



GREATER CLEVELAND
REGIONAL TRANSIT
AUTHORITY

**INTERNAL AUDIT
QUARTERLY REPORT
Fourth Quarter - 2022**

February, 2023



**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
OCTOBER 1, 2022 THROUGH DECEMBER 31, 2022**

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INTRODUCTION

Presented herein and in accordance with Board Policy is the report of the Internal Audit Department activities for the Fourth Quarter 2022. The report outlines work performed, recommendations and management's responses, including specific steps for the implementation of all agreed-upon recommendations and other pertinent data.

The purpose of the Greater Cleveland Regional Transit Authority's Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve GCRTA's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department helps GCRTA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

We will respond to requests for assurance and consulting services in a timely manner. Please contact me at (216) 356-3106 to service your requests.

The Internal Audit Department functions as the inspector general for the GCRTA. The mission of the inspector general is to detect and deter waste, fraud, abuse, and misconduct in GCRTA programs and personnel, and to promote economy and efficiency in those programs. These responsibilities include initiating and conducting inspections and investigations of GCRTA operations and activities. Also, forwarding to the appropriate authorities any evidence of criminal wrongdoing that is discovered because of any inspection or investigation.

The Greater Cleveland Regional Transit Authority does not tolerate fraud, waste, abuse, theft, or ethical violations. If you are aware of any such activity occurring against or within the GCRTA, please contact the GCRTA Fraud/Waste/Abuse/Ethics Hotline at (216) 350-5130 or <http://www.riderta.com/fraudhotline>



Anthony A. Garofoli
Executive Director of Internal Audit

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2022 INTERNAL AUDIT PLAN

Project	Budgeted Hours	Success Outcome(s)
<u>COVID-19 Activities</u>		
American Rescue Plan – Federal Grant	80	I,II,III
<u>Consulting Projects</u>		
Audit Management System Replacement	200	IV
Data Analytics	160	II,III
Fraud Risk Assessment	240	II,III,IV
IPPF – Internal/External Assessment	240	IV
Third-Party Risk Assessment	240	I,III
<u>Continuous Auditing</u>		
Accounts Payable	200	II,III
Accounts Receivable	200	II,III
Nepotism	160	IV
Payroll	240	III,IV
Paratransit Eligibility/Certification	160	I,II
Purchasing Card Expenses	160	III,IV
Revenue Collection	160	III
<u>Contract Audits</u>		
ATU Contract Implementation	160	III,IV
Advertising Agency	160	I,II,III,IV
Compressed Natural Gas Vehicle Replacement	160	I,II,III
Common Area Maintenance - Tower City	200	III
Compensation Study	200	I,II,III
Hayden Garage Roof Replacement	200	I,IV
Health Care Expenses	240	III
Heavy Rail Motor Overhaul	160	I,II,III
Heavy Rail Vehicle Replacement	500	I,II,III
Laptop Replacement Program	240	III,IV
Main Office Building HVAC Replacement	200	III,IV
Revenue-generating Advertising	200	I,II,III
Tower City East Portal Rehabilitation	200	I,II
Viaduct Rehabilitation	200	I,II
<u>External Audits</u>		
Financial Audit Support	160	II,III
Federal Transit Administration - Triennial Review	100	II,III
Public Transit Agency Safety Plan	340	I,II
System Security Plan	200	I,II

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2022 INTERNAL AUDIT PLAN

Information Technology Audits

Change and Patch Management	160	III,IV
Consolidated Train Dispatch System	160	I,III,IV
Cyber Liability/Testing	160	III,IV
Disaster Recovery	200	I,III,IV
Information Technology Governance	240	III,IV
Maintenance-Management System Upgrade	200	III,IV
Operator Time & Attendance System Upgrade	200	III,IV
Oracle System Upgrade/Migration	400	III,IV
RiskMaster/Oracle Interface	160	III
Transit Police Body Cameras	200	I,II,IV

Internal Audits

Absence Control - FMLA	200	III,IV
Accrued Leave	160	III,IV
Blank Ticket Stock	160	III
Cash Collections Sites	160	III,IV
Customer Service Center - Tower City	160	II,III
Fare Media Inventory/Distribution	200	III
Federal Infrastructure Grant	160	I,II,III
Hiring Practices	240	IV
Overtime	200	I,III,IV
Parts Inventory - Cycle Counting	200	III
Petty Cash	100	III
Records Retention	160	III
Scorecard Data/Information	160	I,II,III,IV
Travel Reimbursement	120	III

Revenue Collection Audits

Fare Collection Contract/Controls	200	I,III
Mobile Revenue Pass Collections	200	I,III

Special Requests & Emerging Issues 2000

Success Outcomes

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

“The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals” - Institute of Internal Auditors Professional Standards – Planning 2010.

