

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

9:00 a.m., May 14, 2024

Committee Members: Koomar (Chair), Welch (Vice Chair), Mersmann, Pacetti, Sleasman, Weiss

Not present: None

Staff: Birdsong Terry, Bowles, Burney, Catalusci, Caver, Cottrell, Crawshaw, Draper, Fields, Fleig, Garlock, Garofoli, Gautam, Jupina, Miller, O'Donnell, Schipper, Scott, Talley, Togher, Zimmerman

Public: None

The meeting was called to order at 9:00 a.m. There were five (5) committee members present. Ms. Pacetti arrived after the roll call.

Approval of Minutes

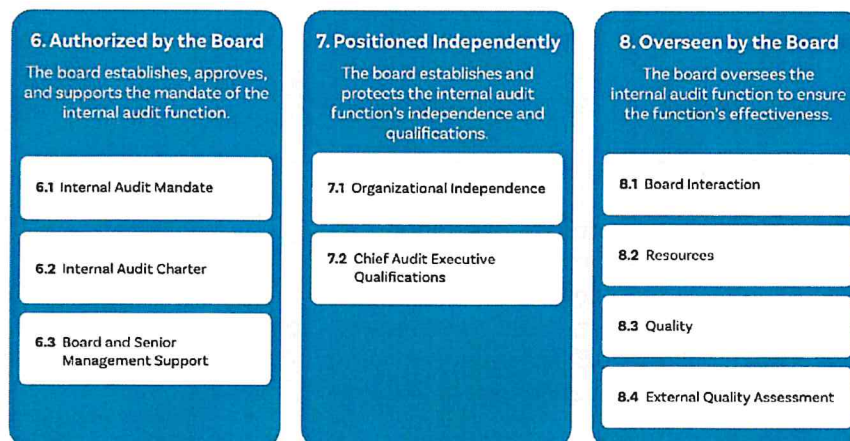
It was moved and seconded. The February 21, 2024 minutes were approved.

Internal Audit Report – 1st Quarter 2024 Internal Audit Activities

Tony Garofoli, Executive Director of Internal Audit and his staff auditors gave the report. Molly O'Donnell was promoted to Lead Auditor. Andrew Scott, IT auditor passed the Certified Information Systems Audit exam.

International Internal Audit (IIA) Global Audit Standards Update

The last update of the standards was in 2017. Standards have been updated in 2024. These new standards are effective January 9, 2025. Staff have attended training and are studying the new standards. There are five domains, 15 principles and 52 standards. Domain III: Governing the Internal Audit Function which is specific to the Board of Trustees. For the IIA, the Board and Audit committee is the same. In Domain III, there are three principles and 9 standards.



Principle 6: Authorized by the Board

- **6.1 Internal Audit Mandate:** The mandate specifies the authority, role, and responsibilities of the internal audit function. It includes:

- Internal Audit's purpose to provide objective assurance, advice, insight, and foresight.
- Direct reporting relationship to the board.
- Full and unrestricted access to all functions, data, records, information, personnel, and property.

Most of these items are already in the current IA charter.

- **6.2 Internal Audit Charter:** The Internal Audit Charter officially documents the Internal Audit Mandate. The Charter:
 - Is approved by the Board.
 - Defines roles and responsibilities for the Board and the Chief Audit Executive.
 - Establishes safeguards to independence and objectivity.
 - Is subject to periodic review.
- **Charter Timeline**
 - Draft audit charter to be shared at August 2024 Audit Committee Meeting.
 - We will solicit feedback from the board and senior management.
 - Staff will request at the November 2024 Audit Committee Meeting, the referral of the revised Internal Audit Department Charter to the full board for approval.
- **6.3 Board and Senior Management Support:** Support for the Internal Audit function, including:
 - Fulfillment of the Internal Audit Mandate.
 - Formal and informal meetings, including meetings between the board and the audit function without senior management present.

Principle 7: Organizational Independence

- **7.1 Organizational Independence:** Defined as "the freedom from conditions that impair the internal audit function's ability to carry out its responsibilities in an unbiased manner." This can be accomplished by:
 - Functional reporting to the board with administrative reporting to the Chief Executive Officer.
 - Identifying and eliminating impairments to independence.
- **7.2 Chief Audit Executive Qualifications:** Qualifications should be approved by the board. Considerations include:
 - Understanding of the Global Internal Audit Standards.
 - Experience building and managing an effective Internal Audit function.
 - Professional education, certifications, and other credentials.
 - Leadership experience.
 - Industry or sector experience.

