U T A

Working Session of the
Audit Review Committee
Monday, October 16, 2017, 2:00 – 3:00 p.m.
Frontlines Headquarters Building, Golden Spike Rooms, 669 West 200 South, Salt Lake City

Members of the public are invited to attend all committee meetings, and public comment may be taken at the discretion of the committee chair. If public comment is not taken at the committee meeting, the public will be able to review and provide comment via www.rideuta.com on all action items prior to the next full Board of Trustees meeting. If public comment is taken at the committee meeting, in order to be considerate of time and the agenda, comments will be limited to 2 minutes per individual, or 5 minutes for a spokesperson designated to represent a group.

Committee Members: *Troy Walker, Committee Chair*

Jeff Acerson   Jeff Hawker (excused)
Gina Chamness

Agenda

1.   Safety First Minute   Dave Goeres

2.   *Approval of the April 12, 2017 Audit Review Committee Report*

3.   *Q3 Audit Report*   Riana De Villiers

4.   Closed Session
   a.   Discussion of the Purchase, Exchange, Lease or Sale of Real Property when Public Discussion would Prevent the Authority from Completing the Transaction on the Best Possible Terms.
   b.   Strategy Session to Discuss the Character, Professional Competence, Physical or Mental Health of an Individual.
   c.   Strategy Session to Discuss Collective Bargaining.
   d.   Strategy Session to Discuss Pending or Reasonably Imminent Litigation.

5.   Action Taken Regarding Matters Discussed in Closed Session   Troy Walker

6.   Other Business   Troy Walker
   a.   Liaison, Conference & External Committee Reports
   b.   Next Committee Meeting

7.   Adjourn   Troy Walker

10 fingers, 10 toes, 2 eyes, 1 nose... safety counts

1 2 3 4 5 6 7 8 9 10

UTA
SAFETY & SECURITY

October 2017

SAFETY FIRST

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	October 16, 2017
AGENDA ITEM:	Committee Report Approval
CONTACT PERSON(S):	Riana de Villiers
SUBJECT:	April 12, 2017 Audit Review Committee Report
BACKGROUND:	The minutes are being distributed to the committee for review and approval
ALTERNATIVES:	- Approve as presented - Amend and approve - No action
EXHIBITS:	04-12-17 AUD Meeting Report

UTA

Working Meeting of the
Audit Review Committee
Wednesday, April 12th, 2017
2:10 p.m. – 2:45 p.m.
Report

I. Chair Troy Walker called the meeting to order at 2:10 p.m. At that time a Quorum was present.

II. Safety First Message: (David Goeres) –
- The Federal Railroad Administration has issued a final rule that railroads are required to establish and Emergency Notification Systems (ENS) by installing clear and readable signs with toll-free telephone numbers at crossings so the public can report unsafe situations and for railroads to respond to emergencies, warnings signals and device malfunctions. The purpose of these signs is to help reduce the risk of certain highway-rail crossing collisions. All problems or emergencies should be reported by calling 1-844-887-5455.

III. External Audit: National Transit Database (Bob Biles) –
- UTA retained Keddington and Christensen to perform certain agreed-upon procedures related to UTA's 2015 National Transit Database (NTD) report. The summary outlines the work performed by Keddington and Christensen as well as UTA's progress in addressing the ten areas where UTA could improve its data collection and validations, reporting, or documentation.
- UTA's NTD report is used by the FTA to allocate their annual formula funds. Accurately reporting this data is important to FTA's allocation formulas.
- National Transit Database agreed upon procedures: In conjunction with the 2015 audit, Keddington and Christensen performed certain agreed-upon procedures related to UTA's NTD report and UTA's compliance with the following FTA Standards:
- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.

- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by the FTA or otherwise meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about transit agency operations.
- Keddington and Christensen applied the procedures specified by FTA to the data contained in the FFA-10 form for the year ending 12/31/2015. The procedures were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, fixed guideway directional route miles, passenger miles traveled, and operating expenses of UTA for the year ending December 31, 2015. Procedures were applied to all transportation modes.
- In their report, Keddington and Christensen identified ten areas where UTA could improve its data collection and validation, reporting, or documentation.
- Since receiving the Keddington and Christensen report, UTA staff has taken actions to fully address eight of these areas. The following two areas remain to be completed.
  1. Fully implement and complete and timely reviews, mainly at the Regional General Manager level. UTA is working to standardize the work which these individuals should perform and develop a timetable for each type of work.
  2. Timely reporting of van pool ridership. Van pool ridership reporting has lagged by one month as it has been difficult to gather monthly reporting from all the van pool drivers in time to enter that data before the monthly NTD reporting deadline. Although this represents a small portion of ridership, the Authority is working with NTD on a solution.
- NTD ridership should be reported within a month timeframe, not two months.
- In order to speed up the process, Trustee Troy Walker asked if the operators could report their ridership online. Bob Biles stated that UTA is currently looking at several solutions to reduce the ridership reporting time.

IV. External Audit: 2016 FTA Triennial Review (Mary DeLoretto) –
- The Federal Transit Administration performed Triennial review, which is an assessment of UTA's compliance with Federal requirements, as stipulated by Chapter 53 of Title 49, United States Code, Section 5307.
- The FTA uses the Triennial Review to evaluate a grantee's performance and adherence to FTA requirements and policies. This could affect UTA's future grant opportunities.
- A site visit for the Triennial Review of the Authority was conducted during August 2016. The review covered UTA's compliance in seventeen areas:
  1. Technical capacity (1 finding)
  2. Satisfactory continuing control (3 findings)
  3. Financial management and capacity
  4. Equal Employment Opportunity
  5. Americans with Disabilities Act (ADA)
  6. Disadvantaged Business Enterprise (DBE)
  7. Planning/program of projects
  8. Public comment on fare increases and major service reductions
  9. Drug Free workplace and drug and alcohol program
  10. Maintenance
  11. Title VI
  12. Procurement

| 13. Legal | 15. Charter Bus | 17. Security |
| 14. Half Fare | 16. School Bus | |

- No deficiencies were found with the FTA requirement in 15 of the areas. There were findings in two areas. Technical Capacity (one finding) and Satisfactory Continuing Control (three findings). UTA had no repeat deficiencies from the 2013 Triennial Review.
- Summary: The Rail Fleet Management Plan was updated to reflect current operations and plans. Two of the four findings were closed out prior to the issuance of the final Triennial Review Report and the remaining two were addressed prior to the required due date of January 8th, 2017. FTA has indicated that all the required documents have been submitted and accepted and the findings of the review are now closed. Currently, the FTA can review an asset sheet and verify where all funding was applied.

V. Internal Audit: FMLA Management and Follow-up (Riana De Villiers) –
- The International Standards for the Professional Practice of Internal Auditing directs that Internal Audit should communicate to the Board of Trustees on Internal Audit's activities in relation to the execution of the audit plan.
- The Chief Internal Auditor presented an executive summary on the Family and Medical Leave Act (FMLA) Management and follow-up audit that provided an overview of the scope, objectives and results of the internal audit performed.
- FMLA is a federal law that entitles eligible employees to take unpaid, job-protected leave for specified family and medical reasons with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave. UTA leadership was concerned that the Family Medical leave management may not be consistently administered across the Authority, resulting in additional costs being incurred by the organization.
- Objective and Scope: An internal audit of the design and operational effectiveness of FML Management was performed during 2016. The period of the audit was from January 1, 2015 through December 31, 2015. Critical control points with the FML Management process included the following:
  1. Approval of employee FML requests.
  2. Monitoring employee FML usage and time reporting.
  3. Approving extensions or changes to approved FML requests.
  4. Ensuring that employees are fit to return to work following FML of two weeks or longer.
- Audit Conclusion: The 2016 audit did not identify any violations of the FMLA. However, the audit did note that monitoring controls were not consistently performed and did not prevent, detect and correct employees' use of FML in a timely manner, resulting in the increased risk of additional costs being incurred by the organization. It was recommended that a standardized monitoring process be implemented and enforced as a standard operating procedure. It was also recommended that individuals identified as the responsible parties at each division be trained on the new process and their performance monitored and reported.
- Recommendation was made to implement additional controls to prevent improper submission of FML time. The timeliness of FML requests, approvals and the retention of related FML documentation were areas where it was noted that the internal control environment could be improved. It was also suggested that the responsibilities of recording the receipt and retention of the leave request and medical certification be segregated from the duties of review and approving FML requests.
- The 2017 follow-up audit revealed that the Benefits Administration Department has implemented policies and procedures, standardized processes, and defined roles and responsibilities to manage FMLA at UTA. As a result of the overall improvement in governance and control, a better audit

