



Working Session of the
Audit Review Committee
of the Board of Trustees of the Utah Transit Authority

Wednesday, April 12, 2017, 2:00 – 4:00 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)

Agenda

1. Safety First Minute

2. External Audits

- a. [*National Transit Database Agreed Upon Procedures*](#)
- b. [*2016 FTA Triennial Review*](#)

3. Internal Audits

- a. [*FMLA Management & Follow-up*](#)
- b. [*Sales Tax Collections and Reporting*](#)
- c. [*Davis-Bacon Compliance & Follow-up*](#)
- d. [*Grants Management & Follow-up*](#)

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**

Executive:

Dave Goeres

Bob Biles
Mary DeLoretto

Riana De Villiers

Troy Walker

Forward to Board:

- | | | |
|-----------|---|-------------|
| 6. | Liaison, Conference & External Committee Reports | Troy Walker |
| 7. | Input & Date for the Next Committee Meeting | Troy Walker |
| 8. | Other Business | Troy Walker |
| 9. | Adjourn | |

What is an emergency notification system (ENS) sign?



It is used to notify the railroad of an emergency or warning device malfunction.



UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	April 12, 2017
AGENDA ITEM:	National Transit Database Agreed Upon Procedures
CONTACT PERSON(S):	Robert K. Biles, Vice President- Finance Danyce Steck, Comptroller
SUBJECT:	2015 National Transit Database (NTD) Audit by Keddington & Christensen, LLC
BACKGROUND:	UTA retained Keddington & Christensen to perform certain agreed-upon procedures related to UTA's 2015 NTD report. The summary outlines the work performed by Keddington & Christensen as well as UTA's progress in addressing the ten areas where UTA could improve its data collection and validation, reporting, or documentation.
BOARD STRATEGIC FOCUS ALIGNMENT:	Health and sustainability of the system
FINANCIAL IMPACT:	UTA's NTD report is used by FTA to allocate their annual formula funds. Accurately reporting this data is important to FTA's allocation formulas.
LEGAL REVIEW:	Not applicable
EXHIBITS:	NTD Agreed Upon Procedures Summary

NATIONAL TRANSIT DATABASE AGREED UPON PROCEDURES

In conjunction with the 2015 audit, Keddington & Christensen performed certain agreed-upon procedures related to UTA's annual National Transit Database (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 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 (VRM) data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about transit agency operations.

Keddington & Christensen applied the procedures specified by FTA in Exhibit 66 of the Declarations section of the *2015 NTD Policy Manual* to the data contained in the FFA-10 form for the year ending December 31, 2015 and was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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, for each of the following modes:

- Motor Bus—directly operated
- Motor Bus—purchased transportation
- Demand Response—directly operated
- Demand Response—purchased transportation

- Van Pool—directly operated
- Light Rail—directly operated
- Commuter Bus—directly operated
- Commuter Rail—directly operated

In their report, Keddington & Christensen identified ten areas where UTA could improve its data collection and validation, reporting, or documentation.

Since receiving the Keddington & Christensen report, UTA staff have taken actions to fully address eight of these areas. Two areas remain to be completed:

- Fully implementing complete and timely reviews, mainly at the Regional General Manager level. We are working to standardize the work which these individuals should perform and develop a timetable for each type of work.
- 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 of the van pool drivers in time to enter that data before the monthly NTD reporting deadline. Although this represents a small portion of ridership, we are working with NTD on a solution.

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	April 12, 2017
AGENDA ITEM:	2016 FTA Triennial Review
CONTACT PERSON(S):	Steve Meyer, Director of Capital Projects Mary DeLoretto, Sr. Program Mgr, Environmental
SUBJECT:	2016 FTA Triennial Review
BACKGROUND:	The Federal Transit Administration performed a 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.
BOARD STRATEGIC FOCUS ALIGNMENT:	Health and sustainability of the system
FINANCIAL IMPACT:	FTA uses the Triennial Review to evaluate a grantee's performance and adherence to FTA requirements and policies. This could affect future grant funding opportunities.
LEGAL REVIEW:	Not applicable
EXHIBITS:	<ul style="list-style-type: none">• FTA FY2016 Triennial Review

FEDERAL TRANSIT ADMINISTRATION TRIENNIAL REVIEW

A Triennial Review of UTA's compliance with Federal Transit Administration (FTA) regulations is required by Chapter 53 of Title 49, US Code, Section 5307. The Triennial Review is one of the FTA'S management tools for examining grantee performance and adherence to current FTA requirements and policies. Mandated by Congress in 1982, the Triennial Review occurs once every three years. FTA's assessment of compliance is determined by examining a sample of grant management and program implementation practices.

