



GREATER CLEVELAND  
REGIONAL TRANSIT  
AUTHORITY

INTERNAL AUDIT  
QUARTERLY REPORT  
Fourth Quarter - 2023

February, 2024

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**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>TABLE OF CONTENTS</b>
--------------------------

	<u>Page(s)</u>
<b>INTRODUCTION</b>	<b>2</b>
<b>2023 INTERNAL AUDIT PLAN</b>	<b>3-5</b>
<b>2024 PROPOSED INTERNAL AUDIT PLAN</b>	<b>6-8</b>
<b>COMPLETED PROJECTS</b>	<b>9-15</b>
<b>CONTINUOUS AUDITING</b>	<b>16-20</b>
<b>RAILCAR REPLACEMENT PROGRAM</b>	<b>21-24</b>
<b>PROJECTS IN PROGRESS</b>	<b>25-31</b>
<b>SPECIAL REQUESTS AND EMERGING ISSUES</b>	<b>32-33</b>
<b>EXTERNAL AUDIT COORDINATION</b>	<b>34</b>
<b>STATUS OF OUTSTANDING FOLLOW-UP</b>	<b>35</b>
<b>OTHER PROJECTS</b>	<b>36-37</b>
<b>STAFF TRAINING</b>	<b>38</b>
<b>STAFF PROFILES</b>	<b>39</b>

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

**INTRODUCTION**

Presented herein and in accordance with Board Policy is the report of the Internal Audit Department activities for the Fourth Quarter 2023. 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>

 2/20/2024

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Anthony A. Garofoli  
Executive Director of Internal Audit

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>2023 INTERNAL AUDIT PLAN</b>
---------------------------------

<b>Project</b>	<b>Budgeted Hours</b>	<b>Success Outcome(s)</b>
<b><u>Consulting Projects</u></b>		
Change Order Committee	40	III
Data Analytics	20	III
Hiring Practices	150	III,IV
Insurance Application Support	100	III
RFP/IFB Competitiveness	80	III
Third-Party Risk Assessment	240	III
<b><u>Internal Audits</u></b>		
Accident/Incident Training and Discipline Outcomes	160	III, IV
Bus Stop/Rail Station Signage	200	I, II
Capital Planning Funding Process	150	II, III
Claims Process	200	III, IV
Compensation Study Implementation	120	III, IV
Customer Communication - Service Interruptions	250	I
Customer Service Center - Tower City	40	I, II, III
Electronic Funds Transfer Approval Process	40	III
Engineering Project Controls & Project Support	300	III
FMLA - Payroll Compliance	200	III, IV
Healthcare - Employee & Dependent Eligibility	200	III, IV
Overtime	80	III, IV
Petty Cash	40	III
Physical Inventory	100	III
PTASP - Configuration Management	400	III
PTASP - Internal Safety Audit Program	200	I, II, III, IV
Rail Yard Operations	100	III
Records Retention	60	III
Service Quality Field Supervision	250	I
Shelter Maintenance	150	I, II
Telephone Information Center - Complaint Process	150	I
TRACTION Performance Measurement	250	I, II, III, IV
Transit Police Overtime and Compensated Time	200	III, IV
Travel Reimbursement	120	III
Work Order Management	1000	III
Workers Compensation Claims Review	40	III

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>2023 INTERNAL AUDIT PLAN</b>
---------------------------------

<b>Project</b>	<b>Budgeted Hours</b>	<b>Success Outcome(s)</b>
<b><u>Continuous Auditing</u></b>		
Accounts Payable	40	II, III
Accounts Receivable	40	II, III
Nepotism	40	IV
Paratransit Eligibility/Certification	40	I, II
Payroll	40	III, IV
Purchasing Card Expense	40	III, IV
Revenue Collection	40	III
Script Development	840	I, II, III, IV
<b><u>External Audits</u></b>		
Federal Transit Administration - Triennial Review	100	II, III
Financial Audit Support	160	II, III
System Security Plan	200	I, II
<b><u>Information Technology Audits</u></b>		
Access Management	120	III
Accrued Leave Reconciliation	160	III, IV
Change and Patch Management	100	III
Consolidated Train Dispatch System	150	I, III, IV
Cyber Liability Assessment	100	III, IV
Information Technology Governance	80	III, IV
Information Technology Security	100	III, IV
Maintenance-Management System Upgrade	100	III, IV
Operator Time & Attendance System Upgrade	100	III, IV
Oracle System Upgrade/Migration	100	III, IV
Transit Police Body Worn Cameras	200	I, II, IV
TransitMaster Input Controls	150	III, IV
TransitMaster System Upgrade	100	III, IV