trail was in place to support decisions and actions. However, further work is necessary to have a strong audit trail in place.

- Based on the follow-up audit, except for a few minor issues, controls are designed and operating effectively.

VI. Internal Audit: Sales Tax Collections and Reporting (Riana De Villiers) –

- The International Standards for the Professional Practice of Internal Auditing directs that Internal Audit should communicate to the Board of Trustees on Internal Audit's activities in relation to the execution of the audit plan. The Chief Internal Auditor presented an executive summary on the Sales Tax Collections and Reporting Audit that provided an overview of the scope, objectives and results of the internal audit.

- Sales tax revenue accounted for approximately 66% of UTA's total revenue during 2015. Transit sales tax is collected from six counties and some of their municipalities by the Utah State Tax Commission. The Utah State Tax Commission distributes transit sales tax to UTA on a monthly basis. Sales tax receipts are reported in financial reports to UTA's Board of Trustees and in its Comprehensive Annual Financial Report.

- Objective and Scope: An internal audit was performed to assess the design adequacy and operational effectiveness of controls around the receipt, recording and reporting of sales tax revenue. The period of the audit was from January 1, 2015 through December 31, 2015.

- Audit procedures were designed to assess whether:
  1. All recorded transactions actually occurred
  2. All of the transactions that took place were recorded
  3. Transactions were record accurately
  4. Transactions were recorded in the correct accounting period
  5. Transactions were recorded in the proper accounts
  6. Periodic totals were accurately recorded

- Audit Conclusions: There were no reviews of manual controls performed with the processes of recording and reporting monthly sales tax receipts. This issue was self-identified by the Comptroller and corrective actions were taken in February 2016, prior to the 2016 internal audit.

- Except for the issue noted above, controls around the receipt, recording and reporting of sales tax revenue were designed adequately and operating effectively.

VII. Internal Audit: Davis-Bacon Compliance and Follow-up (Riana De Villiers) -

- The International Standards for the Professional Practice of Internal Auditing directs that Internal Audit should communicate to the Board of Trustees on Internal Audit's activities in relation to the executing of the audit plan. The Chief Internal Auditor presented an executive summary on the Davis-Bacon Compliance and Follow-up audit that provides an overview of the scope, objectives and results of the internal audit performed.

- UTA is engaged in construction projects to maintain and improve its transit system and supporting facilities. The Davis-Bacon Act (DBA) is a statute designed to protect construction workers from the deflationary effects of competition for federally funded public works contracts valued in excess of $2,000. The DBA sets minimum levels for contracted wages and benefits for laborers and mechanics based on skill level and geographical location. Contractors bear the primary burden for complying with the DBA. However, UTA is responsible for the following:
  1. Informing contractors when a project will require DBA compliance
  2. Ensuring that contract terms include DBA provisions
  3. Monitoring contractor compliance with the DBA

- Objectives and Scope: An internal audit was performed during 2016 to access if internal controls were designed and operating effectively to ensure that UTA and its contracted third parties on federally funded construction projects were compliant with the DBA. The period of the audit was from May 10, 2015 to May 9, 2016. The primary focus included:
  - Contracting;
  - Contractor Compliance Monitoring; and
  - Record Management.
- Audit Conclusion: No violations of the Davis-Bacon Act were identified. However, UTA did not have a formal process for monitoring contractor compliance with the DBA or retaining related documentation. It was recommended that standard operating procedures be designed, documented and implemented for DBA contractor compliance monitoring and record management.
- The 2017 follow-up audit reported that UTA now does have a formal process for monitoring contractor compliance with the Davis-Bacon Act and for retaining related documentation. Based on the follow-up audit conducted, controls are designed adequately and operating effectively.

