



GREATER CLEVELAND
REGIONAL TRANSIT
AUTHORITY

INTERNAL AUDIT
QUARTERLY REPORT
Fourth Quarter - 2019

February, 2020



**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT
OCTOBER 1, 2019 THROUGH DECEMBER 31, 2019**

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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 2019. 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.

Presented herein and for the Board of Trustee approval is the proposed 2020 Internal Audit Plan (Pages 5-6).

Per the International Standards for the Professional Practice of Internal Auditing:

2012 – Planning

"The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals."

We considered feedback from the Board of Trustees, the Executive Management Team, GCRTA management and employees, the Citizens Advisory Board and GCRTA customers.

The plan is the result of a five-step process. The process included the identification of audit areas, establishment of risk-based audit priorities, allocation of audit resources, development of audit schedules, and formulation of the annual plan.

We met with the General Manager/CEO and each member of the executive management team to review their business objectives and organizational goals. We will reconsider organizational risks and realign the plan after the Board of Trustees and management completes the strategic plan, planned for Second Quarter 2020.

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.

 2/11/2020

Anthony A. Garofoli
Executive Director of Internal Audit

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2020 PROPOSED INTERNAL AUDIT PLAN
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Project Name	Quarter	(Hours)
<u>Consulting Projects</u>		
Cost of Collecting Fares	2	200
Data Analytics Consulting	TBD	160
Third Party Risk Assessment	2	200
<u>Continuous Auditing</u>		
Accounts Payable	All	200
Accounts Receivable	All	200
Nepotism	All	100
Payroll Expense	All	300
Paratransit Eligibility/Certification	All	100
Revenue Collection	All	100
<u>Contract Audits</u>		
CNG Bus Purchase	2,3,4	120
CNG Fueling Plant Construction	2,3,4	200
Common Area Maintenance – Tower City		
Fiber Optic Line Replacement	3,4	300
Health Care Benefits	3,4	300
Red Line Heavy Rail Vehicle Replacement	TBD	
Scrap Metal	2	400
Shop Uniforms	2	200
Supplemental Paratransit Service	4	300
Tower City Track Replacement	2.3	340
<u>External Audits</u>		
Financial Audit Support	2	320
Safety System Program Plan	3	320
System Security Plan	4	160

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2020 PROPOSED INTERNAL AUDIT PLAN
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Project Name	Quarter	(Hours)
<u>Information Technology Audits</u>		
Business Continuity Management	2,3	200
Change and Patch Management	3	200
Employee Issued Equipment - Inventory	2	240
Employee Time & Attendance System	1,2	200
Facilities Access Security	2	200
Maintenance-Management System Upgrade	3	240
Network and Application Security	3,4	240
Transit Police CAD AVL System Upgrade	3,4	200
<u>Internal Audits</u>		
Absence Control - FMLA	3	240
Accrued Leave	3,4	340
Closed-Circuit Camera System	2	350
Customer Service Center – Tower City	2,3	200
ESMS ISO 14001 Conformance Audit	2,3,4	300
Facilities Access	2	200
Fare Media Inventory/Distribution	TBD	250
Hiring Practices	4	320
Ridership Counting	2	100
Petty Cash	2	200
Travel Reimbursement	All	200
<u>Revenue Audits</u>		
Farebox Inventory	3	200
Fare Collection & Counting Services	2	160
Sales Agent - Accounts Receivable	4	320
Special Requests & Emerging Issues		2000

“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 Auditing Standards – Planning 2010.

