



Greater Cleveland Regional Transit Authority

Anthony A. Garofoli  
Executive Director of Internal Audit  
1240 West Sixth Street  
Cleveland, Ohio 44113-1331  
(216) 356-3106  
[anthony.garofoli@gcrtc.org](mailto:anthony.garofoli@gcrtc.org)  
Fraud/Waste/Abuse/Ethics Hotline  
(216) 350-5130

# GCRTA Internal Audit Department

## Report on Self-Assessment of the Internal Audit Activity

August 2022

---

Anthony A. Garofoli – Executive Director of Internal Audit

Date



## Contents

Executive Summary.....	3
Opinion as to Conformance with the Standards and the Code of Ethics .....	3
Objectives, Scope, and Methodology .....	4
Summary of Observations.....	6
Successful Internal Audit Practices .....	7
Gaps to Conformance .....	10
IA Action Plan.....	11
Opportunities for Continuous Improvement.....	11
Attachment A – Evaluation Summary and Rating Definitions .....	12



## Executive Summary

The *International Standards for the Professional Practice of Internal Auditing* requires that an external quality assessment (QA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the QA process. The QA can be accomplished through a full external assessment or a self-assessment with independent validation.

### *Background Information*

Article VIII, Sections 5 and 6 of the Bylaws of the Greater Cleveland Regional Transit Authority provides the Board shall maintain an Internal Audit Department, led by an Executive Director of Internal Audit, who shall report functionally to the President of the Board of Trustees and administratively to the General Manager.

The purpose of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the GCRTA operations. The Internal Audit Department functions as the inspector general for the GCRTA to detect and deter waste, fraud, abuse, and misconduct in GCRTA programs and personnel, and to promote economy and efficiency in those programs.

The Internal Audit Department headquarters is located in the Main Office Building. The Executive Director of Internal Audit is supported by a staff of seven individuals, including an Audit Manager, a Lead Auditor, an Information Technology Auditor, an Information Technology Audit Specialist and three Staff Auditors.

## Opinion as to Conformance with the Standards and the Code of Ethics

**It is our overall opinion that IA partially conforms with the *Standards* and the Code of Ethics.** A detailed list of conformances with individual standards and the Code of Ethics is shown in attachment A.

The IIA's *Quality Assessment Manual for the Internal Audit Activity* suggests a scale of three rankings when opining on the internal audit activity: "Generally Conforms," "Partially Conforms,"



and “Does Not Conform.” The ranking of “Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics. “Partially Conforms” means that deficiencies in practice are noted that are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. “Does Not Conform” means that deficiencies in practice are judged to deviate from the *Standards* and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities. A detailed description of conformance criteria can be found in attachment A.

## Objectives, Scope, and Methodology

### *Objectives*

- The principal objective of the QA was to assess IA’s conformance with the *Standards* and the Code of Ethics.
- IA also evaluated its effectiveness in carrying out its mission (as set forth in the internal audit charter and expressed in the expectations of GCRTA’s management); identified successful internal audit practices demonstrated by IA; and identified opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes, and the value to their stakeholders.
- An external independent assessor will validate the results of IA’s self-assessment. The main focus is to validate the conclusion of IA related to conformance with the *Standards* and the Code of Ethics. They will review IA observations related to successful internal audit practices and opportunities for continuous improvement. They will offer additional observations as they deem appropriate.

### *Scope*

- The scope of the QA included IA, as set forth in the internal audit charter and approved by the board, which defines the purpose, authority, and responsibility of IA.
- The QA was concluded on August 16, 2022 and provides senior management and the





board with information about IA as of that date.

- The *Standards* and the Code of Ethics in place and effective as of August 16, 2022 were the basis for the QA.