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>2023 INTERNAL AUDIT PLAN</b>
---------------------------------

<b>Project</b>	<b>Budgeted Hours</b>	<b>Success Outcome(s)</b>
<b><u>Revenue Collection Audits</u></b>		
Fare Media Inventory	40	I, III
Paratransit - Third-Party Revenue Collection	300	I, III
Special Events Collection	40	I, III
<b><u>Contract Audits</u></b>		
Central Facilities Contract Management	150	III
City of Shaker Heights Maintenance Expense	200	II, III
Common Area Maintenance - Tower City	40	I, II, III
Compressed Natural Gas Vehicle Replacement	100	I, II, III
FOP and ATU Contract Implementation	100	III, IV
Healthcare Claims Expense Review	40	III
Locomotive Purchase	40	III
Paratransit Vehicle Replacement	40	I, II, III
Rail Vehicle Replacement	500	I, II, III
Railcar Mover Purchase	40	III
Supply Chain Contract Management	150	III
Trunk Line Signal Project	100	II, III
Waterfront Line Bridge Rehabilitation	100	I, II, III
Special Requests & Emerging Issues	2000	

**Success Outcomes:**

**GCRTA management developed four success outcomes with performance metrics to achieve the long-term strategic vision and action plan to guide everyday decision-making.**

- I. Customer Experience**
- II. Community Value**
- III. Financial Sustainability**
- IV. Employee Engagement**

**The GCRTA Internal Audit Plan is designed to support management to achieve the business objectives through risk-based audits and consulting engagements.**

***“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.***

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>2024 PROPOSED INTERNAL AUDIT PLAN</b>
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<b>Project</b>	<b>Budgeted Hours</b>	<b>Success Outcome(s)</b>
<b><u>Advisory Projects</u></b>		
Assurance Map - External Assurance Providers	80	III
Change Order Committee	40	I, II, III
Data Analytics	20	II, III
Engineering Workforce Advisory	100	II, IV
Fraud Risk Assessment	80	III
Insurance Application Support	40	III
Internal Audit - Global Audit Standards - Implementation	80	IV
Self-Insurance Casualty Program Assessment	40	III, IV
<b><u>Internal Audits</u></b>		
Accident and Incident Training and Discipline Outcomes	120	III, IV
Accounts Payable	200	III
ADA Certification Process	200	I, II, III
Applicant Tracking System Implementation	200	I, IV
Capital Planning Funding Process Development	200	III
Configuration Management Follow-up	80	I, II, III, IV
CSU U-Pass Closeout	80	II, III
Customer Complaints Process	200	I, II, III
Customer Service Center - Tower City	80	III, IV
Dependent Eligibility - Follow-up	80	III, IV
Electronic Funds Transfer Approval Process	100	III
FTA Triennial Taskforce	100	III, IV
Fuel Expense	100	III
Healthcare Claims Expense	200	III, IV
Maintenance-Management System Upgrade	200	I, II, III, IV
On-Time Performance	300	I, II
Petty Cash	80	III
Physical Inventory	250	III
PTASP - Emergency Operations Plan	200	I, IV
PTASP - Maintenance Management SOPs/Documentation	200	I, III, IV
Service Quality Bus Field Supervision	120	I, II, IV
Third-Party Risk Assessment	100	III
Transit Ambassador/Fare Enforcement	300	I, II, III, IV
Transit Police Overtime and Compensated Time	50	III, IV
Travel Reimbursement	120	III, IV
Work Order Management	400	III, IV

