

GREATER CLEVELAND
REGIONAL TRANSIT
AUTHORITY

INTERNAL AUDIT QUARTERLY REPORT Second Quarter - 2026

August, 2026

GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY

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INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
JUNE 1, 2026 THROUGH AUGUST 31, 2026

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INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
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INTRODUCTION

Presented herein and in accordance with Board Policy is the report on the Internal Audit Department activities for the Second Quarter 2026. 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.

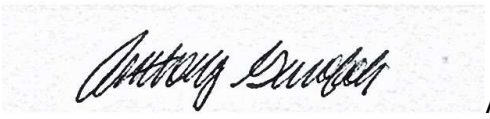
The purpose of the Greater Cleveland Regional Transit Authority's Internal Audit Department is to provide independent, objective assurance and advisory services designed to add value and improve GCRTA's operations. The mission of internal audit is to enhance and protect organizational value by providing 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 advisory services in a timely manner. Please contact me on (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, forward 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

"The GCRTA Internal Audit Department conforms with the International Standards for the Professional Practice of Internal Auditing."



August 12, 2026

Anthony A. Garofoli – Executive Director of Internal Audit

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2026 INTERNAL AUDIT PLAN – (Audit Committee Approved Revision – August 2026)

Project	Budgeted Hours	Audit Theme
Advisory Projects		
Change Order Committee	40	Financial Health
Customer Service Center - Consignment Analysis	20	Financial Health
Data Analytics	40	Financial Health
Fraud Risk Assessment	80	Financial Health
Global Internal Audit Standards Implementation	40	Employee Investment
Healthcare RFP	20	Financial Health
Information Technology Risk Assessment	80	IT Governance
Insurance Application Support	20	Financial Health
Natural Gas and Electricity Supply RFPs	40	Financial Health
Non-Destination Riders Advisory	40	Customer Experience
Internal Audits		
Accounts Payable*	40	Financial Health
ADA Stop Announcements*	40	Customer Experience
Blanket Purchases	160	Financial Health
Board Member & Employee Travel Expense Review	150	Financial Health
Business Process/Robotic Process Automation	100	Financial Health
CMSD Student Pass	200	Financial Health
Customer Communication - Service Interruptions Follow-Up*	80	Customer Experience
Electronic Funds Transfer	80	Financial Health
Emergency Operations Drill/Tabletop	40	Employee Investment
Fare Collection*	80	Financial Health
Healthcare Claims Expense*	40	Financial Health
Independent Cost Estimates	160	Financial Health
Lost and Found Controls Review	120	Customer Experience
Nepotism File Audit*	40	Employee Investment
Non-Revenue Vehicles	200	Financial Health
Outage Scheduling*	120	Financial Health
Payroll Process	120	Financial Health
Physical Inventory	300	Financial Health
Power & Way Asset and Configuration Management*	160	Configuration Management
Predictive Maintenance*	160	Financial Health
Purchasing Card Process*	120	Financial Health
Shelter Cleaning and Maintenance	140	Customer Experience
System Security Plan - CJIS Risk Assessment & Compliance	160	IT Governance
Ticket Vending Machine (TVM) Replacement	40	Financial Health
Transit Ambassador Follow-Up	120	Financial Health
External Audits		
Financial Audit Support	40	Financial Health
FTA Project Management Oversight	40	Financial Health
FTA Triennial	40	Financial Health
State Safety Oversight Support	40	Financial Health

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2026 INTERNAL AUDIT PLAN – (Audit Committee Approved Revision – August 2026)

Project	Budgeted Hours	Audit Theme
Railcar Replacement		
66C Brookpark Shop and Yard Tracks*	40	Community Impact
66C2 Brookpark Rail Shop Modifications*	40	Community Impact
66D Central Rail New Railcar Modifications Design	80	Community Impact
66E1 Red Line Station Platform Modifications	80	Community Impact
Buy America - Line Car Pre-Award	40	Community Impact
Buy America - Locomotive Post-Delivery*	60	Financial Health
Buy America - Railcar Post-Delivery/Domestic Content Monitoring	120	Community Impact
Buy America - Regulator Pre-Award	40	Community Impact
Buy America - Tamper Pre-Award	40	Community Impact
Railcar Commissioning	300	Community Impact
Railcar Infrastructure Program Update	40	Community Impact
Railcar Replacement Force Account	40	Financial Health
Railcar Replacement Siemens Contract Compliance	120	Community Impact
Railcar Replacement Workforce Readiness	200	Employee Investment
Information Technology Audits		
Artificial Intelligence Policy	40	IT Governance
Off-Site Data Center Buildout	80	IT Governance
Change and Patch Management*	20	IT Governance
Cybersecurity	80	IT Governance
Fare Capping and Smart Card Implementation	160	Financial Health
Hastus Operator Performance Module*	20	Employee Investment
Identity and Access Management	40	IT Governance
IT Equipment Inventory*	40	IT Governance
Pass Upgrade/Mobility App*	80	Customer Experience
Swiftly Implementation	80	Customer Experience
Third-Party SOC Reports	40	IT Governance
Continuous Audit		
Continuous Audit New Script Development	200	Various
Nepotism Script	50	Employee Investment
Paratransit Script	20	Financial Health
Payroll Script	50	Financial Health
Purchasing Script	50	Financial Health
Revenue Script	50	Financial Health

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2026 INTERNAL AUDIT PLAN – (Audit Committee Approved Revision – August 2026)

Project	Budgeted Hours	Audit Theme
Contract Audits		
12D Trunk Line Signal System Construction*	80	Community Impact
12H Consolidated Train Dispatch System*	80	Community Impact
23V4 Reconstruction of Shaker Square and Shaker Junction	80	Community Impact
24X E. 79th Light Rail Station Reconstruction	100	Community Impact
52N East Portal Construction*	80	Community Impact
60E E.120th Substation Construction*	100	Community Impact
Buy America - Articulated Coach Purchase Post-Delivery	60	Community Impact
Buy America - CNG Coach Purchase Pre-Award	40	Community Impact
Buy America - Paratransit Vehicle Replacement Pre & Post	60	Community Impact
Paratransit Third-Party Contractor	80	Community Impact
Special Requests & Emerging Issues	**1500**	

Success Outcomes and Audit Themes:

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*

In addition to these four success outcomes, the Internal Audit Department identified two additional agency priorities and high-risk areas to guide our audit plan development.

