GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

INTERNAL AUDIT QUARTERLY REPORT
Third Quarter - 2022

November, 2022

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GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY

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INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
JULY 1, 2022 THROUGH SEPTEMBER 30, 2022

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INTRODUCTION

Presented herein and in accordance with Board Policy is the report of the Internal Audit Department activities for the Third Quarter 2022. The report outlines work performed, recommendations and management's responses, including specific steps for the implementation of all agreed-upon recommendations and other pertinent data.

The purpose of the Greater Cleveland Regional Transit Authority's Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve GCRTA's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department helps GCRTA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

We will respond to requests for assurance and consulting services in a timely manner. Please contact me at (216) 356-3106 to service your requests.

The Internal Audit Department functions as the inspector general for the GCRTA. The mission of the inspector general is to detect and deter waste, fraud, abuse, and misconduct in GCRTA programs and personnel, and to promote economy and efficiency in those programs. These responsibilities include initiating and conducting inspections and investigations of GCRTA operations and activities. Also, forwarding to the appropriate authorities any evidence of criminal wrongdoing that is discovered because of any inspection or investigation.

The Greater Cleveland Regional Transit Authority does not tolerate fraud, waste, abuse, theft, or ethical violations. If you are aware of any such activity occurring against or within the GCRTA, please contact the GCRTA Fraud/Waste/Abuse/Ethics Hotline at (216) 350-5130 or http://www.riderta.com/fraudhotline

Anthony A. Garofoli
Executive Director of Internal Audit

2022 INTERNAL AUDIT PLAN

Project	Budgeted Hours	Success Outcome(s)
COVID-19 Activities		
American Rescue Plan – Federal Grant	80	I,II,III
Consulting Projects		
Audit Management System Replacement	200	IV
Data Analytics	160	II,III
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Main Office Building HVAC Replacement	200	III,IV
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Tower City East Portal Rehabilitation	200	I,II
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2022 INTERNAL AUDIT PLAN

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Success Outcomes
I. Customer Experience
II. Community Value
III. Financial Sustainability
IV. Employee Engagement

"The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals" - Institute of Internal Auditors Professional Standards – Planning 2010.

COMPLETED PROJECTS

GCRTA Travel Expense & Reimbursements

Purpose:

Per Chapter 656.03 of the Codified Rules and Regulations of the GCRTA - Travel Policies and Procedures: "Travel expenses will be subject to a final compliance review by the Internal Audit Department."

Scope:

Internal Audit reviewed all the Board of Trustee and employee Travel Reports and Reimbursement Requests for the period July 1, 2022 through September 30, 2022 prior to cash disbursement. The review included tests for allowability, reasonableness, and timeliness.

Results:

Internal Audit reviewed all the Travel Reports and Reimbursement Requests during the period. Any exceptions to the Codified Rules and Regulations and Administrative Procedure 024 - Travel Policy were returned to management for correction prior to final approval and cash disbursement.

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

Purpose:

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.

The Federal Transit Administration obligates federal funds to the GCRTA for purchasing buses to carry passengers in mass transit service. Recipients of these funds must comply with several federal regulations, one of which is the Pre-Award and Post-Delivery Rule.

Scope:

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

Results:

Internal Audit staff completed the Pre-Award Buy America Review, the Purchaser's Review, and the Federal Motor Vehicle Safety Standards Review. Both the contractor and management complied with federal regulations.

COMPLETED PROJECTS

The contractor scheduled the production and final assembly of the buses in November 2022.

Locomotive Purchase

Purpose:

The Board of Trustees authorized Contract No. 2021-089 with Geismar North America, Inc., for the purchase of a locomotive work car in an amount not to exceed $3,291,204.80.

Management will use the locomotive to support rail operations and maintenance. GCRTA will use federal funds for this purchase.

The procurement of this locomotive is subject to a Federal Transit Administration Pre-Award Review, prior to the contract Notice to Proceed and a Post-Delivery Review prior to accepting title and placing the vehicle into support service.

Scope:

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

Results:

Internal Audit staff completed the Pre-Award Buy America Review and the required Purchaser's Review. Both the contractor and management complied with federal regulations.

The contractor scheduled the production and final assembly of the locomotive during the First Quarter 2023.

Facilities Access – (Keys)

Purpose:

The GCRTA Transit Police is responsible for building and facility access control. They maintain a system and inventory of keys.

Scope:

Internal Audit summarized and evaluated the system and inventory controls in place for keys.

COMPLETED PROJECTS

Results:

We identified non-compliance with GCRTA Personnel Policies and Procedures and provided several recommendations to managements. Transit Police and Information Technology staff are implementing a system replacement.

Internal Audit will follow-up and monitor all outstanding issues and recommendations.

Cycle Counting - Inventory Parts

Purpose:

The GCRTA purchases and maintains parts to fix vehicles, equipment, infrastructure, and electronic components. We are coordinating efforts with the State of Ohio – Office of the Auditor during their 2021 audit of the GCRTA financial statements.

