



GREATER CLEVELAND  
REGIONAL TRANSIT  
AUTHORITY

INTERNAL AUDIT  
QUARTERLY REPORT  
Second Quarter - 2022

August, 2022



**GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY  
INTERNAL AUDIT DEPARTMENT QUARTERLY REPORT  
APRIL 1, 2022 THROUGH JUNE 30, 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 Second 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 evidence of criminal wrongdoing that is discovered as a result 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>

 8/16/2022

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Anthony A. Garofoli  
Executive Director of Internal Audit

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<b>2022 INTERNAL AUDIT PLAN</b>
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Project	Budgeted Hours	Success Outcome(s)
<b><u>COVID-19 Activities</u></b>		
American Rescue Plan – Federal Grant	80	I,II,III
<b><u>Consulting Projects</u></b>		
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
<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
Purchasing Card Expenses	160	III,IV
Revenue Collection	160	III
<b><u>Contract Audits</u></b>		
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
<b><u>External Audits</u></b>		
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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<b>2022 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,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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<b>COMPLETED PROJECTS</b>
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**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 April 1, 2022 through June 30, 2022 prior to cash disbursement. The review included tests for allowability, reasonableness, and timeliness.

Results:

Internal Audit reviewed all of 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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All 20 of these vehicles were placed into revenue service, replacing the oldest vehicles in the Triskett Garage District.

**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 and switches 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 reviewed the access controls, data processing, and output controls. We evaluated the support agreement, condition of the back-end computer hardware, and other system components. We interviewed operations and maintenance employees.

Results:

Management is replacing this system, planned for 2023. Audit staff provided recommendations to include in the system replacement scope. We also provided recommendations to address short-term access, configuration, and disaster recovery. We will monitor these risks and recommendations through implementation.

**Special Event – Revenue Collection**

Purpose:

GCRTA management deploys additional equipment and procedures to collect fares during special events.

Scope:

Internal Audit will document and test the controls in place to evaluate revenue collection, and trace the collections to the bank and accounting records.

Results:

Audit Staff reviewed the revenue collection activities for the St. Patrick's Day Parade and the Cleveland Guardians Home Opener. Special event equipment and security protocols were in place and working effectively. Revenue was counted, reconciled with fare media sales, deposited, and posted accurately to the accounting records.

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<b>COMPLETED PROJECTS</b>
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**Mobile Ticketing Application**

Purpose:

The Board of Trustees authorized Contract No. 2022-018 with Masabi LLC to provide the EZfare Mobile Ticketing Solution for an amount not to exceed \$2,700,000.00.

Scope:

Internal Audit coordinated efforts with GCRTA project management to evaluate the implementation of the fare collection application.

Results:

Audit staff tested the mobile application access controls, configuration, input, processing, and output controls. The GCRTA fare media (tickets) available for sale and loaded on the application work as designed. We purchased and used the electronic fare media without exception. Management reports to summarize sales data and to investigate customer issues appear accurate and reliable.

We are still testing period passes, scheduled to expire after six months, all other passes expire as designed. Management dedicated customer service representatives to address unique issues.

Management is installing validators throughout the different fleets of revenue service vehicles. We tested the validators in a production environment. The validators processed the fare media and transmitted data for management reports as designed. No exceptions were noted. The exposure risk is revenue service operators need to site validate the fare media until the validator equipment is completely installed. Internal Audit staff will continue to test the equipment through the equipment installation period.

**American Rescue Plan Act of 2021**

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.

Scope:

Management continues to draw down available funds for operating expenses. Internal Audit developed an audit to evaluate compliance with the ARP Act.



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Results:

In April 2022, Internal Audit staff reviewed supporting documentation for GCRTA Accounting Department's American Rescue Plan draw-downs for the months September 2021, October 2021, November 2021, December 2021, and January 2022, totaling (\$81,293,421.60). These funds were used to cover operating expenses related to maintaining day-to-day operations. We found no exceptions to the requirements established by the U.S. Department of Transportation's Federal Transit Administration. \$0 dollars remain available for draw down from this grant.