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2019 INTERNAL AUDIT PLAN

Project Name	Quarter	(Hours)	VFOs *
<u>Consulting</u>			
Data Analytics Consulting	1	200	5,6
Third Party Risk Assessment	4	160	1,2
<u>Continuous Auditing</u>			
Accounts Payable	3	250	1,2
Accounts Receivable	3	250	1,2
Payroll Expense	2	400	1,2
Procurement Card	1	100	1,2
Revenue Collection	1	250	1
<u>Contract Audits</u>			
CNG Bus Purchase	3	80	4,5,6
Commuter Coach Purchase	2	300	4,6,8
Common Area Maintenance – Tower City	1	200	4,6,8
Health Care Benefits	2	300	1,2
Marketing Consultant	4	200	1,2
Red Line West Track Replacement	4	300	4,5,6
Supplemental Paratransit Service	2	400	1,4
Shop Uniforms	1	100	1,4,8
Tower City Track Replacement	4	300	4,5,6
<u>External Audits</u>			
Financial Audit Support	1	320	2
Safety System Program Plan	4	160	4,8,9
System Security Plan	4	160	4,8,9
<u>Information Technology Audits</u>			
Change and Patch Management	2	200	3
Facilities Access System Security	1	150	2,8
Fare Collection System Upgrade	3	200	1,2,7
Human Resources Information System	3	300	1,2,7
Information Technology - Applications	1	200	7

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2019 INTERNAL AUDIT PLAN

Project Name	Quarter	(Hours)	VFOs *
<u>Information Technology Audits (cont)</u>			
Maintenance-Management System Upgrade	3	200	2,6,7
Paratransit System Upgrade	2	200	1,4,5,8
Radio System – Replacement	4	200	6,7,8
<u>Internal Audits</u>			
Absence Control - FMLA	2	350	1,2
Accrued Leave	1	600	1,2
Customer Service Center – Tower City	2	250	1,4
ESMS ISO 14001 Conformance Audit	2	320	2
ESMS ISO 14001 Program Update	1	40	1
Fare Media Document Inventory/Distribution	1	100	2
Fuel Hedging Program	2	200	1,5
HealthLine Ridership	3	200	4,5
Paratransit Eligibility/Certification	1	100	1,3,5
Petty Cash	2	40	1
Procurement Review	2	200	2
Service Quality Department Risk Assessment	3	200	2,3
Travel Reimbursement	1	100	1
<u>Revenue Audits</u>			
Farebox Inventory	3	400	1,2
Mobile Ticketing	1	200	1,4,5
Sales Agent - Accounts Receivable	2	200	1,2,4
Fraud, Waste, Abuse Hotline			(All)
Special Requests & Emerging Issues		2000	1,2

* – GCRTA Vital Few Objectives

“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 Auditing Standards – Planning 2010.

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COMPLETED PROJECTS

GCRTA Travel Expense & Reimbursements

Purpose:

Per Administrative Code 220.03 - Expense Reimbursement, the Internal Audit Department reviews all of the travel expenses for authorization, approval, and reimbursement in accordance with the Authority's policies and procedures.

Scope:

Internal Audit reviewed all the Travel Reports and Reimbursement Requests for the period October 1, 2019 through December 31, 2019 prior to cash disbursement. The review included tests for allowability, reasonableness, and timeliness.

Results:

Internal Audit reviewed all of the travel expenses and reimbursement requests prior to payment. If necessary, reimbursement requests were adjusted to comply with applicable policies and procedures.

Vehicle Purchase – (9) Commuter Coaches – (Motor Coach Industries, Inc.)

Purpose:

The Board authorized Contract No. 2018-037 with Motor Coach Industries, Inc., for the manufacture and delivery of up to nine (9) forty-five (45) foot commuter coaches, training, special tools 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:

Audit staff completed the Post-Delivery Review. This included an on-site review of contractor records, tour of the manufacturer's final assembly plant. The complied with federal regulations.

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COMPLETED PROJECTS

The contractor delivered these vehicles during the Fourth Quarter 2019.

Internal Audit will complete the Buy America, Post-Delivery Purchaser's Review and functional testing prior to transfer of vehicle titles or placing the vehicles into revenue service.

Fare Media Inventory

Purpose:

GCRTA management warehouses fare media (tickets) in secured locations. A computerized order entry system is used to account for inventory, point of sale and customer orders, invoices, and delivery locations.

Scope:

Internal Audit conducts audits to evaluate the existence, completeness and value of the inventory.

Results:

We completed a surprise audit of fare media stored in the Revenue Department vaults. We compared fare media inventory to system records. No exceptions were noted.