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COMPLETED PROJECTS

GCRTA Travel Expense & Reimbursements

Purpose:

Per Chapter 656.03 of the Codified Rules and Regulations of the GCRTA - Travel Policies and Procedures: "Travel expenses will be subject to a final compliance review by the Internal Audit Department."

Scope:

Internal Audit reviewed all the Board of Trustee and employee Travel Reports and Reimbursement Requests for the period October 1, 2022 through December 31, 2022 prior to cash disbursement. The review included tests for allowability, reasonableness, and timeliness.

Results:

Internal Audit reviewed all the Travel Reports and Reimbursement Requests during the period. Any exceptions to the Codified Rules and Regulations and Administrative Procedure 024 - Travel Policy were returned to management for correction prior to final approval and cash disbursement.

Vehicle Purchase – (20) Compressed Natural Gas Coaches – (Gillig, LLC)

Purpose:

The Board of Trustees authorized the exercise of an option under Contract 2021-100 with Gillig, LLC, for the purchase and delivery of up to 20, 40-ft., low floor CNG coaches including training, special tooling, and spare parts.

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:

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

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COMPLETED PROJECTS

The contractor scheduled the delivery of these buses during the First Quarter 2023.

Advertising Services (Brokaw, Inc.)

Purpose:

The Board of Trustees authorized Contract No. 2021-098 with Brokaw, Inc. to provide advertising services for a period of one year in an amount not to exceed \$850,000.00, with two, one-year options in an amount not to exceed \$850,000.00 for each option year,

Scope:

Internal Audit conducted a contract compliance audit.

Results:

Project management controls are in place and working effectively to achieve contract compliance.

Revenue Generating Ads Services (Lamar Transit, LLC)

Purpose:

The Board of Trustees authorized Contract No. 2017-079 with Lamar Transit, LLC to provide shelter advertising sales services for a period of three years, with two, one-year options, revenue generating.

Scope:

Internal Audit conducted a contract compliance audit.

Results:

Project management controls are in place and working effectively to achieve contract compliance.

Vehicle Purchase – (20) Paratransit Replacement Vehicles – (Western Reserve Diamond Coach)

Purpose:

The Board of Trustees authorized Contract No. 2022-103 with Western Reserve Coach Sales, Inc. for the purchase of up to 20 Western Reserve Diamond paratransit coaches.

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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:

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

Employee Separation Process

Purpose:

Define current employee separation process, evaluate process controls, and identify process improvement areas.

Scope:

Evaluated the following processes:

- Employee Release Form Asset Tracking
- Information Technology access termination
- Final payout/arrears calculation
- Pre-termination hearings
- Timeliness of processing

Results:

Marginally Satisfactory, with findings and recommendations for management.

Petty Cash

Purpose:

GCRTA Administrative Procedure 003 provides guidelines for the assignment, custodial duties, and allowable use of petty cash funds.

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Scope:

Internal Audit reviewed all petty cash accounts for compliance with the administrative procedure.

Results:

Satisfactory. No exceptions were noted.

Collective Bargaining Agreement - Contract Implementation (ATU 268)

Purpose:

The Board of Trustees approved a new three-year collective bargaining agreement covering conditions of employment with Local 268 of the Amalgamated Transit Union for the period August 1, 2021 through July 31, 2024.

Scope:

Internal Audit will review the implementation of terms and conditions for compliance with the agreement. Management established criteria to issue a COVID-19 Hazard Pay to eligible employees. This one-time benefit will be paid in two installments. The first payment was issued in June 2022. The second payment was issued in December 2022.

Results:

Audit staff completed a 100% audit of the distribution.

- 1,990 employees received Hazard Pay
- Total payout of \$4,480,625
- One (1) underpayment, no other exceptions

We met with management to share the results. Corrective actions were implemented. Audit staff will conduct a second review after the final payment installment. We completed field work for the December 2022 payout and will issue a stand-alone report after completion of work and discussion with management.