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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 for the period April 1, 2022 through June 30, 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 10% 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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<b>CONTINUOUS AUDITING PROGRAM</b>
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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 April 1, 2022 through June 30, 2022. We analyzed and summarized the data and met with management.

We will 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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<b>CONTINUOUS AUDITING PROGRAM</b>
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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...”*

Update:

Internal Audit is updating the script to account for employee movements, new hires, and promotions.

**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 Third Quarter 2022.

**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.

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CONTINUOUS AUDITING PROGRAM

Update:

We suspended the development of this audit script due to lack of audit resources. We will resume the work during the Third Quarter 2022.

**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 Third Quarter 2022.

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**Internal Audit Department Self-Assessment  
(Quality Assurance Improvement Program)**

Purpose:

Per Chapter 262 of the Codified Rules and Regulations of the GCRTA, *the Internal Audit Charter*, the Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department.

Scope:

Internal Audit completed a self-assessment to evaluate conformance with Institute of Internal Auditors Standards and Code of Ethics.

Status:

Field work is complete and results were shared with the internal audit staff. IA will share the results with senior management and the Board Audit Committee at the August 16, 2022 Audit Committee Meeting.

The Executive Director of Internal Audit wrote and implemented an *Internal Audit Department Manual* to achieve the following objectives: to establish policies and standards for the planning, performance, and reporting of audit work to meet the IIA standards; establish procedures and guidelines to assist staff members in adhering to these standards; help achieve consistency in internal auditing activities and internal audit project execution; and, support the on-boarding and training of new internal audit staff.

The Executive Director of Internal Audit wrote and implemented two statements for internal audit staff to complete on annual basis:

- Disclosure of any circumstances that might impair their ability to be independent on any audit.
- Confirm their understanding and agree to comply with the Code of Ethics as issued by the Institute of Internal Auditors.

Next steps are to procure the services of an independent assessor to validate the self-assessment for conformance with the Institute of Internal Auditors Standards and Code of Ethics.

The Executive Director of Internal Audit will develop a written quality assurance improvement program to conform with the Institute of Internal Auditors Standards – *Standard 1300 – Quality Assurance And Improvement Program*.

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**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.

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.

**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.

Update:

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. Audit staff completed a 100% audit of the distribution.

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- 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 will issue a stand-alone report after completion of work and discussion with management.

Audit staff completed an audit of *Article 8 - Tools* allowance and *Article 12 - Safety Shoes and Safety Glasses* allowance from the collective bargaining agreement. Field work is complete. We will issue a 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.

### **Cash Collection Sites**

Purpose:

The GCRTA has several cash collection sites at various locations.

Scope:

Internal Audit will review the cash collection processes, document internal controls, and develop a test of controls. We will trace cash collected to the bank deposits and accounting records.



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Update:

Fieldwork is complete for this audit. We will issue a report after discussion with management.

**Cycle Counting - Inventory Parts**

Purpose:

The GCRTA purchases and maintains parts to fix vehicles, equipment, infrastructure, and electronic components. We are coordinating efforts with the State of Ohio – Office of the Auditor during their 2021 audit of the GCRTA financial statements.

Scope:

We will document and test the management controls in place to account for the parts inventory. We will trace the financial data to the accounting records.

Update:

Fieldwork is complete for this audit. We shared the results of our work with State Auditor's Office, who relied on our work. We will issue a report after discussion with management.

**Employee Separation Process**

Purpose:

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

Scope:

Evaluate the following processes:

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

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Update:

Fieldwork is complete for this audit. We will issue a report after discussion with management.

**Facilities Access – (Keys)**

Purpose:

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

Scope:

Internal Audit summarized and evaluated the system and inventory controls in place for keys.

Update:

This audit is completed and Internal Audit met with management to share results. We are evaluating the management responses and will issue the report during the Third Quarter 2022.

**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.

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Update:

Fieldwork is complete for this audit. We will issue a report after discussion with management.

**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:

Internal Audit is waiting for the Brinks, Incorporated release of 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. We received the report in May 2022. Internal Audit staff and management will tour the Brinks operations, scheduled for late August 2022.