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>2024 PROPOSED INTERNAL AUDIT PLAN</b>
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<b>Project</b>	<b>Budgeted Hours</b>	<b>Success Outcome(s)</b>
<b><u>Railcar Replacement</u></b>		
Brookpark Track Construction	200	I, II, III
Railcar Infrastructure Modification Designs	200	I, II, III
- Brookpark Maintenance Facility Design	-	-
- Central Rail Maintenance Facility Design	-	-
- Rail Station Platform Design	-	-
Railcar Port Connection Construction	200	I, II, III
Railcar Replacement Contract	300	I, II, III, IV
Railcar Workforce Development	100	IV
<b><u>Information Technology Audits</u></b>		
Accrued Leave	240	III, IV
Change and Patch Management	200	III
Consolidated Train Dispatch System Replacement	200	I, II, IV
Cybersecurity Assessment	100	III, IV
Disaster Recovery	200	III
Firewall Replacement	100	III
Hastus Operator Performance Module	40	IV
Identity and Access Management	160	III, IV
IT Governance	40	III, IV
IT Project Management Process	300	III, IV
On-Route System Upgrade	40	I, II, IV
Riskmaster Upgrade/Interface	40	III
Trapeze PASS Upgrade	40	I, II, IV
<b><u>Continuous Audit</u></b>		
Accounts Payable	120	III
Nepotism	50	IV
Paratransit Eligibility/Certification	50	I, II, III
Payroll	50	III, IV
Purchasing Card Expense	50	III
Revenue Collection	50	III
Script Development	900	I, II, III, IV
<b><u>External Audits</u></b>		
Financial Audit Support	100	III
FTA Project Management Oversight	40	III
State Safety Oversight Triennial	40	II, III
System Security Plan	80	I, II



**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>2024 PROPOSED INTERNAL AUDIT PLAN</b>
--

<b>Project</b>	<b>Budgeted Hours</b>	<b>Success Outcome(s)</b>
<b><u>Contract Audits</u></b>		
City of Shaker Heights Maintenance Expense	100	II, III
Hayden Roof Replacement	100	III, IV
Locomotive Replacement	60	II, IV
Paratransit Vehicle Replacement	40	I, II, III, IV
Supply Chain Contract Management	180	I, II, III
Tower City Portals Construction	300	I, II, III
Tower City Station - Common Area Maintenance	80	I, II, III
Vehicle Buy America	80	I, II, III, IV
Warrensville-Van Aken Rapid Station Construction	200	I, II, III
Waterfront Line Bridge Rehabilitation	80	I, II, III
West 25th Street Corridor BRT	100	I, II
 Special Requests & Emerging Issues	 2000	

***GCRTA management developed four success outcomes with performance metrics to achieve the long-term strategic vision and action plan to guide everyday decision-making.***

- I. Customer Experience***
- II. Community Impact***
- III. Financial Health***
- IV. Employee Investment***

**The GCRTA Internal Audit Plan is designed to support management to achieve the business objectives through risk-based assurance audits and advisory engagements.**

***“The chief audit executive must create an internal audit plan that supports the achievement of the organization’s objectives” – Global Internal Audit Standards – Section 9.4 Internal Audit Plan***

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>COMPLETED PROJECTS</b>
---------------------------

**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 October 1, 2023 through December 31, 2023 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. No exceptions were noted.

Issues for Board Consideration: None

**Healthcare – Employee and Dependent Eligibility**

Purpose:

The Authority provides health care and related employee benefits for eligible employees and dependents, where applicable. Employees are required to submit a birth certificate, marriage license, court order, or crib card to support the eligibility of dependent family members.

Evaluate compliance with GCRTA Personnel Policies and Procedures regarding eligibility for healthcare benefits for employees and their dependents.

Scope:

Internal Audit conducted a 100% audit of the GCRTA personnel files to evaluate support for employee dependents enrolled in the GCRTA healthcare plans for the period January 2021 through March 2023. This Included employee and dependent enrollment, dependent supporting documentation, file transfers to Third-Party Administrators, and the Human Resource Information System reporting.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>COMPLETED PROJECTS</b>
---------------------------

Results:

Marginally Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

**Engineering Project Controls and Project Support**

Purpose:

Identify the management controls in place to support project management for Engineering division projects. Develop a template of test procedures that can be used for evaluating construction project controls in future audits.

Scope:

Engineering Project Management control environment.  
Resource: Project: E 79<sup>th</sup> Street Red Line Reconstruction

Results:

Revised audit procedure template for conducting construction audits.

Issues for Board Consideration: None

**Employee Hiring Practices**

Purpose:

Complete an 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 completed a consulting project to process map the workflow and evaluate the efficacy of the hiring process.