Tool Allowance and Safety Shoes & Safety Glasses Reimbursement

Purpose:

The Collective Bargaining Agreement between the GCRTA and Amalgamated Transit Union 268, Article 8 – Tool Allowance and Article 12 – Safety Shoes and Safety Glasses Reimbursement describe these employee benefits.

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COMPLETED PROJECTS

Internal Audit will review the payments for these employee benefits for compliance with the agreement.

Scope:

All payments to employees during the calendar year 2021.

Results:

Marginally Unsatisfactory, with findings and recommendations for management.

Tower City Customer Service Center

Purpose:

GCRTA management sells pre-printed fare media (tickets) in the Tower City Station.

Scope:

We conducted an unannounced audit of the service center and completed a 100% audit of tickets and cash/cash equivalents. We also reviewed the management controls in place.

Results:

No exceptions were noted. Management controls in place were working effectively.

Mobile Ticketing – On-Board Validator

Purpose:

EZfare allows transit users to download one app on their mobile device, purchase fares, and use them on GCRTA buses and trains. Customers use their mobile phone to engage an on-board validator to process their paid fare.

Scope:

We conducted a one-week audit “blitzing” vehicles to functionally test the validators during regular operating service.

Results:

We encountered no issues on-board vehicles and traced processed transactions through to the back-end system reports. No exceptions were noted.

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COMPLETED PROJECTS

Pre-printed Fare Media inventory

Purpose:

GCRTA management warehouses and distributes pre-printed fare media (tickets) from a secured location.

Scope:

We conducted an unannounced audit to reconcile a sample of warehoused tickets to the computerized inventory control system. We also reviewed the physical controls in place to safeguard the assets.

Results:

No exceptions were noted. Management controls in place were working effectively.

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CONTINUOUS AUDITING PROGRAM

Continuous auditing is an automatic method used to perform auditing activities, such as control and risk assessments, on a more frequent basis. Technology plays a key role in continuous audit activities by helping to automate the identification of exceptions or anomalies, analyze patterns within the digits of key numeric fields, review trends, and test controls, among other activities.

Customer Fare Collections

Purpose:

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

Scope:

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

Results:

We executed the audit script for the period October, 1, 2022 through December 31, 2022 successfully. The on-board revenue collections system is working effectively. The system captured the transactions, cash was collected, reconciled, and deposited, and revenue receipts were posted to the general ledger.

The “Proof of Payment” system fare collection receipts represent approximately 18% of the total revenue receipts. Fares paid with credit cards were collected, reconciled, and deposited without exception. Cash collections included some immaterial differences between machine totals and amounts deposited, due to known system errors.

Procurement Card (P-Cards)

Purpose:

The GCRTA launched a P-Card Program many years ago. P-Cards provide a means for streamlining the procure-to-pay process, allowing cardholders to procure goods and services in a timely manner, reduce transaction costs, track expenses, take advantage of supplier discounts, reduce, or redirect staff in the purchasing and/or accounts payable departments, reduce or eliminate petty cash, and more.

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CONTINUOUS AUDITING PROGRAM

Scope:

Internal Audit developed a continuous auditing script to evaluate P-Card transactions for compliance with the GCRTA Procurement Card Policy. We also evaluate transactions for potential fraud, waste, and abuse.

Results:

Internal Audit updated and executed the script for the period October, 1, 2022 through December 31, 2022. We analyzed and summarized the data and met with management.

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

Paratransit Certification System Database

Purpose

GCRTA management certifies eligible applicants who schedule and ride Paratransit services. Management utilizes a computerized system to store inactive and active customer information.

Scope:

Internal Audit developed a continuous auditing script to evaluate both inactive and active customer information with the death records posted to the State of Ohio – Department of Health - Vital Statistics Database. We will provide management with data matches to update the Certification System database and search for fraud, waste, and abuse.

Update:

Field work is complete. We will issue a report after discussion with management.

Nepotism

Purpose:

The GCRTA Code of Ethics provides policy to ensure the hiring and supervision, by and within the Authority, is conducted in compliance with the Ohio laws, and in a manner that enhances public confidence in the Authority, prevents situations that give the appearance of partiality, preferential treatment, improper influence, and conflict of interest.

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CONTINUOUS AUDITING PROGRAM

Scope:

Internal Audit evaluated the relationships and employment placement for all the active employees. GCRTA Personnel Policy 300.03 Employment of Relatives provides:

“...For purposes of this policy, “immediate family” shall mean spouse, children, parents, grandparents, brothers, sisters, grandchildren, or any person related by blood or marriage, or relative residing in the same household...”

