# 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)

# Continuous Auditing

## Purchasing Card

**Objective:** GCRTA P-Card program provides a mean for streamlining payment processes, allowing cardholders to procure certain goods and services in a timely manner

**Scope:** Internal Audit developed a script to evaluate P-Card transactions for compliance with the GCRTA Procurement Card Policy

**Update:** The script was run for the period of April 1, 2022, through June 30, 2022. Results were analyzed and shared with management.

- Moving forward, we will provide the P-Card manager with monthly audit reports to target risk areas



# Continuous Auditing

## Nepotism

- **Objective:** The GCRTA Code of Ethics provides policy to ensure the hiring and supervision by the Authority is compliant with Ohio law, and avoids personal conflicts of interest
- **Scope:** Internal Audit evaluated the relationships and employment placement for all of the active employees. GCRTA Personnel Policy 300.03 Employment of Relatives
- **Update:** Internal Audit Continues to update our script, and will work with management to account for employee movement, new hires, and promotion

# Continuous Auditing

## Revenue collection

- **Objective:** To evaluate and provide assurance the customer fares, collected from fare collection systems are reconcile, posted to accounting records, and deposited to the bank
- **Scope:** Internal Audit developed a script to analyze data from fare collection systems and compare to cash in transit, accounting, and bank records
- **Update:** Script was executed for the period of April 1, 2022 through June 30, 2022
  - Cash collections include some immaterial difference between machine totals and amounts deposited, due to known system errors.

# Completed Projects

## Paratransit Customer Database

**Objective:** GCRTA certifies eligible applicants for Paratransit services. Management utilizes a computerized system to store inactive and active customer information.

**Scope:** Internal Audit developed a script to evaluate client information with the death records posted to the State of Ohio – Department of Health - Vital Statistics Database.

**Update:** Field work is complete. We will issue a report after discussion with management.

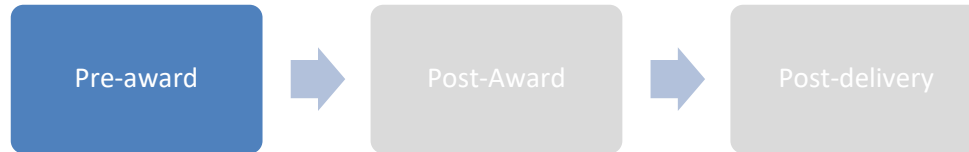
# Projects in Progress

## Railcar Vehicle Replacement

**Objective:** Provide pre-award audit assurance on procurement activities and to complete necessary Buy America reviews.

**Scope:** Internal Audit will evaluate contract compliance and management controls.

### Current Status:



# Projects in Progress

## Heavy Rail - Motor Overhaul (Swiger Coil Systems)

**Objective:** Evaluate evolving HRV smoking motor issue.

**Scope:** Contract compliance with Swiger Motor overhaul contract, review of GCRTA Quality Assurance review process, and evaluation of third-party engineering services task order.

**Current Status:**



# Projects in Progress

## GCRTA – Fare Media Ticket Stock

**Objective:** Review ticket stock vendor contract, identify compliance obligations and risks to management objectives. Document controls and evaluate compliance with the contract.

**Scope:** To be determined.

**Current Status:**



# Projects in Progress

## Public Transportation Agency Safety Plan – Drug & Alcohol

**Objective:** Evaluate GCRTA Drug & Alcohol program adherence to federal regulations and FTA guidance.

**Scope:** Evaluate PTASP compliance with ODOT and FTA checklists for content as it relates to Drug and Alcohol Programs.

**Current Status:**



# 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

## 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

## 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

## Collective Bargaining Agreement – Contract Implementation (ATU 268) Hazard Pay

**Objective:** Conduct a review after the final payment installment.

**Scope:** Internal Audit will review the implementation of terms and conditions for compliance with the agreement.

### Current Status:



# Projects in Progress

## Collective Bargaining Agreement – Contract Implementation (ATU 268) Tool and Shoe Allowance

**Objective:** Review compliance with the ATU Collective Bargaining Agreement rules on tool allowances and shoe reimbursements.