Scope:

Internal Audit staff documented and tested the management controls in place to account for the parts inventory. We traced the financial data to the accounting records.

Results:

Internal Audit staff identified system configuration error and data processing errors. We also identified unaccounted for parts and variances between the supply chain system and the accounting system records.

Supply chain management completed root cause analysis and is implementing corrective actions. GCRTA management will schedule a physical inventory to reconcile the parts inventory to the supply chain system and accounting records at fiscal year-end 2022.

Internal Audit will work with the accounting department management to follow-up and monitor the supply chain management corrective actions.

Cash Collection Sites

Purpose:

The GCRTA has several cash collection sites at various locations.

COMPLETED PROJECTS

Scope:

Internal Audit reviewed each of the cash collection processes, documented internal controls, and conducted a test of controls. We traced cash collected to the bank deposits and accounting records.

Results:

Management controls are place and working effectively. We traced cash collections to the bank and accounting records without exception.

Internal Audit Department Self-Assessment
(Quality Assurance Improvement Program)

Purpose:

Per Chapter 262 of the Codified Rules and Regulations of the GCRTA, *the Internal Audit Charter*, the Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department.

Scope:

Internal Audit completed a self-assessment to evaluate conformance with Institute of Internal Auditors Standards and Code of Ethics.

Results:

Internal Audit completed the self-assessment and shared the results with senior management and the Board Audit Committee at the August 16, 2022 Audit Committee Meeting.

The Executive Director of Internal Audit wrote and implemented 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.

The Executive Director of Internal Audit wrote 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.

COMPLETED PROJECTS

Next steps are to 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.

The Executive Director of Internal Audit will develop a written quality assurance improvement program to conform with the Institute of Internal Auditors Standards – *Standard 1300 – Quality Assurance And Improvement Program*.

CONTINUOUS AUDITING PROGRAM

Continuous auditing is 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.

Customer Fare Collections

Purpose:

To evaluate and provide assurance customer fares, collected from fare collections systems are reconciled, posted to accounting records, and deposited in the bank.

Scope:

Internal Audit Staff developed a continuous audit test, utilizing audit software, to query the fare collections systems data to reconcile with cash counts, GCRTA accounting records and third-party bank deposits. The audit script executes daily. Any exceptions are noted for investigation with appropriate management.

Results:

We executed the audit script for the period July, 1, 2022 through September 30, 2022 successfully. The on-board revenue collections system is working effectively. The system captured the transactions, cash was collected, reconciled, and deposited, and revenue receipts were posted to the general ledger.

The "Proof of Payment" system fare collection receipts represent approximately 18% of the total revenue receipts. Fares paid with credit cards were collected, reconciled, and deposited without exception. Cash collections included some immaterial differences between machine totals and amounts deposited, due to known system errors.

Procurement Card (P-Cards)

Purpose:

The GCRTA launched a P-Card Program many years ago. P-Cards provide a means for streamlining the procure-to-pay process, allowing cardholders to procure goods and services in a timely manner, reduce transaction costs, track expenses, take advantage of supplier discounts, reduce, or redirect staff in the purchasing and/or accounts payable departments, reduce or eliminate petty cash, and more.

CONTINUOUS AUDITING PROGRAM

Scope:

Internal Audit developed a continuous auditing script to evaluate P-Card transactions for compliance with the GCRTA Procurement Card Policy. We also evaluate transactions for potential fraud, waste, and abuse.

Results:

Internal Audit updated and executed the script for the period July, 1, 2022 through September 30, 2022. We analyzed and summarized the data and met with management.

We will continue to provide the PCard manager monthly audit reports designed to target risk areas. This will enable the manager to evaluate compliance with the PCard Policies and Procedures. We will provide additional audit or investigative services as needed.

Paratransit Certification System Database

Purpose

GCRTA management certifies eligible applicants who schedule and ride Paratransit services. Management utilizes a computerized system to store inactive and active customer information.

Scope:

Internal Audit developed a continuous auditing script to evaluate both inactive and active customer information with the death records posted to the State of Ohio – Department of Health - Vital Statistics Database. We will provide management with data matches to update the Certification System database and search for fraud, waste, and abuse.

Update:

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

Nepotism

Purpose:

The GCRTA Code of Ethics provides policy to ensure the hiring and supervision, by and within the Authority, is conducted in compliance with the Ohio laws, and in a manner that enhances public confidence in the Authority, prevents situations that give the appearance of partiality, preferential treatment, improper influence, and conflict of interest.

CONTINUOUS AUDITING PROGRAM

Scope:

Internal Audit evaluated the relationships and employment placement for all the active employees. GCRTA Personnel Policy 300.03 Employment of Relatives provides:

> *"…For purposes of this policy, "immediate family" shall mean spouse, children, parents, grandparents, brothers, sisters, grandchildren, or any person related by blood or marriage, or relative residing in the same household..."*

Update:

Internal Audit is updating the script to account for employee movements, new hires, and promotions.

Payroll

Purpose:

Payroll (Labor) is typically the highest line-item expense on the operating financial statement. Internal Audit will execute a computerized audit script, combining human resources and payroll transaction data, to detect scenarios that may indicate fraud, waste, and abuse.

