

Minutes

RTA Audit, Safety Compliance and Real Estate Committee Meeting

11:04 a.m. September 11, 2018

Committee Members: Moss (Chair), Lucas (Vice Chair), McCall and Welo

Other Board Members: Clough, Elkins, Norton and Serrano

Not present: None

Also Present: Anderson, Anthony, Barrett, Benford, Bennett, Bitto, Bobich, Brooks-Williams, Burney, Calabrese, Catalusci, Caver, Cottrell, Cranford, Czeck, Dangelo, Davis, Dietrich, Draper, Eaton, Feliciano, Ferraro, Fields, Ford, Gaio, Garofoli, Gautam, Gillan-Shafron, Harrison, Jaszczak, Jones, Kirkland, Krecic, Lee, Lewis, Lively, Loh, Lozada, Macko, Manning, Marcano, Pickett, Schipper, Shariff, Sutula, Tarka, Temming, Tyler, Vukmanic, Weil, Wiehe, Young, Zeller

Ms. Moss called the meeting to order at 11:04 a.m. The secretary called the roll and reported that four (4) committee members were present.

Internal Audit Quarterly Report – 2nd Quarter

Tony Garofoli, internal audit director, made the presentation. As a follow-up to the question about compound drug issues mentioned earlier in the healthcare program presentation, the healthcare proposers were asked about their compound drug strategy. They all had one in place and were aware of the national fraud. The current contractor and candidate for the next contract has a robust program in place.

Pages 3-5 shows the Internal Audit Plan. They have been working on a number of special investigations, but they are getting back to addressing items in the plan. Pages 6-8 show completed projects, which include employee travel reimbursement, CNG bus purchase, paratransit vehicle purchase and ADA Customer Service Center in the Main Office. A number of recommendations were made to management. The ADA project has been transitioned from the Marketing department to the Paratransit District. All of the paratransit vehicles are in revenue service. The contractor and management have complied with all federal requirements.

The continuous auditing section on P. 9 is new and was created to take advantage of their Business Intelligent Systems to continue to audit a high volume of transactions. They use this system on customer fare collections and purchasing cards. Collections were made every day and deposited and posted to the general ledger. The purchasing card transactions are reviewed in real time to identify red flags that need to be addressed. Pages 10-14 show 12 projects in process that are in various stages. Pages 15-20 show 12 special request. They are working with the crime insurance carrier and a forensic accountant. They hope they will come to a resolution soon. There was a request from the acting director of Office of Business Development regarding a question of DBE fraud at the Warrensville substation demolition project. No fraud activity was found.

In regards to external audit coordination, the Auditor of State made a presentation in June. The final report was released on July 12, 2018. Next week the FTA will be on site to conduct a

review of the DBE program. Late last year, FTA audited the Authority's Civil Rights Title VI program. The OEO department under Felicia Brooks-Williams cleared all the outstanding issues and have implemented all the corrective action items. ODOT will be on site at the end of the month doing a Triennial review of the Safety and Security Oversight for rail. Internal Audit's role with external audits is to ensure to maximize the risk coverage, working with the auditors and minimizing duplications of efforts. Their findings will be included in their tracking system for follow up with management.

Ms. Moss thanked Tony for the work that he and his team has done.

Internal Audit Charter

Tony Garofoli, internal audit director, made the presentation. Ms. Moss said that Tony could give an update today, but likely this item will be tabled for the Board's Adhoc Bylaws Review committee to consider. He provided a folder with the Internal Audit section of the RTA bylaws. He will recommend changes to the Adhoc Bylaws Review committee. Today he is asking the Board to consider a repeal and enactment of a new Internal Audit charter. A redline version of the old charter is included and was last approved by the Board in 1992. It was developed when the Authority was coming off procurement sanctions by the FTA in the mid-1980's. The charter is not in compliant with the Professional Standards from the Institute of Internal Audit.

Also included in the package is a guide for implementation of a new Internal Audit charter as promulgated by the regulatory board of the Institute of Internal Auditors. The package also contains an executive summary of the changes and the new charter. With Dawn Tarka's help, it was formatted with the other Board changes in the Board Policy book. It should be changed every few years per the Internal Audit standards. He request the committee consider moving this to the September 18 Board meeting for approval. This is the full repeal of the Internal Audit charter. The second paragraph of the executive summary includes items that will stay the same. The IA department will establish an independent objective assurance function for the Authority as well as being the inspector general for the Authority. The charter continues to require an annual audit plan, but the proposed amendment focuses on risk-based planning and alignment with the Authority's strategic objectives. The executive director of IA will continue to report functionally to the Board and administratively to the GM/CEO. Quarterly reports to the Board will remain.

To modernize and to comply with Internal Audit Professional Standards, additions to the audit charter include the executive director's unrestricted access to the Board, review and study the charter amendments by the audit committee before recommendation of the Board, a Quality Assurance Improvement program for the department and expanding requirements for the department's objectivity and independence. The proposed charter will also include the mission and responsibilities of the department as the inspector general for the Authority and defines the Authority and responsibilities of the Board regarding the IA department. In line with the Standards, the charter will enable them to perform consulting engagements for the organization.

Elements of the existing charter that will not be included in the new charter are items that should be in the audit policy department manual. They include elements of how they will draft and review final audit reports and how they will work with and follow up with management to implement corrective actions.