Principle 8: Overseen by the Board

- **8.1 Board Interaction:** Reporting requirements:
 - Internal Audit Plan.
 - Changes affecting the mandate or charter.
 - Impairments to independence.
 - Results of audit engagements.
 - Results of quality assurance and improvement program.
- **8.2 Resources:** The Chief Audit Executive must communicate to the board when resources are insufficient to fulfill the Internal Audit Mandate. Resources include:
 - Audit Staff.
 - Technology.
 - External resources including guest auditors, co-sourcing, and outsourcing.
- **8.3 Quality:** The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. Includes:
 - Internal Assessments
 - External Assessments

- **8.4 External Quality Assessment:** The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

A draft Internal Audit Charter will be presented to the committee in August.

Railcar Replacement & Infrastructure Audit Activities

Contract Compliance Audit

Contract No. 2021-125 with Siemens Mobility, Inc.

- Design, manufacture and delivery of up to twenty-four (24) high floor light rail vehicles, spare parts, tooling and training

Option under Contract No. 2021-125 with Siemens Mobility, Inc.

- Purchase and delivery of up to six (6) high floor light rail Vehicles

*High floor light rail vehicles will operate on the Red, Blue, Green, and Waterfront Lines

- Pre-Award Contract Compliance
 - Procurement audit
 - Federal Transit Administration – Buy America Review
- Post-Award Contract Compliance
 - Project management & deliverables audits
 - Contract administration audits (including change orders)
 - Invoice reviews

Railcar Vehicle Replacement Program

Objective: Provide ongoing contract compliance assurance on program management and procurement activities and to complete necessary Buy America reviews.

Scope: Internal Audit will evaluate contract compliance and management controls.

Update: Management and railcar manufacturer are completing design/review for the railcar. Management is engaging design consultants for infrastructure modification.

Current Status: Manufacture

Design Review Schedule and Siemens Mobility Change Order (C/O)

The railcars will go through five design review processes. To date there are four change orders for the Siemens Mobility contract. A log is kept tracking each change. Changes include additional railcars, spare parts and couplers, delivery schedule and smoke detectors.

Sharon Cottrell Pfeiffer and Lou Catalusci of Procurement went over the change order process. Contract modifications are meant to authorize changes to the original contract. They can be initiated by RTA or the contractor. Typically, once a change is realized, the project manager will provide Procurement with a justification, cost estimate, scope of work and estimated cost. Procurement will obtain a proposal for the change and then they negotiate with the project manager and others pertinent to the negotiation team. The change order committee is involved when the change is at or above \$50,000. The committee members consist of several RTA departments. They provide a complete package with all the documents and present that to the change order committee and take questions from them. Once approved, a decision is made. If the contract is up to \$1 million, they have \$100,000 in GM C/O authority. The C/O threshold depends on the

original amount of the contract. Between \$1M - \$5M has a threshold of 10% or a maximum of \$250,000 C/O authority. For anything over \$5M, the GM C/O authority is \$500K. The Board can authorize changes, for example with the November resolution that increased the GM C/O authority for the railcars to \$6.5M. After approval a Notice to Proceed is given to the contractor. Mayor Koomar added that it made sense to increase the GM's authority on the railcars to keep the project moving. The IA department does a detailed review of the Procurement files and project management files. There is also a potential change order log. These are still being evaluated.

GCRTA Financial Management System

RTA Set of Books:

Purchase Order – Railcar Replacement

- Purchase Order Line Items – totaling \$195,537,935.54 (per board approval)
- \$47,204,319.24 paid (as of 5/3/2024)

Railcar Replacement Program Contracts

Contract No. 2019-115 with LTK Consulting Services, Inc. (11/2020 Merger with Hatch, Hatch LTK)

- Developed railcar Request For Proposal
- Design review and manufacturing oversight
- (Not currently under internal audit)

Contract No. 2021-156 with K&J Safety and Security Consulting Services, Inc.

- Safety and Security Consulting Services
- (Not currently under internal audit)

Railcar Infrastructure Modifications

Some are up for bid or in negotiations. As they come up, they will be included in the audit program

- 66B Port of Cleveland Connector Track – railcar delivery
- 66C Brookpark Shop and Yard Tracks
- 66C2 Brookpark Rail Shop Modifications
- 66D CRMF New Railcar Modifications
- 66D2 CRMF Electronics Lab Remodeling
- 66E1 Red Line Station Platform Modifications
- 66E2 Light Rail Station Platform and Mini-high Modifications

Contract No. 2023-166 with Parsons Transportation Group Inc.

