

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

2:37 p.m. November 3, 2022

Committee Members: Koomar (Chair), Moss (Vice-Chair), Weiss

Not present: Joyce, McCall

Staff: Birdsong Terry, Bober, Bowles, Burney, Caver, Crawshaw, Dangelo, Fields, Fleig, Freilich, Garlock, Garofoli, Gautam, Miller, O'Donnell, Schipper, Scott, Togher, Walker-Minor, Zimmerman

Public: None

The meeting was called to order at 2:37 p.m. There were three (3) committee members present.

Internal Audit Quarterly Report – 3rd Quarter

Tony Garofoli, Executive Director, Internal Audit and his staff auditors gave the report.

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 third quarter related trips and expenses.
- **Results:** Satisfactory, with findings and recommendations for management.
- **Issues for Board Consideration:** None

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 the Federal Transit Administration.
- **Results:** Satisfactory, with findings and recommendations for management.
- **Issues for Board Consideration:** None

This is the first exercise option. A second option will be voted on at the next Board meeting.

Locomotive Replacement Vehicle

- **Objective:** The Board of Trustees authorized the purchase under contract 2021-089 with Geismar North America Inc. for the purchase and delivery of a locomotive work car.
- **Scope:** Audit staff completed the applicable Buy America pre-award review required by the Federal Transit Administration. This included a site visit.
- **Results:** Satisfactory, pre-award certificate issued.
- **Issues for Board Consideration:** None

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.
- **Results:** Unsatisfactory, with findings and recommendations for management
- **Update:** Revisited with management and received feedback addressing additional risks and issues identified. Final report will be reissued in the coming week(s).
- **Issues for Board Consideration:** None

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.
- **Results:** Marginally Unsatisfactory, with findings and recommendations for management.
- **Issues for Board Consideration:** Yes

The system is designed to classify inventory items into categories based on average usage and value. This will capture 80% of the inventory value over the year in the cycle count program.

- ***Cycle Count Configuration Is not Working as Designed***
 - Inconsistencies in reported control design vs auditor observations. Underlying programming did not capture the correct classification of items weekly to complete the cycle count program.
- ***Inventory Valuation Reporting is Questioned***
 - Cycle Counting was only able to capture 46% of inventory items by value in 2021, cannot provide assurance on 2021 inventory balance of \$20 million.
 - There exist several inventory items with \$0 dollar value which represents an unknown impact to the total inventory balance.
- **Follow up**
 - Management is addressing the configuration issue
 - Internal Audit is meeting with management to discuss corrective actions including a physical inventory

Ms. Moss asked for clarification. Ms. Crawshaw said that parts are in the system. Usage is tracked by how they are assigned to work orders. Based on that, there is an average monthly usage. That number is multiplied by its cost. Based on that multiplied value and thresholds set by management, those items are classified A, B, C, D, E. Each week in the cycle count, it pulls the items from each category. The goal is to count 80% by the end of the year. Mayor Weiss asked about the \$0 value items. She said they are in the system with a \$0 value. It could be for an engine rebuild, grant purchases or parts from a kit that they don't want to double count.

Mr. Garofoli said the portions of that configuration are by design. The grant purchases are not listed in the system by value, but they must be counted. Rebuilds are sent out to a contractor or done inhouse so those do have a value. They are looking to management to determine the value. This program is a control designed to require the storekeepers to count parts. If they are not counting the parts, they want to ensure the book to shelf relationship is in place. Ms. Moss asked if this was an issue in the past. Mr. Garofoli said this was a result of a detailed review. It probably has occurred over time.

Ms. Birdsong Terry asked if this is specific to a particular location and if the physical inventory will include signing approvals. Ms. Garofoli said this issue is across the board. The system and manager are responsible for supply chain management. All movement is tracked in the system. All parts may not be used in a kit. Those parts are returned to inventory and added back into the valuation. The last physical inventory was 2011. The frequency of the physical inventory depends on the control risk. If root causes can be identified and resolved, then management can rely on it. The physical inventory can be done annually if risks are identified.

Cash Collection Sites

- **Objective:** Review controls for cash collection sites at GCRTA.
- **Scope:** Internal Audit reviewed the cash collection processes and documented internal controls. We traced cash collected to the bank deposits and accounting records.
- **Results:** Satisfactory
- **Issues for Board Consideration:** None

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 and shoe reimbursement payment validation in 2021.
- **Update:** We will engage management in an exit conference and release final report following their feedback.
- **Current Status:** Reporting

Tower City Common Area Maintenance Agreement

- **Objective:** Identify agreement requirements, validate compliance with terms and conditions, and evaluate risks and controls.
- **Scope:** Invoice accuracy, utility billing, reimbursable expenses, maintenance/ management system assets, Tower City maintenance obligations.
- **Current Status:** Testing/Fieldwork. They will meet with Bedrock to answer questions to finish fieldwork

Public Transportation Agency Safety Plan – Accident/Incident Notification

- **Objective:** Evaluate GCRTA compliance with FTA, NTSB, and SSO requirements for Accident and Incident Notification.
- **Scope:** PTASP compliance with FTA standards, GCRTA SOP compliance, accident notifications, accident investigations, SQ supervisor reporting.
- **Current Status:** Testing/Fieldwork

Public Transportation Agency Safety Plan – Drug & Alcohol

This is part of the three-year PTASP review cycle.