**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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**Mobile Ticketing Application**

Purpose:

The Board of Trustees authorized Contract No. 2022-018 with Masabi LLC to provide the EZfare Mobile Ticketing Solution for an amount not to exceed \$2,700,000.00.

Scope:

Internal Audit will coordinate efforts with GCRTA project management to evaluate the implementation of the fare collection application.

**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. We suspended this audit due to lack of audit resources. We plan to resume this audit during the Third Quarter 2022.

**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

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Scope:

Internal Audit will evaluate contract compliance and management controls.

Update:

Internal Audit suspended the audit due to lack of audit resources. We plan to resume the audit during the Third Quarter 2022.

**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.

**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 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.

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

Purpose:

The Board of Trustees authorized Contract No. 2021-064 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 will complete the applicable Buy America Review, required by Federal Transit Administration.

Update:

The manufacturer is waiting on supply chain vendors to manufacture the vehicles. An estimated production date is not available as of this report.

**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.

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

**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 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.

**Locomotive Purchase**

Purpose:

The Board of Trustees authorized Contract No. 2021-089 with Geismar North America, Inc., for the purchase of a locomotive work car in an amount not to exceed \$3,291,204.80.

Management will use the locomotive to support rail operations and maintenance. GCRTA will use federal funds for this purchase.

The procurement of this locomotive is subject to a Federal Transit Administration Pre-Award Review, prior to the contract Notice to Proceed and a Post-Delivery Review prior to accepting title and placing the vehicle into support service.

Scope:

Internal Audit will conduct the FTA Pre-Award and Post-Delivery Reviews. We will also conduct a contract compliance audit.

**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.

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

**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 will conduct a contract compliance audit.

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

**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:

To be determined.

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

**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.

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**PROJECTS IN PROGRESS**

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.

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<b>SPECIAL REQUEST AND EMERGING ISSUES</b>
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**ODOT Request – Operator Complaint**

Purpose:

The Ohio Department of Transportation requested a special investigation into a complaint filed by a GCRTA employee to the Executive Director of ODOT.

The complaint alleges malfunctioning equipment and infrastructure, which resulted in unfair discipline.

Scope:

Internal Audit reviewed the complaint, maintenance records, and personnel records. We will interview appropriate employees, including the complainant.

Results:

Internal Audit staff completed the investigation into each area of the employee complaint. We met with appropriate management to review records and to conduct interviews. We reviewed the event site, conditions, and maintenance records. We reviewed the closed-circuit camera system replay and signal system playback for the event. We evaluated both management and employee actions for compliance with rail system and control center operating policies and procedures.

Our conclusion is the complaint filed by the GCRTA employee to the Ohio Department of Transportation was unfounded and without merit. We met with ODOT officials to share the investigation and report. ODOT accepted the investigation and report, the matter is closed.

**Third-Party - Telecommunication and Data Services**

Purpose:

The Director of Procurement requested an audit to evaluate the third-party telecommunication and data services invoices.

Scope:

The GCRTA has several purchase order with one company for telecommunication and data services. Internal Audit evaluated invoices, late invoice payments, and penalty fees.

Update:

Fieldwork is completed and a draft report is available. We scheduled a meeting with management to discuss the report and received their responses. We will release this report during the Third Quarter 2022.

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<b>SPECIAL REQUEST AND EMERGING ISSUES</b>
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**IT Director Hiring Process**

Purpose:

Internal Audit received multiple tips through the fraud hotline and email, concerning the hiring process for the Information Technology Director position.

Scope:

Internal Audit is reviewing the Human Resources process and position hiring files. We are also reviewing the background check and information from the individual's previous employer.

Update:

The investigation is completed. We provided a draft report to management and received their response. We will issue the report during the Third Quarter 2022.

**Employee Background Checks**

Purpose:

The General Manager/CEO and Deputy General Manager of Finance & Administration requested a review of the Human Resources background check during the hiring process.

Scope:

Internal Audit will review and evaluate the background check process, completed by Human Resources and its third-party contractor.

**Employee Overtime**

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.

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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 Second 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.
  