- Architect/Engineer Services for Brookpark Rail Shop Modifications
- Port of Cleveland Track Connection
- (Not currently under internal audit)

Mayor Weiss asked if the infrastructure modification projects are also budgeted. Mr. Schipper said these are included in the total CIP program budget of \$393M. There is \$20M allotted for these projects. They are in various states of design and construction. The goal is to have most of the work done prior to the arrival of the first car except for the modification to the platforms, which will be contracted. There is contingency money for change orders.

FTA – Project Management Oversight

U.S. DOT Federal Transit Administration Project Management Oversight monitors the management of FTA-supported major capital projects to determine whether the projects are on time, within budget, in conformance with design and quality criteria, in compliance with all applicable Federal requirements, and constructed to approved plans and specifications, delivering the identified benefits, and safely, efficiently, and effectively.

Project Management Oversight

- Pre-Award Buy America Review
 - Buy America Audit & Purchaser's Audit
 - RTA passed the review
 - Management meets with FTA quarterly
- Intermediate Audit (after supplier contracts are in place)
- Post-Delivery Buy America Review
 - Buy America Audit & Purchaser's Audit
- Post-Delivery – Domestic Content Monitoring

Buy America requires 100% domestic supplier for construction project infrastructure. For rolling stock it is 65%. In October 2017-18, with the FAST Act it is 70% for parts. Mayor Koomar asked if there are cases where it is not possible. Mr. Garofoli said the appropriate Federal agency will provide a waiver to assist with domestic suppliers. There are enough domestic suppliers to support the railcars. Mayor Weiss asked what happens when suppliers use overseas businesses. Tony added that there are rules if suppliers have business out of the country, but it depends on the final assembly of the component.

Project Management Review - LS Gallegos, Inc.

- Monthly Check-in Meetings
- FTA Project Management Oversight Procedures

Internal Audit Quarterly Report – 4th Quarter Activities

COMPLETED PROJECTS

Paratransit – Contracted Services

Objective: To provide assurance of contract compliance for our contracted paratransit services.

Scope: Current contract period. Vehicle maintenance, operator payroll, fare collection, vehicle cameras, and Drug & Alcohol program.

Results: Unsatisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

Issues were related to the subs. 50% of the service is provided by three subcontractors. Ms. Pacetti asked about the contract period and how often are these services looked at. This audit was for the current contract period from 2023. Mr. Zimmerman said this audit is included in the plan each year. Ms. Mersmann asked if improvements to the service have been communicated to the customers. Ms. Terry said there must be a delicate balance with how improvements are communicated because the subcontractors represent RTA. They are looking at website changes and a possible communication component.

Dr. Caver added that measures were put into place with the former contract. Uniforms, fleet age improvements, were added and received well by the community. There has been a reduction in the comparison of the services. Surveys are conducted quarterly on the service. Paratransit have the highest rating of net promoter score and customer satisfaction. The unsatisfactory results were not related to service but related to contract compliance.

Customer Communications – Service Interruptions

Objective: To evaluate GCRTA processes for responding to and communicating planned and unplanned service interruptions to customers.

Scope: Case studies of planned and unplanned service interruptions documenting GCRTA customer communications.

Results: Marginally Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: See next slide

Customer Communications – Service Interruptions

Recommendation:

- Improvements to customer communications including:
 - Internal SOP enhancements
 - Transit App messaging
 - Social Media strategies
 - Subscription-based communication
 - Enhanced ADA compliance

Recommendation - Develop a Customer Experience Plan and assign Customer Experience oversight.

- Management has implemented several initiatives under the Traction Customer Experience success outcome such as mobile payment, cleaning programs, vinyl seats on rail vehicles, and customer surveys. Develop an authority-wide customer experience strategic plan to formalize these and future actions, and to centralize and report progress to the public. Utilize the plan to identify gaps to further enhance the rider's experience.
- Consider hiring a dedicated customer experience officer to address and coordinate customer experience initiatives. They could have a key role in customer communications for service interruptions.

Customer Experience Officers have become best practice. The job description for the Senior Director of Customer Experience & Performance Management will be posted soon. This will be a small team.