- **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. The FTA also completed their planned audit on October 5. The audit team provided RTA management with an exceptions-based audit report that detailed their findings. It was overall very positive. IA will complete remaining items out of scope for FTA but in scope for Safety Oversight requirements.
- **Current Status:** Training/Fieldwork

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.
- **Update:** We will engage management in an exit conference and release final report following their feedback.

Paratransit Vehicle Purchase – Western Reserve Coach – 20

- **Objective:** The Board of Trustees authorized the purchase under Contract 2022-103 with Western Reserve Coach Sales, Inc., for the purchase and delivery of up to 20 Western Reserve Diamond Paratransit coaches.
- **Scope:** Audit staff will complete the applicable Buy America review, required by the Federal Transit Administration.
- **Update:** As of yesterday Internal Audit received all documents from the vendor to support pre-award compliance.

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:** Pre-printed ticket stock inventory, blank ticket stock inventory, farecard testing, fare media destruction, and contract invoicing
- **Current Status:** Testing/Fieldwork

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. Internal Audit conducted a contract compliance audit. This includes two contracts for on vehicle ads, in station ads and ads at bus shelters and our vending contract with Pepsi.
- **Scope:** Advertising revenue payments, sales report veracity, revenue share/advertising guidelines benchmarking.
- **Update:** We will engage management in an exit conference and release final report following their feedback.

Advertising Services (Brokaw, Inc)

- **Objective:** Evaluate contract compliance with scope of services and invoice requirements.
- **Scope:** Invoicing, monitoring of contract spend, and campaign KPIs.
- **Update:** We will engage management in an exit conference and release final report following their feedback.

Ms. Birdsong Terry asked if the last two contracts had been audited previously considering the length the Authority has worked with them. Mr. Garofoli said they have audited them in the past. Some of the terms were five years. Lamar was not audited recently. They ensure contract compliance was achieved as the contract comes to a close. They did not have issues in the past. There were some market conditions where the agency could not provide guaranteed revenue. A change order was approved to reduce the guaranteed revenue, which they met. IA selected them for audit to close out old items and provide a clean slate with the new GM/CEO.

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:** Consulting engagement to review efficacy of hiring process.
- **Current Status:** Planning/Risk Assessment

Heavy Rail - Motor Overhaul (Swiger Coil Systems)

Management continues to receive motors from the contractor and installing them on the vehicles. Management has obtained updates on the line voltage analysis to identify if there had been any impacts to the motors due to the overhead. They do not believe the overhead has caused the smoky motors. The cause could be due to the lack of time between overhauls. They will continue to monitor the situation as the motors continue to be installed on the new vehicles.

- **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.

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.

Procurement is still in negotiations with the vendor. IA is a non-voting member on the Procurement panel. When the procurement is ready to go to the Board, they will conduct their pre-award requirements.

Transit Police Body Cameras

- **Objective:** Evaluate 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.

- **Update:** Restructuring of responsibilities within Transit Police. Project scope has expanded to include dash cams.

CONTINUOUS AUDITING **Revenue collection**

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

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. They will provide a monthly report to management to provide a different level of assurance for compliance.
- **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 July 1, 2022, through September 30, 2022. We are developing a process for analysis of Amazon purchases.

Payroll

- **Objective:** To evaluate payroll data from the Authority's ERP. This is a new script and in the final stage of development. It will run biweekly.
- **Scope:** Internal Audit utilizes scripts to analyze payroll data from the Authority's ERP system.
- **Update:** Required data was identified and compiled into a usable format. Preliminary tests were run to identify changes that are required prior to an official report. Full reporting will begin next month, for November payroll.

Payroll – Tests

- New and Terminated Employees
- Suspicious/Excessive Deductions
- Excessive Work Hours
- Unusual Pay Amounts by Grade
- Unusual Salary Changes

They will work with Payroll to set parameters. Ms. Moss asked about the instance where an employee was on leave and still received pay. She asked if this would be caught in this audit. Mr. Garofoli said that incident was related to a flagging incident in the HR system. It was an isolated incident. This script may or may not catch that. Mayor Weiss asked if employees are fully back to working in the office. Ms. Birdsong Terry said are employees are back in the office. Unless in cases where there is an illness or OEO has approved working remotely.