Scope:

Internal Audit plans to execute the script after each of the bi-weekly payrolls (bargaining and non-bargaining payroll runs).

Accounts Payable

Purpose:

The GCRTA Accounting Department processes payment to vendors and contractors.

Scope:

Internal Audit is developing a continuous auditing script to evaluate payables and to search for fraud, waste, and abuse.

Update:

We suspended the development of this audit script due to lack of audit resources. We will resume the work during the Fourth Quarter 2022.

CONTINUOUS AUDITING PROGRAM

Accounts Receivable

Purpose:

The GCRTA Accounting Department collects payments from sales agents, lease agreements, legal settlements, and others.

Scope:

Internal Audit is developing a continuous auditing script to evaluate receivables and to search for fraud, waste, and abuse.

Update:

We suspended the development of this audit script due to lack of audit resources. We will resume the work during the Fourth Quarter 2022.

Fuel Expense

Purpose

GCRTA management contracts with suppliers to deliver diesel fuel to storage tanks. The price of fuel fluctuates throughout the day.

Scope:

Internal Audit is developing a continuous auditing script to evaluate price fluctuations, delivery dates, the quantity of fuel delivered, and amounts paid for fuel. We will evaluate contract compliance and search for fraud, waste, and abuse.

Update:

We suspended the development of this audit script due to lack of audit resources. We will resume the work during the First Quarter 2023.

PROJECTS IN PROGRESS

Advertising Services (Brokaw, Inc.)

Purpose:

The Board of Trustees authorized Contract No. 2021-098 with Brokaw, Inc. to provide advertising services for a period of one year in an amount not to exceed $850,000.00, with two, one-year options in an amount not to exceed $850,000.00 for each option year,

Scope:

Internal Audit will conduct a contract compliance audit.

Update:

Fieldwork is complete for this audit. We will issue a report after discussion with management.

Revenue Generating Ads Services (Lamar Transit, LLC)

Purpose:

The Board of Trustees authorized Contract No. 2017-079 with Lamar Transit, LLC to provide shelter advertising sales services for a period of three years, with two, one-year options, revenue generating.

Scope:

Internal Audit will conduct a contract compliance audit.

Update:

Fieldwork is complete for this audit. We will issue a report after discussion with management.

Vehicle Purchase – (20) Paratransit Replacement Vehicles – (Western Reserve Diamond Coach)

Purpose:

The Board of Trustees authorized Contract No. 2022-103 with Western Reserve Coach Sales, Inc. for the purchase of up to 20 Western Reserve Diamond paratransit coaches.

The Federal Transit Administration obligates federal funds to the GCRTA for purchasing buses to carry passengers in mass transit service. Recipients of these funds must

PROJECTS IN PROGRESS

comply with several federal regulations, one of which is the Pre-Award and Post-Delivery Rule.

Scope:

Audit Staff will complete the applicable Buy America Review, required by Federal Transit Administration.

Update:

Management canceled Contract No. 2021-064 with Myers Equipment Corp. for the purchase of up to 10 Eldorado National Aerotech Paratransit Coaches due to performance delays.

Fieldwork is complete for this audit. We will issue a report after discussion with management.

Collective Bargaining Agreement - Contract Implementation (ATU 268)

Purpose:

The Board of Trustees approved a new three-year collective bargaining agreement covering conditions of employment with Local 268 of the Amalgamated Transit Union for the period August 1, 2021 through July 31, 2024.

Scope:

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

Update:

Management established criteria to issue a COVID-19 Hazard Pay to eligible employees. This one-time benefit will be paid in two installments. The first payment was issued in June 2022. Audit staff completed a 100% audit of the distribution.

- 1,990 employees received Hazard Pay
- Total payout of $4,480,625
- One (1) underpayment, no other exceptions

We met with management to share the results. Corrective actions were implemented. Audit staff will conduct a second review after the final payment installment. We will issue a stand-alone report after completion of work and discussion with management.

PROJECTS IN PROGRESS

Audit staff completed an audit of *Article 8 - Tools* allowance and *Article 12 - Safety Shoes and Safety Glasses* allowance from the collective bargaining agreement. Field work is complete. We will issue a report after discussion with management.

Employee Separation Process

Purpose:

Define current employee separation process, evaluate process controls, and identify process improvement areas.

Scope:

Evaluate the following processes:

- Employee Release Form Asset Tracking
- Information Technology access termination
- Final payout/arrears calculation
- Pre-termination hearings
- Timeliness of processing

Fieldwork is complete for this audit. We will issue a report after discussion with management.

Triskett Garage Compressed Natural Gas Plant Construction

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2019-062 with Trillium Transportation Fuels, LLC, dba Trillium CNG to provide installation of the CNG fueling system at the Triskett bus garage.

Scope:

Internal Audit evaluated contract compliance and management controls.