Results:

Internal Audit developed flowcharts of bargaining and non-bargaining hiring processes, and analysis of time-to-hire based on process milestones. We developed a tool to evaluate time between major process steps to provide management with information for corrective actions.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>COMPLETED PROJECTS</b>
---------------------------

Per request from the Deputy General Manager of Human Resources, audit staff is supporting management to configure the replacement *Applicant Tracking System*. We will issue a final report after final discussion with management.

Issues for Board Consideration: None

**Petty Cash**

Objective:

Reconcile 100% of active GCRTA petty cash accounts in accordance with GCRTA Administrative Procedure 003.

Scope:

All active GCRTA Petty Cash Accounts.

Results:

Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

**FTA – Post-Delivery Buy America Review – CNG Coaches**

Purpose:

The Board of Trustees authorized a change order to exercise an option under Contract No. 2020-071 with Gillig, LLC for the purchase and delivery of up to 20, 40-ft. low floor compressed natural gas coaches.

The Federal Transit Administration obligates federal funds to the GCRTA for purchasing railcars 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 will conduct the Post-Delivery Buy America Review, the Post-Delivery Purchaser’s Review, and the Post-Delivery Federal Motor Vehicle Safety Standard Review.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>COMPLETED PROJECTS</b>
---------------------------

Results:

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

All buses are scheduled for service delivery.

Issues for Board Consideration: None

**Parts Inventory**

Purpose:

GCRTA supply chain management warehouses and issues parts to the maintenance technicians to support the state of good repair for vehicles, equipment, and other assets. Management is conducting a physical inventory of approximately 80% of the value of parts across the central and district warehouses.

Scope:

Internal Audit observed management counts, reconciled records, evaluated controls, and conducted sample counts at the Central Bus Maintenance Facility. Management did not complete planned physical inventories at other locations.

Results:

Marginally Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

**Configuration Management:**

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.

GCRTA utilizes configuration management processes to guide the procurement, maintenance, modification, and disposal of assets including facilities, rolling stock, and

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>COMPLETED PROJECTS</b>
---------------------------

support infrastructure. Configuration management at GCRTA is guided by a Configuration Management plan and governed by the Configuration Management Steering Committee.

Scope:

- To validate that GCRTA's PTASP section on configuration management meets the requirements outlined in FTA and SSO guidance.
- To evaluate that the configuration management plan, and GCRTA's configuration management governance, is designed to meet the needs of the authority.
- To evaluate overall organizational compliance with configuration management requirements.

Results:

Unsatisfactory, with findings and recommendations for management.

Issues for Board Consideration: Yes

Configuration Management program is unsatisfactory including:

- Vacant Asset and Configuration Manager and defunct Configuration Management Committee
- Unapproved Configuration Management Plan
- Missing state of good repair (SOGR) assessment records, no records retention schedule
- Insufficient technical capacity for facilities configuration management

Recommendations:

1. Hire a Manager of Asset and Configuration Management and reestablish the Configuration Management Committee.
2. Draft and approve a new Configuration Management Plan.
3. Establish a records retention schedule, revise the procedures for performing facilities state of good repair (SOGR) assessments, and reperform assessments for assets with missing records.
4. Internal Audit identified training opportunities for existing staff and recommends the division of equipment and facilities assets and configuration responsibilities based on subject matter expertise.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>COMPLETED PROJECTS</b>
---------------------------

**Internal Safety Audit Plan**

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 the Internal Safety Audit Plan.

Scope:

Internal Audit will evaluate PTASP section compliance with FTA and ODOT guidance. We will also evaluate the quality of assurance provided by the Internal Safety Audit Plan for the three-year cycle 2021 through 2023.

Results:

Marginally Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

**Cybersecurity Assessment**

Purpose:

The purpose of a cybersecurity risk assessment is to:

- Determine the likelihood of a cyber-attack against the GCRTA .
- Determine the potential impact a cyber-attack could have on a GCRTA's reputation, finances, and overall operations.
- Keep stakeholders informed and support appropriate responses to identified threats.
- Provide a summary to assist executives and directors in making security decisions.
- Test the effectiveness of the GCRTA's cyber defenses and provide the security team with insight regarding cyber risks and vulnerabilities.

Scope:

Internal Audit and GCRTA management engaged the Department of Homeland Security - Cybersecurity & Infrastructure Security Agency to conduct a ransomware assessment.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>COMPLETED PROJECTS</b>
---------------------------

Results:

A summary was shared between executive management and information technology management.

