



GREATER CLEVELAND  
REGIONAL TRANSIT  
AUTHORITY

INTERNAL AUDIT  
QUARTERLY REPORT  
First Quarter - 2021

May, 2021



GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
JANUARY 1, 2021 THROUGH MARCH 31, 2021

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**INTRODUCTION**

Presented herein and in accordance with Board Policy is the report of the Internal Audit Department activities for the First Quarter 2021. The report outlines work performed, recommendations and management's responses, including specific steps for the implementation of all agreed-upon recommendations and other pertinent data.

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

We suspended several projects in the Internal Audit Plan to address the risks posed by the global pandemic. The challenges posed by the coronavirus (COVID-19) continues to grow and evolve with each passing day. Organizations require timely information and a sophisticated approach to manage the pandemic's impacts on employee health and productivity, fiscal implications, supply chain disruptions, cybersecurity vulnerabilities, the health of local and global markets, and more.

Internal Audit has an important role to play in supporting organizational efforts to navigate these challenges. Responding to this dynamic risk, both short-term and long-term, requires access to relevant, up-to-date information. Since March 9, 2020, we altered our coverage dramatically to address the risks presented by the COVID-19 health and financial crisis.

- We continue to participate in both the scheduled executive management team and the operations division meetings, held to learn and address strategic and tactical challenges related to COVID-19.
- We continue to engage our public transit peers through the American Public Transportation Association (APTA Internal Audit Committee), and other learning and information sources.
- We are employing a continuous methodology to assess risks, and identify those that present the most significant threats to the GCRTA, before they arrive.
- We adapted to the remote workplace environment, and no key risks are falling through the cracks because they cannot be audited in person.
- We continue to emphasize quality despite the obstacles.
- We believe the impacts from the pandemic will linger well into 2021. We are already assessing the risks and planning audit coverage. These risks are likely to include:
  - COVID health and safety (employees and customers)
  - Business continuity
  - Global macroeconomic instability
  - Pressure to maintain a positive ending operating balance
  - Supply chain disruption
  - Cyber fraud

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INTRODUCTION

Presented herein this report are the results of several internal audit projects and activities.

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.

 5/19/2021

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Anthony A. Garofoli  
Executive Director of Internal Audit

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<b>2021 INTERNAL AUDIT PLAN</b>
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<b>Project</b>	<b>Budgeted Hours</b>	<b>Success Outcome(s)</b>
<b><u>COVID-19 Activities</u></b>		
Coronavirus Response & Relief Supplemental Appropriations Act	160	I,II,III
Family First Coronavirus Response	200	III,IV
Vehicle Disinfecting Program - Spot Audits	160	I,II,IV
<b><u>Consulting Projects</u></b>		
Audit Management System Replacement	200	IV
Cyber Risk/Liability Task Force	160	I,III
Data Analytics	160	II
Fraud Risk Assessment	240	III,IV
Third-Party Risk Assessment	240	I,III
<b><u>Continuous Auditing</u></b>		
Accounts Payable	200	II,III
Accounts Receivable	200	II,III
Nepotism	160	IV
Payroll	240	III,IV
Paratransit Eligibility/Certification	160	I,II
Revenue Collection	160	III
<b><u>Contract Audits</u></b>		
Compressed Natural Gas Vehicle Replacement	160	I,II,III
Common Area Maintenance - Tower City	200	III
Fiber Optic Line Replacement	200	I,II,III
Health Care Expenses	240	III
Health Line Vehicle Replacement	160	I,II,III
Heavy Rail Vehicle Replacement	500	I,II,III
Light Rail Track Replacement	200	I,II
Tire Lease/Maintenance	200	I,II,III
Tower City East Portal Rehabilitation	200	I,II
Viaduct Rehabilitation	200	I,II
<b><u>External Audits</u></b>		
Financial Audit Support	160	II,III
Public Transit Agency Safety Plan	340	I,II
System Security Plan	200	I,II

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<b>2021 INTERNAL AUDIT PLAN</b>
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**Information Technology Audits**

