

UTA Audit Committee Meeting

February 1, 2021



Call to Order and Opening Remarks

(Electronic Meeting Determination Reading)



Safety First Minute



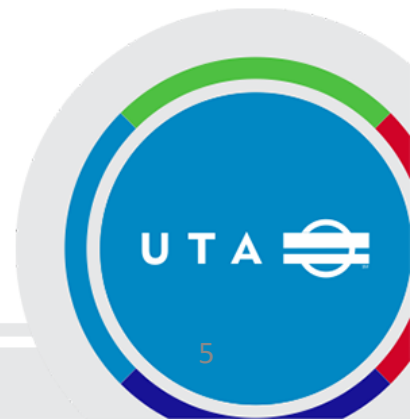
Consent

- a. Approval of October 19, 2020 Audit Committee Meeting Minutes
- b. Internal Audit Charter Approval



Recommended Action (by acclamation)

Motion to approve



Internal Audit Update



2020 INTERNAL AUDIT PLAN STATUS

| Preliminary Assessment (PA) / Audit | Executive | Status |
|---|-----------|-----------|
| 2020 Audit Plan | | |
| Transit Oriented Development PA | CSDO | Completed |
| Maintenance of Way – Infrastructure Audit | COO | Completed |
| Budget Management – Audit* | CFO | Completed |
| Grants Management – Follow up Phase of Audit* | CSDO | Completed |
| State of Good Repair – Audit* | COO | Completed |

CFO: Chief Financial Officer

CSDO: Chief Service Development Officer

COO: Chief Operating Officer

** Report on this meeting agenda for discussion.*



2020 INTERNAL AUDIT PLAN STATUS

| Preliminary Assessment (PA) / Audit | Executive | Status |
|--|--------------------|-----------------------------|
| Capital Projects | Executive Director | In progress |
| Information Technology Business Continuity/Disaster Recovery | Executive Director | In progress – Outside firm. |
| Payroll Follow-Up Audit | CFO | Scheduled Mar 2021 |
| Accounts Payable Follow Up Audit | CFO | Scheduled Sept 2021 |