Additional assessments, monitoring, and drills are planned for 2024.

Issues for Board Consideration: None



**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>CONTINUOUS AUDITING PROGRAM</b>
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*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 is executed daily. Any exceptions are noted for investigation with appropriate management.

Results:

We executed the audit script monthly during the Fourth Quarter 2023. 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.

Issues for Board Consideration: None

**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.

Scope:

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>CONTINUOUS AUDITING PROGRAM</b>
------------------------------------

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 executed the script monthly during the Fourth Quarter 2023. All results were shared with management.

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

Issues for Board Consideration: None

**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 developed a continuous auditing script to evaluate each of the bi-weekly payrolls (bargaining and non-bargaining payroll runs). The script is designed to identify terminated employees, excessive overtime, unusual changes in salary/rates, excessive work hours, unusual deductions, lump sum payouts, and other anomalies.

Results:

Internal Audit executed the script monthly during the Fourth Quarter 2023. All results were shared with management.

We will continue to provide management with monthly audit reports designed to target risk areas and anomalies. This will enable management to evaluate payroll expenses. We will provide additional audit or investigative services as needed.

Issues for Board Consideration: None

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>CONTINUOUS AUDITING PROGRAM</b>
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**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.

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 updated the script to account for employee movements, new hires, and promotions. Field work is complete. We will issue a report after discussion with management.

**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:

This script is scheduled for execution during the Fourth Quarter 2023. The script will identify data matches between the Paratransit System customer database and death

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>CONTINUOUS AUDITING PROGRAM</b>
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records posted to the State of Ohio – Department Health – vital statistics database. Management will deactivate these customer accounts.

**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:

The script is in the development phase.

**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:

The script is in the development phase.

**Fuel Expense**

Purpose

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

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>CONTINUOUS AUDITING PROGRAM</b>
------------------------------------

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:

The script is in the development phase.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>RAILCAR REPLACEMENT PROGRAM</b>
------------------------------------

**Railcar Replacement Contract**

Purpose:

The Board of Trustees authorized Contract No. 2021-125 with Siemens Mobility, Inc. for the design, manufacture, and delivery of up to twenty-four (24) high floor light rail vehicles, spare parts, tooling, and training in an amount not to exceed \$163,920,115.00.

Provide ongoing contract compliance assurance on program management and procurement activities, and to complete necessary Buy America reviews.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Per request from the GCRTA Audit Committee, Internal Audit will provide an update on change orders to the contract on a quarterly basis.

Update:

The base contract Notice to Proceed was issued on June 26, 2023. The contract includes options to purchase 36 additional railcars.

In November 2023, the Board of Trustees authorized the exercise of an option under Contract No. 2021-125 with Siemens Mobility, Inc. for the purchase and delivery of up to six (6) High Floor Light Rail Vehicles at a unit price of \$5,166,336.00, for an amount not to exceed \$30,998,016.00.

In December 2023, management issued two change orders:

- Spare Parts – (4) additional couplers - \$510,888.00.
- Modifications of contract special conditions – increasing the number of cars not conditionally accepted – (\$0) cost change order.

Internal Audit conducted a change order audit to provide assurance on compliance with GCRTA Procurement Policies and Procedures. No exceptions were noted.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

**RAILCAR REPLACEMENT PROGRAM**

CHANGE ORDER No. 3 LOG

CONTRACT NO. 2021-125

TECHNICAL SPECIFICATION, PROGRA MANAGEMENT AND ENGINEERING SERVICES FOR  
RED LINE HRV REPLACEMENT

Contract #2021-125

Contractor: Siemens Mobility Inc.

Original Contract Amount **\$163,920,115.00**

Total G.M./C.E.O. Authority Remaining **\$ 5,989,112.00**

Total Change Order Amount To Date **\$31,508,904.00**

ITEM NO.	NOTE No	APPROVAL DATE	CHANGE ORDER AMOUNT	APPROVAL AUTHORITY	NEW CONTRACT AMOUNT
1	1	11-28-23	\$30,998,016	BOT	\$194,918,131.00
2	2	12-5-23	\$510,888	GM	\$195,429,019.00
3	3	12-6-23	\$0.00	GM	\$195,429,019.00

NOTES/CHANGE ORDER DESCRIPTION:  
CO No. 1 – Exercise 6 Vehicle Options  
CO No. 2 – 4 Additional Couplers  
CO No. 3 – Modification of SP-20B

