



GREATER CLEVELAND
REGIONAL TRANSIT
AUTHORITY

INTERNAL AUDIT
QUARTERLY REPORT
Second Quarter - 2017

August, 2017



GREATER CLEVELAND
REGIONAL TRANSIT AUTHORITY

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

TABLE OF CONTENTS

	<u>Page(s)</u>
INTRODUCTION	2
2017 INTERNAL AUDIT PLAN	3-4
COMPLETED PROJECTS	5-8
PROJECTS IN PROGRESS	9-15
SPECIAL REQUESTS AND EMERGING ISSUES	16-21
EXTERNAL AUDIT COORDINATION AND FOLLOW-UP	22
STATUS OF OUTSTANDING FOLLOW-UP	23-24
OTHER PROJECTS	25
STAFF TRAINING	26
STAFF PROFILES	27

GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017

INTRODUCTION

Presented herein and in accordance with Board Policy is the report of the Internal Audit Department activities for the Second Quarter 2017. 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 Internal Audit Department is an independent appraisal function established within the Authority to examine and evaluate its activities as a service to the Board of Trustees and management. The objective is to assist management in the effective discharge of their responsibilities. To this end, Internal Audit furnishes management with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.

The Internal Audit Department will respond to the Board of Trustee requests for audit services in a timely manner. Please contact me at (216) 356-3106 to service your requests.



Anthony A. Garofoli
Executive Director of Internal Audit

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

2017 INTERNAL AUDIT PLAN

Contract Audits

Blanket Purchase Orders
Brookpark Rapid Transit Station Rehabilitation
Fiber Optic Network Replacement
Elevator/Escalator Maintenance
Marketing/Advertising Consultant
Supplemental Paratransit Services
Third-Party Risk Assessment
Tire Lease/Services
Towing
Track Replacement
U-Pass Programs (CSU, CWRU, CCC)
Vehicle Purchases
Vehicle Warranty Program

Internal Audits

Claims Processing
Construction Management Standards
Customer Service Center Operations
Facilities Access System
Environmental Management System – ISO 14001
Fare Collection System Maintenance
Fuel Hedging Program
Internal Audit – Internal Assessment
IRS I-9 Employment Form Review
Paratransit Eligibility
Petty Cash
Purchasing Card Program
Safety System Program Plan
Service Quality Operations
Transit Police Compensation Time
Signal Maintenance Program
Transit Police System Security Plan
Travel Expense Reimbursement
Work Orders – Controls Review

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

2017 INTERNAL AUDIT PLAN

Information Technology Audits

Accrued Leave
Data Backup & Recovery
Health Care Claims
Information Technology Systems Security
Software License Agreements
Telephone System Replacement

Continuous Auditing Program - *

Accounts Payable
Accounts Receivable
Fuel Expense
Inventory Management
Payroll
Revenue Collection

External Audits

Ohio Department of Transportation
Federal Transit Administration
State of Ohio – Office of the Auditor
US Department of Homeland Security

Revenue Audits

Fare Evasion
Fare Media Inventory
Lease Revenue
Mobile Ticketing
Special Event Collections

Staff Training
Audit Recommendation Follow-up
15% of budgeted hours will be reserved for Special Requests and/or Emerging Issues

**Continuous Auditing is achieved through the use of audit software tools to assure the internal control system is functioning to detect fraud, errors and waste.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

COMPLETED PROJECTS

GCRTA Employee Travel & Expense Account Reimbursements

Purpose:

The Internal Audit Department reviews all employee travel expenses to ensure they are properly approved and are reimbursed in accordance with the Authority's policies and procedures.

Scope:

Internal Audit reviewed all requests for employee travel expense reimbursements for the period April 1, 2017 through June 30, 2017 prior to cash disbursement. The review included tests for allowability, reasonableness and timeliness.

Results:

All requests were reviewed and, if necessary, adjusted to comply with applicable policies and procedures.