Update:

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

Payroll

Purpose:

Payroll (Labor) is typically the highest line-item expense on the operating financial statement. Internal Audit will execute a computerized audit script, combining human resources and payroll transaction data, to detect scenarios that may indicate fraud, waste, and abuse.

Scope:

Internal Audit plans to execute the script after each of the bi-weekly payrolls (bargaining and non-bargaining payroll runs).

Accounts Payable

Purpose:

The GCRTA Accounting Department processes payment to vendors and contractors.

Scope:

Internal Audit is developing a continuous auditing script to evaluate payables and to search for fraud, waste, and abuse.

Update:

We suspended the development of this audit script due to lack of audit resources. We will resume the work during the First Quarter 2023.

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CONTINUOUS AUDITING PROGRAM

Accounts Receivable

Purpose:

The GCRTA Accounting Department collects payments from sales agents, lease agreements, legal settlements, and others.

Scope:

Internal Audit is developing a continuous auditing script to evaluate receivables and to search for fraud, waste, and abuse.

Update:

We suspended the development of this audit script due to lack of audit resources. We will resume the work during the First Quarter 2023.

Fuel Expense

Purpose

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

Scope:

Internal Audit is developing a continuous auditing script to evaluate price fluctuations, delivery dates, the quantity of fuel delivered, and amounts paid for fuel. We will evaluate contract compliance and search for fraud, waste, and abuse.

Update:

We suspended the development of this audit script due to lack of audit resources. We will resume the work during the First Quarter 2023.

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PROJECTS IN PROGRESS

**Public Transit Agency Safety Plan
(Drug & Alcohol Testing Program)**

Purpose:

Under 49 CFR Part 673, the Federal Transit Administration requires that public transportation systems receiving federal funds under the Urbanized Area Formula Grants develop a Public Transit Agency Safety Plan. The FTA charges State Safety Oversight Agencies with evaluating PTASP compliance. GCRTA's Public Transit Agency Safety Plan includes the Safety Department's responsibilities and activities per ODOT's State Safety Oversight standards. Each year, Internal Audit conducts audits of sections of the PTASP to support the requirement to conduct internal audits of every section of the plan on a triennial basis.

Scope:

Per section 3.4.3 "Organizational Functions Audited", the Drug and Alcohol Program at GCRTA is subject to review under the PTASP audit schedule. Evaluate program adherence to federal regulations and FTA guidance. Evaluate PTASP compliance with ODOT and FTA checklists for content as it relates to Drug and Alcohol Programs.

Update:

Field work is complete. We will issue a final report after discussion with management.

**Public Transportation Agency Safety Plan
(Accident Notification and Investigation)**

Purpose:

The FTA, via Title 49 CFR Part 673, requires States and certain operators of public transportation systems that receive Federal financial assistance to publish and maintain a Public Transportation Agency Safety Plan (PTASP). The contents of the PTASP are subject to audit on a three-year cycle. The Internal Audit Department assists the Safety Department with completion of an agreed upon number of audits annually. This audit will address Accident Notification and Investigation.

Scope:

- Review the PTASP section on accident notification and investigation, the State Safety Oversight Program Standard (SSOPS), and GCRTA's Administrative Procedure 002 Revenue Vehicle Accident Investigation.
- Evaluate that the PTASP and administrative procedure adhere to FTA and SSO requirements for accident notification and investigation.

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PROJECTS IN PROGRESS

- Sample a selection of accident notifications and Safety Department investigations to ensure that GCRTA adheres to the administrative procedure and oversight requirements.

Update:

Field work is complete. We will issue a final report after discussion with management.

GCRTA Fare Media – Ticket Stock

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2020-129 with Electronic Data Magnetics, Inc. for the purchase of magnetic fare media.

Scope:

- Review the ticket stock vendor contract and identify compliance obligations and risks to management objectives;
- Document controls over the ticket stock, including their design, storage, and distribution;
- Evaluate compliance with the contract and determine if controls are well-designed and working effectively.

Update:

Field work is complete. We will issue a final report after discussion with management.

Vehicle Purchase – (20) Compressed Natural Gas Coaches – (Gillig, LLC)

Purpose:

The Board of Trustees authorized the exercise of an option under Contract 2021-100 with Gillig, LLC, for the purchase and delivery of up to 20, 40-ft., low floor CNG coaches including training, special tooling, and spare parts.

