



Audit Committee Meeting

November 3, 2022

GCRTA Internal Audit Department



Audit Committee Agenda

Completed Projects

Projects in Progress

Continuous Auditing

Special Requests/Emerging Issues

Audit Blitzes

External Audit Coordination

Status of Outstanding Follow-up

Audit Management System

External Assessment

Other Projects

Staff Training

IPPF – International Professional Practices Framework

Standard 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 third 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 the Federal Transit Administration.

Results: Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

Completed Projects

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.

Results: Satisfactory, pre-award certificate issued.

Issues for Board Consideration: None

Completed Projects

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

Completed Projects

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

Completed Projects

Cycle Counting – Inventory Parts

- ***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 exists a number of inventory items with \$0 dollar value which represents an unknown impact to the total inventory balance.

Completed Projects

Cycle Counting – Inventory Parts

Follow up

Management is addressing the configuration issue

Internal Audit is meeting with management to discuss corrective actions including a physical inventory.

Completed Projects

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

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 and shoe reimbursement payment validation in 2021.

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



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: Invoice accuracy, utility billing, reimbursable expenses, maintenance/management system assets, Tower City maintenance obligations.

Current Status:



Projects in Progress

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:



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.

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



Projects In Progress

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: Internal Audit is working with the vendor to obtain documents to support pre-award compliance.



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: Pre-printed ticket stock inventory, blank ticket stock inventory, farecard testing, fare media destruction, and contract invoicing

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. Internal Audit conducted a contract compliance audit.

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.



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.

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



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: Consulting engagement to review efficacy of hiring process.

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:



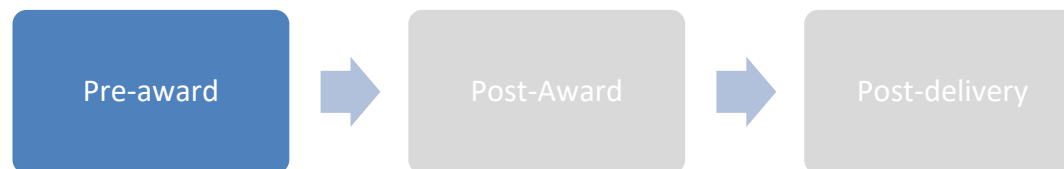
Projects in Progress

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

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.



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.

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 July 1, 2022, through September 30, 2022. We are developing a process for analysis of Amazon purchases.

Continuous Auditing

Payroll

Objective: To evaluate payroll data from the Authority's ERP.

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.

Continuous Auditing

Payroll – Tests

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

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

Continuous Auditing

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.

Continuous Auditing

Schedule- Current and forthcoming

CA Project	Frequency			
	Monthly	Quarterly	Annually	Other
Purchasing Card	X	X		
Revenue Reconciliation		X		
Nepotism		X	X	
Payroll	X			
Fuel Expense*				
Accounts Payable *				
Accounts Receivables*				

Audit Blitzes

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

Audit Blitzes – In Progress

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.

Special Requests/Emerging Issues

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.



Special Requests/Emerging Issues

Incompatible Employment

Onboard Revenue Collection

Operating District Payroll Check Distribution

External Audit Coordination

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.

IPPF – International Professional Practices Framework

Standard 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

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

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.

IPPF – International Professional Practices Framework

Standard 1312 External Assessment – An external assessment must be conducted every 5 years. The Chief Audit Executive must share results with the Board.

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.

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 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 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)

Questions and Comments