Customer Fare Collections

Purpose:

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

Scope:

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

Results:

No exceptions were noted during the Second Quarter 2017.

Vehicle Purchases – (29) 40-ft. Low-Floor Diesel Coaches

Purpose:

Contract 2013-100 Change Order with Gillig, LLC, was authorized for the purchase and delivery of up to twenty-nine 40-ft. low floor diesel coaches, training, special tools and spare parts.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

COMPLETED PROJECTS

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

Scope:

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

Results:

(29) Bus Order: Audit staff completed Pre-Award Review. This included an on-site review of contractor records, toured the manufacturer's final assembly plant, and reviewed GCRTA records. Both the contractor and GCRTA management complied with federal regulations. Considering this result, GCRTA management issued Notice to Proceed with the contract change order. These vehicles will be manufactured for delivery during the Third Quarter 2017.

Internal Audit will conduct the Post-Delivery Review prior to transfer of vehicle titles or placing the vehicles into revenue service.

Special Event Collections - St. Patrick's Day/Cleveland Indians Opener

Purpose:

Special events require extraordinary resources, the sale of unique fare media, processes to collect fares and processes to manage customer traffic flow.

Scope:

Internal Audit evaluated the internal controls in place to achieve the management objectives:

- Fare media printing and handling
- Cash Collection
- Human Resource deployment and overtime management

Results:

Internal Audit staff was deployed to several locations to observe, test and evaluate management activities and internal controls in place for special event collections. The Revenue Department internal controls for special event fare media printing and handling, cash collection and reconciliation, and coordination between other departments and contractors were in place and working effectively. No exceptions were noted.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

COMPLETED PROJECTS

The Rail Transportation business unit managed the assignment of operators used to deliver service and collect fares. Internal controls were in place to capture regular time and overtime. No exceptions were noted.

The Marketing Department managed the deployment of human resources to support the special event. Internal controls were in place to and working effectively to coordinate human resources, fare media handling and revenue collection. No exceptions were noted.

Internal Audit observed special event activities throughout the service area on the closed-circuit camera system. Staff also observed activities within the Transit Police Command Center. No exceptions were noted.

Tower City - Customer Service Center

Purpose:

The Tower City – Customer Service Center (CSC) is a GCRTA sales outlet for customers to purchase fare media (tickets) and pay fare violation fines; a customer lost & found center, a customer information center; and provides other services for customers. The CSC employees handle cash, credit card payments and ticket inventory.

Scope:

Internal Audit Staff conducted un-announced (surprise) audits to reconcile cash, ticket consignment and other assets. We also evaluated internal controls and management processes.

Results:

An employee fraud was discovered in 2016. The Marketing Department implemented the following recommendations and completed the following actions:

- The Customer Service Center Supervisor hired (3) Tower City Service Center Information Clerk/Tellers and the Tower City Service Center Assistant Supervisor/Head Teller.
- The Marketing Department worked with the Accounting Department to develop a new consignment for fare media (tickets).
- Physical security for assets and employees are enhanced.
- A Transit Police Officer is assigned to support the Tower City Customer Service Center.
- Internal controls were enhanced to safeguard and account for cash, cash equivalents and other assets.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

COMPLETED PROJECTS

Internal Audit reviewed the effectiveness of the internal controls. We provided a comprehensive evaluation. We continue to recommend management implement a computerized point of sale system.

Management is developing a procurement for the point of sale system.

Access to Fuel and Fluids – (FleetWatch System)

Purpose:

The GCRTA utilizes a computerized system to manage the use and expense of fuel and fluids including diesel fuel, gasoline, propane compressed natural gas, brake fluid, engine oil, transmission fluid, and other fluids. The annual expense for fuel and fluids is significant.

Scope:

Internal Audit evaluated the following:

- End-user system accounts with access to fuel and reports
- Physical controls at the fuel and fluid dispensing locations

Results:

Internal Audit staff used audit software to reconcile all of the FleetWatch System end-user accounts with the Human Resources Information Systems active employee database. We worked with the system administrator. As of May 1, 2017, the FleetWatch end-user account database includes only active employees. Internal Audit will develop a continuous audit script to evaluate the end-user accounts on a regular basis.