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.

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PROJECTS IN PROGRESS

Update:

Field work is complete. We will issue a final report after discussion with management.

Triskett Garage Compressed Natural Gas Plant Construction

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2019-062 with Trillium Transportation Fuels, LLC, dba Trillium CNG to provide installation of the CNG fueling system at the Triskett bus garage.

Scope:

Internal Audit evaluated contract compliance and management controls.

Update:

Fieldwork is complete for this audit. Management is waiting on the delivery, installation, and testing of gas monitoring sensors at the Triskett District facility to fully utilize the fueling system, maintain, and store the compressed natural gas buses. We will conclude our work and issue the report at the conclusion of these activities.

Railcar Vehicle Replacement

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2019-115 with LTK Consulting Services, Inc. dba LTK Engineering Services for technical specification, program management and engineering services for Red Line HRV replacement.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

The Procurement Department canceled the first procurement due to lack of a responsive proposal. Management updated the specifications and issued a second Request for Proposal.

Internal Audit is completing a pre-award review. Management is evaluating management proposals. Internal Audit continues to attend project meetings to evaluate compliance with applicable federal and state procurement laws and regulations.

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PROJECTS IN PROGRESS

Management issued a Request for Proposal and received proposals May 2022. Internal Audit will monitor the project as a non-voting member of the GCRTA procurement evaluation team.

Fare Collection – (Brinks, Incorporated)

Purpose:

The Board of Trustees authorized Contract No. 2019-131 with Brink's, Inc. to provide revenue collection and processing services.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

Brinks, Incorporated released their independent auditor's SSAE 16 SOC 1 Report and bridge letter. The SSAE 16 is the Statements on Standards for Attestation Engagements No. 16. It provides a set of standards and guidance for attestation reporting on organizational controls and processes at service organizations. We will use this report to evaluate both GCRTA and Brink's operations. Internal Audit staff and employees from Transit Police and Revenue Collection toured the Brinks operations to observe the internal controls and processes in place to comply with the terms of the agreement.

Transit Police Body Cameras

Purpose:

Management will purchase and implement body cameras for Transit Police personnel.

Scope:

Internal Audit will evaluate the system implementation for compliance with applicable contracts, Transit Police policies, records retention and storage plans and policies, and the chain of custody for transferring information.

Update:

Internal Audit completed an inventory of body worn cameras. We also reviewed the Transit Police procedures to conduct a pilot program for the cameras. The pilot program is continuing; Internal Audit is engaged to monitor compliance with management controls.

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PROJECTS IN PROGRESS

Transit Police expanded the project to include the installation of Dash-Cams into patrol cars for integration with the system.

**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 can ride GCRTA services on an unlimited basis during the semester.

Scope:

Internal Audit will evaluate compliance with the agreement.

Update:

Management completed the negotiation of terms and conditions with CSU. Internal Audit will apply these terms and conditions to complete the audit. We suspended this audit due to lack of audit resources. We plan to resume this audit during the First Quarter 2023.

Paratransit Supplemental Services

Purpose:

The GCRTA Board of Trustees authorized three contracts to provide Paratransit Services for a three-year period, beginning June 1, 2019.

- Contract No. 2018-097C with Senior Transportation Connection
- Contract No. 2018-097B with GC Logistics of Mississippi, LLC
- Contract No. 2018-097A with Future Age, Inc. DBA Provide A Ride

Scope:

Internal Audit will evaluate contract compliance and management controls.

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PROJECTS IN PROGRESS

Update:

Internal Audit suspended the audit due to lack of audit resources. We plan to resume the audit during the Second Quarter 2023.

Fiber Optic Line Replacement - Red Line Construction

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2017-122 with Clifton, Weiss & Associates, Inc. for Project 59 - Fiber Optic Communications System Improvements and

Contract No. 2019-146 with Lake Erie Technologies, Inc. for Project 59 - Fiber Optic Communications System Improvements.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

We noted this construction project experienced delays with long lead-time for supplies and some conflicts between supporting design firms.

Viaduct Rehabilitation

Purpose:

The Board of Trustees authorized Contract No. 2021-044 with BECDIR Construction Co. for Project 27Y - Rehabilitation of the Cuyahoga Viaduct.

Scope:

Internal Audit will evaluate compliance with contract terms and conditions.