### *Methodology*

- IA compiled and prepared information consistent with the methodology established in the *Quality Assessment Manual for the Internal Audit Activity*. This information included completed and detailed planning guides, together with all supporting documentation; an evaluation summary, documenting all conclusions and observations; and the self-assessment report by the IA.
- IA identified key stakeholders (IA staff, the General Manager and executive management, department directors, and the board, and sent surveys to each individual identified. The results were tabulated by the Executive Director of Internal Audit, and the Executive Director of Internal Audit is to maintain confidentiality in responses. Survey results were shared with IA during their self-assessment process.
- Prior to commencement of the IA self-assessment, the Executive Director of Internal Audit held a preliminary meeting with IA self-assessment team to discuss the status of preparation of the self-assessment, identification of key stakeholders, and finalization of logistics related to the QA.
- To accomplish the objectives, the Internal Audit Department self-assessment team reviewed information prepared by the Executive Director of Internal Audit. The Executive Director of Internal Audit surveyed selected key stakeholders, including the audit committee, the General Manager and executive management, GCRTA department directors, and IA management and staff; reviewed a sample of audit projects and associated workpapers and reports; reviewed survey data received from GCRTA stakeholders and IA management and staff; and prepared diagnostic tools consistent with the methodology established for a QA in the *Quality Assessment Manual for the Internal Audit Activity*.
- The validators will prepare an "Independent Validation Statement" to document conclusions related to the validation of IA's self-assessment. This statement will be included as attachment to this report. The validators will interview key stakeholders;



evaluate the self-assessment materials and results; and, offer their own suggestions for improvement.

## Summary of Observations

IA believes the environment in which we operate is well structured and progressive, where the *Standards* are understood, the Code of Ethics is being applied, and management endeavors to provide useful audit tools and implement appropriate practices. Consequently, our comments and recommendations are intended to build on this foundation.

Observations are divided into three categories:

**Successful Internal Audit Practices** – Areas where IA is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated in other internal audit activities. The identification of these items is intended to provide IA stakeholders with a view on things IA is doing in a leading practice manner when compared to other internal audit activities.

**Gaps to Conformance** – Areas identified where IA is operating in a manner that falls short of achieving one or more major objectives, and attains an opinion of “partially conforms” or “does not conform” with the *Standards* or the Code of Ethics. These items will include recommendations for actions needed to be “generally in conformance,” and will include an IA response and an action plan to address the gap.

**Opportunities for Continuous Improvement** – Observations of opportunities to enhance the efficiency or effectiveness of IA’s infrastructure of processes. These items do not indicate a lack of conformance with the *Standards* or the Code of Ethics, but rather offer suggestions on how to better align with criteria defined in the *Standards* or Code of Ethics. They may also be operational ideas based on the experiences obtained while working with other internal audit activities. A management response and an action plan to address each opportunity noted are normally included.



## Successful Internal Audit Practices

- Standard 1000 – Purpose, Authority, and Responsibility – The internal audit charter is comprehensive and contains the mandatory elements of the International Professional Practices Framework.
- Standard 1010 – Recognizing Mandatory Guidance in the Internal Audit Charter – The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing are recognized in the internal audit charter.
- Standard 1111 – Direct Interaction with the Board – The Executive Director of Internal Audit has direct interaction with the Board.
- Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing – The Executive Director of Internal Audit does not have roles or responsibilities that fall outside of internal auditing.
- Standard 1200 – Proficiency and Due Professional Care - Engagements are performed with proficiency and due professional care.
- Standard 1210 – Proficiency – Internal Auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications.
- Standard 1220 – Due Professional Care - Internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor.
- Standard 1230 – Continuing Professional Development – Internal auditors are required to enhance their knowledge, skills, and other competencies through continuing professional development.
- Standard 2000 – Managing the Internal Audit Activity - The Executive Director of Internal Audit effectively manages the internal audit activity to ensure it adds value to the organization.
- Standard 2010 – Planning - The Executive Director of Internal Audit establishes a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.
- Standard 2020 – Communication and Approval - The Executive Director of Internal Audit communicates the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for





review and approval.

- Standard 2030 – Resource Management - The Executive Director of Internal Audit ensures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
- Standard 2040 – Policies and Procedures - The Executive Director of Internal Audit established policies and procedures to guide the internal audit activity.
- Standard 2050 Coordination and Reliance - The Executive Director of Internal Audit shares information, coordinate activities, and considers relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
- Standard 2060 – Reporting to Senior Management and the Board - The Executive Director of Internal Audit reports periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Standard 2100 – Nature of Work - The internal audit activity evaluates and contributes to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.
- Standard 2110 – Governance - The internal audit activity assesses and makes appropriate recommendations to improve the organization's governance processes.
- Standard 2120 – Risk Management - The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.
- Standard 2130 – Control - The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- Standard 2200 – Engagement Planning - Internal auditors develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
- Standard 2201 – Planning Considerations – Internal auditors consider the Authority's strategies, objectives, risks, controls, and opportunities for improvement.
- Standard 2210 – Engagement Objectives - Objectives are established for each engagement.
- Standard 2220 – Engagement Scope - The established scope of work is sufficient to





achieve the objectives of the engagement.