Internal Audit surveyed management to evaluate employee access to the FleetWatch System. The result was many accounts were deactivated, some accounts were added. Access to the system is based on role and need.

The system administrator has a process to maintain the FleetWatch end-user account database. Accounts can be deactivated without loss of data history.

Internal Audit staff tested the point of dispense at various locations. Internal controls are in place and working effectively, no exceptions were noted.

Note: Management engaged Cuyahoga County Law Enforcement in a pilot program to provide gasoline for their law enforcement vehicles. Controls are in place to secure access, capture gasoline dispensed and costs. An invoice is prepared and sent to Cuyahoga County on a monthly basis. Internal Audit is conducting an audit to evaluate the effectiveness of controls and this program. The pilot program is scheduled to expire in September 2017. We will provide management the results of our evaluation.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

PROJECTS IN PROGRESS

Health Care Benefits - Claims Audit

(Board Resolution – 2010-081 - Medical Mutual of Ohio)

(Board Resolution – 2011-094 - Caremark PCS Health, LLC (Caremark))

(Board Resolution – 2010-083 - MetLife Securities, Inc.)

Purpose:

GCRTA employee health care benefits expense totals approximately \$20,000,000 annually. The Board of Trustees authorized:

Contract No. 2010-72A with Medical Mutual of Ohio to provide medical plan insurance coverage;

Contract No. 2011-108 with Caremark PCS Health, LLC (Caremark) to provide a managed prescription drugs benefit program; and

Contract No. 2010-72C with MetLife Securities, Inc. to provide dental insurance coverage

Scope:

Internal Audit will perform a healthcare claims audit to evaluate third-party administrator compliance with respective plan designs and contract terms and conditions for the period January 1, 2012 through December 31, 2014.

Update:

Field work is complete for the period January 1, 2012 through December 31, 2013. The audit identified several issues to discuss with the respective third-party administrators. We engaged an audit consultant to co-source this work.

Contract provisions require us to complete the 2-year audit before we can analyze the 2014-15 calendar year claims.

Information Technology Security

Purpose:

Management relies on data from a variety of business and intelligent transportation systems. Audit staff will evaluate controls over user access to GCRTA mission critical systems.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

PROJECTS IN PROGRESS

Scope:

The scope of the audit is to evaluate whether user access to GCRTA's network, applications and data is adequately controlled, including the process for granting, maintaining and removing such access. We will also evaluate administrator rights, password management and policy awareness.

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

Purpose:

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

Scope:

Internal Audit will evaluate compliance with the agreement.

GCRTA – Case Western Reserve University Student Universal Access Fare Program (U-Pass Program)
(Board Resolution 2008-127)

Purpose:

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

Scope:

Internal Audit will evaluate compliance with the agreement.

GCRTA – Cuyahoga Community College Student Universal Access Fare Program (U-Pass Program)
(Board Resolution 2015-62)

Purpose:

The GCRTA entered into an agreement to provide prepaid and universal access to public transportation services. GCRTA and CCC agreed upon a semester rate, with an

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

PROJECTS IN PROGRESS

escalation clause through 2021. Students are able to ride GCRTA services on an unlimited basis during the semester.

Scope:

Internal Audit will evaluate compliance with the agreement.

Workers' Compensation/Third-Party Claims - Process Review

Purpose:

The Legal Division contracted with an insurance company to evaluate internal controls and processes to manage workers' compensation and third-party claims.

Scope:

- Effective use of the computerized risk management computer system
- Tests of risk factors identified through an assessment of various processes

Human Resources Hiring Process

Purpose:

The objective of the audit is to assess the efficiency and effectiveness of the Authority's current hiring process.