Tower City Common Area Maintenance Agreement

Purpose:

The GCRTA entered into a 1994 agreement with then Tower City Properties, Inc. The agreement includes governing language for easements, property, and the

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PROJECTS IN PROGRESS

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

Scope:

Internal Audit develop an agreement abstract to identify these pass-through expenses. We will conduct an audit of supporting information for these costs and payments.

Heavy Rail – Motor Overhaul (Swiger Coil Systems)

Purpose:

The Board of Trustees authorized Contract No. 2021-181 with Swiger Coil Systems, a Wabtec Co., to provide heavy rail traction motor overhaul services for a total contract amount not to exceed \$2,210,344.00 for a two-year period.

Scope:

Internal Audit will conduct a contract compliance audit.

Change and Patch Management Controls

Purpose:

The purpose of this audit is to evaluate Information Technology Governance, software and application security, and software and application functionality.

Security: Patch management fixes vulnerabilities on our software and applications that are susceptible to cyber-attacks, helping the GCRTA reduce its security risk.

System Uptime: Patch management ensures our software and applications are kept up to date and run smoothly, supporting system uptime.

Scope:

Internal Audit will review and evaluate IT Governance controls in place. We will also perform tests of change and patch management controls.

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PROJECTS IN PROGRESS

Employee Hiring Practices

Purpose:

Recruitment audit to document and understand the current process, evaluate the bottlenecks, evaluate compliance with applicable laws and regulations, and learn how the candidates perceive the GCRTA during the process.

Scope:

Internal Audit will complete a consulting project to process map the workflow and evaluate recent hirings efforts for process improvements.

Healthcare – Employee and Dependent Eligibility

Purpose:

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

Scope:

To be determined at the conclusion of the risk assessment.

Parts Inventory

Purpose:

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

Scope:

Internal Audit will review the physical inventory, reconciling systems, and reports. We will trace adjustments to the general ledger. Management will reconcile the counts and value to the December 31, 2022 system balance.

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PROJECTS IN PROGRESS

Employee Overtime Expenses

Purpose:

Internal Audit is evaluating employee overtime expenses. Overtime is both scheduled and unscheduled based on the business objective.

Scope:

We will evaluate overtime expenses across all business units. The scope will be determined after the risk assessment.

Records Retention

Purpose:

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

Scope:

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

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SPECIAL REQUEST AND EMERGING ISSUES
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Employee Nepotism/Overtime – Rail District Facilities Maintenance

Purpose:

Internal Audit received multiple tips through the fraud hotline and email, concerning the work assignments and overtime paid to a GCRTA employee.

Scope:

Internal Audit will review and evaluate the assignments, task maintenance records, time & attendance records, and compensated paid to the employee.

Results:

Management implemented corrective actions to mitigate the risks of nepotism and to rotate unscheduled overtime in accordance with the collective bargaining agreement.

Incompatible Employment – Power & Way Department

Purpose:

Internal Audit received multiple tips concerning an employee engaged in incompatible employment. External employment activities are governed by GCRTA Personnel Policy and the GCRTA Code of Ethics.

Scope:

Internal Audit will investigate this tip and concern.

Results:

Management addressed the employee and will develop training on the Code of Ethics for the department employees.

Bus Operator - Revenue Collection

Purpose:

The Acting Director of Revenue Collection requested an investigation into multiple acts of potential occupational fraud.

Scope:

Internal Audit is working with GCRTA Transit Police to investigate these allegations.

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SPECIAL REQUEST AND EMERGING ISSUES
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Incompatible Employment – Hayden District

Purpose:

Internal Audit received multiple tips concerning an employee engaged in incompatible employment. External employment activities are governed by GCRTA Personnel Policy and the GCRTA Code of Ethics.

Scope:

Internal Audit will investigate this tip and concern.

Mileage Reimbursement

Purpose:

Internal Audit received a tip concerning the reimbursement of personal auto mileage reimbursement.

Scope:

Internal Audit will investigate this tip and concern.

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EXTERNAL AUDIT COORDINATION

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

- *2050 – Coordination:*
 - *“The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.*

The following Federal and State Agencies performed audits and reviews of the Authority’s policies and records during the Fourth Quarter 2022:

State of Ohio – Office of the Auditor

- The State Auditor completed the 2021 Single Audit and met with the Board and management in June 2022. The audit report was issued July 26, 2022.
- The State Auditor will conduct the 2022 Single Audit. Preliminary field work was completed in November 2022.