**GCRTA Financial Management System Payments**

RTA Set of Books:

Purchase Order – Railcar Replacement

- Purchase Order Line Items – totaling **\$195,429,019.00** (per board approval)
- **\$16,388,696.60** paid (as of 2/16/2024)

**OTHER RAILCAR REPLACEMENT PROGRAM CONTRACTS:**

**Engineering Services**

The 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 in an amount not to exceed \$5,799,792.00. (11/2020 Merger with Hatch, now Hatch LTK)

(Not currently under audit)

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>RAILCAR REPLACEMENT PROGRAM</b>
------------------------------------

**Safety & Security Services**

The Board of Trustees authorized Contract No. 2021-156 with K&J Safety and Security Consulting Services, Inc. to provide safety and security consulting services.

(Not currently under audit)

**Engineering Services:**

The Board of Trustees authorized Contract No. 2023-166 with Parsons Transportation Group Inc. for Project 66C2 Architect/Engineer Services for Brookpark Rail Shop Modifications and the Port of Cleveland Track Connection in an amount not to exceed \$283,739.00.

(Not currently under audit)

**Federal Transit Administration – Project Management Oversight – Buy America**

Purpose:

U.S. DOT Federal Transit Administration Project Management Oversight monitors the management of FTA-supported major capital projects to determine whether the projects:

- are on time,
- within budget,
- in conformance with design and quality criteria,
- in compliance with all applicable Federal requirements, and
- constructed to approved plans and specifications, delivering the identified benefits, and safely, efficiently, and effectively.

Scope:

The FTA engaged a third-party contractor (LS Gallegos Inc. and Steve Policar, LLC) to conduct a Buy America Review of the GCRTA Internal Audit activities. The contractor utilized Oversight Procedure 36 - Buy America Compliance Review. The instructions in this OP are subordinate to the regulations in 49 CFR 661 - Buy America Requirements and 49 CFR 663 - Pre-Award and Post-Delivery Audits of Rolling Stock Purchases.

Preliminary Results:

The contractor completed the review during the Fourth Quarter 2023 and issued a draft report to the FTA Region 5 Office. The FTA will release the report after review; Internal Audit addressed each of the OP review procedures.



**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>RAILCAR REPLACEMENT PROGRAM</b>
------------------------------------

Next Steps:

- Internal Audit will conduct a Pre-Award Buy America Review prior to the NTP for each contract option.
- Internal Audit will conduct an intermediate Buy America Review, when applicable. This is based on manufacturer supplied reporting.
- Internal Audit will conduct a Post-Delivery Buy America Review prior to accepting title to railcars or placing the railcars into revenue service.
- Internal Audit will conduct Post-Delivery Domestic Content Monitoring throughout the duration of the contract.
- Internal Audit will review and evaluate Resident Inspector Reports in accordance with 49 CFR §663.37.(a).

**Federal Transit Administration – Project Management Oversight – Project Management Review**

Purpose:

U.S. DOT Federal Transit Administration Project Management Oversight monitors the management of FTA-supported major capital projects to determine whether the projects:

- are on time,
- within budget,
- in conformance with design and quality criteria,
- in compliance with all applicable Federal requirements, and
- constructed to approved plans and specifications, delivering the identified benefits, and safely, efficiently, and effectively.

Scope:

The FTA engaged a third-party contractor (LS Gallegos, Inc.) to conduct a Project Management Review, including:

- Monthly Check-in Meetings
- FTA Project Management Oversight Procedures

The contractor will utilize U.S. DOT Federal Transit Administration TPM-20 Office of Capital Project Management Project Management Oversight Procedure 20 - Project Management Plan Review.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>PROJECTS IN PROGRESS</b>
-----------------------------

**Paratransit Supplemental Services**

Purpose:

The GCRTA Board of Trustees authorized three contracts to provide Paratransit Services for a three-year period, beginning June 1, 2023.

- 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

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

Field work is complete. Internal Audit will release the final report after sharing the results with management.

**TRACTION Performance Measurement**

Purpose:

Evaluate the design, methodology, execution, and results of the survey inputs for TRACTION Performance Measurement.

Scope:

Customer Experience, Community Value, and Workplace Experience Surveys conducted in 2022 and 2023. Controls in place to capture management data for performance management scorecards.