V. *IT Governance*
VI. *Configuration Management*

These six topics represent the six audit themes we prioritized for our 2026 annual audit plan. Our 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

***2025 roll-forward engagements in progress**

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

Milestone Risk Assessment

Functional Area	Previous Audit Coverage	Current Scope
Siemens Contract Compliance	Continuous monitoring of invoicing, change orders, contract deliverables, and project management	Continued assurance on contract compliance; preparation for Post-Delivery audits
Delivery & Commissioning	Consulting for plan development	Assessing Siemens and GCRTA management preparation and execution of commissioning requirements
Infrastructure Projects	2025 audit of project scheduling to support commissioning milestone; individual construction project audits	Updated status on project scheduling to support revenue service milestone; individual construction project audits
Workforce Readiness	2024 audit focused on workforce readiness planning and preparation	Update on workforce readiness implementation; evaluation of GCRTA and Siemens training deployment

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

Siemens Contract Compliance

This planned audit provides independent assurance that GCRTA's railcar replacement contract is administered in accordance with contract terms, procurement requirements, and Federal Transit Administration (FTA) rules. It also gives the Audit Committee quarterly visibility into change orders, cost growth, and other emerging risks.

Why it matters

The railcar replacement program is a major, multi-year capital investment intended to replace aging rail vehicles and support reliable service on GCRTA's rail system. The original Siemens Mobility contract authorized up to 24 vehicles for $163.9 million, with options for 36 more; subsequent option exercises have expanded the planned procurement. The underlying program also involves vehicle testing, infrastructure and platform modifications, and a mix of local, regional, state, and federal funding.

Because the contract includes price escalation for later option vehicles, based on transportation-equipment producer-price and labor indexes, final costs can increase beyond the base unit price. Strong oversight is therefore important to ensure that changes, invoices, option exercises, deliverables, and funding decisions are properly authorized, documented, and monitored.

Why this audit was planned

Internal Audit planned this work because the project has characteristics that create heightened oversight risk:

- It is a high-dollar, long-term procurement with multiple option exercises and a complex mix of vehicle, spare-parts, tooling, training, and related deliverables.
- The contract permits inflationary price adjustments for option vehicles, requiring management to validate index calculations and retain support for final prices.
- Contract modifications and change orders can affect project cost, schedule, scope, and compliance obligations. As of the 2024 option presentation, four additional change orders totaling $671,718.21 were authorized.
- Federal funding and FTA requirements require formal pre-award and post-delivery reviews, including verification of compliance, Buy America and other applicable requirements, and confirmation that delivered vehicles conform to contractual specifications.
- The Audit Committee specifically requested quarterly reporting on contract change orders.

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

What we evaluated

Internal Audit will evaluate whether GCRTA has adequate controls to manage Contract No. 2021-125 and whether management is complying with applicable contract, procurement, and federal requirements. The review will include:

- Authorization and documentation for contract options, amendments, and change orders.
- Validation that option pricing, escalation calculations, quantities, and total contract commitments agree with contractual terms and Board approvals.
- Management's controls over project budgets, forecasts, invoices, payments, funding sources, and commitments.
- Procurement and contract-administration practices, including segregation of duties, approval authority, documentation, and vendor-performance monitoring.
- Controls over design reviews, manufacturing milestones, inspections, testing, acceptance, warranty administration, spare parts, tooling, and training deliverables.
- Compliance with FTA pre-award and post-delivery audit requirements.
- Quarterly change-order reporting to the Audit Committee, including the nature, cost, schedule effect, approval status, and cumulative impact of each change.

What we found

This is an ongoing assurance engagement; therefore, no final audit findings are available at this stage. Internal Audit will report results as testing is completed and will provide the Audit Committee with quarterly change-order updates.

The audit will specifically identify any instances in which change orders, pricing escalations, payments, vehicle acceptance, or federal-compliance documentation are not sufficiently supported, approved, or monitored. Any exceptions will be communicated with their financial, operational, compliance, and schedule implications, along with management's corrective-action plan.

GCRTA Financial Management System
RTA Set of Books:
Purchase Order – Railcar Replacement
Purchase Order Line Items – totaling **$344,876,317.56** (per board approval)
$147,593,100.07 paid (as of 07/31/2026)
43% of contract amount with change orders is paid.