GCRTA Travel and Expense Reimbursement

Objective: Review all trip reports and travel expense reimbursements for compliance with policy and procedures.

Scope: 100% of trips and expenses.

Results: Satisfactory, with findings and recommendations for management.

Issues for Board Consideration: None

PROJECTS IN PROGRESS

TRACTION Performance Measurement

Objective: Evaluate the design, methodology, execution, and results of the survey inputs for TRACTION Performance Measurement. Validate that survey design and methodology are reliable, and that results are accurately captured and reported.

Scope: Surveys and reports supporting performance management monitoring.

Current Status: Reporting

Tower City Common Area Maintenance Agreement

Objective: Identify agreement requirements, validate compliance with terms and conditions, and evaluate risks and controls.

Scope: Invoice accuracy, utility billing, reimbursable expenses, maintenance/management system assets, Tower City maintenance obligations.

Update: Management and Bedrock are negotiating payment terms for 2024. Internal Audit will issue a final report.

Current Status: Reporting

Waterfront Line Bridge Rehabilitation

Objective: To provide assurance of Engineering project management controls for the Waterfront Line Bridge Rehabilitation project.

Scope: Controls testing to evaluate project management.

Current Status: Reporting

Viaduct Rehabilitation

Objective: To provide assurance of Engineering project management controls for the Viaduct Rehabilitation project.

Scope: Controls testing to evaluate project management.

Current Status: Testing

Service Quality Bus Field Supervision

Objective: To evaluate the processes and procedures in place to successfully perform field supervision of revenue service.

Scope: 2023 Supervisor activity logs, bus field supervision coverage, Service Assessment Remarks (SAR) generation, and SAR district follow-up.

Current Status: Testing/Fieldwork

Supply Chain Contract Management

Objective: Document contract management strategies used to manage contracts. Assess risk associated with centralized contract management. Evaluate efficacy of controls in place to manage contracts.

Scope: TBD upon completion of Risk Assessment.

Current Status: Planning/Risk Assessment

Electronic Funds Transfer

Objective: To document the controls over Electronic Funds Transfer and provide assurance on the efficacy of those controls.

Scope: Electronic Funds Transfer Process for grant and non-grant funded activities.

Current Status: Reporting

Hayden Roof Construction

Objective: To provide assurance of Engineering project management controls for the Hayden Roof project.

Scope: Controls testing to evaluate project management.

Current Status: Testing/Fieldwork

It is a \$6M project. It is 75% complete.

Accident and Incident Training and Discipline Outcomes

Objective: To evaluate the processes and controls in place to ensure the efficacy, consistency, and quality of training and discipline outcomes that result from accident and incident review.

Scope: Operator retrains, operator discipline, Accident Review Committee training, and Grievance Risk Analysis.

Current Status: Testing/Fieldwork

Maintenance/Management System Upgrade

Objective: To provide assurance over the Maintenance-Management System upgrade, validating that end user system requirements are implemented, system interfaces are operational, reporting is reliable, and identity and access management is appropriately configured.

Scope: TBD upon completion of Risk Assessment.

Current Status: Planning/Risk Assessment

Ms. Mersmann asked for an overview of this system. Ms. Crawshaw said this system manages our assets, rolling stock and facilities. This is how inventory and parts are ordered and maintenance is scheduled.

Transit Police Overtime and Compensatory Time

Objective: To provide assurance on the completeness, cutoff, and accuracy of Transit Police overtime and compensatory time. To evaluate management controls for authorizing, recording, processing, and paying overtime and compensatory time.

Scope: Overtime and Compensatory time earned from May 2021 – May 2023.

Current Status: Reporting

They recently held an exit conference with management and will issue a final report.

City of Shaker Heights Maintenance Expenses

Objective: GCRTA and Shaker Heights have an interagency agreement for landscaping along the light rail right-of-way. To reconcile the costs of Shaker Heights right-of-way maintenance expenses against the invoices paid by the GCRTA, and to evaluate compliance with the terms and conditions of the maintenance contracts.

Scope: Current contract period 2021 – 2023.

Current Status: Reporting

Customer Service Center – Tower City

Objective: Perform a 100% count of all cash and farecards within the Customer Service Center. Perform an analysis of farecard sales to calculate monthly consignment turnover before and after the pandemic.

Scope: Cash and farecard count on 1/23/2024. Fare card sales from 2018 – 2019 and 2022 – 2023.