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.

Scope:

Internal Audit evaluated the relationships and employment placement for all of 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..."

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Results:

We compiled a list of employee relationships based on a computerized analysis of the GCRTA Human Resources Information System records and interviews. Our analyses revealed approximately 10% of GCRTA employees are related, as defined by GCRTA Personnel Policy 300.03.

Internal Audit developed a heat map to identify non-compliance and risk of non-compliance:

- Employees who report to a relative in the same business unit
- Employees who work in the same business unit, but do not report to a relative
- Employees who work in in a different business unit than a relative

We shared this information with Human Resources and Legal. Management implementing corrective actions. Human Resources collected additional information for analysis during the 2019 healthcare open enrollment process. Internal Audit will re-perform this analysis on a quarterly basis in our continuous audit program.

Elevator/Escalator Maintenance - (Kone, Inc.)

Purpose:

The Board of Trustees authorized Contract No. 2013-204 with Kone Inc. to provide elevator and escalator lift maintenance and repair services.

Scope:

Internal Audit evaluated contract compliance for maintenance and repair services.

Results:

We identified contract overpayments for services, due to contract billing errors. We also identified out-of-scope work completed by the contractor. Management is implementing corrective actions to collect overpayments.

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 tire services.

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COMPLETED PROJECTS

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.

Results:

The contractor complied with terms and conditions of the contract. They utilized mobile equipment to monitor and inflate tire pressure; they coordinate efforts with bus district personnel to schedule tire inspections for replacement; and, they maintain an adequate inventory of spare tires for the different fleets.

Operator Uniform Allowance - (VF Imagewear, Inc.)

Purpose:

Per the Collective Bargaining Agreement with the Amalgamated Transit Union 268, management will provide a uniform allowance to all part-time and full-time operators. Operators will use the allowance to purchase uniform items, approved by management.

Management contracted with a uniform company to provide uniform items and maintain the operator uniform allowance accounts (\$450/year per operator).

Scope:

Internal Audit evaluated contract compliance and management controls.

Results:

The contractor complied with terms and conditions of the contract. Operators order uniform components through an internet portal. The contractor accounted for individual account allowances per the collective bargaining agreement. The contractor sub-contracts with a local store to accommodate fitting and customized tailoring. Controls are in place and working effectively, requiring operators to show proper credentials, review and pick-up their orders.

Some uniform orders are not picked-up by operators and remain in the subcontractor's storeroom. Management negotiated a buy-back program with the contractor. Management is considering a new program to re-distribute these items to other operators.

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COMPLETED PROJECTS

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 time; use time in lieu of hours worked and elect a cash payment for time earned.

Scope:

Internal Audit evaluated 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

Results:

Management implemented a manual process to account for Transit Police compensation time. The workflow is labor-intensive and includes several compensating controls. We recommended the automation of this process through the GCRTA Time & Attendance System. Management plans to computerize this workflow in the Second Quarter 2020. Internal Audit will complete a follow-up analysis. No deficiencies were noted.

Shop Uniforms

Purpose:

The Board of Trustees authorized Contract No. 2013-138 with Arrow Uniform Rental LP, dba Arrow Uniform, for the rental and maintenance of shop uniforms. Unifirst Corporation purchased Arrow Uniform Rental LP in 2016. The Board of Trustees ratified a change order for an increase and extension of the contract through August 30, 2019.

The Board of Trustees authorized Contract No. 2018-090 with Cintas Corporation No. 2 to provide rental and maintenance of shop uniforms, scheduled to begin August 31, 2019.

Scope:

Internal Audit evaluated contract compliance, contract closeout, and management controls.

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COMPLETED PROJECTS

Results:

The contract workflow is decentralized and managed throughout all of the operating districts. The contractor did not maintain the uniform lockers; many lockers were missing doors and detached from walls. Most employees maintained their uniforms in GCRTA issued lockers in changing rooms, not in contractor issued lockers. This restricts the contractor from pick-up of dirty uniforms. Several aspects of the contract were unauditible.