COO: Chief Operating Officer

CPO: Chief People Officer

CSDO: Chief Service Development Officer



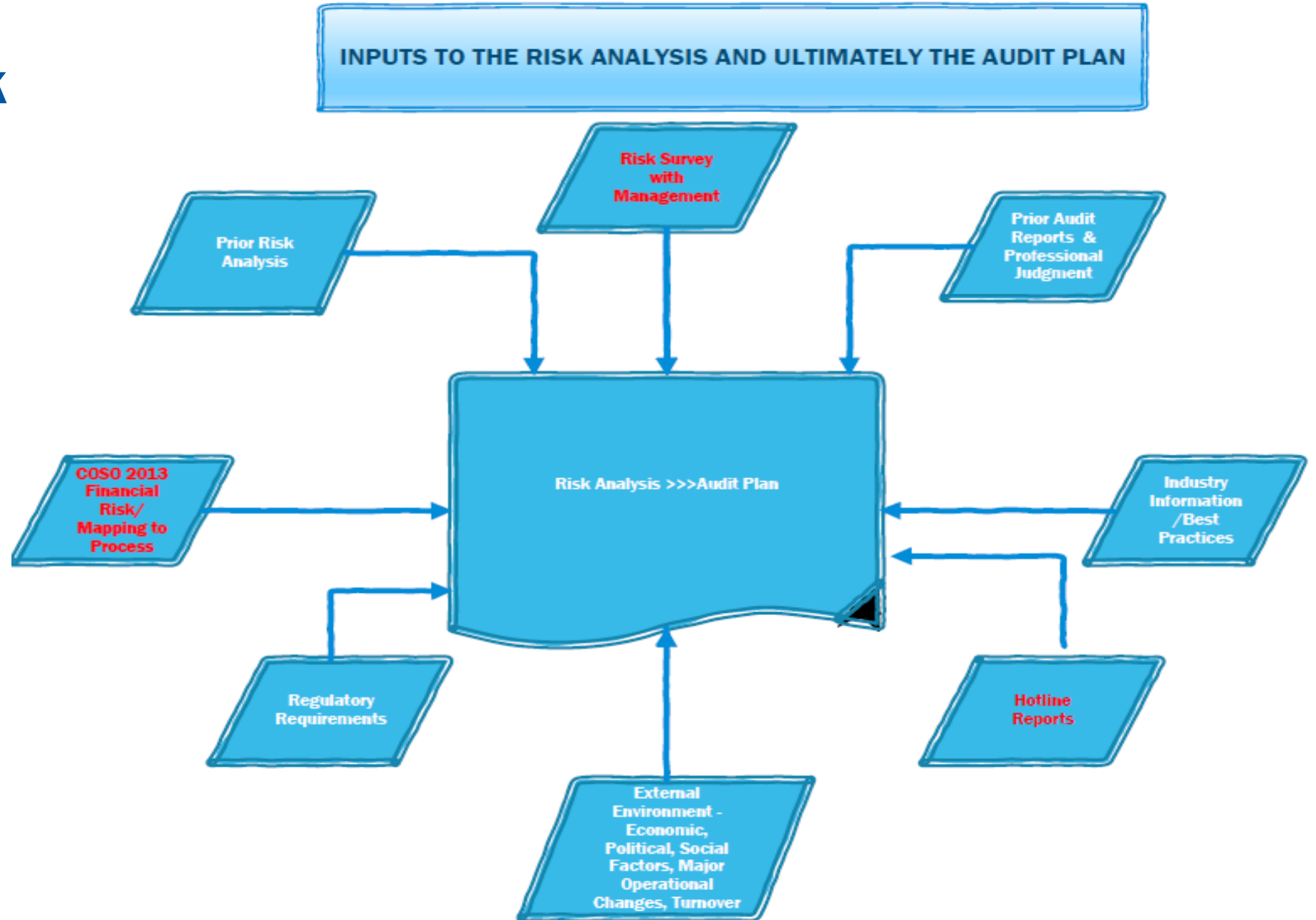
Open Items Table

| Audit Name | Closed | Pending Remediation | Total |
|------------------------------------|-----------|---------------------|-----------|
| 19-01 State of Good Repair | 11 | 2 | 13 |
| 19-04 MOW Infrastructure | | 2 | 2 |
| 19-05 Data Access | | 11 | 11 |
| 20-01 Procurement Contracting | 8 | 5 | 13 |
| 20-02 Transit Oriented Development | | 3 | 3 |
| National Transit Database | | 3 | 3 |
| R-18-01 Payroll | | 7 | 7 |
| R-18-02 Grants Management | 6 | | 6 |
| R-18-06 Accounts Payable | | 8 | 8 |
| R-19-02 Budget Management Process | 4 | 2 | 6 |
| Vanpool Operations | 2 | 2 | 4 |
| Totals | 31 | 45 | 76 |

Risk Analysis

- Looks at various inputs from different perspectives.
- Goal is to identify the best use of Internal Audit by focusing on the highest risk items
- Inputs, depicted on the next slide include
 - Management input through a risk survey
 - Hotline reports
 - Prior internal audit reports
 - External factors
 - Financial statement mapping to processes
 - COSO 2013 Control Assessment/State Auditor Fraud Checklist
 - Regulatory Requirements

Inputs to Risk Analysis



Risk Analysis – Key Takeaways from Management Input

- Management was asked to rate various risks as low, medium or high
 - Management surveyed rates commitment to ethical values risk as low, perceiving a good tone from the top
 - Reputational risk was rated medium and high
 - Safety incidents & COVID outbreak concerns
 - Legal and regulatory risk was low to medium
 - Operational process risk was rated at a medium level risk
 - User access practices were rated as low or medium risk by all respondents
 - Risk of a data breach was likewise rated as low or medium risk
 - Accountability risk was rated low by 12 respondents, medium by 6 and high by 6

Risk Analysis – Key Takeaways

- COSO 2013 Entity Level Control Mapping/State Auditor Checklist
 - Fraud Risk Score was 384/395; this is a “low risk” score.
 - COSO 2013 - No significant GAPS identified through process. Fundamentals are in place.
- Regulatory Requirements
 - Audits include procedures designed to test for Regulatory Compliance relevant to that area.
- External Factors
 - 2020 presented multiple challenges and demonstrated that the unexpected can happen
 - External factors are beyond Management’s control.
 - The keys risks are unpredictability, preparedness, and likelihood.
 - The main mitigation technique is prevention and preparedness for what can be predicted in order of P(x)
 - Earthquakes
 - Severe Weather Events (Wind, Excessive Rain, Significant Snow, Tornadoes)
 - Economic conditions
 - Civil Unrest
 - War