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

CHANGE ORDER No. 9 LOG

CONTRACT NO. 2021-125

RAILCAR REPLACEMENT PURCHASE

Contract #2021-125 Contractor: **Siemens Mobility Inc.**

Original Contract Amount $163,920,115.00 Total G.M./C.E.O. Authority Remaining $ 5,341,814.23

Total Change Order Amount To Date $180,956,202.56

ITEM NO.	NOTE No.	APPROVAL DATE	CHANGE ORDER AMOUNT	APPROVAL AUTHORITY	NEW CONTRACT AMOUNT
1	1	11-28-23	$30,998,016.00	BOT	$194,918,131.00
2	2	12-5-23	$510,888.00	$5,989,112.00	$195,429,019.00
3	3	12-6-23	$0.00	$5,989,112.00	$195,429,019.00
4	4	3-29-24	$108,916.54	$5,880,195.46	$195,537,935.54
5	5	8-6-24	$51,913.67	$5,828,281.79	$195,589,849.21
6	6	12-13-24	$112,800,000.79	BOT	$308,389,850.00
7	7	9-3-25	$0.00	$5,828,281.79	$308,389,850.00
8	8	9-23-25	$36,000,000.00	BOT	$344,389,850.00
9	9	4-28-26	$486,467.56	$5,341,814.23	$344,876,317.56

NOTES/CHANGE ORDER DESCRIPTION:
CO No. 1 – Exercise 6 Vehicle Options
CO No. 2 – 4 Additional Couplers
CO No. 3 – Modification of SP-20B
CO No. 4 – Smoke Detectors
CO No. 5 – Additional Wheel Profiles
CO No. 6 – 18 Option Vehicles, Spare Parts and Tools
CO No. 7 – Delivery Schedule Spare Parts and Tools
CO No. 8 – 6 Option Vehicles
CO No. 9 – Vontas Installation (54 vehicles) & Schedule Relief

- **Original Contract Amount:**

  $163,920,115
- **Vehicle Option Change Orders to date:**

  $179,798,016
- **Additional Change Orders to date:**

  $1,158,185
- **Total Contract Amount to date:**

  $344,876,317

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

Manufacturing Update



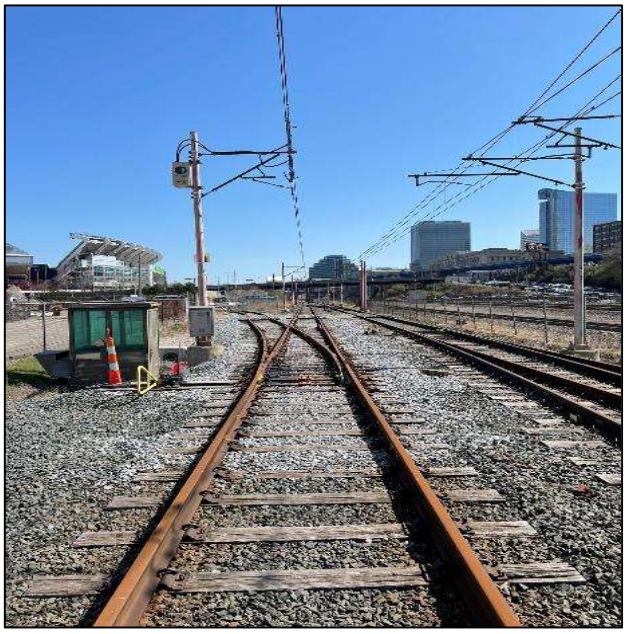
7/31/26 First Article Inspection of Fully Assembled Railcar

Audit Coverage for Quarters 3 & 4

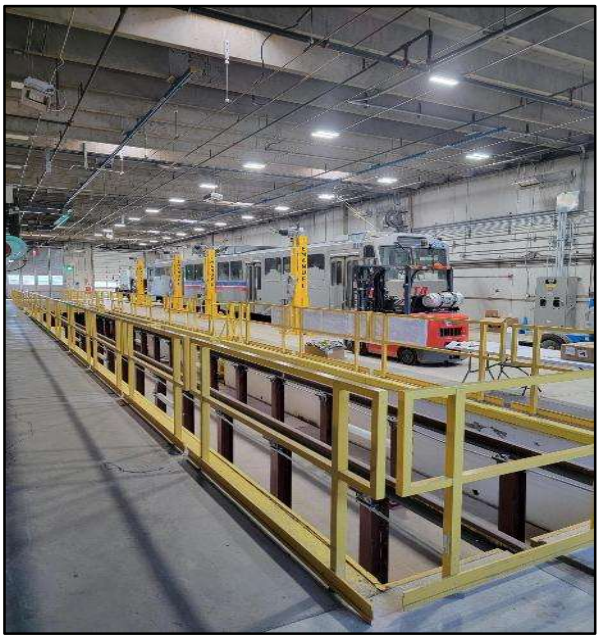
- Contract deliverables reconciliation
- Post-delivery audit and domestic content monitoring (Tentative November)
- Change Order Committee
- FTA Project Management Oversight

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

Delivery & Commissioning



Port of Cleveland Connector Track



Brookpark Maintenance Facility

Delivery & Commissioning Update

- GCRTA is preparing for delivery and commissioning activities including:
  - Resource Identification/Prioritization
  - Facility Preparation
  - Processes/Procedures Development
  - Control Implementation
- Audit Coverage for Quarters 3 & 4
  - Release for Shipment Authorization
  - Receiving Inspections
  - Testing and Burn-in
  - Logistics
  - Grant Force Account
  - Buy America Purchaser's Review and Functional Testing

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

Infrastructure Projects

Project	Project Status	Audit Status
K&J Safety and Security Consulting	Ongoing	Not Planned
66B Port Connector Track	Final Completion	Complete – Report Issued
66C Brookpark Shop & Yard Tracks	Substantial Completion	Report Pending
66C2 Brookpark Rail Shop Modifications	Substantial Completion	Report Pending
66C4 Brookpark Gate & Modifications	Bid Advertised	Not Planned
66D Central Rail New Railcar Mods	Construction	Ongoing
66E1 Red Line Platform Mods	Construction	Planned Q3 2026
66E2 Light Rail Platform Mods	Design	Planned 2027
24Y Station Platform Replacement	Design	Planned 2027
55B Main Avenue Crossing Rehabilitation	Construction	Not Planned