Change and Patch Management	160	III,IV
Consolidated Train Dispatch System	160	I,III
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
Customer Service Center - Tower City	160	II,III
Employee Separation Process	200	III,IV
ESMS ISO 14001 Conformance Audit	240	II,III
Fare Media Inventory/Distribution	200	III
Hiring Practices	240	IV
Operating Leases	200	II,III
Parts Inventory - Cycle Counting	200	III
Petty Cash	100	III
Strategic Plan Implementation	160	I,II,III,IV
Travel Reimbursement	120	III

**Revenue Collection Audits**

Farebox Inventory	200	III
Revenue Reconciliation	160	III,IV
Sales Agent Collections	240	I,II,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 Auditing Standards – Planning 2010.*

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**COVID-19 PROJECTS AND ACTIVITIES**

**Bus, Railcar, and Paratransit Vehicle Disinfecting Program**

Purpose:

GCRTA announced the enhanced cleaning protocol in response to concerns about the spread of the coronavirus. GCRTA staff said it would clean all touchable surfaces on board its vehicles with a cleaning agent recommended by the Centers for Disease Control (CDC). As of March 9, 2020, GCRTA staff sanitizes all buses, railcars, and paratransit vehicles at least every 24 hours. The objective of the audit is to provide assurance to management and promises made to our customers.

Scope:

Internal Audit completed a compliance and internal controls review to evaluate the cleaning and sanitizing process, the CDC product and inventory control, and product application per the respective manufacturers' instructions.

We are also conducting random spot audits, weekly at each of the operating districts, to evaluate compliance with management directives.

Results:

GCRTA staff is using CDC approved products to sanitize buses, railcars, and paratransit vehicles at least every 24 hours. Management has an adequate supply and control of inventory to ensure product availability. Controls are in place and working effectively to ensure product mix and application per the respective manufacturers' instructions.

Internal Audit conducted random spot audits at each of the operating districts. These spot audits are unannounced; we found no exceptions.

Management continues to identify new products and enhanced processes to sanitize and disinfect touchable surfaces.

**Coronavirus Aid, Relief, and Economic Security (CARES) Act**

Purpose:

The CARES Act, a bipartisan stimulus bill recently approved by the federal government, includes \$25 billion in emergency relief for public transit agencies across the country to offset lost revenue and the extraordinary costs associated with COVID-19.

GCRTA received approximately \$112 million of CARES Act funding which will address lost revenue and increased operating expenses related to COVID-19, including:

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<b>COVID-19 PROJECTS AND ACTIVITIES</b>
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- Lost sales tax revenue
- Lost fare box revenue
- Purchase of cleaning supplies and personal protective equipment
- Other expenses

Scope:

Internal Audit developed an audit to evaluate compliance with CARES Act.

Results:

The Finance & Administration Division consulted with appropriate oversight and implemented internal controls to comply with the grant requirements. Management uses the grant funds for allowable expenses.

**2021 Coronavirus Response & Relief Supplemental Appropriations Act (CRRSAA)**

Purpose:

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), which includes \$900 billion in supplemental appropriations for COVID-19 relief, \$14 billion of which will be allocated to support the transit industry during the COVID-19 public health emergency, was signed into law.

The GCRTA will receive approximately \$67.3 million dollars.

Scope:

Internal Audit developed an audit to evaluate compliance with the CRRSAA.

**2021 Consolidated Appropriations Act (American Rescue Plan)**

Purpose:

The American Rescue Plan Act of 2021 (ARP), which President Biden signed on March 11, 2021, includes \$30.5 billion in federal funding to support the nation's public transportation systems as they continue to respond to the COVID-19 pandemic and support the President's call to vaccinate the U.S. population.

The GCRTA estimates it will receive approximately \$136 million dollars.



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<b>COVID-19 PROJECTS AND ACTIVITIES</b>
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Scope:

Internal Audit developed an audit to evaluate compliance with the ARP Act.

**Other Internal Audit Activities and Considerations**

- Sharing COVID-19 national and local information captured from social media with management for decision-making.
- Conducting assurance audits to evaluate the effectiveness of controls in place for employee health & safety COVID-19 protocols (i.e. absence management, completion of COVID-19 forms, return to work protocols).
- Support for management to review COVID-19 related metrics (i.e. ridership data, absence control, revenue collection, equipment failures, and supply chain shutdowns).
- Conduct audits of employee time & attendance system data for inclusion of COVID-19 related payroll codes.
- Conducting audits of PCard transactions for COVID-19 related expenses.