Update:

Fieldwork is complete for this audit. Management is waiting on the delivery, installation, and testing of gas monitoring sensors at the Triskett District facility to fully utilize the fueling system, maintain, and store the compressed natural gas buses. We will conclude our work and issue the report at the conclusion of these activities.

PROJECTS IN PROGRESS

Railcar Vehicle Replacement

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2019-115 with LTK Consulting Services, Inc. dba LTK Engineering Services for technical specification, program management and engineering services for Red Line HRV replacement.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

The Procurement Department canceled the first procurement due to lack of a responsive proposal. Management updated the specifications and issued a second Request for Proposal.

Internal Audit is completing a pre-award review. Management is evaluating management proposals. Internal Audit continues to attend project meetings to evaluate compliance with applicable federal and state procurement laws and regulations.

Management issued a Request for Proposal and received proposals May 2022. Internal Audit will monitor the project as a non-voting member of the GCRTA procurement evaluation team.

Public Transit Agency Safety Plan
(Drug & Alcohol Testing Program)

Purpose:

Under 49 CFR Part 673, the Federal Transit Administration requires that public transportation systems receiving federal funds under the Urbanized Area Formula Grants develop a Public Transit Agency Safety Plan. The FTA charges State Safety Oversight Agencies with evaluating PTASP compliance. GCRTA's Public Transit Agency Safety Plan includes the Safety Department's responsibilities and activities per ODOT's State Safety Oversight standards. Each year, Internal Audit conducts audits of sections of the PTASP to support the requirement to conduct internal audits of every section of the plan on a triennial basis.

Scope:

Per section 3.4.3 "Organizational Functions Audited", the Drug and Alcohol Program at GCRTA is subject to review under the PTASP audit schedule. Evaluate program adherence to federal regulations and FTA guidance. Evaluate PTASP compliance with ODOT and FTA checklists for content as it relates to Drug and Alcohol Programs.

PROJECTS IN PROGRESS

Fare Collection – (Brinks, Incorporated)

Purpose:

The Board of Trustees authorized Contract No. 2019-131 with Brink's, Inc. to provide revenue collection and processing services.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

Brinks, Incorporated released their independent auditor's SSAE 16 SOC 1 Report and bridge letter. The SSAE 16 is the Statements on Standards for Attestation Engagements No. 16. It provides a set of standards and guidance for attestation reporting on organizational controls and processes at service organizations. We will use this report to evaluate both GCRTA and Brink's operations. Internal Audit staff and employees from Transit Police and Revenue Collection toured the Brinks operations to observe the internal controls and processes in place to comply with the terms of the agreement.

Transit Police Body Cameras

Purpose:

Management will purchase and implement body cameras for Transit Police personnel.
Scope:

Internal Audit will evaluate the system implementation for compliance with applicable contracts, Transit Police policies, records retention and storage plans and policies, and the chain of custody for transferring information.

Update:

Internal Audit completed an inventory of body worn cameras. We also reviewed the Transit Police procedures to conduct a pilot program for the cameras. The pilot program is continuing; Internal Audit is engaged to monitor compliance with management controls.

Transit Police expanded the project to include the installation of Dash-Cams into patrol cars for integration with the system.

PROJECTS IN PROGRESS

Mobile Ticketing Application

Purpose:

The Board of Trustees authorized Contract No. 2022-018 with Masabi LLC to provide the EZfare Mobile Ticketing Solution for an amount not to exceed $2,700,000.00.

Scope:

Internal Audit will coordinate efforts with GCRTA project management to evaluate the implementation of the fare collection application

GCRTA – Cleveland State University Student Universal Access Fare Program (U-Pass Program)
(Board Resolution 2004-001)

Purpose:

The GCRTA entered into an agreement to provide prepaid and universal access to public transportation services. Each full-time student pays a flat fee per semester and can ride GCRTA services on an unlimited basis during the semester.

Scope:

Internal Audit will evaluate compliance with the agreement.

Update:

Management completed the negotiation of terms and conditions with CSU. Internal Audit will apply these terms and conditions to complete the audit. We suspended this audit due to lack of audit resources. We plan to resume this audit during the First Quarter 2023.

Paratransit Supplemental Services

Purpose:

The GCRTA Board of Trustees authorized three contracts to provide Paratransit Services for a three-year period, beginning June 1, 2019.

- Contract No. 2018-097C with Senior Transportation Connection
- Contract No. 2018-097B with GC Logistics of Mississippi, LLC
- Contract No. 2018-097A with Future Age, Inc. DBA Provide A Ride

PROJECTS IN PROGRESS

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

Internal Audit suspended the audit due to lack of audit resources. We plan to resume the audit during the Third Quarter 2022.

Fiber Optic Line Replacement - Red Line Construction

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2017-122 with Clifton, Weiss & Associates, Inc. for Project 59 - Fiber Optic Communications System Improvements and

Contract No. 2019-146 with Lake Erie Technologies, Inc. for Project 59 - Fiber Optic Communications System Improvements.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

We noted this construction project experienced delays with long lead-time for supplies and some conflicts between supporting design firms.