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

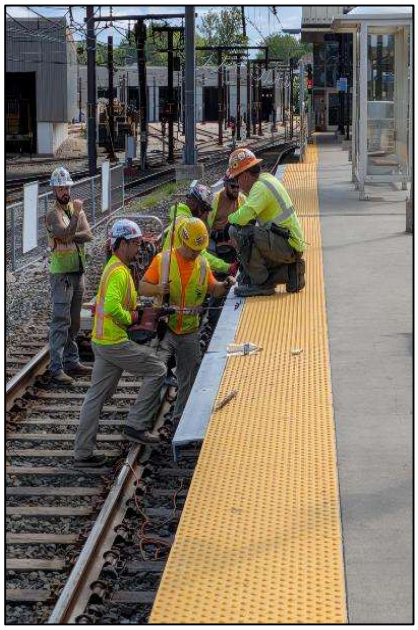


66D Central Rail Maintenance Facility



66E1 Platform Extension Proof of Concept

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES



E 55th Station



W 25th Station



Windermere Station

Infrastructure Projects Update

- All construction projects required for the delivery milestone have been achieved
- Construction projects required for the revenue service milestone are in-progress and on-track

Audit Coverage for Quarters 3 & 4

- Release for Shipment Authorization
- Receiving Inspections
- Testing and Burn-in
- Logistics
- Grant Force Account
- Buy America Purchaser's Review and Functional Testing

RAILCAR REPLACEMENT & INFRASTRUCTURE AUDIT ACTIVITIES

Workforce Readiness



Central Rail Maintenance Facility Training Space

Training Update

- GCRTA completed its Railcar Maintenance "up-to-speed" initiative
- Rail Equipment is preparing for the transition from Equipment Maintainers to Electromechanics
- Siemens-led training for mechanics and operators forthcoming

Audit Coverage for Quarters 3 & 4

- Siemens training deployment
- GCRTA resourcing and "train-the-trainer" strategy
- Labor relations
- Supporting entities
  - Electronic Repair
  - First Responders
  - Information Technology

COMPLETED PROJECTS

Audit Title	Audit Rating	Residual Risk Level
Fare Collection	Unsatisfactory	High
Lost and Found Controls Review	Unsatisfactory	High
Nepotism Self Disclosure and File Audit	Unsatisfactory	Moderate
Customer Communication - Service Interruptions Follow-Up	Satisfactory	Low
Buy America – Regulator (Pre-award)	Satisfactory	N/A

Fare Collection

Why it Matters: Farebox revenue contributes to GCRTA's operating budget. GCRTA's farebox recovery ratio has declined from 19.5% in 2015 to 11.1% in 2024. Recent analysis from other transit authorities has found individuals that commit crimes and vandalism on transit frequently fare evade. Deterring fare evasion can be an effective mechanism to reduce vandalism and other quality of life crimes.

Why this Audit was Planned: We regularly review fare collection as part of our continuous audit program, but our continuous audit cannot assess the risk of control breakdown preventing fare collection and fare evasion. During annual risk assessment, we identified that other transit authorities were experiencing high levels of fare evasion. This audit was planned to review the controls associated with fare collection to support our continuous audit script and assess if GCRTA also experiences high fare evasion.

What we Evaluated: We observed Tower City fare gate operations and compared fixed-route bus automated passenger count ridership to the number of riders who paid using the farebox and mobile app to assess fare evasion. We reviewed the use of Senior/Disabled fare media to assess if fare evasion via entitlement abuse was an issue. We also reviewed Service Quality and Transit Police response to operator-reported fare evasion and Electronic Repair response to operator-reported farebox defects.

COMPLETED PROJECTS

Audit Rating: Unsatisfactory

What we Found: We identified the control environment for fare collection and fare evasion deterrence requires significant improvement, but we did not observe fare evasion on the scale of other transit authorities.

1. **Transit Police Should Engage in Data-Driven Policing to Deter Fare Evasion**
2. **Lack of Governance for Tower City Faregates and Training for Booth Attendants Results in Inconsistent Fare Collection at Tower City**
3. **Bus Automated Passenger Counter (APC) Ridership and Fare System Data Approximately Reconcile, but GCRTA Should Statistically Measure Fare Evasion**

Recommendations:

- Statistically measure fare evasion
- Identify fare evasion hot spots to facilitate proactive policing
- Create an SOP for fare collection at Tower City and train personnel
- Improve the visibility of Transit Police at Tower City
- Apply recent updates from the In-Service Mechanical Failures audit to the mobile farebox tech assignment.

Lost and Found Controls Review

Why it Matters: Standardized and controlled lost and found processes help ensure that customer property is properly safeguarded, processed, and returned in a timely manner. Clear communication of these processes helps preserve customer trust in GCRTA's procedures.

Why this Audit was Planned: The audit was initiated after Transit Police requested assistance with an administrative investigation involving missing cash from a purse that was recovered and placed in GCRTA custody. The incident highlighted the need to evaluate whether the lost and found process was operating as intended and whether custody controls were sufficient.

What we Evaluated: Our audit focused on the full chain of custody, including recovery, logging, secure storage, transfer of property, release to customers, and disposal of found items. We also benchmarked GCRTA's public-facing website against other public transit agencies to identify leading practices for customer communication. In addition, we

COMPLETED PROJECTS

evaluated governance, training, storage, access, and oversight controls supporting GCRTA Administrative Procedure 035, including procedures at operating districts and the Tower City Customer Service Center.

Audit Rating: Unsatisfactory

What we Found: Multiple control gaps in the lost and found process. These issues indicate a weak chain of custody and increase the risk that customer property will be lost, stolen, or mishandled, while also reducing accountability.

1. **The lost and found process does not effectively reunite customers with their lost property**
2. **Found items are not sufficiently safeguarded to prevent loss, misappropriation, or theft**
3. **The Authority lacks public-facing information to inform customers how to recover their lost items**

In response to our audit, management identified a project champion and process owner to overhaul the lost and found process. They will be tasked with coordinating with stakeholders to implement our recommendations.