Update:

Field work is complete. Internal Audit will release the final report after sharing the results with management.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>PROJECTS IN PROGRESS</b>
-----------------------------

**Customer Communications – Service Interruptions**

Purpose:

To evaluate GCRTA processes for responding to and communicating planned and unplanned service interruptions to customers.

Scope:

Case studies of planned and unplanned service interruptions documenting GCRTA customer communications.

Update:

Field work is complete. Internal Audit will release the final report after sharing the results with management.

**Transit Police Overtime and Compensatory Time**

Purpose:

To provide assurance on the completeness, cutoff, and accuracy of Transit Police overtime and compensatory time. To evaluate management controls for authorizing, recording, processing, and paying overtime and compensatory time.

Scope:

Overtime and Compensatory time earned from May 2021 – May 2023.

Update:

Field work is complete. Internal Audit will release the final report after sharing the results with management.

**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:

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>PROJECTS IN PROGRESS</b>
-----------------------------

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.

**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.

**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 Tower City Properties, Inc. The agreement includes governing language for easements, property, and the

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>PROJECTS IN PROGRESS</b>
-----------------------------

reimbursement of costs. It also includes pass-through expenses to the GCRTA for utilities, security, cleaning, and building maintenance.

Scope:

Internal Audit developed 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.

**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.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>PROJECTS IN PROGRESS</b>
-----------------------------

**Records Retention**

Purpose:

GCRTA maintains a public records management program in accordance with State of Ohio law and GCRTA policy.

Scope:

We will conduct spot audits across all GCRTA departments to evaluate compliance with applicable laws and policy.

**Accrued Time Reconciliation**

Purpose:

Document processes involved in employee accrued balances, and development of a process for regular auditing.

Scope:

Employee accrual rates and balances accrued and used since go-live of Kronos Workforce Development system.

**FTA – Post-Delivery Buy America Review – Paratransit Coaches**

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 railcars 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 will conduct the Post-Delivery Buy America Review, the Post-Delivery Purchaser’s Review, and the Post-Delivery Federal Motor Vehicle Safety Standard Review.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>PROJECTS IN PROGRESS</b>
-----------------------------

**System Access Management**

Purpose:

Evaluate controls in place for accessing critical Authority systems.

Scope:

Governance, Identity Management, Authentication, Authorization, Access Control, and Monitoring

**City of Shaker Heights Maintenance Expenses**

Purpose:

The Board of Trustees authorized an agreement with the City of Shaker Heights for landscape maintenance and parking lot snow removal for a period of three years in an amount not to exceed \$835,544.00.

Scope:

Internal Audit will reconcile the costs of Shaker Heights right-of-way maintenance expenses against the invoices paid by the GCRTA, and to evaluate compliance with the terms and conditions of the maintenance contracts. Contract period 2021 – 2023.

**Waterfront Line Bridge Rehabilitation**

Purpose:

The Board of Trustees authorized Contract No. 2022-080 with the Great Lakes Construction Co. for Project 27Z - Waterfront Line Bridge Rehabilitation, as specified and as required, in an amount not to exceed \$8,481,900.00.

Scope:

Internal Audit will evaluate the project management controls for the Waterfront Line Bridge Rehabilitation project, and contract compliance.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>PROJECTS IN PROGRESS</b>
-----------------------------

**Service Quality – Bus Supervision**

Purpose:

The Service Quality (SQ) Management Department ensures the Authority's various service offerings are on-time, courteously delivered, and safely provided. The department is comprised of supervisors and managers utilizing a radio system for real-time communications.

Scope:

Internal Audit will evaluate the effectiveness of field supervision.

**Electronic Funds Transfer**

Purpose:

To document the controls over Electronic Funds Transfer and provide assurance on the efficacy of those controls.

Scope:

Electronic Funds Transfer Process for grant and non-grant funded activities.

**Hayden Roof Replacement**

Purpose:

The Board of Trustees authorized Contract No. 2023-025 with Terik Roofing, Inc. for Project 19.36 - Hayden Garage Roof Replacement, as specified, in an amount not to exceed \$5,688,162.00.

Scope:

Internal Audit will evaluate the project management controls for the roof replacement project, and contract compliance.



**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>SPECIAL REQUESTS AND EMERGING ISSUES</b>
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**Incompatible Employment – Triskett District**

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 investigated this tip and concern.