- Standard 2230 - Engagement Resource Allocation - Internal auditors determine appropriate and sufficient resources to achieve engagement objectives.
- Standard 2240 - Engagement Work Program - Internal auditors develop and document work programs that achieve the engagement objectives.
- Standard 2300 – Performing the Engagement - Internal auditors identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.
- Standard 2310 – Identifying Information - Internal auditors identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.
- Standard 2320 – Analysis and Evaluation - Internal auditors base conclusions and engagement results on appropriate analyses and evaluations.
- Standard 2330 – Documenting Information - Internal auditors document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.
- Standard 2340 – Engagement Supervision - Engagements are properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.
- Standard 2400 – Communicating Results - Internal auditors communicate the results of engagements.
- Standard 2410 – Criteria for Communicating - Communications include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.
- Standard 2420 – Quality of Communications - Communications are accurate, objective, clear, concise, constructive, complete, and timely.
- Standard 2421 – Errors and Omissions - If a final communication contains a significant error or omission, the Executive Director of Internal Audit communicates corrected information to all parties who received the original communication.
- Standard 2430 – Use of "Conducted In Conformance With The International Standards For The Professional Practice Of Internal Auditing" - Indicating that engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*" is appropriate only if supported by the results of the quality assurance and improvement program.



- Standard 2431 – Engagement Disclosure of Non-Conformance - When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, communication of the results must be disclosed.
- Standard 2440 – Disseminating Results - The Executive Director of Internal Audit communicates results to the appropriate parties.
- Standard 2450 – Monitoring Progress - The Executive Director of Internal Audit established and maintains a system to monitor the disposition of results communicated to management.
- Standard 2600 – Communicating the Acceptance of Risk - When the Executive Director of Internal Audit concludes that management has accepted a level of risk that may be unacceptable to the organization, the Executive Director of Internal Audit discusses the matter with senior management. If the Executive Director of Internal Audit determines the matter is not resolved, the Executive Director of Internal Audit communicates the matter to the board.

## **Gaps to Conformance**

- Standard 1300 Quality Assurance and Improvement Program - A quality assurance and improvement program must be designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics.
- Standard 1310 – Requirements of a Quality Assurance and Improvement Program - The quality assurance and improvement program must include both internal and external assessments.
- Standard 1311 – Internal Assessments - Ongoing monitoring of the performance of the internal audit activity must be included in the quality assurance improvement plan.
- Standard 1312 – External Assessments - External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.
- Standard 1320 – Reporting on the Quality Assurance and Improvement Program - The Executive Director of Internal Audit must communicate the results of the quality assurance and improvement program to senior management and the board.



## **IA Action Plan**

The Executive Director of Internal Audit will develop a written Quality Assurance and Improvement Program including both internal and external assessments, designed to enable an evaluation of internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. Results of the quality assurance and improvement program will be reported to senior management and the board. Estimated Completion: December 2022.

## **Opportunities for Continuous Improvement**

- Standard 1000 – Purpose, Authority, and Responsibility – Clearly define the nature of assurance and consulting activities in the internal audit charter.
- Standard 1130 – Impairment to Independence or Objectivity – Continue to use the Statement of Independence and Objectivity for department staff to report any restrictions or impairments.
- Standard 2200 – Engagement Planning – Clearly define planning for consulting engagements in the internal audit policy manual.
- Standard 2420 – Quality of Communication – Improve the timeliness of issuing final audit reports.
- Standard 2450 – Overall Opinions - When an overall opinion is issued, it must take into account the strategies, objectives, and risks of the organization; and the expectations of senior management, the board, and other stakeholders.





## Attachment A – Evaluation Summary and Rating Definitions

	GC	PC	DNC
<b>Overall Evaluation</b>		X	

<b>Attribute Standards (1000 through 1300)</b>		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program			X
1310	Requirements of the Quality Assurance and Improvement Program			X





1311	Internal Assessments			X
1312	External Assessments			X
1320	Reporting on the Quality Assurance and Improvement Program			X
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X		
1322	Disclosure of Nonconformance	X		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	NA		
2100	Nature of Work	X		
2110	Governance	X		



2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		



2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Code of Ethics		GC	PC	DNC
	Code of Ethics	X		

## Rating Definitions

**GC – “Generally Conforms”** means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

**PC – “Partially Conforms”** means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.



**DNC – “Does Not Conform”** means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.