Recommendations:

- Enhanced governance
- Cross-functional training Improved found item tracking
- Enhanced physical security and storage
- Special procedures for bicycles
- Improvements to public facing information on rideRTA.com

Nepotism Self Disclosure and Continuous Audit

Why it Matters: Ohio Ethics Law restricts board members, officers, and employees from using their authority to benefit family members regarding hiring, compensation, or performance evaluation. Anti-nepotism policies promote transparency and accountability, establish public trust, and provide commitment to employees that personnel actions are unbiased as to familial relationships.

COMPLETED PROJECTS

Why this Audit was Planned: Internal Audit issues monthly continuous audit script results to identify potentially nepotistic reporting relationships for management awareness and action. This audit was an opportunity to perform a back-to-basics review of nepotism risk management and provide assurance on the Nepotism Disclosure Form process.

What we Evaluated: Internal Audit compared the GCRTA Code of Ethics Section 5.5 Nepotism to Ohio Ethics Law and Ohio Ethics Commission guidance, reviewed patterns and trends in continuous audit script results, and evaluated the process for soliciting, reviewing, and storing Nepotism Disclosure Forms. We also reconciled script configuration files against the population of Nepotism Disclosure Forms to ensure completeness of records and accuracy of reporting.

Audit Rating: Unsatisfactory

What we Found: There are both deficiencies and opportunities for improvement in GCRTA's anti-nepotism control environment.

1. **GCRTA Code of Ethics provisions on Nepotism deviate from Ohio Ethics Commission Guidance**
2. **There exists nepotism risk which requires stronger mitigating controls**
3. **Management needs to proactively manage nepotism risk**

Recommendations:

- Revise the code of ethics to explicitly restrict direct reporting of related employees
- Seek an advisory opinion from the Ohio Ethics Commission on reporting relationships within the bargaining environment
- Develop mitigation and monitoring strategies for employees one step removed from relatives in the reporting hierarchy
- Identify strategies to address non-supervisory bargaining unit job-pairings
- Implement an automated and mandatory process for capturing self-disclosures

COMPLETED PROJECTS

Customer Communication - Service Interruptions

Why it Matters: While they are a pain point for customers, both planned service interruptions (detours, stop closures, outages) and unplanned service interruptions (delays, cancelled trips) are inevitable during transit service. However, the disruption and inconvenience of an unavoidable service interruption can be magnified for customers when service interruption information is unavailable, unclear, or inaccurate.

Why this Audit was Planned: In 2023, Internal Audit completed a review of customer communications for planned and unplanned service interruptions for our rail service. In 2025, a follow-up of that audit found controls for rail service interruption communications had improved since the 2023 engagement. As a result, we scoped this audit to review customer communication for planned and unplanned bus service interruptions.

What we Evaluated: For unplanned bus service interruptions, we reconciled service interruption and service notices to test customer communications. For planned bus service interruptions, we reconciled special event and construction street obstruction permit data from the City of Cleveland and published detours and service notices to test customer communications.

Audit Rating: Satisfactory

What we Found: Controls are working effectively. Our recommendations are opportunities for improvement to enhance the process:

1. **GCRTA Generally Publishes Clear and Complete Service Notices for Unplanned Service Interruptions**
2. **GCRTA Generally Publishes Detour Information for Special Events**
3. **GCRTA May Not Learn of All Construction Work That Could Disrupt Service**

Recommendations:

- Update the Bus Control SOP section on service notices
- Create a unified bus service interruption database
- Revise service notice templates
- Changes to RideRTA.com including:
    - Updates to “How To Ride” information
    - Publish “Special Event” information Publish “Adjacent Construction” information

COMPLETED PROJECTS

Buy America – Rail Equipment – Ballast Regulator

Why it Matters: Pre-award audits confirm whether vehicle manufacturers have the capacity and capability to meet Federal Transit Administration regulations for Buy America before issuing notice-to-proceed.

Why this Audit was Planned: GCRTA awarded procurement for a Regulator track maintenance vehicle.

What we Evaluated: Internal Audit reviewed supporting documentation the proposed bill of materials will meet domestic content requirements, and the vendor has the capacity and capability to manufacture the vehicle with final assembly occurring within the United States.

What we Found: The selected vendor, Knox-Kershaw, had sufficient evidence at the pre-award stage to substantiate capacity and capability to satisfy Buy America requirements for rolling stock.

Internal Audit will complete a post-delivery audit prior to GCRTA receiving title to ensure full compliance with domestic content requirements.

Audit Rating: Satisfactory

PROJECTS IN PROGRESS

Risk Assessment
Non-Revenue Vehicles
Shelter Cleaning and Maintenance
Third Party SOC Reports

Fieldwork
Blanket Purchases
Business Process/Robotic Process Automation
CMSD Student Pass
Healthcare Claims Expense
Payroll Process
Power & Way Asset and Configuration Management
Transit Ambassador Follow-up
Fare Capping and Smart Card Implementation
Pass Upgrade/Mobility App

Reporting
ADA Stop Announcements
Outage Scheduling
Predictive Maintenance
Purchasing Card

PROJECTS IN PROGRESS

Projects in Progress – Construction

	Audit Phase	Construction Budget w/ COs	Construction Target Completion Date
12D Trunk Line Signals	Fieldwork	$5,689,009.74	November 2026
12H Consolidated Train Dispatch	Fieldwork	$4,255,977.00	October 2026
24X E. 79th Light Rail Station Reconstruction	Risk Assessment	$10,625,806.95	November 2026
52N East Portals	Fieldwork	$18,356,434.51	September 2026
60E E.120th Substation	Fieldwork	$7,144,178.30	March 2027
66C Brookpark Yard and Track	Fieldwork	$3,003,045.36	August 2026
66C2 Brookpark Rail Shop Mods	Fieldwork	$3,208,194.00	July 2026
66D Central Rail New Railcar Modifications	Fieldwork	$9,614,590.43	August 2027