Fare Media Inventory

Purpose:

GCRTA management warehouses fare media (tickets) in secured locations. A computerized order entry system is used to account for inventory, point of sale and customer orders, invoices, and delivery locations.

Scope:

Internal Audit conducts audits to evaluate the existence, completeness, and value of the inventory.

PROJECTS IN PROGRESS

Viaduct Rehabilitation

Purpose:

The Board of Trustees authorized Contract No. 2021-044 with BECDIR Construction Co. for Project 27Y - Rehabilitation of the Cuyahoga Viaduct.

Scope:

Internal Audit will evaluate compliance with contract terms and conditions.

Tower City Common Area Maintenance Agreement

Purpose:

The GCRTA entered into a 1994 agreement with then Tower City Properties, Inc. The agreement includes governing language for easements, property, and the reimbursement of costs. It also includes pass-through expenses to the GCRTA for utilities, security, cleaning, and building maintenance.

Scope:

Internal Audit develop an agreement abstract to identify these pass-through expenses. We will conduct an audit of supporting information for these costs and payments.

Heavy Rail – Motor Overhaul (Swiger Coil Systems)

Purpose:

The Board of Trustees authorized Contract No. 2021-181 with Swiger Coil Systems, a Wabtec Co., to provide heavy rail traction motor overhaul services for a total contract amount not to exceed $2,210,344.00 for a two-year period.

Scope:

Internal Audit will conduct a contract compliance audit.

Change and Patch Management Controls

Purpose:

The purpose of this audit is to evaluate Information Technology Governance, software and application security, and software and application functionality.

PROJECTS IN PROGRESS

Security: Patch management fixes vulnerabilities on our software and applications that are susceptible to cyber-attacks, helping the GCRTA reduce its security risk.

System Uptime: Patch management ensures our software and applications are kept up to date and run smoothly, supporting system uptime.

Scope:

Internal Audit will review and evaluate IT Governance controls in place. We will also perform tests of change and patch management controls.

Employee Hiring Practices

Purpose:

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

Scope:

Internal Audit will complete a consulting project to process map the workflow and evaluate recent hirings efforts for process improvements.

Public Transportation Agency Safety Plan
(Accident Notification and Investigation)

Purpose:

The FTA, via Title 49 CFR Part 673, requires States and certain operators of public transportation systems that receive Federal financial assistance to publish and maintain a Public Transportation Agency Safety Plan (PTASP). The contents of the PTASP are subject to audit on a three-year cycle. The Internal Audit Department assists the Safety Department with completion of an agreed upon number of audits annually. This audit will address Accident Notification and Investigation.

Scope:

- Review the PTASP section on accident notification and investigation, the State Safety Oversight Program Standard (SSOPS), and GCRTA's Administrative Procedure 002 Revenue Vehicle Accident Investigation.
- Evaluate that the PTASP and administrative procedure adhere to FTA and SSO requirements for accident notification and investigation.

PROJECTS IN PROGRESS

- Sample a selection of accident notifications and Safety Department investigations to ensure that GCRTA adheres to the administrative procedure and oversight requirements.

GCRTA Fare Media – Ticket Stock

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2020-129 with Electronic Data Magnetics, Inc. for the purchase of magnetic fare media.

Scope:

- Review the ticket stock vendor contract and identify compliance obligations and risks to management objectives;
- Document controls over the ticket stock, including their design, storage, and distribution;
- Evaluate compliance with the contract and determine if controls are well-designed and working effectively.

SPECIAL REQUEST AND EMERGING ISSUES

Third-Party - Telecommunication and Data Services

Purpose:

The Director of Procurement requested an audit to evaluate the third-party telecommunication and data services invoices.

Scope:

The GCRTA has several purchase orders with one company for telecommunication and date services. Internal Audit evaluated invoices, late invoice payments, and penalty fees.

Results:

Internal Audit staff and management identified outstanding amounts owed to the contractor. Management will seek a change order ratification at the November 2022 Board Meeting to close-out Contract No. 2014-054 with AT&T Telecommunications to provide telephone and other communication services.

Management reclassified services and implemented corrective actions, including separate purchases orders for individual service types to mitigate any reoccurrence.

Employee Nepotism/Overtime

Purpose:

Internal Audit received multiple tips through the fraud hotline and email, concerning the work assignments and overtime paid to a GCRTA employee.

Scope:

Internal Audit will review and evaluate the assignments, task maintenance records, time & attendance records, and compensated paid to the employee.

Update:

Fieldwork is complete for this investigation. We will release the final report after discussion with management.

SPECIAL REQUEST AND EMERGING ISSUES

Incompatible Employment

Purpose:

Internal Audit received multiple tips concerning an employee engaged in incompatible employment. External employment activities are governed by GCRTA Personnel Policy and the GCRTA Code of Ethics.

Scope:

Internal Audit will investigate this tip and concern.

Bus Operator - Revenue Collection

Purpose:

The Acting Director of Revenue Collection requested an investigation into multiple acts of potential occupational fraud.

Scope:

Internal Audit is working with GCRTA Transit Police to investigate these allegations.