Mayor Welo said they would like to meet more on this first before they move it to a board meeting for approval. Since this is a lot of material, the committee and board didn't feel comfortable moving it forward today. All board members are welcome to attend the bylaws committee meeting. Chief McCall recommended it start with the bylaws committee and come back to this committee. This needs to be done as part of an overall internal management analysis. The board should move in a direction to procure an external look at inside operations.

Coach/Megabus License Agreement

Jim Rusnov, real estate manager, made the presentation. This is a renewal of an agreement. Megabus, USA requested a renewal of their license agreement for use of the Stephanie Tubbs Jones Transit Center, providing their intercity service between Cleveland and Chicago and Cleveland and New York City. Staff proposed a two-year license agreement at \$28,000 per year as a license fee. This represents a 17% increase in the current fee. They have been operating at the transit center since late 2013 with no significant operational or security issues. By requirement, concurrence was secured from Cleveland State University.

Chief McCall reminded the committee that this was previously a big issue because Megabus was not regulated as far as where they picked up their customers. It was more of a safety issue. There were complaints from businesses and city traffic engineers. RTA took the lead to work with Megabus to find a solution. There have not been any complaints since then. The Board required approval from CSU. Mayor Welo has used the service and agrees that it is much safer. Mayor Elkins asked if Megabus agreed to the increase. Jim confirmed. The license is a negotiated price.

It was moved by Mayor Welo, seconded by Chief McCall and approved by unanimous vote to move to the full Board for consideration.

Lamar Advertising License Agreement

Jim Rusnov, real estate manager, made the presentation. This license agreement will consolidate multiple existing agreements with Lamar Advertising of Cleveland into a single license agreement for six outdoor advertising locations. The proposed license term is for five years, with one option period for an additional five years, exercised by a mutual agreement. Lamar or their corporate predecessors have leased RTA property for billboard locations since 2004. Some older agreements with other companies originated in the 1980's. The proposed license fee of \$105,000 represents a 13% increase in the revenue for RTA over the existing arrangement. The option period fee increases to \$113,400, an 8% increase. This license term will enable Lamar to invest in new technology in most of these billboard locations. By consolidating the existing agreements into a single agreement, RTA will save administrative time and cost for managing this program, improve site management and save on revenue collection cost.

Ms. Moss noted that a number of these agreements have had different expirations. This is being consolidated to have one contract. Chief McCall asked to see some value comparison based on what Lamar may be paying other properties. She asked what the current agreements are and what is currently being paid. Jim said that in his analyses of the existing arrangement over the last seven years, the most RTA received in revenue was \$92,000 for seven locations from Lamar and their corporate predecessor, Clear Channel. He did a county-wide survey to determine what advertising companies typically pay in a license or lease arrangement for

billboard locations. The fee he proposed, which was a protracted negotiaion that took several months, is reflected of current market rates. Additionally, one of the billboard locations was eliminated due to construction at the Triskett Rapid Station, so they are paying significantly more for six locations, where previously they had seven locations. Chief McCall said she would still like to see the other information in advance of the September 18 Board meeting.

It was moved by Chief McCall, seconded by Mayor Welo and approved by unanimous vote to move this to the full board.


Real Estate Update

Jim Rusnov, real estate manager, made the presentation. Construction activity at the W. 65 Street Eco Village Transit Station for the Aspen Place Apartments is proceeding as scheduled. The building is scheduled to open in January 2019. Construction is proceeding on schedule at the Triskett Rapid Station for the new Horizon Education Center scheduled to open in March 2019. The facility is licensed to serve 220 children. The Windermere In & Out Café at the Louis Stokes Windermere Transit Station is open for breakfast and lunch. They will extend hours after they gauge the late afternoon and evening demand. He reported that the food is good and has been well received by employees and customers. Century Federal Credit Union opened their offices at the Hayden District, offering financial services to RTA employees and their families.

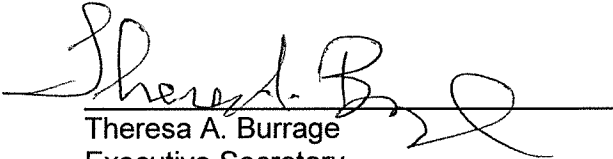
RTA issued a RFQ inviting developers to propose for the Columbus Road TOD site. The TOD site is strategically located between the Ohio City Market District and the Duck Island neighborhood. Both neighborhoods, adjacent to this site are experiencing dramatic reinvestment and considerable new development. The RFQ was posted August 27, with responses due October 11. The administrative goal is to present a development agreement to the Board in February, 2019. The goals are to produce a high density, mixed used TOD project resulting in increased ridership at the W. 25th Street Station and to increase revenue as a result of this development. This is a thriving corridor and a unique opportunity for RTA. Initially there has been significant interest in the RFQ.

Rev. Lucas asked for an update on the diner at the Shaker Square Rapid Station. Jim has presented drawings to the City of Cleveland, to proceed through their design review process. When that is concluded, a set of construction documents will be available for permitting. The plan is to get the tenant and the contractor to begin work in early 2019.

The meeting was adjourned at 11:37 a.m.



Floun'say R. Caver, Ph.D., Interim CEO
General Manager/ Secretary-Treasurer



Theresa A. Burrage
Executive Secretary