Scope:

- Evaluate the consistent application of hiring policies and procedures
- Evaluate the staffing levels and workloads of Human Resources employees
- Review a sample of recruitments performed by Human Resources, including reviewing applications, resumes, scoring and final selection

Transit Police - Compensation Time

Purpose:

The Collective Bargaining Agreement between GCRTA and the Transit Police provides Transit Police Officers will receive Compensation Time for specific activities, including court appearances and other services. Employees can bank, use time in lieu of hours worked and elect a cash payment for time earned.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

PROJECTS IN PROGRESS

Scope:

Internal Audit will evaluate the internal controls in place to achieve the management objectives and compliance with the Collective Bargaining Agreement provisions:

- Capture and recording of time earned
- Processing of time earned in lieu of work hours
- Cash payment of time earned

Main Office Building - ADA Customer Service Center

Purpose:

Customers who are unable, as a result of a physical or mental impairment, may qualify to use GCRTA Paratransit services as outlined by the Americans with Disabilities Act. These customers are required to complete an application. GCRTA management reviews the application to evaluate eligibility. Customers, approved to use Paratransit Services are included in a computerized system, which is used to schedule trips.

Scope:

Internal Audit Staff will evaluate the internal controls in place to achieve the management objectives and compliance with ADA laws and regulations:

- Application evaluation and reconciliation with the computerized system
- Cash handling
- Paratransit Customer Identification Badge processing
- Database management and records retention

Petty Cash

Purpose:

GCRTA Administrative Procedure 003 - Petty Cash provides the standards to establish accounts, use the funds, custodial responsibilities and account close-out. The procedure states Internal Audit will perform cash counts of funds, at least annually.

Scope:

Internal Audit will evaluate the internal controls in place to manage Petty Cash accounts:

- Reconcile the Petty Cash Accounts Log, Custodians and Alternate Custodians with Petty Cash Account Agreements;
- Compare Custodian and Alternate Custodian assignments with Human Resource Information System records;

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

PROJECTS IN PROGRESS

- Evaluate the account replenishment activity;
- Count Petty Cash Funds
- Evaluate compliance with GCRTA Administrative Procedure 003

Tire Lease Contract – Goodyear Tire and Rubber Company
(Board Resolution No. 2014-95)

Purpose:

The Internal Audit Department assesses organizational risk, including contracts with third-parties. Management outsources the maintenance of vehicle tires services.

Contract No. 2014-056 with Goodyear Tire and Rubber Company for furnishing tire and wheel maintenance services and for leasing radial tires. The contract period is five years at a total contract amount not to exceed \$5,584,021.

Scope:

Internal Audit staff will evaluate the contractor's compliance with terms and conditions of agreement. We will also evaluate the effectiveness of the coordination between district operations and the contractor to provide the specified services.

Employee/Contractor Identification Badges

Purpose:

GCRTA Human Resources is managing an identification badge replacement program. All employees will receive a new ID badge. ID badges are used to access facilities, computerized systems and is an additional means to establish a safe community for employees, contractors and customers. ID badges are also used to ride the public transportation system.

Scope:

Internal Audit will evaluate the execution of the project plan:

- Old badges should be returned and destroyed
- The coding or color system for employees, retirees and contractors
- Access to facilities and computer systems
- Other controls analysis

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

PROJECTS IN PROGRESS

Environmental & Sustainability Management System – ISO 14001

Purpose:

The Board of Trustees and Management created a policy statement and commitment to evolve best practices on environmental and sustainability management at the GCRTA. The policy provides management will utilize sound business practices that measure and improve environmental performance.

The ISO 14001 standard represents a core set of standards used by organizations for designing and implementing an effective Environmental & Sustainability Management System (ESMS).

The standards include an annual internal audit component to evaluate conformance.