Results:

Results were shared with management. Management will monitor the timing, nature, and extent of any potentially incompatible employment.

**Salary Non-Bargaining Exempt (SNE) Comp Time**

Purpose:

The Human Resources – Senior Director of Labor and Employee Relations requested an audit timekeeping system accounts for salary non-bargaining exempt employees. Human Resources identified where department supervisors mis-entered time codes, affecting accrued time and pay.

Scope:

Internal Audit will reconcile all salary non-bargaining exempt employee accounts for the period January 2021 through October 2023. We will evaluate compliance with applicable Personnel Policy and Procedures.

Update:

Field work is complete. Internal Audit will release the final report after sharing the results with management.

**Transit Police – Office of Professional Standards – Internal Affairs Process for Investigation**

Purpose:

Internal Audit received a tip concerning compliance with the General Police Orders for Professional Standards and Investigations into Employee Misconduct.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

**SPECIAL REQUESTS AND EMERGING ISSUES**

Scope:

Internal Audit will evaluate the Transit Police – Office of Professional Standards compliance with the applicable General Police Orders.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>EXTERNAL AUDIT COORDINATION</b>
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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 Fourth Quarter 2023:

State of Ohio – Office of the Auditor .

- The State Auditor will conduct the 2023 Financial Statement and Single Audit. Interim work began during the Fourth Quarter 2023.
- Internal Audit is coordinating efforts to maximize audit coverage and minimize duplication of efforts.

Federal Transit Administration – Triennial Review

- The Triennial Review is one of FTA’s management tools for examining recipient performance and adherence to current FTA requirements and policies. Mandated by Congress in 1982, the Triennial Review occurs once every three years. It examines how recipients of Urbanized Formula Grant funds meet statutory and administrative requirements. The review currently examines up to 23 areas.
- GCRTA management responded to the draft report. The FTA issued the final report on August 7, 2023.

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 corrective actions through implementation. Audit staff will review supporting evidence to close out outstanding issues.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>STATUS OF OUTSTANDING FOLLOW-UP</b>
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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 *Issue Tracking Module*.

Internal Audit and management agree on audit findings, issues, recommendations, corrective actions, and implementation dates.

Audit staff is directed to follow-up with management to evaluate actions are effectively implemented. Upon verification, issues are closed.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

**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.

**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.

**Fourth Quarter 2023 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.

- Railcar Procurement – Contract No. 2021-125 with Siemens Mobility, Inc. for the purchase and delivery of up to six (6) High Floor Light Rail Vehicles

**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.

**Executive Records Management Commission**

The Deputy General Manager of Finance chairs this commission. The purpose of the commission is to define and establish GCRTA business records for retention, review applications for one-time disposal of obsolete records, review records retention schedules, and schedules for the disposal of records. Internal Audit is a standing member of this council.

**Information Technology Council**

The Deputy General Managers of Finance and Operations chair this council. The purpose of this council is to develop and enforce GCRTA's IT priorities. They identify

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

**OTHER PROJECTS**

which IT projects and initiatives are the most important for the GCRTA's success and provide support to ensure the IT teams achieve their business objectives. Internal Audit is a standing member of this council.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

<b>STAFF TRAINING</b>
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Internal Audit Department staff received the following training during the Fourth Quarter 2023:

**Northeast Ohio Internal Audit Local Chapter**

- Inquisitive Mindset for Internal Audit
- Business Chemistry
- Pillar Two (Tax) Overview & Internal Controls Considerations
- Risks & Controls within the Cannabis Industry
- Updates on the New IIA Standards
- People & Culture Audits
- AI & Large Language Models
- Interviewing Techniques

**Northeast Ohio Information System Audit and Control Association Local Chapter**

- Emerging IT Risks)
- Leading Practices for Managing Supplier/Vendor Risks

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
OCTOBER 1, 2023 THROUGH DECEMBER 31, 2023**

**STAFF PROFILES**

<b>Anthony A. Garofoli</b> 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.
<b>Steven Zimmerman</b> Manager of Internal Audit	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.
Lead Auditor	Vacant (November 2023)
<b>Andrew Scott</b> 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.
<b>Molly O'Donnell</b> Acting Lead Auditor Staff Auditor II	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.
<b>Laura Crawshaw</b> 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.
<b>Randall Bowles</b> 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.
<b>Darren Garlock</b> 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.