

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

9:00 a.m., August 20, 2024

Committee Members: Koomar (Chair), Welch (Vice Chair), Pacetti, Sleasman, Weiss

Not present: Elder

Staff: Birdsong Terry, Bowles, Caver, Cianciolo, Crawshaw, Dangelo, Draper, Ferraro, Fleig, Garlock, Garofoli, Gautam, Jones, O'Donnell, Schipper, Talley, Togher, Zimmerman

Public: None

The meeting was called to order at 9:00 a.m. There were five (5) committee members present.

Approval of Minutes

It was moved and seconded. The May 14, 2024 minutes were approved.

Internal Audit Report – 2nd Quarter 2024 Internal Audit Activities

Tony Garofoli, Executive Director of Internal Audit and his staff auditors gave the report. Kylie Cianciolo is the newest auditor to the Internal Audit team.

The Institute of Internal Auditors (IIA) Global Audit Standards Update

The IIA has revised its professional standards called the Global Internal Audit Standards. In April 2023, as required by the standards and every five years, the auditors are subject to an external assessment to determine compliance with the standards. A self-assessment was performed, and reviewed by an external firm, Jefferson Wells, who gave IA a rating of "Generally Conforms," the highest rating. The new standards are effective January 9, 2025. The Internal Audit staff has attended training on the new standards. The external assessment highlighted the following:

- Gap to conformance (1) - Travel Expense Review
- Successful Practices Highlighted (11)
- Observations for Continuous Improvement (9)
 - (8) observations implemented
 - Establish a separate charter for IA's role as Inspector General

The new structure has five new domains, 15 principles and 52 standards. The 3rd domain is Governing the Internal Audit Function. The IA department is authorized by the Board, positioned independently and overseen by the Board. They have drafted a revised IA charter. They have requested feedback from management and the Board. A resolution will be presented at the November Audit Committee meeting. Mayor Koomar and Mayor Weiss have been reviewing the proposed changes to the charter.

Railcar Replacement & Infrastructure Audit Activities

Contract No. 2021-125 with Siemens Mobility, Inc.

- Design, manufacture and delivery of up to twenty-four (24) high-floor light rail vehicles, spare parts, tooling and training

Option under Contract No. 2021-125 with Siemens Mobility, Inc.

- Purchase and delivery of up to six (6) high-floor light rail Vehicles
- Pre-Award Contract Compliance
 - Procurement audit

- Federal Transit Administration – Buy America Review
- Post-Award Contract Compliance
 - Project management & deliverables audits
 - Contract administration audits (including change orders)
 - Invoice reviews

Railcar Vehicle Replacement Program

- **Objective:** Provide ongoing contract compliance assurance on program management and procurement activities and complete the necessary Buy America reviews.
- **Scope:** Internal Audit will evaluate contract compliance and management controls.
- **Update:** Management and railcar manufacturer are completing design/review for the railcar. Management is engaging design consultants for infrastructure modifications.

The manufacturer is entering into the final design phase. To date, there have been five change orders. All change orders were in compliance. There is also a list of potential change orders.

Siemens Mobility Inc. – Payments

GCRTA Financial Management System

Purchase Order – Railcar Replacement

- Purchase Order Line Items – totaling \$195,589,849.21 (per board approval)
- \$64,708,815.83 paid (as of 8/8/2024)
- 33% of the contract amount plus change orders has been paid.

Railcar Replacement Program Contracts

Contract No. 2019-115 with LTK Consulting Services, Inc. (11/2020 Merger with Hatch, Hatch LTK)

- Developed railcar Request for Proposal
- Design review and manufacturing oversight
- (Not currently under internal audit)

Contract No. 2021-156 with K&J Safety and Security Consulting Services, Inc.

- Safety and Security Consulting Services
- (Not currently under internal audit)

Contract No. 2023-166 with Parsons Transportation Group Inc.

- Architect/Engineer Services for Brookpark Rail Shop Modifications
- Port of Cleveland Track Connection
- (Internal Audit currently in planning phase)

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Railcar Infrastructure Modifications

- 66B Port of Cleveland Connector Track – railcar delivery
- 66C Brookpark Shop and Yard Tracks
- 66C2 Brookpark Rail Shop Modifications
- 66D CRMF New Railcar Modifications
- 66D2 CRMF Electronics Lab Remodeling
- 66E1 Red Line Station Platform Modifications
- 66E2 Light Rail Station Platform and Mini-high Modifications

IA currently in planning phase

FTA – Project Management Oversight

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 safely, efficiently, and effectively.