PROJECTS IN PROGRESS

Projects in Progress – Buy America

Manufacturer	Vehicle Type	Location	Type	Audit Status
Geismar	(1) Locomotive	Beaufort, SC	Post-Delivery	In-progress
Siemens	(54) High-floor LRV	Sacramento, CA	Domestic Content Monitoring	Planning
Harsco	(1) Tamper	West Columbia, SC	Pre-Award	In-progress
Endera	(24) Paratransit	Lima, OH	Post-Delivery	In-progress
New Flyer	(6) Articulated BRT	St. Cloud, MN	Post-Delivery	Planning
Gillig	(40) CNG Coaches	Livermore, CA	Pre-Award	Planning

Projects in Progress – Travel

Title	Q1	Q2	Q3	Q4	YTD
Reimbursement Requests	11	19			30
Total Reimbursement Amount	$5,918.05	$10,765.38			$16,683.43
% of Travel Forms Not Requiring Corrections	73%	53%			60%

PROJECTS IN PROGRESS

Fare Capping

Why It Matters:

Fare capping changes how customer fares are calculated and collected by automatically limiting the amount a customer pays after reaching the applicable fare threshold. Because the process relies on accurate account tracking, fare rules, system configuration, and transaction processing, errors could result in **customer overcharges, revenue leakage, incorrect fare treatment, or inconsistent application of benefits**. The implementation therefore presented a significant operational and financial risk that warranted Internal Audit involvement.

Why the Audit Was Planned:

Internal Audit planned a phased review of Fare Capping to provide assurance before and after implementation and to assess whether key controls were operating as intended. The phased approach was designed to identify implementation risks early, validate the system after go-live, and evaluate ongoing compliance, particularly where third-party paratransit contractors and complex fare scenarios are involved.

What We Evaluated:

The review was structured into three phases:

- **Phase 1 – Go-Live Readiness Review:** Evaluated whether key implementation activities and controls were sufficiently developed to support a successful launch.
- **Phase 2 – Post-Implementation Testing:** Evaluated the operation of fare-capping functionality after implementation and assessed whether transactions were being processed in accordance with established requirements.
- **Phase 3 – Paratransit Contractor Compliance:** Evaluates contractor compliance with Fare Capping requirements and remains **in progress**.

What We Found:

The **Go-Live Readiness Review and Post-Implementation Testing phases are complete**, providing assurance over the implementation and initial operation of the Fare Capping process. Internal Audit also identified a need to specifically test scenarios where system behavior may differ from a standard fare transaction, including outages, insufficient funds, multiple tokens, entitlements, end-of-day processing, and prepaid passes.

PROJECTS IN PROGRESS

The **Paratransit Contractor Compliance phase remains in progress**. Accordingly, the overall audit assessment is not yet complete. Internal Audit will use the remaining work to determine whether contractor processes and transactions consistently comply with Fare Capping requirements and whether any additional control gaps or financial impacts require management attention.

CONTINUOUS AUDITING

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.

GCRTA Internal Audit uses technology and automated tools, including computerized audit scripts to perform ongoing, real-time assessments of the GCRTA's financial, operational, and compliance controls. Unlike traditional auditing, which typically occurs at set intervals (e.g., quarterly or annually), continuous auditing allows for the frequent and systematic review of the GCRTA's activities and transactions as they occur.



CONTINUOUS AUDITING

Second Quarter 2026 Results

Title	Objective	Frequency	Results
Nepotism	Evaluate employee relationships for non-compliance with GCRTA policy and code of ethics	Monthly	PASS
Purchasing Card	Evaluate P-Card transactions for compliance with the GCRTA Procurement Card Policy and for potential fraud, waste, and abuse.	Monthly	PASS
Payroll	Evaluate HR and Payroll information to identify the potential for fraud, waste, and abuse.	Monthly	PASS
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	PASS
Paratransit Customer Eligibility	Reconcile paratransit customer information to State of Ohio death records and evaluation the possibility for fraud, waste, and abuse.	Annually	PASS
D/G Fuel Expense	Reconcile payments made for fuel delivered against tax and contract rates.	Quarterly	PASS
Mobile Ticketing Reconciliation	Reconcile mobile fares collected to mobile fare contract – inclusion into monthly revenue script	Monthly	PASS

CONTINUOUS AUDITING

Updated, New, and In Development

Title	Objective	Status
Mobile Ticketing Reconciliation	Reconcile mobile fares collected to mobile fare contract – inclusion into monthly revenue script	COMPLETE
Account-Based Ticketing	Identification of account-based ticketing practices and fees, and remittance of funds to and from NEORide	Ongoing
Payroll Redesign	Develop new payroll script in house, and move away from the 'black box' script currently utilized	Ongoing
Ridership v. Collection	Analysis of fare collected vs ridership measured by Authority systems	Planning

SPECIAL REQUESTS AND EMERGING ISSUES

Engineering Division Workforce Resources

Why It Matters:

Engineering and Project Management are critical to a public transit agency because they provide the technical expertise and project oversight necessary to maintain, modernize, and expand transit infrastructure and assets. Engineering staff support projects involving rail, bus facilities, stations, track, signals, power, communications, and other infrastructure. Adequate staffing is necessary to manage the Authority's capital program, meet regulatory and safety requirements, control project costs and schedules, and ensure projects are delivered as intended.