Current Status: Reporting

The CSC balanced within \$0.50. They recently held an exit conference with management and will issue a final report.

Shelter Community Investment Program

Objective: To evaluate community partner compliance with program requirements and to provide assurance over payments received to support the program.

Scope: License agreements, invoice reconciliation, and enhanced shelter inventory.

Current Status: Reporting

Their intern worked on this project.

Fiber Optic

Objective: To provide assurance of Engineering project management controls for the Fiber Optic project.

Scope: Controls testing to evaluate project management.

Current Status: Testing/Fieldwork

Accrued Time Reconciliation

Objective: Document processes involved in employee accrued balances, and development of a process for regular auditing.

Scope: All employee time accruals by pay group. Secondary engagement to follow for reconciliation of hours.

Current Status: Testing/Fieldwork

Identity and Access Management

Objective: Evaluate controls in place for accessing critical Authority systems

Scope: Governance, Identity Management, Authentication, Authorization, Access Control, and Monitoring

Current Status: Review and testing of controls for Authority Bid Dispatch System

Fuel Expense

Objective: Evaluation of contract compliance, and to obtain background information, including expenditure trends, documentation of the workflow processes, invoice payments, and access controls.

Scope: Diesel, Unleaded Gasoline, Propane, Compressed Natural Gas, and Propulsion Power (**Electricity**)

Current Status: Planning/Risk Assessment

Areas of continuous auditing will be identified.

Heavy Rail - Motor Overhaul (Swiger Coil Systems)

Objective: Evaluate evolving Heavy Rail Vehicle (HRV) smoking motor issue.

Scope: Contract compliance with Swiger Motor overhaul contract, review of GCRTA Quality Assurance review process, and evaluation of third-party engineering services task order.

Update: Final post-delivery testing is complete, report is being drafted.

Current Status: Reporting

One hundred percent of the HR motors have been completely refurbished back to OEM specifications

FTA – Post-Delivery Buy America Review – Paratransit Coaches

Objective: The federal grant application requires the GCRTA to conduct the pre-award and post-delivery audits for the purchase of rolling stock (49 CFR part 663 Pre-Award and Post-Delivery Audits of Rolling Stock Purchases and 49 CFR part 661 Buy America Requirements).

Scope: Buy America, Purchaser's Review, and Federal Motor Vehicle Safety Standard Review

Current Status: Testing/Fieldwork

Mr. Zimmerman, Lead Auditor asked for feedback from the Board whether they like the current format or if the report can be summarized. He gave some examples of possible formats. The committee likes the current format but is ok with some summaries at the start and more detail as the project goes along. Ms. Pacetti asked if the Planning/Risk Assessment projects always advance. Mr. Zimmerman said projects aren't dropped for low risk. Testing is necessary. They will carry all projects out to reporting. Any changes to the plan must be shared with the Board. She suggested for completed projects that content and history is explained. Mayor Weiss suggested a highlighted area of unsatisfactory results or projects that won't be completed opposed to audits that are going along in the normal course. Mr. Sleasman said most of their questions have to do with completed audits. He suggested a summary of ongoing projects and have discussion of items that have recommendations or issues for Board Consideration. Staff will demo a new format for the next quarterly meeting.

ADDITIONAL MIS/IT PROJECTS

Various staff sit on project teams. These projects are in various stages of review.

- CTDS
- Transit Master
- EZFare
- Applicant Tracking
- Learning Management
- Data Center Co-location
- Point of Sale
- Infrastructure Updates

CONTINUOUS AUDITING

A method utilizing a series of scripts to perform auditing activities on a more frequent basis to identify risks and exceptions for investigation by appropriate staff and management. It analyses 100% of every transaction across internal and external databases. There are seven steps to this process. These audits are performed each month. IA staff is looking to expand on this program to include other projects.

Paratransit Customer Database

Objective: Reconcile Paratransit customer database against State of Ohio Deceased Ohioans Report

Scope: Reconciliation of database to 2023 Deceased Ohioans Report and review of previous years' results

Results: Script was executed, and results provided to management for action

In 2023, 275 deceased accounts were deactivated to decrease risk.

Purchasing Card

Objective: GCRTA P-Card program provides a means for streamlining payment processes, allowing cardholders to procure certain goods and services in a timely manner.

Scope: Internal Audit developed a script to evaluate P-Card transactions for compliance with the GCRTA Procurement Card Policy.