A site visit for the Triennial Review of UTA was conducted in August 2016. The Review covered UTA's compliance in 17 areas:

- Financial management and capacity
- Technical capacity
- Maintenance
- Americans with disabilities act (ADA)
- Title VI
- Procurement
- Disadvantaged business enterprise (DBE)
- Legal
- Satisfactory continuing control
- Planning/program of projects
- Public comment on fare increases and major service reductions
- Half fare
- Charter bus
- School bus
- Security
- Drug Free workplace and drug and alcohol program
- Equal employment opportunity

No deficiencies were found with the FTA requirements in 15 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.

Technical Capacity.

During the site visit, the reviewers noted that the grants management procedures and practices needed to be better organized and updated to reflect the current organization and processes. This finding reflected the fact that the grants management program had transitioned from the Planning Department to the Capital Development Department at the end of 2015, and a new manager had been appointed to oversee the program in early 2016. A rewrite of the grants management procedures and policies was already underway at the time of the review, so UTA was able to submit the required documentation shortly after the site visit. This finding was closed prior to the issuance of the final Triennial Review Report in October 2016.

Satisfactory Continuing Control.

Three findings were identified in this area:

- 1) Equipment records from the Finance Department's Asset Management System and from various maintenance shops were not adequately reconciled and thus resulted in differing information. While an inventory had been conducted during the past two years, there was not a procedure in place to assure that a regular biannual inventory of FTA-funded assets would be conducted and asset management records reconciled. UTA was requested to prepare a written policy and procedures for managing the inventory of federally funded assets by January 8, 2017. The required documents were prepared and submitted to FTA on January 6.
- 2) FTA requested that UTA submit a plan that describes the active bus fleet and identifies vehicles slated for disposal, along with planned time frames. UTA submitted the updated Bus Fleet Management Plan to FTA on January 6.
- 3) UTA's Rail Fleet Management Plan (RFMP) for commuter rail service was prepared in 2008 and had not been updated since. UTA was requested to update this plan to reflect current operations and plans. The rewrite of the RFMP was completed and submitted to FTA shortly after the site visit. This finding was closed prior to the issuance of the final Triennial Review Report in October 2016.

As mentioned above, 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 8, 2017. FTA has indicated that all the required documents have been submitted and accepted and the findings of the review are now closed.

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	April 12, 2017
AGENDA ITEM:	FMLA Management & Follow-Up
CONTACT PERSON(S):	Riana de Villiers- Chief Internal Auditor
SUBJECT:	FMLA Management & Follow-Up
BACKGROUND:	<p>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.</p> <p>The Chief Internal Auditor is presenting an executive summary on the FMLA Management and follow-up that provides an overview of the scope, objectives and results of the internal audit performed.</p>
BOARD STRATEGIC FOCUS ALIGNMENT:	All
FINANCIAL IMPACT:	
LEGAL REVIEW:	Not applicable
EXHIBITS:	FMLA Management & Follow-Up_Executive Summary

FMLA MANAGEMENT AND FOLLOW-UP

Executive Summary

Introduction

The Family and Medical Leave Act (FMLA; 29 USC Chapter 28) 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 had 655 separate FMLA cases for 408 of its employees in 2015. UTA leadership was concerned that the Family Medical Leave (FML) Management may not be consistently administered across the Authority resulting in additional costs (e.g., benefit expenses, lost operational efficiencies, etc.) being incurred by the organization.

Objectives and Scope

An internal audit of the design and operational effectiveness of FML Management was performed in 2016. The period of the audit was from January 1, 2015, to December 31, 2015.

Critical control points within the FML Management process included the following:

- Approval of employee FML requests
- Monitoring employee FML usage and time reporting
- Approving extensions or changes to approved FML requests
- Ensuring that employees are fit to return to work following FML of two weeks or longer

A follow-up audit was conducted in 2017 to determine the status of management actions to address the findings identified in the 2016 audit report. Controls that were evaluated as adequate and effective in 2016, were excluded from the scope of the 2017 audit and were assumed to be operating as they had at the time of the 2016 audit.

Audit Conclusion

The 2016 audit did not identify any violations of the Family Medical Leave Act. However, the audit did note that monitoring controls were not consistently performed and did not prevent or 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 at the divisional level and that the process be accepted and enforced as a standard operating procedure for all of UTA. Consequently, it was recommended that individuals identified as the responsible parties and their backups at each division be trained on the new process and their performance monitored and reported.

It was also recommended that additional controls be implemented to prevent improper submission of FML time rather than relying on monitoring controls that typically only detect when an error has already occurred. The timeliness of FML requests and approvals as well as 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 reviewing 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 use in UTA. Additionally, the department undertook an extensive training program to make responsible parties aware of their roles and responsibilities and equip them for the newly implemented policies and procedures. Exception reports have also been developed and rolled out to assist the Benefits Administration Department, the responsible parties and payroll in the monitoring of FMLA use. It was recommended that management expand on the review of the operation of manual controls to improve quality control, which should address the limited anomalies identified. As a result of the overall improvement in governance and control, a better audit trail was in place to support decisions and actions taken but further work is necessary to have a strong audit trail in place.

Except for the minor issues noted above, controls are designed and operating effectively, based on the follow-up audit conducted.