Why This Is Planned:

Internal Audit identified Engineering Division workforce capacity as an area warranting attention because staffing shortages can directly affect the Authority's ability to effectively plan, manage, monitor, and close out capital projects. Resource constraints may also increase reliance on individual employees, create competing priorities, delay project decisions, and reduce the level of management oversight available for a significant portfolio of projects.

The concern is particularly relevant for the GCRTA where projects are often large, complex, multi-year, externally funded, and subject to FTA requirements, procurement requirements, safety standards, and Board and regulatory oversight.

Internal Audit considered workforce resources across three key functions:

- Engineering Project Managers: Responsible for planning and coordinating capital projects from development through design, construction, implementation, and closeout. They coordinate engineers, contractors, consultants, procurement, operations, maintenance, and other stakeholders while monitoring scope, schedule, budget, risks, quality, and project deliverables.
- Administrative Support Staff: Provide the organizational infrastructure necessary for the Engineering Division to function efficiently. Responsibilities may include document control, scheduling, correspondence, records management, procurement and contract administration support, meeting coordination, invoice processing, reporting, and maintaining project documentation. Insufficient administrative support can shift these activities to technical personnel, reducing the time available for engineering and project-management responsibilities.

SPECIAL REQUESTS AND EMERGING ISSUES

- Deputy General Manager – Engineering and Project Management: Provides senior-level leadership and coordination across the Engineering and Project Management functions. This position is responsible for helping establish priorities, allocating resources, resolving cross-functional issues, monitoring the capital program, providing executive oversight, and ensuring engineering and project activities support the Authority's strategic, operational, financial, and safety objectives.

Key Risks:

Internal Audit identified workforce capacity as a potential constraint within Engineering and Project Management, particularly with respect to project managers, administrative support, and senior management capacity.

A shortage of project managers may limit the Division's ability to provide sufficient oversight across the Authority's capital program and may increase the risk of project delays, cost growth, inadequate documentation, or insufficient monitoring of contractor and consultant performance.

Limited administrative support may result in technical and management personnel spending time on administrative activities that could otherwise be directed toward project oversight, engineering review, risk management, and problem resolution.

At the senior-management level, adequate Deputy General Manager capacity is important to maintain effective governance, prioritization, accountability, and coordination across a complex portfolio of engineering and capital projects. A gap at this level could create additional workload for existing leadership and increase the risk that strategic issues, resource constraints, and cross-divisional project risks are not addressed timely.

EXTERNAL AUDIT COORDINATION

IIA Global Audit Standards

Standard 9.5 Coordination and Reliance – The chief audit executive must coordinate with internal and external providers of assurance services and consider reliance on their work.

The following Federal and State Agencies performed audits and reviews of the Authority's policies and records during the Second Quarter 2026:

State of Ohio – Office of the Auditor .

- The State Auditor conducted the Financial and Single Audit for the period ending December 31, 2025. Internal Audit dedicated support to the State Auditor.
- The Auditor of State published the final report on July 20, 2026.

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.

Federal Transit Administration - Project Management Oversight – Railcar Replacement Program:

- The FTA contracted with LS Gallegos to provide project management oversight for the railcar replacement program.
- The consultant utilizes FTA developed oversight procedures to monitor and evaluate the compliance with grant requirements.
- Internal Audit will work with contractors to perform the audits as required.
- The consultant meets with GCRTA Management monthly to review a prescribed agenda and follow-up on outstanding corrective actions.

Federal Transit Administration – Triennial Review

- The Federal Transit Administration assessed how the GCRTA uses federal funds and complies with applicable requirements. Internal Audit dedicated support to management and the FTA reviewers.

EXTERNAL AUDIT COORDINATION

- The review covered 23 program areas for the three years 2023-25 to evaluate performance, adherence to statutes and regulations, and the alignment of actual activities with approved plans.
- The FTA published their draft report on August 11, 2026. GCRTA management is responding to the report. The FTA will release a final report in September 2026.

Internal Audit will coordinate the 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 outstanding issues.

STATUS OF OUTSTANDING FOLLOW-UP

IIA Global Audit Standards

Standard 15.2 Confirming the Implementation of Recommendations or Action Plans – Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans.

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

The following are the details on our open and closed audit recommendations
Internal Audit began meeting with DGMs quarterly to review high-risk implementations within their division to pursue:

- More frequent or higher quality status updates when clients fall behind
- Roadmaps or action plans for challenging implementations
- Highlight resource gaps for additional support
- A recommendation in "Good Standing" has a **current** status update of **sufficient quality** to communicate progress. If identified as high-risk, this risk has been **mitigated** to support implementation success.

(See the tables on the following pages)

STATUS OF OUTSTANDING FOLLOW-UP

Open Recommendations Q2

Auditor of State 2025 Single Audit

Department	Management Response – Due 7/10	
	Requested	Received
Accounting	1	1
Management Information Services	2	0
Information Technology	3	3
MIS/IT Shared	3	2
Human Resources	1	1

FTA Triennial Review

Department	Management Response – Due 8/5	
	Requested	Received
Grants Management & Treasury	6	6
Property Management	1	1
Fleet Management	4	4
Accounting	4	4
Procurement	5	5

STATUS OF OUTSTANDING FOLLOW-UP

Internal Audits - Status of Outstanding Follow-up

Open Recommendations (as of 8/4/2026)

Entity	Open Recommendations	Contributing Audits	Average Days since Status Update	% in Good Standing
Accounting	3	2	8	100%
Customer Experience	18	2	6	100%
Executive	1	1	42	100%
Fleet Management	3	1	17	100%
Human Resources Information System	3	2	46	100%
Information Technology	25	6	56	60%
Management Information Services	2	1	27	50%
Service Quality	3	2	27	100%
Service Quality/ITS	1	1	60	100%
Service Quality/Marketing	2	1	60	100%
Transit Police	2	2	40	100%