They audit the IA department

- Pre-Award Buy America Review - Buy America Audit & Purchaser's Audit
- Intermediate Audit (after supplier contracts are in place)
- Post-Delivery Buy America Review - Buy America Audit & Purchaser's Audit
- Post-Delivery – Domestic Content Monitoring
- 70% of the vehicle must be American made

Project Management Review - LS Gallegos, Inc.

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

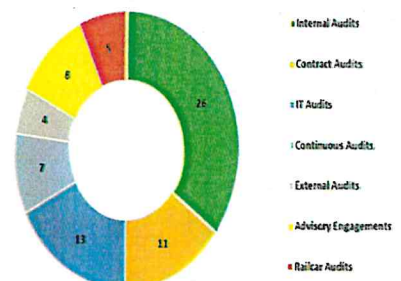
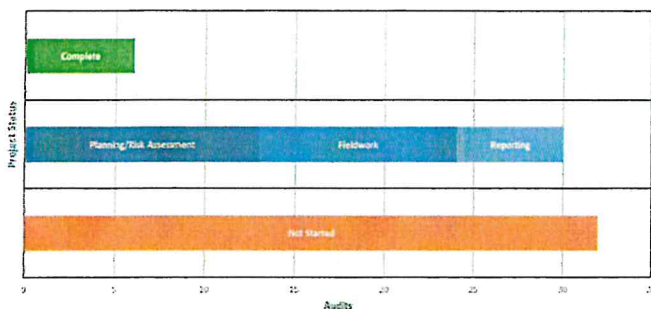
Mayor Weiss asked if LTK is the owner's representative. Mr. Schipper said they are the program management consultants. They helped develop the specifications to procure the rail cars. They provide technical assistance and onsite inspection services. The cost is included in the \$393 M program budget. Mayor Koomar asked for an explanation on the change order authority for this project. Mr. Garofoli added that any change order is subject to Procurement and RTA codified rules. Per Board policy and best practice, change orders greater than \$50,000 must be reviewed by a review committee. The threshold for the railcar project is \$5 M to avoid coming back to the Board for approval and possibly delaying the project.

Ms. Pacetti asked about the Buy America review. Mr. Garofoli said that work is being done by LS Gallegos, Inc. which is an FTA contractor. RTA conducted the review and LS Gallegos audited RTA.

Internal Audit Quarterly Report – 2nd Quarter Activities

Feedback from the last quarter update was included in today's presentation. They added some new visualizations, expanded Completed Projects, summarized Projects in Progress and enhanced the Continuous Auditing section.

2nd Quarter Audit Plan Progress and 2024 Audit Plan Coverage by Audits Scheduled



COMPLETED PROJECTS

Heavy Rail - Motor Overhaul (Swiger Coil Systems)

Objective: To evaluate the evolving smoking motor issues and provide assurance over management actions to remedy.

Scope: 2021 – 2023 management activities.

Success Outcomes: Customer Experience

Results: Satisfactory with no issues or recommendations.

Management Successful Practices:

- Preventative maintenance work orders were completed on-time for all motors reviewed.
- GCRTA provided effective project management in monitoring the overhaul progress.
- GCRTA processes for receiving, inspecting, and testing overhauled motors were well designed and appropriately executed.

Recommendations:

- None

FTA – Post-Delivery Buy America Review – Paratransit Coaches

Objective: The federal grant application requires the GCRTA to conduct the pre-award and post-delivery audits for the purchase of rolling stock (49 CFR part 663 Pre-Award and Post-Delivery Audits of Rolling Stock Purchases and 49 CFR part 661 Buy America Requirements).

Scope: Buy America, Purchaser's Review, and Federal Motor Vehicle Safety Standard Review.

Results: Satisfactory, compliance achieved with all 20 coaches. Certificates issued June 28th, 2024. All coaches are in revenue service.

TRACTION Performance Measurement

Objective: Evaluate the design, methodology, execution, and results of the survey and information system inputs for TRACTION Performance Measurement. Validate the design and methodology to collect data are reliable, and that results are complete, accurate, with appropriate cutoff and reporting.

Scope: 2022 Survey Inputs. 2023 Information System Inputs.

Success Outcomes: All

Results: Marginally Satisfactory, with one recommendation for management.

Management Successful Practices:

- Virtually all survey raw data fully supported the data reported (very minor, non-systemic, and immaterial discrepancies were communicated and rectified).
- Methodology for completion of surveys was sufficient to achieve survey objectives and was executed consistently across multiple survey providers. Therefore, results are comparable between periods.