A new contractor is in place as of September 2019. Internal Audit will conduct a follow-up review of workflow, lockers conditions, and internal controls.

Configuration Management

Purpose:

Federal legislation requires each state to have and implement a State Safety and Security Oversight program for its rail transit systems. The Ohio Department of Transportation Rail Transit Safety and Security Oversight Program fulfills this requirement. Internal Audit works with the Safety Department to complete required program audits.

Configuration Management focuses on establishing and maintaining the consistency of a system or product throughout its lifetime. The GCRTA's configuration plan includes the maintenance and management of vehicles, facilities and other assets.

Scope:

Internal Audit reviewed the Configuration Management Committee framework and program objectives.

Results:

The configuration management program does not meet the criteria established within the GCRTA Configuration Plan. Management is hiring a Manager of Asset Management and Configuration, filling the open position. Management agreed to reform the configuration management committee and implement best practices afforded during the audit.

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CONTINUOUS AUDITING

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

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 Fourth Quarter 2019.

Procurement Card (P-Cards)

Purpose:

The GCRTA launched a P-Card Program several 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.

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.

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CONTINUOUS AUDITING

Results:

We identified several instances of non-compliance, including split purchases to avoid policy thresholds and other issues for management awareness. We met with appropriate management and cardholders to provide the results of our analysis. Management is evaluating our findings for corrective actions and implementation of enhanced internal controls.

Management completed required training for all PCard holders in January 2020. The training focused on policy awareness and internal controls to ensure accountability.

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PROJECTS IN PROGRESS

**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.

Facilities Security Access

Purpose:

Internal Audit will evaluate access to GCRTA facilities.

Scope:

The audit will include a review of internal controls, security templates, the inventory of access points, access to secured areas and other security components.

Fare Media Inventory

Purpose:

GCRTA management warehouses fare media (tickets) in secured locations. A computerized order entry system is used to account for inventory, point of sale and customer orders, invoices, and delivery locations.

Scope:

Internal Audit conducts audits to evaluate the existence, completeness and value of the inventory.

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PROJECTS IN PROGRESS

Vehicle Warranty Program

Purpose:

The Board of Trustees authorized management to purchase replacement coaches through several contracts with vehicle manufacturers. These agreements include a variety of warranties for parts and components. Some warranties are time-based and other warranties are mileage based.

Scope:

Internal Audit will evaluate the management's warranty program. The scope of the review will include bus contracts for the past 3 years. We will review management process and compliance with warranty agreements.

Fare Collection – (Brinks, Incorporated)

Purpose:

Management utilizes a third-party contractor to pick-up, count, and deposit fare collections.

Scope:

Internal Audit will evaluate contract compliance and management controls.

Central Facilities Maintenance Contracts

Purpose:

The GCRTA Service Management Department, Operations Division, manages many third-party maintenance contracts, including garage door repair, landscaping, weed control, pest and insect control, shelter cleaning, and other services. Third-party risk management is a transit industry concern.

Scope:

Internal Audit will inventory all of the Central Facilities third-party contracts for evaluation. We will review management control process, including contract compliance, billing and payments, and other general and specific requirements.

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PROJECTS IN PROGRESS

Absence Control - Family and Medical Leave Act - Benefit

Purpose:

GCRTA Personnel Policy 500.09 - provides certain employees with up to 12 weeks of unpaid, job-protected leave per year.

Scope:

Internal Audit will evaluate the approval process, workflow, and management controls in place for compliance with the policy and applicable laws.

Paratransit Supplemental Services

Purpose:

The GCRTA Board of Trustees authorized (3) 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.

HealthLine Ridership

Purpose:

The HealthLine is Cleveland's first Bus Rapid Transit (BRT) system, serving the Euclid Corridor. It connects the two largest regional employment areas, Downtown and University Circle, and extends to the Louis Stokes Station at Windermere in East Cleveland. The purpose of the audit is to validate the equipment used to capture ridership is working effectively and as designed.