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<b>COMPLETED PROJECTS</b>
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**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 January 1, 2021 through March 31, 2021 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 – (19) Compressed Natural Gas Coaches – (Gillig, LLC)**

Purpose:

The Board of Trustees authorized the exercise of an option under Contract 2013-100 with Gillig, LLC, for the purchase and delivery of up to 25, 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 Vehicles Safety Standards Review. Both the contractor and management complied with federal regulations. Management issued the Notice to proceed to the contractor. Management placed these vehicles in revenue service during the First Quarter 2021.

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<b>COMPLETED PROJECTS</b>
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**Excess Fare Media Inventory - Destruction**

Purpose:

The GCRTA Revenue Department removed and shredded excess fare media. This included fare media types programmed to expire in less than six months.

Scope:

Internal Audit tested the management controls in place to deactivate ticket serial numbers from the computerized inventory system, remove tickets from the secure storage facilities, collect and secure tickets for destruction, and transfer to third-party shredding services to complete the destruction.

Results:

We observed the process described above. The management controls were in place and operated effectively. We traced a selection of ticket serial numbers through the destruction process. Our auditors did not note any exceptions.

**Vehicle Purchase – (10) Paratransit Replacement Vehicles – (Myers Equipment)**

Purpose:

The Board of Trustees authorized Contract No. 2020-022 with Myers Equipment Corp. for the purchase of up to 10 Eldorado National Aerotech paratransit coaches.

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 Vehicles Safety Standards Review. Both the contractor and management complied with federal regulations. Management placed these vehicles in revenue service during the First Quarter 2021.

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<b>COMPLETED PROJECTS</b>
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**Vehicle Purchase – (9) five-door 60-ft. articulated BRT coaches – (New Flyer)**

Purpose:

The Board of Trustees authorized the Contract No. 2020-046 with New Flyer of America Inc. for the manufacture and delivery of up to nine (9) five-door 60-ft. articulated BRT coaches, spare parts, tooling and training.

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 Vehicles Safety Standards Review. Both the contractor and management complied with federal regulations. Management issued the Notice to proceed to the contractor. The GCRTA expects to receive these vehicles in late 2021 and early 2022.

**Support for Financial Statement Auditors – State of Ohio, Office of the Auditor**

Purpose:

Chapter 117 of the Ohio Revised Code provides the Auditor of State is required to perform financial audits at least once every two fiscal years; however, many audits are performed annually. The office must review the methods, accuracy and legality of the accounts, financial reports, records and files of all public entities. It is the responsibility of the Auditor of State to determine whether the entity has complied with the law, rules, ordinances, and orders pertaining to the office.

The Statement on Auditing Standards, commonly abbreviated as SAS, provides guidance to external auditors on Generally Accepted Auditing Standards (GAAS) regarding auditing an entity and issuing an auditor's report. SAS 65 provides the external auditor guidance on the consideration of the internal audit function in an audit of financial statements.

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<b>COMPLETED PROJECTS</b>
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Scope:

We provided the auditors copies of risk assessments; quarterly audit reports; revenue collection analysis; completion of the fraud risk questionnaire used to gather information needed to identify risks of material misstatement due to fraud; and other analyses.

Results:

The Auditor of State will rely on the work of internal audit, minimizing the duplication of efforts and maximizing risk coverage.

**Data Analysis Support – GCRTA Legislative Update**

Purpose:

The GCRTA publishes a report representing GCRTA's Federal and State legislative priorities for the next two federal funding years. The report provides the previous year's highlights and achievements, the status of key projects, and other information.

Scope:

Internal Audit queried the financial management system to capture data for sorting, indexing, and reporting.

Results:

Internal Audit provided management with data for the statistical section of the report (Legislative Update).

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<b>CONTINUOUS AUDITING PROGRAM</b>
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*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 successfully. We did not note any exceptions for investigation or follow-up during the First Quarter.

**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 PROGRAM**

Results:

Internal Audit did not execute the script during the First Quarter 2021 due to staff vacancies. We will include the First Quarter activities within the next script.

**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..."*

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 15% 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 a different business unit than a relative

We will share this information with Human Resources and Legal for corrective actions. Internal Audit will re-perform this analysis on a quarterly basis in our continuous audit program.

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<b>CONTINUOUS AUDITING PROGRAM</b>
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**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.