Recommendation:

- Create a centralized repository for storing GCRTA Information System raw data and supporting analyses for scorecard metrics with detailed methodologies.

Ms. Terry is pleased with the results of this audit. Interviews for the Sr. Director of Customer Experience position that will take over data management will be in process. There will be a team created to manage this department.

Tower City Common Area Maintenance Agreement

Objective: Identify agreement requirements, validate compliance with terms and conditions, and evaluate risks and controls.

Scope: Current common area maintenance agreement.

Success Outcomes: Financial Health

Results: Unsatisfactory, with two recommendations for management.

Management Successful Practices:

- GCRTA-owned assets are appropriately configured, and facilities maintenance personnel are knowledgeable of these assets and perform required maintenance.
- GCRTA Property Management has been very proactive with addressing concerns identified regarding this agreement, including implementation of corrective action.

Recommendations:

- Address the discontinuation of the Cleveland Consumer Price Index via an interim agreement.
 - Amendment and Mutual Release signed 6/4/2024.
- Negotiate a new common area maintenance agreement that includes a right-to-audit clause, the inclusion of an agreement end date or opportunity to renegotiate, year-end true-up of actual expenditures, and considerations for Capital Improvement planning and coordination with GCRTA.

Electronic Funds Transfer

Objective: To document the controls over Electronic Funds Transfer (EFT) and provide assurance on the efficacy of those controls.

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

Success Outcomes: Financial Health

Results: Marginally Satisfactory, with two recommendations for management.

Management Successful Practices:

- Proper controls over Sales & Use Tax account.
- Existence of controls throughout the approval process.
- Payments to vendors are completed within the required 3 days of receiving FTA funds.

Recommendations:

- Enhance segregation of duties controls to mitigate risk of misuse.
- Implement a secure portal for vendors to update EFT account details (functionality exists in current Financial Management System).

GCRTA Travel and Expense Reimbursement

Objective: Review all trip reports and travel expense reimbursements for compliance with policy and procedures.

Scope: 100% of trips and expenses.

Results: Satisfactory, all non-compliant results are returned to travelers for correction prior to processing.

Transit Police Overtime and Compensatory Time

Objective: 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: Transit Police overtime and compensatory time earned from January 2022 – June 2023.

Success Outcomes: Financial Health and Employee Investment

Results: Marginally Satisfactory, with five recommendations for management.

Management Successful Practices:

- Since last audit, Transit Police has improved their workflows by adopting digital records for what was previously a paper process.

Recommendations:

- Implement processes to automate the collection and distribution of data and digital forms for approving the earning and utilization of compensatory time.
- Create a dedicated pay code and form for capturing compensatory time payouts.
- Implement training in the short term, and logic controls in the long term, to ensure the correct capture of worked hours eligible for overtime pay.
- Adjust compensatory hour banks as identified in the audit.

City of Shaker Heights Maintenance Expenses

Objective: To 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 contract.

Scope: 2021 and 2022 Shaker Heights maintenance expense.

Success Outcomes: Financial Health

Results: Satisfactory, with one recommendation for management.

Successful Practices:

- The City of Shaker Heights provided supporting records to evidence maintenance activities performed.
- Actual costs were successfully reconciled against GCRTA total payments, therefore, annual cost estimates are accurate to actual spend.

Recommendation:

- GCRTA management should negotiate the landscaping service schedule for the upcoming 2024 – 2026 agreement to align landscaping service levels with other GCRTA landscaping contracts.

Customer Service Center – Tower City

Objective: Perform a cash and farecard count at the customer service center. Perform data analytics of farecard sales.

Scope: Cash and farecard count was performed January 23rd, 2024. Farecard sales from 2018 – 2024.

Success Outcomes: Financial Health

Results: Satisfactory, with two recommendations for management.

Management Successful Practices:

- Teller drawers and the Customer Service Center vault fully reconciled to the consignment amount.

Recommendations:

- Adjust consignment size to reflect current sales patterns.
 - Physical fare media sales have declined due to customer adoption of mobile ticket sales.
 - Recommended adjustments included increased inventory of popular fare types and decreased inventory of less requested fare types.
- Implement a fix to a Financial Management System report that was excluding certain relevant data.

Shelter Community Investment Program

Objective: To evaluate community partner compliance with program requirements and to provide assurance over payments received to support the program.

Scope: Shelters in the community investment program.

Success Outcomes: Community Impact

Results: Marginally Satisfactory, with three recommendations for management.

Management Successful Practices:

- All license agreements are on file and fully executed.

- Program is providing community value through enhancement of Transit Waiting Environment for riders and the general public.