Risk Analysis – Impact on the 2021 Plan

- The Risk Analysis is reviewed with key Management personnel
- Mitigation strategies are discussed
- The Risk Analysis informs the Audit Plan
 - Identifies new areas of potential risk
 - Provides for the best use of Internal Audit resources
- A risk informed audit plan adds value to the organization

2021 Internal Audit Plan Approval



2021 Internal Audit Plan

| Preliminary Assessment (PA) / Audit | Scheduled | IA Plan Listed in order of Schedule |
|--|---------------|-------------------------------------|
| Utility Costs PA* | February 2021 | |
| Fares Revenue Implementation Follow Up | February 2021 | |
| Payroll Follow-up Audit** | March 2021 | |
| Maintenance of Way – Systems PA** | April 2021 | |
| Procurement Contract Management Audit | May 2021 | |
| Bus Training and Operations PA** | June 2021 | |

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New Preliminary Assessment

**

Deferred/Carryover from 2020



2021 Internal Audit Plan

| Preliminary Assessment (PA) / Audit | Scheduled | IA Plan Listed in order of Schedule |
|---|----------------|-------------------------------------|
| Transit Oriented Development – Audit Phase | June 2021 | |
| MOW Infrastructure – Follow up Phase | August 2021 | |
| Data Access – Audit Phase | August 2021 | |
| Accounts Payable Follow up Audit** | September 2021 | |
| Information Technology General Controls PA* | September 2021 | |
| Fuel Costs PA* | October 2021 | |
| Debt PA* | November 2021 | |

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New Preliminary Assessment

**

Deferred/Carryover from 2020



2021 Internal Audit Plan

| Ongoing IA Services Provided to UTA | Frequency |
|--|---------------------------------------|
| Board Action Items / Conflict of Interest Checks | Before Each Board of Trustees Meeting |
| Ethics Office Operation | As Needed |
| Anonymous Tip Line Operation | As Needed |
| Financial Controls | Quarterly through 2021 |
| Ethics Training | Annually |
| Financial Disclosure Reviews | Annually |



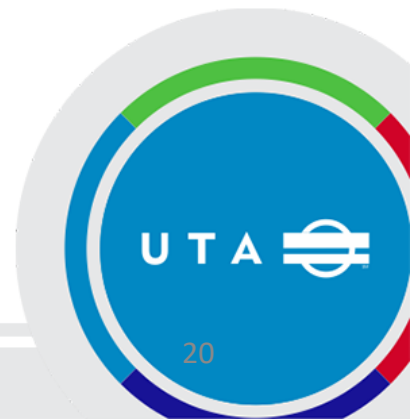
Recommended Action (by acclamation)

Motion to approve 2021 Internal Audit Plan



Internal Audit Report Review

- a. Grants Management Follow-Up Audit Report
- b. State of Good Repair Audit Report
- c. Budget and Preparation Management Audit Report



Grants Management Follow Up Audit

R18-02



Grants Management Follow Up Audit

| Audit Scope | |
|---|-------------------|
| • Governance | • Grant Approvals |
| • Contracting and Payments | • Drawdowns |
| • FFR and MPR approvals | • Asset Tracking |
| • Grant Accounting | • Grant Closeout |
| • Procedures for Disadvantaged Business Enterprises | |

The period of the preliminary audit was March 1, 2017 through February 28, 2018 with the completion of the audit work focusing on January 1, 2019 through to May 31, 2019. The follow-up audit focused on period after May 31, 2019. Follow up focused on ensuring action plans were implemented and operating effectively.