Federal Transit Administration – Triennial Review

- The Triennial Review is one of FTA’s management tools for examining recipient performance and adherence to current FTA requirements and policies.
- The review examines up to 23 areas.
- A desk review is in process – a virtual field audit is planned for 2nd Quarter 2023.

State of Ohio – Ohio Department of Transportation (ODOT)

- Federal legislation requires each state to have and implement a State Safety and Security Oversight program for its rail transit systems. The ODOT Rail Transit Safety and Security Oversight Program fulfills this requirement.
- ODOT selected a consultant, Vital Assurance Inc., to act as the Program Manager for Rail Safety and Security Audits.
- Internal Audit will work with GCRTA Safety to perform the audits as required by ODOT.
- The Consultant meets with GCRTA Management on a quarterly basis to review and follow-up on outstanding corrective action.

Internal Audit will coordinate final audit and review findings within our audit management system. We track recommendations and required corrective actions through implementation. Audit staff will review supporting evidence to closeout outstanding issues.

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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.”

All outstanding issues and recommendations from internal and external audits and reviews are tracked within the Internal Audit Management System (TeamMate) application module (TeamCentral).

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

(See the following table from the audit management system).

Recommendation Implementation Tracking

Recommendation	State	Project Code	Project Name	Issue	Issue Type	Priority	Estimated Date	Revised Date	Actual Date	Owner	Entity
Point of Sale System - Cash Register	Started	2016 - SP - 04	Tower City Customer Service Center Investigation	Point of Sale System - Cash Register	Material Weakness	High Priority	6/30/2016	6/30/2023		Miranda, Josh	Customer Service Center
IT Disaster Recovery Planning	Started	2021 - EX - 01	2020 State of Ohio Financial Audit - Follow-up	IT Disaster Recovery Planning	Management Letter	Medium Priority	11/30/2021	6/30/2023		Miranda, Josh	Innovation & Technology
IT Governance - Purchase of Information Technology Assets	Started	2021 - FWA - 04	CIO IT Asset Purchases	IT Governance - Purchase of Information Technology Assets	Material Weakness	High Priority	3/31/2022	3/31/2023		Lively, Michael	Innovation & Technology
Determine Which Fareboxes Are Assigned to Rail Stations and Update Ultramain	Started	2021 - RA - 02	Farebox Inventory	Ultramain Records of Rail Station Fareboxes Are Inaccurate	Reportable Condition		6/30/2022	2/1/2023		Weil, Christopher	Fleet Management
Obtain Consignment Agreements for All Sales Agents	Started	2021 - IA - 04	Sales Agent - Collections	Missing Consignment Agreements	Material Weakness		9/30/2022	6/30/2023		Togher, John	Accounting
Increase Sales Agent Orders of One and Two-Trip Farecards	Started	2021 - IA - 04	Sales Agent - Collections	Sales Agents Have Not Adopted One and Two Trip Farecards	Reportable Condition		9/30/2022	6/30/2023		Togher, John	Accounting
Identify Sales Agent Prospects in Underserved Areas	Started	2021 - IA - 04	Sales Agent - Collections	Uneven Distribution of Sales Agents	Management Letter		9/30/2022	6/30/2023		Togher, John	Accounting
Close the Hayden Petty Cash Fund	Started	2021 - IA - 05	Petty Cash	Outstanding Hayden Account	Reportable Condition		9/30/2022	12/31/2022		Purnell, Cynthia	Accounting
Remove Non-Inventory Personnel From Stores Areas	Started	2022 - IA - 04	Inventory Parts - Cycle Counting	Personnel Outside of Inventory Have Access to Stores	Reportable Condition	Medium Priority	9/30/2022	12/24/2022		Berry, Michelle	Operations
Train Employees on Lug Locks & Wheel Retorque SOP	Started	2021 - CA - 01	Tire Lease/Maintenance	GCRTA District Mechanics Do Not Use Lug Locks	Material Weakness		10/28/2022			Adams, Jeffrey	Fleet Management
Improve Technical Capabilities	Pending	2022 - IA - 04	Inventory Parts - Cycle Counting	Inadequate Citrix Server Environment	Reportable Condition	Medium Priority	10/31/2022	4/28/2023		Berry, Michelle	Operations
Increase Cameras at Triskett Stores	Pending	2022 - IA - 04	Inventory Parts - Cycle Counting	Insufficient Camera Views at Triskett Stores	Reportable Condition	Medium Priority	11/1/2022			Straub, Larry	Operations
Develop a Methodology to Mitigate the Improper Valuation of Inventory, Expand Cycle Count Program	Started	2022 - IA - 04	Inventory Parts - Cycle Counting	Inventory Valuation Reporting is Questioned	Reportable Condition	Medium Priority	12/1/2022			Straub, Larry	Operations
Identify Source of Inconsistencies,	Started	2022 - IA - 04	Inventory Parts - Cycle Counting	Cycle Count Configuration Could	Reportable Condition	Medium Priority	12/31/2022	1/9/2023		Berry, Michelle	Operations