Scope:

Hayden District

- Determination of the extent of conformity with the management system to be audited, or parts of it, with audit criteria;
- Determination of the extent of conformity of activities, processes and products with the requirements and procedures of the management system;
- Evaluation of the capability of the management system to ensure compliance with legal and contractual requirements and other requirement to which the organization is committed;
- Evaluation of the effectiveness of the management system in meeting its specified objectives;
- Identification of areas for potential improvement of the management system.

Automatic Passenger Counters

Purpose:

Management captures ridership data on several bus fleets, the Health Line and the Red Line through automatic passenger counters. Ridership data is used by internal business units and third-parties for a variety of reasons, including funding allocation and deployment of resources.

Scope:

Internal Audit staff will evaluate the accuracy of capturing and reporting data. We will compare this data with farebox collection data and for use to deploy resources.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

PROJECTS IN PROGRESS

Continuous Auditing

Purpose:

Continuous Auditing defines the technologies and processes that allow an on-going review and analysis of business information on a real time basis. Internal Audit will monitor specific information electronically and incorporate the use of intelligent agents, computer modeling and other software tools. Continuous auditing will give end users of information more timely assurance that information is correct and may eventually lead to continuous reporting where business information is updated and published as events occur.

Scope:

The General Manager identified and monitors “Key Performance Indicators.” These include Revenue and Absence Control. Internal Audit will assist management to develop continuous “monitoring” queries to provide management “real time” information to meet organizational goals. Internal Audit will develop continuous “auditing” queries to test for compliance and control risk.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

SPECIAL REQUESTS AND EMERGING ISSUES

Transit Police Wage Increase

Purpose:

The Deputy General Manager of Human Resources requested an audit to evaluate the wage increase paid to the Security Officers, Dispatchers, Transit Police Officers and Transit Police Sergeants during the period March 1, 2016 through February 28, 2017.

These employees are members of the Fraternal Order of Police, Ohio Labor Council, Inc. Several Transit Police Officers self-reported an overpayment of a lump sum retroactive wage increase payment to management.

Scope:

The audit included all wages paid to active FOP employees during the period March 1, 2016 through February 28, 2017. The audit standard was the Collective Bargaining Agreement between the GCRTA and FOP, effective March 1, 2014 through February 28, 2017.

Results:

Internal Audit issued a report to management providing the following:

- Due to a data processing error, all of the full-time FOP member employees received an overpayment. The total overpayment is \$51,726.80.
- (9) FOP member employees separated from service prior to the lump sum wage increase payment. GCRTA management owes these former employees different amounts, depending on their termination date. The total underpayment is \$1,236.02.
- (2) FOP member employees were promoted to Lieutenant, a non-bargaining position. GCRTA management owes these employees a total of \$505.73.

Per the request of management, Internal Audit presented the findings to the FOP leadership. Management and the FOP are negotiating the timing to recovery overpayments from employees and to pay the underpayments to employees.

We also identified a number of FOP member employees were underpaid after “filling-in” as supervisors. We identified the root cause was a manual process error. Internal Audit will work with Transit Police management to recalculate fill-in pay in accordance with the collective bargaining agreement.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

SPECIAL REQUESTS AND EMERGING ISSUES

Paratransit Operations

Purpose:

In February 2015, as a result of a routine audit, RTA identified some issues regarding the dispatching and use of Paratransit services.

Scope:

Internal Audit is evaluating the Paratransit Dispatch Office operations. These activities include:

- Timekeeping
- Scheduling
- Operator Supervision

Update:

Between February 10, 2015 and March 22, 2015, Internal Audit and Transit Police conducted a joint investigation, including interviews of management, dispatchers, operators and schedulers (17 employees). We summarized our findings to meet with GCRTA management, including GCRTA Legal.

Internal Audit reviewed internal controls to identify root cause and provide management recommendations. These recommendations were implemented immediately.

The matter was referred to the County Prosecutor's Office in March 2015. The County Prosecutor referred the matter to the United States Attorney's Office – Department of Justice. GCRTA Internal Audit supported the investigation conducted by the Federal Bureau of Investigation and United States Department of Transportation – Office of the Inspector General. We were informed to suspend our internal investigation. The matter was referred back to the County Prosecutor in August 2015. On January 28, 2016, (2) former GCRTA employees and (1) active employee were indicted by a Grand Jury and various charges of fraud, theft in office and theft.

