



Minutes of the Regular Meeting of the
Utah Transit Authority (UTA) Audit Committee
Held remotely via phone or video conference
and broadcast live for the public via YouTube
Monday, June 22, 2020, 2:00 p.m.

Audit Committee Members Participating:

Carlton Christensen, Chair
Beth Holbrook
Kent Millington
Karen Cronin
Troy Walker

Also attending were members of UTA staff and outside presenters.

Call to Order and Opening Remarks. Chair Christensen welcomed attendees and called the meeting to order at 2:00 p.m.

Safety Minute. Chair Christensen yielded the floor to Sheldon Shaw, UTA Director of Safety & Security for a brief safety message.

Consent. The consent agenda was comprised of:

- Approval of February 10, 2020 Audit Committee Meeting Minutes

A motion to approve was made by Member Millington and seconded by Member Holbrook. The motion carried unanimously.

2019 Financial Audit Report. Bob Biles, UTA Chief Financial Officer introduced Steven Rowley of Keddington and Christensen LLC, UTA's independent outside financial audit firm. Mr. Rowley presented the results of the independent audit of UTA's financial statements and stated that his firm has issued an unmodified report (i.e. clean report). Mr. Rowley summarized other aspects of the audit report regarding fraud; internal controls; and compliance with laws, the state audit guide, and four federal programs. He reiterated that UTA has corrected any problems from previous audits, all requirements have been met, and there were no findings of weakness or deficiencies, resulting in an unmodified report for all aspects of the audit.

Chair Christensen asked if any of the standards had changed due to COVID-19. Mr. Rowley replied that the only change was in extending the time of when new standards would begin. For now, the standards remain the same as they were last year.

A motion to recommend the 2019 Financial Audit Report to the UTA Board of Trustees for acceptance was made by Member Cronin and seconded by Member Millington. The motion carried by unanimous vote.

External Financial Auditor Selection Process Consultation. Troy Bingham, UTA Comptroller, informed the committee that new submissions had been received for new outside auditors and the selection will be presented at the next meeting for approval. Member Holbrook asked if the number of applications was limited due to COVID-19. Mr. Bingham responded that a comparatively normal and sufficient number of applications was received.

FTA Triennial Review Report. Patti Garver, UTA Program Manager for Grants, presented the findings of the Federal Transit Administration (FTA) Triennial Review for 2019. No deficiencies were found in 18 of the 21 areas of compliance reviewed. UTA provided FTA with the required information addressing all deficiencies in a timely manner. FTA provided a close out letter in March of 2020 stating that all actions were completed, and all deficiencies are resolved.

Chair Christensen asked about the finding concerning the reconciliation of the grants schedule and if that process was a manual one. Ms. Garver responded that the deficiency was due to a system change and the grant tracking is now being automated. Mr. Biles mentioned that in response to a requirement of the triennial review, a cross functional team was established to develop procedures for proper asset management. Those procedures still need to be rolled out. Eddy Cumins, UTA Chief Operating Officer, reiterated that while the results of the triennial review are positive and UTA has satisfied their requirements, completion of this review is not to be confused with the preliminary assessment of state of good repair conducted by the UTA internal audit department. The asset management project remains an outstanding finding from that assessment. Member Holbrook asked about FTA procedural changes. Mr. Biles responded to her question.

Revised 2020 Audit Plan Approval. Prior to discussion of the revised 2020 audit plan, Chair Christensen introduced Ron Ellis, UTA's new hire for Director of Internal Audit. Mr. Ellis took a few minutes to introduce himself. Riana De Villiers, UTA Chief Internal Auditor, then introduced James "Mike" Hurst, UTA's new hire as Senior Internal Auditor. Mr. Hurst took a few minutes to introduce himself.

Ms. De Villiers reported that since the 2020 audit plan was approved, the internal audit team has not been functioning at full staff level. This, in addition to implementation of a new audit software system, and structural changes at UTA, prompted Ms. De Villiers to reevaluate the plan to better align it with UTA's resource availability. Ms. De Villiers presented a revised plan for the committee's consideration, which included postponing the following to 2021: Accounts Payable Follow-up Audit, Bus Training Program Preliminary Assessment, Data Access Audit, and Payroll Follow-up Audit. Member Holbrook asked if the revisions would put the audit plan behind schedule. Ms. De Villiers responded the plans being recommended are well positioned to be addressed next year and Mr. Ellis would be able to reevaluate as needed moving forward.

Chair Christensen call for a break to work out audio difficulties at 2:44.