VIII. Internal Audit: Grants Management and Follow-up (Riana De Villiers) –
- The Chief Internal Auditor presented an executive summary on the Grants management and Follow-up audit that provided an overview of the scope, objectives and results of the internal audit performed.
- Internal Audit was directed to perform an internal audit to determine if controls were designed and operating effectively to ensure that grants management was administered in accordance with federal requirements. UTA uses several funding sources to construct, operate and maintain its public transportation system. The FTA provides grants to local public transit systems to partner with state and local governments in enhancing and expanding public transportation systems. UTA received approximately $60 million in funding from federal grants during 2015.
- Objective and Scope: An internal audit of the design and operational effectiveness of grants management was performed during 2016. The period of the audit covered the 12 months ending on May 31st, 2016. The primary areas of focus within grants management included:
  1. Approval to Apply for Grants
  2. Grant contracting/Procurement
  3. Grant Payments
  4. Grant Drawdown
  5. Grant Reporting
  6. Grant Closeout
- Audit Conclusion: The 2016 internal audit noted that the responsibility for the Grants Management process transitioned from the Planning Department to the Development Department at the end of 2015 and a new manager was appointed to oversee the process. New controls were introduced with the intent of improving the process. Internal Audit found that with the change in organizational structure, the scope, role and authority of the Grants Management function were not clearly defined or formally documented. It was recommended that the Grants Manager establish a policy and update the standard operating procedures to oversee and facilitate the entire life-cycle of all grants received by UTA.
- The 2017 follow-up audit revealed that the scope, role and authority of the grants management process had been assigned and documented in a corporate policy. Also, the roles and responsibilities of the grants management team and the other departments with direct accountability for grants management have been outlined in a set of procedures, with input from other departments involved in the process.
- Based on the follow-up audit conducted, controls are designed adequately and operating effectively.

- **Action Item:** With the elimination of Corporate Staff meetings, the Grants Department needs a new group who are authorized to approve grants.
- **Please Note:** Riana De Villiers stated that summary reports on all items discussed at today's meeting will be made available to the Executive Committee. The full report will be made available to members of the Board.

IX. Closed Session (Troy Walker) –
- No "Closed Session" was required today.

X. Meeting Adjourned -
- At 2:45 p.m. Trustee Dannie McConkie moved to adjourn.
- Trustee Jeff Acerson seconded the motion and the meeting was adjourned.

XI. Next Meeting Date -
- The next meeting of the Audit Review Committee will be determined and announced at a later date.

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UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	October 16, 2017
AGENDA ITEM:	2017 Quarter 3 Audit Report
CONTACT PERSON:	Riana de Villiers – Chief Internal Auditor
SUBJECT:	Quarter 3 2017 Audit Report
BACKGROUND:	The International Standards for the Professional Practice of Internal Auditing directs that Internal Audit should communicate to the Board of Trustees on Internal Audit's activities in relation to the execution of the audit plan. The Chief Internal Auditor is presenting an executive summary of the following internal audits that provides an overview of the scope, objectives and results of the audits performed: • ERP Information Technology General Controls • Procurement Management • Purchase Card Compliance
BOARD STRATEGIC FOCUS ALIGNMENT:	All
LEGAL REVIEW:	
EXHIBITS:	• ERP ITGC_Executive Summary • Procurement Management_Executive Summary • Purchase Card Compliance_Executive Summary

ERP INFORMATION TECHNOLOGY GENERAL CONTROLS

Executive Summary

Introduction
Internal Audit (IA) has been directed by the Board to perform an internal audit on the ERP Information Technology General Controls (ITGCs) to determine if controls are designed adequately and operating effectively to ensure compliance with Utah Transit Authority (UTA) policy and goals. The preliminary stage of the audit was concluded on December 12, 2016 and the audit report was finalized in September 2017.