The former RTA employees were sentenced by Cuyahoga County Common Pleas Court Judge Joan Synenberg.

On August 2, 2016, Dispatcher (A) pled guilty to theft in office, a fourth-degree felony. The former Paratransit dispatcher retired last year, after the investigation into this case began. She was ordered to pay \$4,241.74 restitution to GCRTA, and perform 20 hours of community service within 6 months.

On July 28, 2016, Dispatcher (B) was convicted of unauthorized use of property/computer system, a misdemeanor. A former GCRTA employee, she had

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

SPECIAL REQUESTS AND EMERGING ISSUES

worked for a company that contracted with GCRTA to provide Paratransit rides. She was ordered to pay \$2,524.73 in restitution to GCRTA and perform 500 hours of community service, preferably to a Veteran's organization.

On May 25, 2016, Dispatcher (C) was sentenced to a diversion program. A former Paratransit dispatcher, she was fired from GCRTA.

The County Prosecutor removed the investigation suspension. Internal Audit completed the internal investigation.

We are working with GCRTA Legal and Risk Management to recover the financial loss through a crime insurance claim.

We will issue a final report after completion of the investigation.

Tower City Customer Service Center Operations

Purpose:

The Transit Police Chief requested audit services to evaluate internal controls and processes at the Tower City Customer Service Center.

Scope:

Audit staff will interview employees, review management controls and support the Transit Police as requested.

Update:

The Internal Audit completed the field work for the internal investigation. Management crisis suspended and terminated the employment of several employees. The matter was referred to the Cuyahoga County Prosecutor, who decided not to prosecute the former employees.

Management immediately implemented Internal Audit recommendations to mitigate the risks of employee fraud, waste and abuse. The Tower City Customer Service Center was re-opened to service GCRTA customers.

We are working with GCRTA Legal and Risk Management to recover the financial loss through a crime insurance claim.

We will issue a final report after completion of the investigation.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

SPECIAL REQUESTS AND EMERGING ISSUES

Health Care – Pharmacy Claims Expense

Purpose:

The Executive Director of Internal Audit initiated an audit to evaluate the costs of employee and their eligible dependent pharmacy claim expenses.

Scope:

Claims processed by the third-party pharmacy claims processor for the period January 1, 2014 through June 30, 2016.

Update:

The Internal Audit completed the field work for the internal investigation. Management crisis suspended and terminated the employment of several employees. The matter was referred to the Federal Bureau of Investigation, the United States Attorney and the Cuyahoga County Prosecutor.

Management immediately implemented Internal Audit recommendations to mitigate the risks of employee fraud, waste and abuse.

We are working with GCRTA Legal and Risk Management to recover the financial loss through a crime insurance claim.

We will issue a final report after completion of the investigation.

Employee Vacation Account Balances

Purpose:

The Human Resources Information System Manager requested a special audit to review employee vacation accounts. She identified unreconciled differences between the payroll system balances and the time & attendance capturing system balances.

Scope:

Internal Audit will evaluate the employee accounts, system control risks and root causes to determine the scope for audit. Staff will re-calculate account balances and recommend adjustments for management consideration.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

SPECIAL REQUESTS AND EMERGING ISSUES

Fare Evasion – Internal Controls Review

Purpose:

The General Manager/Chief Executive Officer requested an audit to estimate the rates of fare evasion and compliance. The secondary purpose is to analyze results by time and geography; and identify any trends in fare evasion.

Scope:

The scope for this audit is monitoring fare compliance and evasion for passengers required on the Red Line, Green Line, Blue Line and Health Line modes of transit. Data will be collected during various time periods and locations.