Recommendations:

- Transfer responsibility for maintaining record of license agreements to the GCRTA Property Manager.
- Evaluate two potential missing payments.
- Establish a process to ensure program growth by retaining community member payments within department budget.

PROJECTS IN PROGRESS

Planning/Risk Assessment

Audit Title	Objective
Accrued Leave	To provide assurance over the controls in place to calculate, track, and roll-forward accrued leave balances.
Applicant Tracking System (ATS) Implementation	To provide assurance on the implementation of the new ATS. Scope to include evaluation of candidate experience and integration of software into existing workflows.
CSU U-Pass Program	To evaluate agreement compliance for Cleveland State University Student "Universal Pass" program.
Fraud Risk Assessment	An entity-wide risk assessment of fraud vulnerabilities and the controls in place to detect, prevent, and mitigate fraud.
Fuel Expense	To evaluate contract compliance and to obtain background information, including expenditure trends, documentation of the workflow processes, invoice payments, and access controls.

Audit Title	Description
PTASP - Emergency Operations Plan	To validate that GCRTA's PTASP section on Emergency Management meets compliance requirements, and that GCRTA is sufficiently prepared with an updated Emergency plan that incorporates Information Technology resilience.
PTASP - Maintenance Manuals/SOPs	To evaluate GCRTA processes and procedures to maintain, update, and utilize maintenance manuals and standard operating procedures.
Railcar Infrastructure Modification Designs	To evaluate project management controls for railcar infrastructure modification design projects.
Railcar Workforce Development	To evaluate the workforce development plan for the railcar replacement program.
Supply Chain Contract Management	Document contract management strategies used to manage contracts. Assess risk associated with centralized contract management. Evaluate efficacy of controls.

Mayor Koomar asked for the timeline on the Applicant Tracking System. Staff said it should be in place by the EOY/1st Q 2025

Fieldwork

Audit Title	Description
Body Worn Cameras	To evaluate the use, administration, and impact of Body Worn Cameras in Transit Police operations.
Fiber Optic	To provide assurance of Engineering project management controls for the Fiber Optic project.
Hayden Roof Construction	To provide assurance of Engineering project management controls for the Hayden Roof project.
Maintenance/Management System Upgrade	To provide assurance over the Maintenance/Management System upgrade, evaluating IT Project Management system implementation.
On-Time Performance	To evaluate the processes for defining, measuring, achieving, and improving on-time performance.

Audit Title	Description
Rail Cleanliness	To document GCRTA processes for cleaning rail vehicles and rail station facilities.
Railcar Replacement Contract (Siemens)	To provide ongoing contract compliance assurance on program management and procurement activities and to complete necessary Buy America reviews.
Transit Ambassadors Fare Enforcement	To provide assurance over the Transit Ambassador program, including that resources are deployed strategically, processes and procedures are in place, and stated program objectives are achieved.

Mr. Sleasman asked about Transit Ambassadors (TA) performing fare enforcement. IA is evaluating their coverage and effectiveness. This will be a benchmark for expanding the program. Ms. Terry added that they do not enforce fares. Mr. Garofoli added that fare enforcement was included in the original scope of the engagement. They are deciding whether to do a separate review of fare enforcement.

Chief Jones added that they are budgeted for 16 TAs. They currently have 13. They are in the process of hiring the remaining three. TA's do bus, train and station checks. They assist riders with navigating the system, provide fare payment assistance and support special events. Ms. Pacetti asked what the timing is for this audit and how the numbers have changed. Chief Jones said there were 10 TA's at the inception of the program. They expanded to 16. With attrition, some of them have moved to other positions internally or externally. Her goal is to have 25. Fare enforcement could be an added duty in the future.

Reporting

Audit Title	Description
Accident and Incident Training and Discipline Outcomes	Evaluate the processes and controls in place to ensure the efficacy, consistency, and quality of training and discipline outcomes that result from accident and incident review.
Identity and Access Management	Evaluate controls in place for accessing critical Authority systems. This engagement is reviewing the Operator Bid – Dispatch system (Hastus).
Service Quality Bus Field Supervision	To evaluate the processes and procedures in place to successfully perform field supervision of Bus revenue service.
Waterfront Line Bridge Rehabilitation	Provide assurance over Engineering project management controls for the Waterfront Line Bridge Rehabilitation project.
Viaduct Rehabilitation	Provide assurance over Engineering project management controls for the Viaduct Rehabilitation project.