Scope:

Each vehicle is equipped with an automatic passenger counter. Internal Audit will test the vehicle counters and evaluate equipment maintenance.

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SPECIAL REQUESTS AND EMERGING ISSUES

Transit Police Fill-in Pay

Purpose:

The Executive Director of Internal Audit initiated an audit to evaluate the calculation of fill-in pay to Transit Police officers who fill-in for sergeants and lieutenants.

Scope:

Article 24 of the Collective Bargaining Agreement between the GCRTA and the Fraternal Order of Police Ohio Labor Council, Inc. provides terms and conditions for the fill-in pay. Internal Audit evaluated the payments to Transit Police officers during their approved fill-in pay periods. We also evaluated the internal control process and workflow to approve, capture, and process fill-in pay time.

Results:

The audit identified miscalculations of fill-in pay for many transit police officers and sergeants. Management agreed to implement corrective actions. The workflow is labor-intensive and relies on manual processes. Management agreed to computerize the workflow through the GCRTA Time & Attendance System. Internal Audit will complete a follow-up analysis.

Transit Police Dispatch – LEADS Exam Certification

Purpose:

A whistle-blower contacted the GCRTA Fraud Hotline alleging employees engaged in misconduct to certify on the Law Enforcement Automated Dispatch System. LEADS is a criminal justice information system used by law enforcement agencies within the State of Ohio.

Scope:

Internal Audit will complete an investigation into the allegations of misconduct.

Results:

Transit Police immediately self-reported the allegations to the State of Ohio LEADS Administrator. Internal Audit contacted the LEADS Administrator to confirm the LEADS certification exam for officers is an open-book exam. Exam-takers can bring study and resource materials to the exam. No deficiencies were noted.

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SPECIAL REQUESTS AND EMERGING ISSUES

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 fieldwork 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. A claim was filed in March 2018.

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

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 fieldwork for the internal investigation. Management crisis suspended and terminated the employment of several employees. The matter was

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SPECIAL REQUESTS AND EMERGING ISSUES

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. A claim was filed in February 2018.

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

Board Member Health Care Benefits

Purpose:

The General Manager/CEO requested an audit of trustee's health care premiums paid into the GCRTA Health Care Self-Insurance Program. After sharing the results of the audit with the Board of Trustees, Internal Audit was directed to conduct an investigation.

Scope:

We will conduct the audit for compliance with the policy per Board Resolution 1994-35.

Update:

The Internal Audit completed the fieldwork for the internal investigation. The trustee resigned his position. The matter was referred to the Cuyahoga County Prosecutor.

The Board of Trustees implemented Internal Audit recommendations to mitigate the risks of fraud, waste and abuse.

We are working with GCRTA Legal and Risk Management to recover the financial loss through a crime insurance claim. A claim was filed March 1, 2019.

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

Board Member Compensation

Purpose:

The Vice President of the Board of Trustees requested an investigation into allegations received in an anonymous letter.

Scope:

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SPECIAL REQUESTS AND EMERGING ISSUES

Internal Audit engaged appropriate resources to conduct the investigation into the allegations included in the anonymous letter.

Update:

Internal Audit referred the matter to law enforcement agencies. We will issue a final report after completion of the investigation.

Event Sponsorship

Purpose:

The Vice President of the Board of Trustees requested an investigation into allegations received in an anonymous letter.

Scope:

Internal Audit engaged appropriate resources to conduct the investigation into the allegations included in the anonymous letter.

Update:

Internal Audit referred the matter to law enforcement agencies. We will issue a final report after completion of the investigation.

Commuter Advantage Program - Sales Commissions

Purpose:

The GCRTA employs a salesperson to sell tickets and passes to companies and organizations. Customers can enroll in payroll deduction plans to prepay transit fares on a before-tax basis.

More than 700 companies and organizations and nearly 14,000 employees now participate in Commuter Advantage.

The Deputy General Manager of Finance and Administration requested an audit of sales commissions paid.

Scope:

Internal Audit will evaluate the commissions paid for compliance with the established terms and conditions.