**Scope:** Tool allowance validation, shoe reimbursement validation.

### Current Status:



# Projects in Progress

## Tower City Common Area Maintenance Agreement

**Objective:** Identify agreement requirements, validate compliance with terms and conditions, and evaluate risks and controls.

**Scope:** Internal Audit will develop an agreement abstract to identify pass-through expenses. We will conduct an audit of supporting information for costs and payments. Invoice accuracy, utility billing, reimbursable expenses, maintenance/ management system assets, Tower City maintenance obligations.

**Current Status:**



# Projects in Progress

## Cash Collection Sites

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

**Scope:** Internal Audit will review the cash collection processes, document internal controls, and develop a test of controls. We will trace cash collected to the bank deposits and accounting records.

**Current Status:**

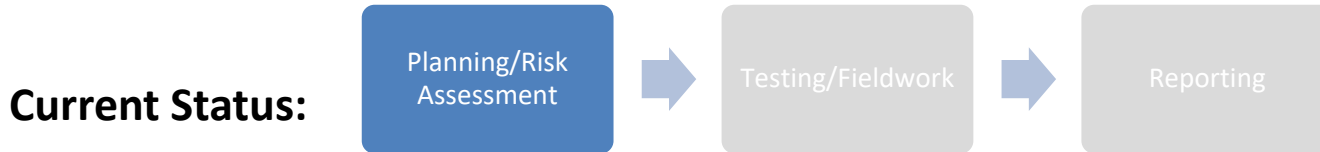


# Projects in Progress

## Employee Hiring Practices

**Objective:** Recruitment audit to document and understand the current process, evaluate any bottlenecks, evaluate compliance with applicable laws and regulations, and learn how the candidates perceive the GCRTA during the process.

**Scope:** To be determined.



# Projects in Progress

## Advertising Services (Brokaw, Inc)

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

**Scope:** Invoicing, monitoring of contract spend, and campaign KPIs.

**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:** Internal Audit conducted a contract compliance audit. Advertising revenue payments, sales report veracity, revenue share benchmarking.

### Current Status:



# Projects in Progress

## Planning Phase

- IT Change and Patch Management
- Lakeside Garage Key Fob Access
- Locomotive Purchase
- Paratransit Vehicle Purchase
- PTASP Accident Notification and Investigation

# Projects in Progress

## Fieldwork Phase

- Triskett Garage Compressed Natural Gas Plant Construction
- Fare Collection – (Brinks, Incorporated)
- GCRTA – Cleveland State University Student Universal Access Fare Program (U-Pass Program)(Board Resolution 2004-001)
- Paratransit Supplemental Services
- Fiber Optic Line Replacement – Red Line Construction
- Tower City Track Replacement
- Viaduct Rehabilitation

# Special Requests and Emerging Issues

- ODOT Request – Operator Complaint (Issued)
- Third-Party – Telecommunication and Data Services
- IT Director Hiring Process
- Employee Background checks
- Employee Overtime

# External Audit Coordination

## State of Ohio – Office of the Auditor

- State Auditor completed the 2021 Single Audit and met with the Board and Management in June 2022.
- Final Audit report was issued July 26, 2022.

## State of Ohio – Ohio Department of Transportation (ODOT)

- Coordinating with GCRTA Management on the topic of 4 special directives from FTA as a result of safety incidents at other transit properties.
- Internal Audit will support ODOT with assurance services.

### 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.

# Staff Training

## **Northeast Ohio Internal Audit Local Chapter**

- “The Next Normal of Fraud Risks and Investigations” – Grant Thornton
- “Internal Audit’s Role in Evaluating Cybersecurity Using Advanced Technical Testing – Grant Thornton
- Information Security – RSM
- Chief Auditor Executive Roundtable Forum – Local Audit Leaders

## **Northeast Ohio Certified Fraud Examiners Local Chapter**

- FBI – Forensic Accounting Overview – Bureau of Criminology
- FBI – Building a Better Internal Audit Environment - Bureau of Criminology

## **Northeast Ohio Information System Audit and Control Association**

- None during the Second Quarter 2022

## **Greater Cleveland Regional Transit Authority**

- GCRTA Board/EMT Retreat

## **Federal Transit Administration**

- Cyber-Security Workshop – U.S. Transportation Security Administration

# Questions and Comments