- 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	8/31/2022		Miranda, Josh	Customer Service Center
Time Card Correction	Started	2020 - IA - 14	COVID-19 - Families First Coronavirus Response Act	Employees Not Paid for Paid Time Not Worked Codes	Compliance	Medium Priority	10/30/2020	3/31/2022			Human Resources
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	9/29/2023		Lively, Michael	Innovation & Technology
Destruction of Direct Deposit Authorization Forms	Started	2019 - FWA - 04	Payroll Fraud - Direct Deposit	Failure to Destroy Sensitive Record	Reportable Condition		3/31/2022	6/30/2022		Smith, Karen	Accounting
Restricted Access. Service Counter, Records Storage	Started	2019 - FWA - 04	Payroll Fraud - Direct Deposit	Payroll Area Unsecured	Material Weakness		3/31/2022	9/30/2022		Smith, Karen	Accounting
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	5/31/2022		Lively, Michael	Innovation & Technology
Remove Commuter Advantage Participants From Commission Price List	Pending	2021 - IA - 04	Sales Agent - Collections	Commuter Advantage Participants on Commission Price List	Reportable Condition		4/14/2022	4/14/2022		Togher, John	Accounting
Determine Which Fareboxes Were Scrapped and Update Ultramain	Pending	2021 - RA - 02	Farebox Inventory	Inaccurate Records of Scrapped Fareboxes	Reportable Condition		6/30/2022	10/7/2022		Weil, Christopher	Fleet Management
Update Mezzanine Farebox Locations in Ultramain	Pending	2021 - RA - 02	Farebox Inventory	Mezzanine Farebox Location Not Consistently Configured in Ultramain	Reportable Condition		6/30/2022	10/7/2022		Berry, Michelle	Fleet Management
Determine Which Fareboxes Are Assigned to Rail Stations and Update Ultramain	Pending	2021 - RA - 02	Farebox Inventory	Ultramain Records of Rail Station Fareboxes Are Inaccurate	Reportable Condition		6/30/2022	10/7/2022		Weil, Christopher	Fleet Management
Replace Hayden Bus Wash Rack Brushes	Started	2022 - IA - 07	2022 Miscellaneous Observations and Findings	Replace Hayden Bus Wash Rack Brushes	Reportable Condition	High Priority	7/31/2022	9/30/2022		Sperhac, John	Greater Cleveland Regional Transit Authority
Update the Lug Locks	Pending	2021 -	Tire Lease/Maint	Lug Locks & Retorque	Material		9/30/2022			Kerg, Daniel	Fleet

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**STATUS OF OUTSTANDING FOLLOW-UP**