EXTERNAL AUDIT COORDINATION

The International Standards for the Professional Practice of Internal Audit provides:
- *2050 – Coordination:*
  - *"The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.*

The following Federal and State Agencies performed audits and reviews of the Authority's policies and records during the Third Quarter 2022:

State of Ohio – Office of the Auditor
- The State Auditor completed the 2021 Single Audit and met with the Board and management in June 2022. The audit report was issued July 26, 2022.
- The State Auditor will conduct the 2022 Single Audit. Preliminary field work is scheduled for November 2022.

Federal Transit Administration
- The FTA, through their consultant, completed a review of the GCRTA Drug & Alcohol Program and issued a draft report. Management is coordinating responses.

State of Ohio – Ohio Department of Transportation (ODOT)
- Federal legislation requires each state to have and implement a State Safety and Security Oversight program for its rail transit systems. The ODOT Rail Transit Safety and Security Oversight Program fulfills this requirement.
- ODOT selected a consultant, Vital Assurance Inc., to act as the Program Manager for Rail Safety and Security Audits.
- Internal Audit will work with GCRTA Safety to perform the audits as required by ODOT.
- The Consultant meets with GCRTA Management on a quarterly basis to review and follow-up on outstanding corrective action.

Internal Audit will coordinate final audit and review findings within our audit management system. We track recommendations and required corrective actions through implementation. Audit staff will review supporting evidence to closeout outstanding issues.

STATUS OF OUTSTANDING FOLLOW-UP

The International Standards for the Professional Practice of Internal Audit provides:
- 2500 – Monitoring Progress
  - "The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management."
  - "The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action."

All outstanding issues and recommendations from internal and external audits and reviews are tracked within the Internal Audit Management System (TeamMate) application module (TeamCentral).

Audit staff is directed to follow-up with management to evaluate actions are effectively implemented.

(See the following table from the audit management system).

Recommendation Implementation Tracking

Recommendation	State	Project Code	Project Name	Issue	Issue Type	Priority	Estimated Date	Revised Date	Actual Date	Owner	Entity
Point of Sale System - Cash Register	Started	2016 - SP - 04	Tower City Customer Service Center Investigation	Point of Sale System - Cash Register	Material Weakness	High Priority	6/30/2016	11/1/2022		Miranda, Josh	Customer Service Center
Improve Section 17 - Configuration Management based on Guidance	Started	2019 - IA - 17	Configuration Management Committee	Deficient Section within RSSPP	Reportable Condition		7/31/2020	12/31/2022		Johnson, Teressa	Asset Management
Review Restricted Area Access	Started	2020 - IT - 05	Facililties Access Security - Swipe Card	Inappropriate Access to Restricted Areas	Reportable Condition		8/20/2021			Brown, Charles	Greater Cleveland Regional Transit Authority
IT Disaster Recovery Planning	Started	2021 - EX - 01	2020 State of Ohio Financial Audit - Follow-up	IT Disaster Recovery Planning	Management Letter	Medium Priority	11/30/2021	6/30/2023		Miranda, Josh	Innvoation & Technology
Restricted Access, Service Counter, Records Storage	Started	2019 - FWA - 04	Payroll Fraud - Direct Deposit	Payroll Area Unsecured	Material Weakness		3/31/2022	12/30/2022		Smith, Karen	Accounting
IT Governance - Purchase of Information Technology Assets	Started	2021 - FWA - 04	CIO IT Asset Purchases	IT Governance - Purchase of Information Technology Assets	Material Weakness	High Priority	3/31/2022	12/31/2022		Lively, Michael	Innvoation & Technology
Remove Commuter Advantage Participants From Commission Price List	Started	2021 - IA - 04	Sales Agent - Collections	Commuter Advantage Participants on Commission Price List	Reportable Condition		4/14/2022	9/30/2022	4/14/2022	Togher, John	Accounting
Determine Which Fareboxes Are Assigned to Rail Stations and Update Ultramain	Started	2021 - RA - 02	Farebox Inventory	Ultramain Records of Rail Station Fareboxes Are Inaccurate	Reportable Condition		6/30/2022	12/1/2022		Weil, Christopher	Fleet Management
Replace Hayden Bus Wash Rack Brushes	Started	2022 - IA - 07	2022 Miscellaneous Observations and Findings	Replace Hayden Bus Wash Rack Brushes	Reportable Condition	High Priority	7/31/2022	9/30/2022		Sperhac, John	Greater Cleveland Regional Transit Authority
Update Key Control AP	Started	2020 - IT - 05	Facililties Access Security - Swipe Card	Key Control Administrative Procedure is Outdated	Reportable Condition		9/30/2022			Brown, Charles	Greater Cleveland Regional Transit Authority
Update the Lug Locks & Retorque SOP	Started	2021 - CA - 01	Tire Lease/Maintenance	Lug Locks & Retorque SOP Conflicts with Michelin Contract	Material Weakness		9/30/2022			Kerg, Daniel	Fleet Management