Objectives and Scope
The primary objective of the audit was to assess whether adequate controls are in place and have been operating effectively for the following areas:
- User Procedures
- Data Security
- System Development and Programming
- Change Management
- Application Support
- Third Party Service Providers

The following areas were excluded from the scope of the ITGC audit because they were covered in previous audits:
- Physical Security
- Environmental Controls
- Backup and Recovery
- Contingency Planning

The period of the preliminary audit was from September 1, 2015, through August 31, 2016 with completion of the audit work focusing on the period of March 31, 2017 through July 31, 2017.

Audit Conclusion
The audit revealed that a corporate policy was in place, which included assignment of ownership and responsibility for technology and applications as well as individuals and IT-related working groups. IA also found that the Information Technology Department (IT) has established written procedures for planning, budgeting, and tracking IT training, and aligned the budgeted expenditure accordingly. At the time of IA's fieldwork, IT was working with Continuous Improvement to implement the record keeping and tracking described. IT had developed and established other recommended policies as well, such as change management and access controls.

The upgrade of the ERP System is anticipated to be complete in October 2017. In weighing the risks, costs, and benefits, IT Management elected to postpone recommended changes that directly impact the ERP System, such as monitoring for appropriate segregation of duties, until such time as the upgrade was complete. Once the upgrade has been completed these recommendations will be addressed.

PROCURMENT MANAGEMENT

Executive Summary

Introduction
Internal Audit (IA) has been directed by the Board to perform an internal audit on Procurement Management to determine if controls are designed adequately and operating effectively to ensure compliance with Utah Transit Authority (UTA) policy and goals. The initial stage of the audit was concluded on October 31, 2016 and the audit report was finalized in September 2017.

Objectives and Scope
The primary objective of the audit was to assess whether adequate controls are in place and have been operating effectively for the following areas:

- Bidding process
- Contract management
- Procurement process

The period of the preliminary audit work was from November 1st, 2015, through May 31st, 2016 with completion of the audit work focusing on the period of March 31, 2017 through July 31, 2017.

Audit Conclusion
The audit revealed that significant progress had been made in addressing initial audit findings, including an expansion of user access review and updates to standard operating procedures (SOPs) to clarify acceptable practices. Procurement Management also worked to enhance the system of monitoring and review to include monitoring of vendor performance, monitoring of purchase requisitions and purchase orders, and an independent review for inclusion of critical elements in the procurement process.

Additional opportunities exist to further update SOPs to both reflect current processes and clarify best practices for purchase requisitions including approvals where purchase orders exceed requisition amounts by certain thresholds, requisition requirements for blanket purchase orders, and negotiated price discounts. Management should also consider the creation of a corporate policy for Procurement to guide employees in complying with UTA's procurement standards and reserve the SOPs for processes.

PURCHASE CARD COMPLIANCE

Executive Summary

Introduction
Internal Audit has been directed by the Board to perform an internal audit of purchase cards to determine if procurements are performed in compliance with the UTA Purchase Card Policy (policy). The preliminary stage of the audit was concluded on December 28, 2016 and the audit report was finalized in September 2017.

Objectives and Scope
The primary areas of focus for the purchase card audit included:
* Issuing of purchase cards
* Monitoring of purchase cards
* Closing/Rescinding of purchase cards

The period of the preliminary audit was from December 1, 2015 through November 30, 2016 with completion of the audit work focusing on the period March 1, 2017 through August 31, 2017.

Audit Conclusion
The audit concluded that the purchase card policy and business practices have been aligned to the changes made to the P-Card Standard Operating Procedures (SOP) for new cardholders. It would be valuable for management to align cardholders who received their cards prior to these policy changes with the current policy. In addition, management should consider including the monthly card limit in the SOP to further improve governance.

Internal Audit's review of the P-Card program shows that training is a pre-requisite to obtaining a P-Card and a signature is required prior to a card being issued. The Purchase Card Administration team oversees an ongoing training program to keep managers up to date on the P-Card SOP and has processes in place to monitor non-compliance with the policy. The audit concluded that the administration team is monitoring monthly P-Card transactions for manager approvals and descriptions and following up on exceptions. Management, however, has not been monitoring P-Card transactions for duplicate payments and split transactions, which could compromise the system of control.