Main Office Building Parking Garage

Purpose:

A GCRTA Associate Counsel requested a compliance audit of the Reciprocal Operating and Easement Agreement by and between Lakeside Complex Limited Partnership and the GCRTA.

Scope:

Validate the existence, accuracy, completeness and apportionment of the Common Expenses per the terms and conditions of the Reciprocal Operating and Easement Agreement.

Vehicle Advertising

Purpose:

A Procurement Contract Administrator requested a contract audit to evaluate compliance with terms and conditions to transfer assets and sales transactions between the former and existing contractor.

Scope:

Internal Audit will evaluate compliance with the terms and conditions of both contracts.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

SPECIAL REQUESTS AND EMERGING ISSUES

Tuition Reimbursement Program

Purpose:

The Executive Director of Internal Audit directed audit staff to conduct a full-scope audit of the GCRTA Tuition Reimbursement Program.

Scope:

Internal Audit staff will review employee account records for period of time to be determined.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

EXTERNAL AUDIT COORDINATION AND FOLLOW-UP

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 First Quarter 2016:

- State of Ohio – Office of the Auditor
 - The State of Ohio – Office of the Auditor conducted the 2016 Financial/Single Audit.
 - The State Auditor released the audit report on July 17, 2017.

- State of Ohio – Ohio Department of Transportation (ODOT)
 - 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. Recommendations and required corrective actions will be tracked through implementation. Audit staff will review supporting evidence to close-out outstanding issues.

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

STATUS OF OUTSTANDING FOLLOW-UP

The International Standards for the Professional Practice of Internal Audit provides:

- 2500 – Monitoring Progress
 - “The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”
 - “The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”

(See the Recommendation Implementation Tracking Report on the next page)

The report is generated from the GCRTA Internal Audit Department audit management system (TeamMate). All outstanding issues and recommendations from internal and external audits and reviews are tracked within the application module (TeamCentral).

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

**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
APRIL 1, 2017 THROUGH JUNE 30, 2017**

STATUS OF OUTSTANDING FOLLOW-UP

Recommendation Implementation Tracking

Recommendation	Project Code	Issue	Estimated Date	Revised Date	Owner
<u>Reevaluate Change Card configurations</u>	2015 - RA - 03 - Farebox Change Cards	Change Cards have embedded transfers	12/31/2015	6/30/2017	Lively, Michael
<u>Tablet installation</u>	2015 - SP - 06 - Transit Police - 07/26/15 Incident Handling - Special Investigation	Standard equipment for all TP vehicles	12/31/2015	9/20/2017	O'Neil, Sean
<u>Upgrade the Fare Collection System</u>	2015 - RA - 03 - Farebox Change Cards	GFI software outdated	1/31/2016	6/30/2017	Lively, Michael
<u>Employee Background Checks - Customer Service Center</u>	2016 - SP - 04 - Tower City Customer Service Center Investigation	Employee Background Check	4/29/2016	9/30/2017	Jaszczak, Elizabeth
<u>Use of Yardpersons to Operate Railcars in Revenue Service</u>	2015 - IA - 18 - Rail Yard Operations	Use of Yardpersons to Operate Railcars in Revenue Service	6/30/2016	3/31/2018	Thompson, Sean
<u>Point of Sale System - Cash Register</u>	2016 - SP - 04 - Tower City Customer Service Center Investigation	Point of Sale System - Cash Register	6/30/2016	8/31/2017	Perez, Hilda
<u>Create Crew Chief Position</u>	2016 - SP - 01 - Railcar Cleaning	Closing Work Orders - Cleaning Railcars	8/31/2016	9/30/2017	Blaze, Casey
<u>Customer Service Center Facility and Equipment</u>	2016 - SP - 04 - Tower City Customer Service Center Investigation	Customer Service Center Facility and Equipment	8/31/2016	12/29/2017	Perez, Hilda

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OTHER PROJECTS

Fraud Hotline

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

Information Technology Steering Committee

The Chief Information Officer chairs this committee. The purpose of this committee is to oversee, analyze and prioritize the overall technology needs of the Authority.