**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.

**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.

**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.



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**CONTINUOUS AUDITING PROGRAM**

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.

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<b>PROJECTS IN PROGRESS</b>
-----------------------------

**Closed-Circuit Camera Systems**

Purpose:

The GCRTA Transit Police maintains many systems of closed circuit cameras throughout the buildings, facilities, and vehicles.

Scope:

Internal Audit will summarize and evaluate the camera systems for life cycle, data retention, access, and operability (safe and reliable functioning).

Update:

Audit fieldwork is complete. We will meet with the new Chief of Police to share results during the Second Quarter.

**Facilities Access – (Swipe Cards)**

Purpose:

The GCRTA Transit Police is responsible for building and facility access control. They maintain a system for access control and inventory control of employee identification/access cards.

Scope:

Internal Audit will summarize and evaluate the system and inventory controls in place for employee identification/access control cards. The audit will include a review of security templates, the inventory of access points, access to secured areas, and other security components.

Update:

Audit fieldwork is complete. We will meet with the new Chief of Police to share results during the Second Quarter.

**Facilities Access – (Keys)**

Purpose:

The GCRTA Transit Police is responsible for building and facility access control. They maintain a system and inventory of keys.

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<b>PROJECTS IN PROGRESS</b>
-----------------------------

Scope:

Internal Audit will summarize and evaluate the system and inventory controls in place for keys.

**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.

Update:

Management completed the negotiation of terms and conditions with CSU. Internal Audit will apply these terms and conditions to complete the audit.

**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 will evaluate contract compliance and management controls.

Update:

Audit fieldwork is complete. We will meet with management to share results during the Second Quarter.

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<b>PROJECTS IN PROGRESS</b>
-----------------------------

**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.

**Red Line Heavy Rail 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.

**Tower City Track Replacement**

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2019-001 with Railworks Track Services, Inc., for Project 52M - Rehabilitation of Tracks 10 and 13 at Tower City Station

Scope:

Internal Audit will evaluate contract compliance and management controls.

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<b>PROJECTS IN PROGRESS</b>
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**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.

**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.

**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.

Update:

Internal Audit will follow-up to complete additional testing. We will meet with management to share results during the Second Quarter.

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<b>PROJECTS IN PROGRESS</b>
-----------------------------

**Customer Service Center – Point of Sale System**

Purpose:

GCRTA management is implementing a new point of sale software system. The system will support sales transactions, inventory management, and provide management reports.

Scope:

Internal Audit will evaluate system configuration, workflow, access controls, input controls, processing controls, and output controls. Management will implement this system at both the Tower City Center Customer Service Center and the Main Office Building Customer Service Center.

**Vehicle Purchase – (7) five-door 60-ft. articulated BRT coaches – (New Flyer)**

Purpose:

The Board of Trustees authorized the Contract No. 2020-046 with New Flyer of America Inc. for the manufacture and delivery of up to seven (7) five-door 60-ft. articulated BRT coaches, spare parts, tooling and training.

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.

**Operating Leases**

Purpose:

Internal Audit will review the operating lease inventory and evaluate compliance with individual leases.

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<b>PROJECTS IN PROGRESS</b>
-----------------------------

Scope:

- Accounts Receivable Review: Perform a review of lease receivable accounts, reconciled against the lease terms. Evaluate that accounts are paid in full and on time.
- Accounts Payable Review: Perform a review of lease payable accounts, reconciled against the lease terms. Evaluate that invoices are paid in full and on time.
- Lease List Reconciliation: Reconcile lease lists between Engineering and Accounting to ensure all leases are included on relevant lease list documentation.
- Reconcile the Schedule of Leases against lease terms to ensure it is complete and accurate.
- Lease Management Testing: Review compliance with lease terms and conditions. Evaluate general property condition to ensure property is maintained in a state-of-good-repair.
- Property Tax Review: Review property tax records to identify misclassification of exempt property and tax delinquency on non-exempt property.

**Consolidated Train Dispatch System**

Purpose:

The GCRTA purchased the consolidated train dispatch system in 1994. The system received many enhancements, including reprogramming and software updates during its life cycle. Operations management uses the system to control and monitor the rapid transit signal system from a single facility, the Integrated Command Center. It is a combination of hardware and software, critical to the operations of the Authority's rail system.