IT PROJECTS

- Consolidated Train Dispatch System
 - Final Design
- EZFare
 - Tower City Validators
 - Account Based Ticketing
- Bid Dispatch
 - System Enhancements
- Disaster Recovery
- Data Center Co-location
- Point of Sale
- Infrastructure Updates
- Learning Management
- Robotic Process Automation
- Ticket Vending Machine Consulting
- Paratransit Scheduling
- Fluid Management

CONTINUOUS AUDITING

A method utilizing a series of scripts to perform auditing activities on a more frequent basis to identify risks and exceptions for investigation by appropriate staff and management. It analyses 100% of every transaction across internal and external databases. There are seven steps to this process. These audits are performed monthly and reported to management when necessary.

Title	Objective	Frequency
Nepotism	Evaluate employee relationships for non-compliance with GCRTA policy and code of ethics	Monthly
Purchasing Card	Evaluate P-Card transactions for compliance with the GCRTA Procurement Card Policy and for potential fraud, waste, and abuse.	Monthly
Payroll	Evaluate HR and Payroll information to identify the potential for fraud, waste, and abuse.	Monthly
Revenue Reconciliation	To evaluate and provide assurance customer fares collected from fare collections systems are reconciled, posted to accounting records, and deposited in the bank.	Monthly
Paratransit Customer Eligibility	Reconcile paratransit customer information to State of Ohio death records and evaluation the possibility for fraud, waste, and abuse.	Annually

Updated, New and in Development

Title	Objective	Status
Nepotism	Enhancements to automation and tracking	Updated
Compensatory Time - SNE	Reconcile employee compensatory hours and earnings across timekeeping and payroll systems	In Development - Monthly
Mobile Ticketing Reconciliation	Reconcile mobile fares collected to mobile fare contract	In Development - Monthly
Fuel Expense	Reconcile fuel deliveries and expenses	Audit in Progress

Revenue collected from brinks is deposited and booked to GL. One follow-up was due to a timing issue. Mobile ticketing data is collected. They are working on a script for this. P-card purchases are tracked. Several tests are performed. Payroll is audited and analyzed.

SPECIAL REQUESTS / EMERGING ISSUES

Internal Audit – Inspector General Duties

- Transit Police – Office of Professional Standards – Internal Affairs Process Review (In-progress)
- Salary Non-Bargaining Non-Exempt Compensatory Time (Reporting)
- Diverted Vendor Payment (Reporting)

EXTERNAL AUDIT COORDINATION

- State of Ohio Auditor 2023 Single Audit – released in July
- State of Ohio Department of Transportation
 - Rail Safety Oversight Program
 - State Safety Oversight Triennial Review
- Federal Transit Administration - Project Management Oversight – Railcar Replacement Program

STATUS OF OUTSTANDING FOLLOW-UP

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

OTHER PROJECTS

Healthcare Claims Co-sourcing

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

Others

- Fraud Hotline
- Information Technology Council
- Change Order Review Committee
- Railcar Replacement Steering Committee
- Maintenance Management System Upgrade (Ultramain)
- Oracle Upgrade Steering Committee
- Executive Records Management Commission

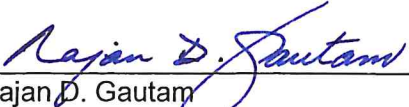
STAFF TRAINING

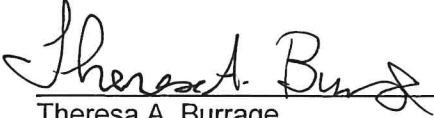
- Ethics and Cyber-Asset Strategy (NEOIIA/OSCPA)
- APTA Rail Conference – Various Sessions
- Ohio Ethics Law (GCRTA/Ohio Ethics Commission)

Ms. Pacetti asked if rail cleanliness is cycled through and if there is a cycle for the buses. Mr. Garofoli said the staff meets with management to understand their objectives. Cleanliness is a top objective. They identify risk and develop an audit for evaluation. From the customer experience surveys, rail cleanliness is a concern. They have identified significant efforts from facilities maintenance and rail maintenance staff. They evaluate compliance with those SOPs. They debrief with staff at the end of the audit and determine the residual risk to determine the cycle. They will consider expanding to the rest of the system when they look at the annual plan. The last cleanliness evaluation cycle was during COVID.

Mayor Weiss asked if the TA's cover a wider area now. Chief Jones said initially they worked on the HL and have since expanded to the Blue, Green and Red Lines. They have also been on bus routes. As the team grows, the coverage can expand.

The meeting was adjourned at 10:16 a.m.


Rajan D. Gautam
Secretary/Treasurer


Theresa A. Burrage
Executive Assistant