Results: The script was executed monthly and results were shared with Accounting Management.

They look for insufficient documentation, transactions over \$10,000 and split transactions.

Revenue Collection

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

Scope: Internal Audit developed a script to analyze data from fare collection systems and compared it to cash in transit, accounting, and bank records.

Results: Script was executed monthly, and exceptions were shared with Revenue Management. Each month had insignificant variance between systems and financial management records.

Examples include GFI versus Brinks collection, Brinks versus bank deposit, ACS versus Oracle, etc. It goes through 8 databases. This script looks at 97,000 records a month.

*Note: Cash collections include some immaterial differences between machine totals and amounts deposited, due to known system errors.

Payroll

Objective: To evaluate payroll data from the Authority's ERP system.

Scope: Internal Audit utilizes scripts to analyze payroll data from the Authority's ERP system.

Results: Script was executed monthly. Exceptions were shared with management for their feedback and supporting documentation.

This script looks at suspicious deductions, excessive overtime and other things. This script looks at five databases and analyses 26,000 records a month.

Nepotism

Objective: To evaluate relationships of GCRTA employees for conflicts in the reporting structure

Scope: Utilize scripts to evaluate information in ERP system and self-reported relationships

Results: Script is run monthly. Results to be shared with management for follow-up on employee relationships.

This script looks at shared bank accounts, shared addresses and contacts, shared beneficiary, self-reporting. This script examines 9 databases and 4,700 records.

2024 Objectives

- Create Accounts Payable script
- Create Fuel Expense script
- Enhanced Reporting: Visualizations (real time dashboard on Intranet)
- Fare Reconciliation: EzFare reconciliation
- Payroll: Cross-reference time keeping systems

SPECIAL REQUESTS / EMERGING ISSUES

- Internal Audit – Inspector General Duties
- Transit Police – Office of Professional Standards – Internal Affairs Process Review (In progress)
- Salary Non-Bargaining Non-Exempt Compensatory Time (In progress)

EXTERNAL AUDIT COORDINATION

- State of Ohio Auditor 2023 Single Audit – report in executive session in June
- State of Ohio Department of Transportation – State is being audited by the Fed's
 - Rail Safety Oversight Program
 - State Safety Oversight Triennial Review
- Federal Transit Administration - Project Management Oversight – Railcar Replacement Program

STATUS OF OUTSTANDING FOLLOW-UP

All audit results and recommendations are tracked and monitored in the Internal Audit - Audit Management System. Upon verification, issues are closed.

OTHER PROJECTS

Healthcare Claims Co-sourcing

- Annual healthcare expenses exceed approximately \$32 million
- We will reengage our audit software provider to update our claims auditing system to evaluate healthcare claims for compliance with plan design
- Scope will include previous two years of claims

IA is engaged in other activities:

- Fraud Hotline
- Information Technology Council
- Change Order Review Committee
- Railcar Replacement Steering Committee

- Maintenance Management System Upgrade (Ultramain)
- Oracle Upgrade Steering Committee
- Executive Records Management Committee

STAFF TRAINING

Internal Audit Department staff received the following training during the First Quarter 2024:

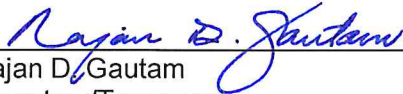
- Get to Know the New Global Internal Audit Standards (IIA Webinar)
- Fraud Day: Anti-Fraud Management, Fraud Investigation Topics, Identify Theft (NEOIIA/ NEOACFE)
- New Global Audit Standards, Ohio Business Climate, and Rates & Foreign Exchange (NEOIIA/OSCPA)

CYBERSECURITY ASSESSMENT

In December, there was a ransomware readiness assessment by the Cyber Security and Infrastructure Security (CSIS) arm of the federal government. The results were shared with management. Management is developing an action plan to address the recommendations. CSIS will come back to do an external dependencies management assessment and a cyber resilience assessment. The risk assessment team includes IT, Transit Police, Legal and Internal Audit. There was a cybersecurity tabletop drill in April to test readiness.

Ms. Mersmann asked about the EZfare scanners. Mr. Garofoli said they are involved in ongoing functional testing on the equipment for ticket charges and receipt of cash.

The meeting was adjourned at 10:44 a.m.



Rajan D. Gautam
Secretary/Treasurer



Theresa A. Burrage
Executive Assistant