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:** We are working with management to monitor nepotism across the Authority.

They aggregate several databases and self-reporting data and produce a database for all the reporting relationships, which they share with management. Ms. Moss asked if employees are required to report nepotism and if there is a penalty for non-compliance. Mr. Garofoli said this issue is in the Code of Ethics/Conduct and Personnel Policies and Procedures. Employees can report on their pre-employment application and during open enrollment. It falls under the positive discipline program.

Paratransit Eligibility

- **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:** Fieldwork is complete. We met and shared our results with management. We are awaiting management feedback.

Audit Blitzes

The IA team is on schedule to complete their plan this year. These projects are designed to be completed in one day or one week. Updates on these projects will be provided at the next update. Ms. Birdsong Terry asked about a concern with fare pass card stock quality. Mr. Garofoli said the preventative maintenance staff uses the data produced by the equipment to replace parts and do maintenance to minimize where the tickets jam and misprint. They have a robust maintenance program. They have many spare units because of the reduction in the fleet so parts are not an issue. Mayor Weiss asked about the blitzes. Mr. Ghanem said their approach will be collaborative to complete these audits quicker. These projects have smaller scopes of work.

Tower City CSC* - In Progress

Mobile Ticketing – Planning
Records Retention – Planning
Healthcare Dependent Eligibility – Planning
Third Party Paratransit Revenue Collection – Planning
Pre-printed Fare Media Inventory – Planning

Customer Service Center – Tower City

- **Objective:** Perform a 100% count of all cash and fare media for all teller drawers and CSC vault.
- **Scope:** Reconcile all drawers and vault to CSC consignment.
- **Update:** Fieldwork is complete. Currently in reporting phase.

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
- **Update:** Change order ratification scheduled for November 2022.

Rail Facilities Maintenance – Nepotism/Overtime/Work Orders

- **Objective:** Validate GCRTA Fraud Hotline tip regarding existence of preferential treatment, in the assignment of overtime and special projects.
- **Scope:** Review of time and attendance system data, building access system data, work order system data, union pick records, and interviews with employees.
- **Update:** Fieldwork is complete. Currently in reporting phase.

Other Special Requests/Emerging Issues – brought by Fraud Hotline

- Incompatible Employment
- Onboard Revenue Collection
- Operating District Payroll Check Distribution – working with TP on investigation

EXTERNAL AUDIT COORDINATION

Ms. Moss asked if the State prefers to do RTA's audit. Mr. Garofoli said ORC 117.11 provides that the Auditor of the State do an audit each year of an agency that meets the threshold of federal grants. They have done RTA's audit since 2013. He believes they like to do our audit. Ms. Gautam added that by law the AOS is responsible to do audits of public agencies. They determine if they want to do the audit or outsource it. Even when they outsource it, they must review the final report.

- Auditor of State released 2021 Fiscal Year audit in July 2022. Preliminary work scheduled for November 2022 for the Fiscal Year 2022 audit.
- Federal Transit Administration completed a third-party review of the GCRTA Drug and Alcohol Program.
- Ohio Department of Transportation State Safety Oversight issued additional special directives for GCRTA follow up, as a result of safety incidents at other transit properties.

STATUS OF OUTSTANDING FOLLOW-UP

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

QUALITY ASSURANCE – EXTERNAL ASSESSMENT

Internal Audit completed a self-assessment during the second and third quarter of 2022 and provided the results to senior management and the Board of Trustees. GCRTA is in the process of procuring a qualified consultant to perform an independent validation of the self-assessment. Lessons they receive from the firm can be integrated into their best practices. The firm will present to this committee. Mayor Koomar added that this may roll over to next year with an update in February 2023.

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

Update: Completed Champion training, Manager and End User training. System migration is underway. Go live date set for November 2022.

Healthcare Claims Co-sourcing

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

They will be working with a healthcare audit consultant to ensure a smooth transition and recover any overspend.

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 Third Quarter 2022:

- Forensic Accounting & Investigations – (Ohio Attorney General – Bureau of Criminal Investigations)
- Unconscious Bias – (GCRTA/Moore Counseling)
- Data Analysis – Scripting – Continuous Auditing – (Audimation/Caseware)
- Tools for New Auditor – (Institute of Internal Auditors)

They have met their goal of having a full staff of auditors. Ms. Moss complimented the new format of having quarterly reviews prior to the quarterly reports being finalized.

The meeting was adjourned at 3:42 p.m.



Rajan D. Gautam
Secretary/Treasurer



Theresa A. Burrage
Executive Assistant