Change Order Review Committee

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

Second Quarter 2017 Change Orders:

- Board of Trustee Resolution – 2017-06:
Contract No. 2013-100 with Gillig, LLC, for the manufacture and delivery of up to (29), 40-foot low-floor clean diesel coaches, training, special tools and spare parts.

- Board of Trustee Resolution – 2017-039:
Contract No. 2014-040 with Applied Graphics, Ltd. for the procurement of Bus Exterior Graphics Production and Installation Services for up to (29) coaches.

System Security Program Planning Committee

The Deputy General Manager of Operations created this committee. The purpose of this committee is to oversee, analyze, and prioritize the overall system security needs of the Authority. The Transit Police provide the agenda for the quarterly meetings.

TransitStat

The Executive Director of the Office of Management & Budget created this Program. The purpose of this Program is to provide management feedback and the resources to self-assess. The program is designed to improve the efficiency and effectiveness of management. Internal Audit serves as a panel member and a resource to management.

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STAFF TRAINING

The following training was provided to Audit Staff during the Second Quarter 2017:

Northeast Ohio Internal Audit Local Chapter

- Your Part in Building an Effective Internal Audit Department & Enhancing Its Success
- Managing Millennials
- Federal Bureau of Investigation – Cybersecurity Case Study on the Attack of the Ukrainian Power Grid & Cybersecurity Trends on a Personal and Business Level

Northeast Ohio Association of Certified Fraud Examiners

- Using the Internet for Fraud Investigations
- Ethics

Northeast Ohio Information Systems Audit and Control Association

- None

GCRTA

- None

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STAFF PROFILES

Anthony A. Garofoli Executive Director of Internal Audit	Anthony joined the GCRTA on September 23, 1996. He earned his BBA in Accounting from Cleveland State University. Prior to joining the GCRTA, he worked 16 years in progressively responsible positions for the Office of the Auditor of the State of Ohio. His experience includes financial audits of State and Local Governmental Units; fraud Investigations; contract compliance, operational and internal audits. He has earned several certifications.
Anthony Ghanem Senior Auditor	Anthony joined the GCRTA on June 4, 2012. He earned his BA in Economics and International Studies from Case Western Reserve University and his Master's Degree in Public Administration from Cleveland State University. He is a graduate of the GCRTA Management Development Program.
Bonson Yee Information Technology Auditor	Bonson joined the GCRTA on September 6, 2005. He earned his BBA in Accounting from Cleveland State University. Bonson is a Certified Information Systems Auditor.
Edward Gaio Staff Auditor	Ed joined the GCRTA on February 21, 2006. He earned his BA in Criminal Justice and a BBA in Finance from Kent State University. Edward is a Certified Fraud Examiner.
Maria Shurik Staff Auditor	Maria joined the GCRTA on June 1, 2014. She earned a BA in Urban Studies and her Master's Degree in Public Administration from Cleveland State University. She is a graduate of the GCRTA Management Development Program.
Steven Zimmerman Staff Auditor	Steven joined the GCRTA on June 1, 2015. He earned a BS in Biology from Cleveland State University and his Master's Degree in City and Regional Planning from Rutgers University. He is a graduate of the GCRTA Management Development Program.
Wali Shariff Business Analyst	Wali joined the GCRTA on February, 2016. He earned his BA from The Ohio State University and is currently working towards his Master's Degree in Public Administration at Cleveland State University. Wali was selected to participate in the GCRTA Management Development Program and completed an Internal Audit Department rotational assignment for 2 months.
Molly O'Donnell Summer Intern	Molly joined the GCRTA on May 28, 2017. She is earning her degree, studying at Miami University in Oxford, Ohio.
Neletre Burts-Tolbert Secretary	Nell joined the GCRTA in 1990. In addition to her clerical and administrative responsibilities, she assists the Executive Director and Audit staff with a variety of specialized audit support services.