STATUS OF OUTSTANDING FOLLOW-UP

Obtain Consignment Agreements for All Sales Agents	Started	2021 - IA - 04	Sales Agent - Collections	Missing Consignment Agreements	Material Weakness		9/30/2022	12/31/2022	Togher, John	Accounting
Increase Sales Agent Orders of One and Two-Trip Farecards	Started	2021 - IA - 04	Sales Agent - Collections	Sales Agents Have Not Adopted One and Two Trip Farecards	Reportable Condition		9/30/2022	12/31/2022	Togher, John	Accounting
Identify Sales Agent Prospects in Underserved Areas	Started	2021 - IA - 04	Sales Agent - Collections	Uneven Distribution of Sales Agents	Management Letter		9/30/2022	12/31/2022	Togher, John	Accounting
Issue Replenishment Reminder/Close Accounts	Started	2021 - IA - 05	Petty Cash	Frequency of Replenishment	Compliance		9/30/2022	11/30/2022	Purnell, Cynthia	Accounting
Obtain Missing Acknowledgement of Accountability Signatures	Started	2021 - IA - 05	Petty Cash	Missing Approval Signatures	Compliance		9/30/2022	11/30/2022	Purnell, Cynthia	Accounting
Update Accountability Forms with New Alternates	Started	2021 - IA - 05	Petty Cash	Outdated Alternates	Compliance		9/30/2022	11/30/2022	Purnell, Cynthia	Accounting
Close the Hayden Petty Cash Fund	Started	2021 - IA - 05	Petty Cash	Outstanding Hayden Account	Reportable Condition		9/30/2022	12/31/2022	Purnell, Cynthia	Accounting
Remove Non-Inventory Personnel From Stores Areas	Started	2022 - IA - 04	Inventory Parts - Cycle Counting	Personnel Outside of Inventory Have Access to Stores	Reportable Condition	Medium Priority	9/30/2022	12/24/2022	Berry, Michelle	Operations
Train Employees on Lug Locks & Wheel Retorque SOP	Started	2021 - CA - 01	Tire Lease/Maintenance	GCRTA District Mechanics Do Not Use Lug Locks	Material Weakness		10/28/2022		Adams, Jeffrey	Fleet Management
Improve Technical Capabilities	Pending	2022 - IA - 04	Inventory Parts - Cycle Counting	Inadequate Citrix Server Environment	Reportable Condition	Medium Priority	10/31/2022	4/28/2023	Berry, Michelle	Operations
Increase Cameras at Triskett Stores	Pending	2022 - IA - 04	Inventory Parts - Cycle Counting	Insufficient Camera Views at Triskett Stores	Reportable Condition	Medium Priority	11/1/2022		Straub, Larry	Operations
Seek Ratification with the Board of Trustees	Pending	2021 - FWA - 03	AT&T Services	Amount Spent on AT&T PO Exceeded Contract Amount and Duration	Reportable Condition	Medium Priority	11/15/2022		Orlando, Chris	Network Services
Develop a Methodology to Mitigate the Improper Valuation of Inventory; Expand Cycle Count Program	Started	2022 - IA - 04	Inventory Parts - Cycle Counting	Inventory Valuation Reporting is Questioned	Reportable Condition	Medium Priority	12/1/2022		Straub, Larry	Operations
Identify Source of Inconsistencies, Document Configuration Early, Consider Items without Forecasted Annual Demand	Started	2022 - IA - 04	Inventory Parts - Cycle Counting	Cycle Count Configuration Could Not be Validated	Reportable Condition	Medium Priority	12/31/2022	12/16/2022	Berry, Michelle	Operations

IT Business Analyst	Pending	2021 - FWA - 03	AT&T Services	IT Managers - Contract Management Support	Management Letter	Medium Priority	1/31/2023	Lively, Michael	Network Services
Implement Emergency Payment Ratification Procedure	Pending	2021 - FWA - 03	AT&T Services	Oracle Control Override	Material Weakness	Medium Priority	2/10/2023	Dangelo, Melinda	Procurement
Implement Effective Physical and Environmental Controls for System Hardware	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Environmental Controls	Material Weakness		6/30/2023	Piggery, Robert	Power & Way - Rail
Patch and Upgrade Schedule	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Expired Vendor Support - Expertise/Legacy Systems	Material Weakness		6/30/2023	Piggery, Robert	Power & Way - Rail
Replace System; Implement Maintenance Plan for New System; Enhance Redundancy	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Host Server A Down	Reportable Condition		6/30/2023	Piggery, Robert	Power & Way - Rail
Procure System with Robust Reporting Capabilities	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Inadequate System Reporting	Reportable Condition		6/30/2023	Piggery, Robert	Power & Way - Rail

OTHER PROJECTS

Fraud Hotline

The GCRTA Fraud Hotline (216) 350-5130 is established to reduce and recover the loss of public funds from any acts of fraud, waste and/or abuse. GCRTA contracts include contact information and require contractors to call whenever they suspect an illegal act or an ethics violation. The Hotline is available to our employees and the public. Audit Staff will work closely with Management, Transit Police as well as law enforcement agencies, prosecutors, professional associations, and the public to ensure GCRTA assets are safeguarded.