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	April 12, 2017
AGENDA ITEM:	Sales Tax Collections and Reporting
CONTACT PERSON(S):	Riana de Villiers- Chief Internal Auditor
SUBJECT:	Sales Tax Collections and Reporting
BACKGROUND:	<p>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.</p> <p>The Chief Internal Auditor is presenting an executive summary on the Sales Tax Collections and Reporting audit that provides an overview of the scope, objectives and results of the internal audit performed.</p>
BOARD STRATEGIC FOCUS ALIGNMENT:	All
FINANCIAL IMPACT:	
LEGAL REVIEW:	Not applicable
EXHIBITS:	Sales Tax Collections and Reporting_Executive Summary

SALES TAX COLLECTIONS AND REPORTING

Executive Summary

Introduction

Sales tax revenue accounted for approximately 66 percent of the Utah Transit Authority's (UTA) total revenues in 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 also reported in financial reports to UTA's Board of Trustees and in its Comprehensive Annual Financial Report.

Objectives 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, to December 31, 2015.

Audit procedures were designed to assess whether:

- All recorded transactions actually occurred
- All of the transactions that took place were recorded
- Transactions were recorded accurately
- Transactions were recorded in the correct accounting period
- Transactions were recorded in the proper accounts
- Periodic totals were accurately reported

Audit Conclusion

There were no reviews of manual controls performed within 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 of 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.

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	April 12, 2017
AGENDA ITEM:	Davis-Bacon Compliance and Follow-Up
CONTACT PERSON(S):	Riana de Villiers- Chief Internal Auditor
SUBJECT:	Davis-Bacon Compliance and Follow-Up
BACKGROUND:	<p>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.</p> <p>The Chief Internal Auditor is presenting 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.</p>
BOARD STRATEGIC FOCUS ALIGNMENT:	All
FINANCIAL IMPACT:	
LEGAL REVIEW:	Not applicable
EXHIBITS:	Davis-Bacon Compliance and Follow-Up _Executive Summary

DAVIS-BACON COMPLIANCE AND FOLLOW-UP

Executive Summary

Introduction

UTA is engaged in construction projects to maintain and improve its transit system and supporting facilities. The Davis-Bacon Act (DBA; 40 U.S.C. § 3142) 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:

- Informing contractors when a project will require DBA compliance
- Ensuring that contract terms include DBA provisions
- Monitoring contractor compliance with the DBA

Objectives and Scope

An internal audit was performed in 2016 to assess 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 areas of focus included:

- Contracting
- Contractor Compliance Monitoring
- Record Management

A follow-up audit was conducted in 2017 to determine the status of management actions to address the findings report in the 2016 audit report. Controls that were evaluated as adequate and effective in 2016, were excluded from the scope of the 2017 audit and were assumed to be operating as they had at the time of the 2016 audit.

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. Consequently, it had not consistently monitored contractor compliance with the DBA or retained evidence of the limited activities performed during the audit period. 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.

UTAH TRANSIT AUTHORITY BOARD OF TRUSTEES
Agenda Item Coversheet

DATE:	April 12, 2017
AGENDA ITEM:	Grants Management and Follow-Up
CONTACT PERSON(S):	Riana de Villiers- Chief Internal Auditor
SUBJECT:	Grants Management and Follow-Up
BACKGROUND:	<p>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.</p> <p>The Chief Internal Auditor is presenting an executive summary on the Grants Management and Follow-Up audit that provides an overview of the scope, objectives and results of the internal audit performed.</p>
BOARD STRATEGIC FOCUS ALIGNMENT:	All
FINANCIAL IMPACT:	
LEGAL REVIEW:	Not applicable
EXHIBITS:	<ul style="list-style-type: none">• Grants Management and Follow-Up_Executive Summary

GRANTS MANAGEMENT AND FOLLOW-UP

Executive Summary

Introduction

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 Federal Transit Administration (FTA) provides grants to local public transit systems to partner with state and local governments in enhancing and expanding public transportation systems. UTA received roughly \$60 million in funding in 2015 from federal grants.

Objectives and Scope

An internal audit of the design and operational effectiveness of grants management was performed in 2016. The period of the audit covered the 12 months ending May 31, 2016.

The primary areas of focus within grants management included:

- Approval to Apply for Grants
- Grant Contracting/Procurement
- Grant Payments
- Grant Drawdown
- Grant Reporting
- Grant Closeout

A follow-up audit was conducted in 2017 to determine the status of management actions to address the findings report in the 2016 audit report. Controls that were evaluated as adequate and effective in 2016 were excluded from the scope of the 2017 audit and assumed to be operating as they had at the time of the 2016 audit.

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. Since the change in organizational structure, 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. There was limited end-to-end monitoring or management of grant related activities across departments over the life of each grant to assure compliance with UTA policies and FTA requirements. It was recommended that executive management clearly define the role and responsibilities of Grants Management. It was also 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.

Additionally, 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.