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STATUS OF OUTSTANDING FOLLOW-UP
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Document Configuration Early, Consider Items without Forecasted Annual Demand	Not be Validated									
IT Business Analyst	Pendi ng	2021 - FWA - 03	AT&T Services	IT Managers - Contract Management Support	Management Letter	Medium Priority	1/31/202 3		Lively, Michael	Network Services
Implement Effective Physical and Environmental Controls for System Hardware	Pendi ng	2022 - IT - 03	Consolidated Train Dispatch System	Environmental Controls	Material Weakness		6/30/202 3		Piggery, Robert	Power & Way - Rail
Patch and Upgrade Schedule	Pendi ng	2022 - IT - 03	Consolidated Train Dispatch System	Expired Vendor Support - Expertise/Legacy Systems	Material Weakness		6/30/202 3		Piggery, Robert	Power & Way - Rail
Replace System; Implement Maintenance Plan for New System; Enhance Redundancy	Pendi ng	2022 - IT - 03	Consolidated Train Dispatch System	Host Server A Down	Reportable Condition		6/30/202 3		Piggery, Robert	Power & Way - Rail
Procure System with Robust Reporting Capabilities	Pendi ng	2022 - IT - 03	Consolidated Train Dispatch System	Inadequate System Reporting	Reportable Condition		6/30/202 3		Piggery, Robert	Power & Way - Rail

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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 Director of Innovative Transit Technology 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.

Fourth Quarter 2022 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.

- Contract No. 2021-098, Advertising Services
- Contract No. 2021-152, AT&T Switched Ethernet On-Demand Services

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.

Maintenance Management System Upgrade (UltraMain)

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.

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OTHER PROJECTS

Oracle Upgrade 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.

Replacement of Internal Audit Department – Audit Management System

The Internal Audit Department is replacing the audit management system after the vendor informed us they will no longer support the system. We purchased a replacement system, designed to comply with the Institute of Internal Auditor professional standards. The system is used for risk assessment, planning, resource assignment, electronic working papers, investigations, reporting, recommendation issue tracking, and monitoring key priority indicators.

Staff completed system configuration, champion training, manager training, and end-user training. The system was “go-live” in November 2022, as scheduled.

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STAFF TRAINING

Internal Audit Department staff received the following training during the Fourth Quarter 2022:

Northeast Ohio Internal Audit Local Chapter

- Environmental, Social, and Governance and Quality Assurance Review - KPMG
- Strategic Planning - Institute of Internal Auditors
- Risk & Control Self-Assessments – Crowe LLP
- Top Risk Survey & 10 Year Outlook – Protiviti
- Public Company Accounting Oversight Board Updates – Deloitte
- Robotic Process Automation – Ernst & Young
- Ethic – Ohio State Attorney General

Northeast Ohio Certified Fraud Examiners Local Chapter

- None during the Fourth Quarter 2022

Northeast Ohio Information System Audit and Control Association

- Changing Cybersecurity Risk Landscape – Jefferson Wells
- Cybersecurity Preparedness – Grant Thornton

GCRTA Internal Audit Department - Audit Management System

- TeamMate+ for Managers (Wolters Kluwer)
- TeamMate+ for Auditors (Wolters Kluwer)
- TeamMate+ Migration and Reporting (Wolters Kluwer)

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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 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.
Anthony Ghanem Manager of Internal Audit	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. (Resigned 12/31/2022)
Steven Zimmerman Lead 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. Steven is a Certified Internal Auditor.
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.
Molly O'Donnell Staff 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	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.
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 and a member of the Amalgamated Transit Union 268. He earned his BA in Business Administration from Hiram College and promoted to a computer system specialist in the Intelligent Transportation Systems unit. He joined IA on April 3, 2022.