Chair Christensen called the meeting back to order at 2:49.

Ms. De Villiers reiterated that Mr. Ellis, as the new Director of Internal Audit, will have the ability to strategically align the internal audit plan as revised moving forward.

A motion to accept the revised 2020 audit plan was made by Member Holbrook and seconded by Member Walker. The motion carried by unanimous vote.

Internal Audit Update. Ms. De Villiers reported that the 2019 audit plan has been completed. As previously discussed, portions of the 2020 audit plan will be postponed to 2021 but the contract management preliminary assessment is in the reporting stage and the transit oriented development preliminary assessment is in the fieldwork stage. Ms. De Villiers reported that 19 audit findings and 15 preliminary assessment findings remain open. The majority of the open findings are in recently issued reports which management has not had sufficient time to address. Other open findings are in the process of resolution.

The UTA ethics policy is reviewed annually and the latest update was approved by the board of trustees on April 29, 2020. The updated policy incorporates previous policies on the ethics hotline, whistleblower protection, and anti-fraud policy. Updates to the policy include additions and changes regarding reporting conflicts of interest, gifts, meals, and outside employment. The updated ethics policy is being distributed through multiple venues to employees.

The Office of the State Auditor has given guidance to all State agencies to help board members understand practices promoting prevention of fraud. The fraud risk assessment, which addresses the directive of the state auditor, is to be presented to the board by the end of the

2020 financial year. Ms. De Villiers reports that the assessment is in progress and will be submitted to the board in a timely manner.

Ms. De Villiers turned the time over to Lena Shelton, UTA Sr. Internal Auditor. Ms. Shelton gave an update on the procurement of the new internal audit software. The new software fits UTA's processes and has unique features to meet the internal audit team's needs.

Internal Audit Report Review. Ms. De Villiers, was joined by UTA staff for reports on two completed audits.

Accounts Payable Audit Report. Ms. De Villiers stated the report was issued on May 29, 2020. The audit found that:

- Stronger guidance was implemented by management
- System controls were set
- Monitoring and review of vendor payments improved, reducing late payments
- Validation of invoices and employee reimbursement payments has improved

Ms. De Villiers recommends that management continue to improve controls over vendor master data and payments.

Mr. Bingham provided the management response to the accounts payable audit report, stating that as of March 20, 2020, accounts payable has implemented an electronic routing system for invoices. Accounts payable has also aligned new policies and SOPs and will be introducing them at the end of the month. Chair Christensen asked what integrations were still to come on the automated system for signatures. Mr. Bingham responded that employee reimbursements, requests for payments, and standard payments still needed to be integrated into the system. Member Millington asked if UTA was behind in payments or missing any deadlines. Mr. Bingham responded that there was a struggle to make the payments to vendors within 90 days. State law requires payment within 30 days. The new system will help remove the redundancy in the reviewing process and speed up payment delivery.

Payroll Audit Report. Ms. De Villiers stated that the payroll audit report was issued on May 29, 2020. The report focused mainly on governance, payroll accounting and payments, payroll processes and controls, and bargaining unit timekeeping. The audit revealed progress was made since the preliminary assessment. Some recommendations remain including the establishment of better controls over employee data access, and improved administration of bargaining unit timekeeping.

Mr. Bingham provided the management response for the payroll audit informing the committee that staff is currently working to restrict data access except as necessary to complete job assignments. He also stated that a new time keeping system will be implemented in October 2020. Chair Christensen asked if the implementation of the new time keeping system will provide a check and balance on payroll processing. Mr. Bingham responded that the new system is the necessary step to take to have a clean internal audit. Member Holbrook asked if the October implementation date would affect all employees. Mr. Bingham responded that it would be for hourly and salary paid employees. Member Millington asked what level of inaccuracies has been experienced in payroll on a bi-weekly basis. Mr. Bingham responded that previous errors were around 100 per pay week, but now they are less than one. Eddy Cummins, UTA Chief Operating Officer, added that management has been reviewing reports to identify discrepancies and it has been helpful in the process of finding errors.

Other Business.

Chair Christensen recognized Mr. Biles' upcoming retirement. Mr. Biles gave a few comments.

Chair Christensen recognized Ms. De Villiers in her new position. Ms. De Villiers gave a few comments.

Next Meeting. The next audit committee meeting is scheduled for Monday, August 24, 2020 at 3:00 p.m.

Adjournment. The meeting was adjourned at 3:31 p.m. by motion from Member Holbrook, with a second by Member Cronin.

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This document along with the digital recording constitute the official minutes of this meeting.