Scope:

Internal Audit will review the access controls, data processing, and output controls. We will evaluate the support agreement, condition of the back-end computer hardware, and other system components. We will interview operations and maintenance employees.

**Farebox Inventory**

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2006-039 with GFI Genfare, Inc. for the furnishing of fare boxes, spare parts and maintenance training as part of the new automated fare collection system.

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PROJECTS IN PROGRESS

Scope:

Internal Audit will perform a follow-up audit to inventory and evaluate the security components of the system. We will evaluate the workflows and internal controls in place to provide assurance the system is working as designed

**Tire Lease & Maintenance**

Purpose:

The GCRTA Board of Trustees authorized Contract No. 2019-144 with Michelin North America Inc. for the furnishing of tire and wheel maintenance services and for the leasing of radial tires.

Scope:

Internal Audit will evaluate contract compliance and management controls.



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<b>SPECIAL REQUESTS AND EMERGING ISSUES</b>
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**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. We referred this matter 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. The claim adjudication process was suspended during the COVID-19 pandemic. The matter should be resolved during the Second Quarter 2021.

**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, they directed Internal Audit 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. We referred this matter to the Cuyahoga County Prosecutor.

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<b>SPECIAL REQUESTS AND EMERGING ISSUES</b>
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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. GCRTA management filed a claim March 1, 2019.

We will issue a final report after completion of the investigation. The claim adjudication process is suspended during the COVID-19 pandemic.

**Employee's Time & Attendance Records**

Purpose:

The Human Resources Senior Director of Labor and Employee Relations requested an audit of an employee's time card records and data entries.

Scope:

Internal Audit will review the employee's time card and data entries for compliance with GCRTA Personnel Policies.

**Main Office Building Garage Repairs**

Purpose:

The Deputy General Manager of Legal Affairs/General Counsel requested an investigation of the project management and repairs to the Main Office Building garage.

Scope:

Internal Audit will conduct interviews, walkthroughs, and evaluate compliance with the existing agreement.

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<b>EXTERNAL AUDIT COORDINATION</b>
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The International Standards for the Professional Practice of Internal Audit provides:

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

The following Federal and State Agencies performed audits and reviews of the Authority's policies and records during the First Quarter 2021:

- State of Ohio – Office of the Auditor
  - The State of Ohio – Office of the Auditor is completing the work for fiscal year end 2020 Single Audit.
  - They are scheduled to present the report to the Board of Trustees at the June 2021 Audit Committee Meeting.
- 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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<b>STATUS OF OUTSTANDING FOLLOW-UP</b>
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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."

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.

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<b>OTHER PROJECTS</b>
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**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.

**First Quarter 2021 Change Orders**

Change Order to Contract No. 2016-099 with Lamar Transit, LLC for Transit Advertising Sales Services, reducing the annual guaranteed minimum.

**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.

**Railcar Replacement Steering Committee**

The Deputy General Manager of Operations chairs this committee. The purpose of this committee is 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 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 provide advice; ensure delivery of the project outputs and the achievement of project outcomes.

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<b>STAFF TRAINING</b>
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Internal Audit Department staff received the following training during the First Quarter 2021:

**Northeast Ohio Internal Audit Local Chapter**

- Anti-Fraud Playbook
- The Infiltration of Legitimate Business
- Crossing the Line, Sliding Down the Slippery Slope

**Northeast Ohio Association of Certified Fraud Examiners**

- Fraud and Law Series

**Greater Cleveland Regional Transit Authority**

- Interview Panel Training
- Excel Connect – Data Query and Reporting

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<b>STAFF PROFILES</b>
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<b>Anthony A. Garofoli</b> 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.
<b>Anthony Ghanem</b> 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.
<b>Andrew Scott</b> Information Technology Auditor	Andrew joined the GCRTA on June 5, 2016. He earned his BS in Computer Science from the University of Akron. He is a graduate of the GCRTA Management Development Program.
<b>Edward Gaio</b> 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. <b>(Resigned May 2021)</b>
<b>Steven Zimmerman</b> 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.
<b>Molly O'Donnell</b> 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.
Information Technology Specialist Auditor	<b>(Vacant since November 2020)</b>
<b>Neletre Burts-Tolbert</b> 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. <b>(Retired February 2021)</b>