STATUS OF OUTSTANDING FOLLOW-UP

Closed Recommendations Q2

Audit	Recommendation	Follow-up
2024 Financial/Single Audit	Auditor of State - Cash Reconciliation Process Errors	Closed & verified
	Auditor of State - Schedule of Expenditure of Federal Awards Errors	Closed & verified
Accrued Leave	Review and Correct Accrual Amounts	Closed & verified
	Review Issues and Investigate	Closed & verified
	Population of Continuous Service Dates	Closed & verified
Cybersecurity Assessment (CISA)	Implement DMARC and DKIM	Closed & verified
Fuel Expense - Diesel and Gasoline	Assign Ownership, Identify Useful Life, Prioritize Replacement (Veeder-Root)	Closed & verified
Identity and Access Management - Hastus	Establish File Integrity Monitoring - Hastus	Closed & verified
In-Service Mechanical Failures	Review Questioned Towing Costs	Closed & verified
	Add Simulation Exercises to Bus Operator Training	Closed & verified
IT Inventory	Locate Missing Devices and Improve Loaner Tracking	Closed & verified
	Reconcile AT&T Lines	Closed & verified
	Expand CCTV Coverage of Storage Areas	Closed & verified
Paratransit Certification Process	Establish a Dedicated Resource for Functional Tester	Closed & verified
Paratransit Certification Process PTASP - AP 016 Safety Review Policy and Procedures	Establish a Dedicated Resource for ADA Application Review	Closed & verified
	Implement Training for Customer Service and De-Escalation	Closed & verified
	Safety Review Standard Operating Procedure (SOP)	Closed & verified
Supply Chain Contract Management	Evidence that Services are being Performed	Closed & verified

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.

Second Quarter 2026 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.

Project 66E1 Red Line Station Platform Modifications
Contract 2025-151

Project 19.88 Engineering Services for Light Rail Fiber Optic Design
Contract 2024-100

Project 52N Tower City East Portals Rehabilitation
Contract 2023-155

Project 12D(a)-Bungalow Foundations for the Trunk Line Resignaling
Contract 2022-121

Project 66D CRMF New Railcar Modifications
Contract 2025-153

Project 66E1 Red Line Station Platform Modifications
Contract 2025-151

OTHER PROJECTS

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 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.

OTHER PROJECTS

Healthcare Claims Expense

Why It Matters:

GCRTA's annual healthcare claims expenses exceed approximately **$50 million**, making healthcare claims one of the Authority's significant recurring expenditures. Accurate claims administration is important to ensure that GCRTA pays only for **eligible members, covered services, and benefits provided in accordance with the applicable plan provisions and contractual requirements**. Effective controls also help prevent overpayments, duplicate payments, incorrect member cost-sharing, and inappropriate or unsupported administrative charges.

Why the Audit Was Planned:

Internal Audit planned this review to provide independent assurance that healthcare claims were **accurately processed, properly supported, and administered in accordance with GCRTA's benefit plans and contractual agreements**. Given the magnitude and recurring nature of healthcare expenditures, even relatively small processing errors or control weaknesses can result in financial losses or inaccurate member benefits when occurring across a large volume of claims.

Internal Audit engaged **TFG Partners, LLC** as GCRTA's healthcare claims audit consultant to provide specialized expertise in claims testing and assist with identifying potential financial recoveries, compliance issues, and opportunities to strengthen claims administration controls.

What We Evaluated:

The review covered healthcare claims activity for **calendar years 2023 and 2024** and evaluated:

- **Claims Processing and Eligibility:** Whether claims were accurately processed for eligible members and in accordance with medical, dental, and pharmacy benefit provisions.
- **Payments and Funding:** Whether claims payments could be reconciled to funding transfers and whether sampled claims agreed to eligibility and enrollment records.
- **Claims Adjudication:** Whether claims were adjudicated in accordance with plan design, benefit limitations, and applicable cost-sharing requirements, including testing for duplicate or otherwise improper payments.

OTHER PROJECTS

- **Administrative Fees and Contractual Charges:** Whether administrative fees, rebates, credits, and related billings were consistent with contractual terms and agreements.
- **Controls and Documentation:** Whether processes and supporting documentation provided an adequate control framework for healthcare claims administration.

Status:

Preliminary findings were issued to GCRTA's **medical claims third-party administrator, Anthem Blue Cross and Blue Shield of Ohio, and pharmacy benefits manager, CarelonRx**, for their review and response. These GCRTA contractors were asked to evaluate the identified exceptions, provide claim-level responses where applicable, identify root causes, and address potential financial impacts and corrective actions.

STAFF TRAINING

Internal Audit Department staff received the following training during the Second Quarter 2026:

- Northeast Ohio Association of Certified Fraud Examiners Spring Conference
    - What Corrupt Public Officials Don't Want You to Find: Inside an Investigative Reporter's Notebook
    - Herbivore, Carnivore, Greedivore: A Tale of Gluttony at the Columbus Zoo
    - A Day in the Life of a Forensic Accountant: The Last 28 Years
- Ohio Ethics Commission Annual Refresher Training

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.
Steven Zimmerman 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 and a Certified Fraud Examiner.
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. Andrew is a Certified Information Systems Auditor.
Molly O'Donnell Lead 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 II	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. Laura is a Certified Internal Auditor.
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. He earned his BA in Business Administration from Hiram College and was promoted to a computer system specialist in the Intelligent Transportation Systems unit. He joined IA on April 3, 2022. Darren is a Certified Internal Auditor.
Kylie Cianciolo Staff Auditor	Kylie joined the GCRTA on August 12, 2024. She earned her BA in Philosophy and Sustainability (Focus: Ethics and Policy) from Baldwin Wallace University.