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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 2019:

- State of Ohio – Office of the Auditor
 - The State of Ohio – Office of the Auditor is on-site to conduct interim work for the 2019 Single/Financial Audit. The entrance conference is scheduled for February 10, 2019.
- Federal Transit Administration
 - The Federal Transit Administration conducted a Comprehensive Review during the Third Quarter 2019. The scope of the review was 2016-2018.
 - The review included a review of 21 program elements to evaluate compliance with federal regulations.
 - The FTA will issue the final report for management response during the Fourth Quarter 2019. Internal Audit will conduct a follow-up audit to closeout open items.
- 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. Recommendations and required corrective actions will be tracked through implementation. Audit staff will review supporting evidence to closeout outstanding issues.

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STATUS OF OUTSTANDING FOLLOW-UP
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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 are effectively implemented.

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STATUS OF OUTSTANDING FOLLOW-UP

Recommendation Implementation Tracking

Recommendation	State	Project Code	Issue	Issue Type	Priority	Estimated Date	Revised Date	Actual Date	Owner	Entity
Unrecorded Parts Inventory Issuance	Started	2014 - SP - 07 - May 26, 2014 Railcar Derailment - Investigation	Unrecorded Parts Inventory Issuance	Reportable Condition	High Priority	12/31/2014	8/31/2020		Berry, Michelle	Rail District
Upgrade the Fare Collection System	Started	2015 - RA - 03 - Farebox Change Cards	GFI software outdated	Reportable Condition	Medium Priority	1/31/2016	1/1/2020		Goodwin, Wesley	
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	10/31/2019		Bitto, Steve	Customer Service Center
Engineering Resources	Started	2019 - SSPP - 03 - GCRTA Safety Agency Management Plan - Alleged Violation - Investigation	Rail District - Engineer Position	Reportable Condition	High Priority	7/31/2019	1/24/2020		Kerg, Daniel	Rail District
Fill Vacant Rail District Positions	Started	2019 - SSPP - 03 - GCRTA Safety Agency Management Plan - Alleged Violation - Investigation	Rail District Position Vacancies and Succession Planning	Reportable Condition	Medium Priority	7/31/2019	11/30/2019		Caver, Ph. D., Floun'say	Rail District
Subrecipient Oversight - Title VI	Pending	2019 - IA - 16 - Federal Transit Administration - 2019 Comprehensive Review	Subrecipient Oversight - Title VI	Reportable Condition		2/4/2020			Wiehe, Craig	Greater Cleveland Regional Transit Authority
Subrecipient Title VI Plan	Started	2019 - IA - 16 - Federal Transit Administration - 2019 Comprehensive Review	Subrecipient Title VI Plan	Reportable Condition		2/4/2020			Wiehe, Craig	Greater Cleveland Regional Transit Authority

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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.

Fourth Quarter 2019 Change Orders:

- Contract 2018-037- MCI Commuter Coach – closed-circuit camera system wiring for nine commuter 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

Internal Audit Department staff received the following training during the Fourth Quarter 2019:

Northeast Ohio Internal Audit Local Chapter

- Quality Assurance and Improvement Programs: Driving Performance and Organizational Value
- Information Technology – General Controls
- Mitigating Risk to Your Company
- Ethics
- Robotics and Continuous Auditing
- Emotional Intelligence
- Credit Card and Expense Report Fraud
- Financial Crimes and Money Laundering
- Building Leadership Capacity

Northeast Ohio Association of Certified Fraud Examiners

- Fraud Risk Management
- The Ever Evolving Risk of Cybersecurity

Northeast Ohio Information Systems Audit and Control Association

- Understanding Blockchain
- Disaster Business Continuity

Greater Cleveland Regional Transit Authority

- Kronos Time & Attendance System
- Records Management

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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 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.
Information Technology Auditor	Vacant
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.
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. Steven is a Certified Internal Auditor.
Staff Auditor	Vacant
Alma Diaz Ramos Information Technology Specialist Auditor	Alma joined the GCRTA on September 24, 2017. She earned a BS in Marketing from Baldwin Wallace University.
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.