& Retorque SOP	ng	CA - 01	enance	SOP Conflicts with Michelin Contract	Weakness	2		Management
Require Michelin Complete Damaged Tire and Decommissioned Bus Forms	Pending	2021 - CA - 01	Tire Lease/Maintenance	Michelin is Not Completing the Damaged Tire and Decommissioned Bus Forms	Compliance	9/30/2022	Fogliano, Ryan	Fleet Management
Obtain Consignment Agreements for All Sales Agents	Pending	2021 - IA - 04	Sales Agent - Collections	Missing Consignment Agreements	Material Weakness	9/30/2022	Togher, John	Accounting
Increase Sales Agent Orders of One and Two-Trip Farecards	Pending	2021 - IA - 04	Sales Agent - Collections	Sales Agents Have Not Adopted One and Two Trip Farecards	Reportable Condition	9/30/2022	Togher, John	Accounting
Identify Sales Agent Prospects in Underserved Areas	Pending	2021 - IA - 04	Sales Agent - Collections	Uneven Distribution of Sales Agents	Management Letter	9/30/2022	Williams, Albert	Accounting
Issue Replenishment Reminder/Close Accounts	Pending	2021 - IA - 05	Petty Cash	Frequency of Replenishment	Compliance	9/30/2022	Purnell, Cynthia	Accounting
Issue a Memo Reminding Custodians to Secure Funds	Pending	2021 - IA - 05	Petty Cash	Insecure Petty Cash Funds	Compliance	9/30/2022	Purnell, Cynthia	Accounting
Obtain Missing Acknowledgement of Accountability Signatures	Pending	2021 - IA - 05	Petty Cash	Missing Approval Signatures	Compliance	9/30/2022	Purnell, Cynthia	Accounting
Update Accountability Forms with New Alternates	Pending	2021 - IA - 05	Petty Cash	Outdated Alternates	Compliance	9/30/2022	Purnell, Cynthia	Accounting
Close the Hayden Petty Cash Fund	Pending	2021 - IA - 05	Petty Cash	Outstanding Hayden Account	Reportable Condition	9/30/2022	Purnell, Cynthia	Accounting
Transition CTDS to IT or ITS	Pending	2022 - IT - 03	Consolidated Train Dispatch System	CTDS Not Subject to IT Department Controls	Reportable Condition	9/30/2022	Muti, Teresa	
Develop Backup Policy and Retention Review	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Data Retention and Backups	Reportable Condition	9/30/2022	Muti, Teresa	Power & Way - Rail
Create Individual Access Accounts	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Generic Non-User Accounts	Reportable Condition	9/30/2022	Muti, Teresa	Power & Way - Rail
Develop Disaster Recovery Plan	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Lack of System Disaster Recovery	Material Weakness	9/30/2022	Muti, Teresa	Power & Way - Rail
Establish System Administrator	Pending	2022 - IT - 03	Consolidated Train Dispatch System	No Segregation of Duties	Reportable Condition	9/30/2022	Muti, Teresa	Power & Way - Rail
Implement and Maintain System	Pending	2022 - IT - 03	Consolidated Train Dispatch System	No System Maintenance	Management Letter	9/30/2022	Muti, Teresa	Power & Way - Rail
Maintenance Agreement			System	Agreement with Vendor				
Implement Role Base Access	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Undefined System Roles and Access	Reportable Condition	9/30/2022	Muti, Teresa	Power & Way - Rail
Train Employees on Lug Locks & Wheel Retorque SOP	Pending	2021 - CA - 01	Tire Lease/Maintenance	GCRTA District Mechanics Do Not Use Lug Locks	Material Weakness	10/28/2022	Adams, Jeffrey	Fleet Management
Implement Effective Physical and Environmental Controls for System Hardware	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Environmental Controls	Material Weakness	6/30/2023	Piggery, Robert	Power & Way - Rail
Patch and Upgrade Schedule	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Expired Vendor Support - Expertise/Legacy Systems	Material Weakness	6/30/2023	Piggery, Robert	Power & Way - Rail
Replace System; Implement Maintenance Plan for New System; Enhance Redundancy	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Host Server A Down	Reportable Condition	6/30/2023	Piggery, Robert	Power & Way - Rail
Procure System with Robust Reporting Capabilities	Pending	2022 - IT - 03	Consolidated Train Dispatch System	Inadequate System Reporting	Reportable Condition	6/30/2023	Piggery, Robert	Power & Way - Rail

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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 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.

**Second 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.

- None during the Second Quarter 2022

**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 Second Quarter 2022:

**Northeast Ohio Internal Audit Local Chapter**

- “The Next Normal of Fraud Risks and Investigations” – Grant Thornton
- “Internal Audit’s Role in Evaluating Cybersecurity Using Advanced Technical Testing – Grant Thornton
- Information Security – RSM
- Chief Auditor Executive Roundtable Forum – Local Audit Leaders

**Northeast Ohio Certified Fraud Examiners Local Chapter**

- FBI – Forensic Accounting Overview – Bureau of Criminology
- FBI – Building a Better Internal Audit Environment - Bureau of Criminology

**Northeast Ohio Information System Audit and Control Association**

- None during the Second Quarter 2022

**Greater Cleveland Regional Transit Authority**

- GCRTA Board/EMT Retreat

**Federal Transit Administration**

- Cyber-Security Workshop – U.S. Transportation Security Administration

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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>Steven Zimmerman</b> 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.
<b>Andrew Scott</b> 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.
<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. Molly is a Certified Internal Auditor.
<b>Laura Crawshaw</b> 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.
<b>Randall Bowles</b> 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.
<b>Darren Garlock</b> 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.