Information Technology Steering Committee

The Director of Innovative Transit Technology chairs this committee. The purpose of this committee is to oversee, analyze and prioritize the overall technology needs of the Authority.

Change Order Review Committee

The General Manager/CEO created this committee to review potential contract change orders greater than (50) thousand dollars to validate the appropriateness of the request and to ensure appropriate Procurement and Project Management processes are adhered to. Internal Audit serves as a resource to the committee.

Third Quarter 2022 Change Orders:

Internal Audit is a member of the Change Order Committee, established to review potential change orders, greater than $50,000, for compliance with Federal and State laws and regulations.

- Change Order No. 1 to Contract No. 2021-152, AT&T Switched Ethernet On-Demand Services
- Change order to contract number 2019-144 - Furnishing Tire and Wheel Maintenance Services and For Leasing of Radial Tires

Railcar Replacement Steering Committee

The Deputy General Manager of Operations chairs this committee. The purpose of this committee is to provide advice; ensure delivery of the project outputs, and the achievement of project outcomes.

Maintenance Management System Upgrade (UltraMain)

The Deputy General Manager of Operations chairs this committee. The purpose of this committee is to provide advice; ensure delivery of the project outputs, and the achievement of project outcomes.

OTHER PROJECTS

Oracle Upgrade Steering Committee

The Deputy General Manager of Operations chairs this committee. The purpose of this committee is to provide advice; ensure delivery of the project outputs, and the achievement of project outcomes.

Replacement of Internal Audit Department – Audit Management System

The Internal Audit Department is replacing the audit management system after the vendor informed us they will no longer support the system. We purchased a replacement system, designed to comply with the Institute of Internal Auditor professional standards. The system is used for risk assessment, planning, resource assignment, electronic working papers, investigations, reporting, recommendation issue tracking, and monitoring key priority indicators.

Staff completed system configuration, champion training, manager training, and end-user training. We are scheduled for go-live in November 2022.

STAFF TRAINING

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

Northeast Ohio Internal Audit Local Chapter
- Tools for New Auditor – (Institute of Internal Auditors)

Northeast Ohio Certified Fraud Examiners Local Chapter
- "Forensic Accounting & Investigations – (Ohio Attorney General – Bureau of Criminal Investigations)

Northeast Ohio Information System Audit and Control Association
- None during the Third Quarter 2022

Greater Cleveland Regional Transit Authority
- Unconscious Bias – (GCRTA/Moore Counseling)

CaseWare – Audit Data Analysis Software
- Data Analysis – Scripting – Continuous Auditing

GCRTA Internal Audit Department - Audit Management System
- (See Page 30 of this report)

STAFF PROFILES

Anthony A. Garofoli
Executive Director of Internal Audit

Anthony joined the GCRTA on September 23, 1996. He earned his BA in Accounting from Cleveland State University. Prior to joining the GCRTA, he worked 16 years in progressively responsible positions for the Office of the Auditor of the State of Ohio. His experience includes financial audits of State and Local Governmental Units; fraud investigations; contract compliance, operational and internal audits. He has earned several certifications.

Anthony Ghanem
Manager of Internal Audit

Anthony joined the GCRTA on June 4, 2012. He earned his BA in Economics and International Studies from Case Western Reserve University and his Master's Degree in Public Administration from Cleveland State University. He is a graduate of the GCRTA Management Development Program.

Steven Zimmerman
Lead Auditor

Steven joined the GCRTA on June 1, 2015. He earned a BS in Biology from Cleveland State University and his Master's Degree in City and Regional Planning from Rutgers University. He is a graduate of the GCRTA Management Development Program. Steven is a Certified Internal Auditor.

Andrew Scott
Information Technology Auditor

Andrew joined the GCRTA on June 5, 2016 and filled multiple roles within the information technology division. He joined IA on September 6, 2020. He earned his BS in Computer Science from the University of Akron. He is a graduate of the GCRTA Management Development Program.

Molly O'Donnell
Staff Auditor

Molly joined the GCRTA on February 23, 2020. She earned a BA in Public Administration, Urban Planning, Sustainability from Miami University, Oxford Ohio. Molly is a Certified Internal Auditor.

Laura Crawshaw
Staff Auditor

Laura joined the GCRTA on September 20, 2021. She earned a BS in Public Policy Analysis from The Ohio State University. Laura participated in the GCRTA Public Transit Development Program.

Randall Bowles
Information Technology Specialist Auditor

Randall joined the GCRTA on February 24, 2020 as the Hayden District Business Analyst. He joined IA on January 24, 2022. He earned his BSBA in Information Systems from the Ohio State University and his MBA from Case Western Reserve University.

Darren Garlock
Staff Auditor

Darren joined the GCRTA on February 14, 2014 as an electronic equipment maintainer and a member of the Amalgamated Transit Union 268. He earned his BA in Business Administration from Hiram College and promoted to a computer system specialist in the Intelligent Transportation Systems unit. He joined IA on April 3, 2022.