Grants Management Follow Up Audit

- Civil Rights Office was behind on Disadvantaged Business Enterprise (DBE) processing
 - CR Manager hired an individual who has the processing of applications substantially caught up.
 - Procedures to identify and award contracts to DBEs are in place and effective
- Action plans implemented
 - SOPs to address responsibility for grants compliance monitoring & certifications
 - Asset inventory, tracking and disposals
 - Formula Grants
 - Contract tracking to federal grants
 - Ensuring clerical accuracy and tracking of allowable expenses



State of Good Repair Audit

R19-01



State of Good Repair Audit

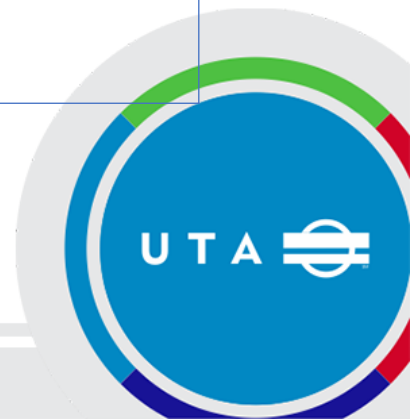
| Audit Scope | |
|--|--|
| <ul style="list-style-type: none"> • Governance | <ul style="list-style-type: none"> • Data Consolidation and Reporting |
| <ul style="list-style-type: none"> • Asset Management Software and ITGCs | <ul style="list-style-type: none"> • Continuing SGR Control |
| <ul style="list-style-type: none"> • Transit Asset Management Plan | <ul style="list-style-type: none"> • Asset Data Completeness and Accuracy |
| <ul style="list-style-type: none"> • Asset Data Completeness and Accuracy | <ul style="list-style-type: none"> • Grant Closeout |
| Audit Scope Exclusions | |
| <ul style="list-style-type: none"> • Asset Replacement Costs | |

The period of the preliminary assessment was January 1, 2019 through March 8, 2019 with the completion of the audit work focusing on January 1, 2020 through October 31, 2020.



State of Good Repair Audit

| Issue Summary | Recommendation | Management Response to Report | Due Date |
|---|---|--|-------------------|
| <p>The TAM Plan does not fully align with FTA Requirements.</p> | <p>Revisions to UTA policy 2.1.16 “Transit Asset Management & State of Good Repair” address the risks identified in the Preliminary Assessment phase of the audit. IA recommends expediting the formal adoption of Policy 2.1.16 “Transit Asset Management & State of Good Repair” since it addressed the risks identified in the Preliminary Assessment.</p> | <p>The Transit Asset Management & State of Good Repair policy has been reviewed by the Executive Team and is in the cue to go the Board of Trustees for approval. Due to the unique nature and complexity of this policy, it was important to take the necessary time to ensure the policy was complete and comprehensive. To get to the point where the policy update could be addressed most effectively, it was important to correct previously identified audit findings, and complete the physical inventory prior to finalizing the policy. Once approved, the policy will provide the necessary foundation to update the TAM Plan accordingly.</p> <p>Management anticipates having this policy on the Board Agenda no later than February 24, 2021 and completed by March 31, 2021</p> | <p>2021-03-31</p> |



State of Good Repair Audit

| Issue Summary | Recommendation | Management Response to Report | Due Date |
|---|---|--|------------|
| SGR Inventory records incomplete Evidence was not always available to verify an assets existence. | <p>1.Accounting department management mandates all employees involved with asset inventory verification to review the list of attributes required for the asset.</p> <p>2.SGR management should expand audit of revenue vehicles to include non-revenue vehicles and equipment.</p> | Accounting and SGR will develop a plan to expand the Change Day Quality Assurance Audit (QAA) of revenue vehicles to include non-revenue vehicles, equipment, and other non-infrastructure assets and require evidence of asset existence. | 2021-06-01 |



Budget Management Audit

R 19-02



Budget Management Audit

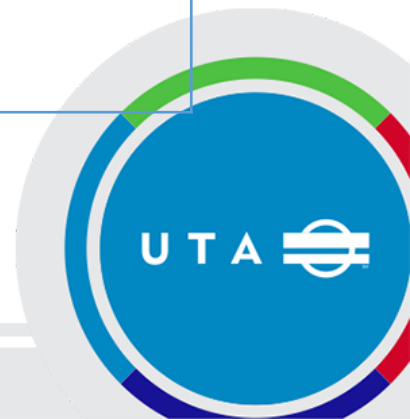
| Audit Scope | |
|--|---|
| Operating and capital budget development and finalization | Governance |
| Select IT general controls (ITGCs) for the operating budget software | Monitoring and Control |
| Out of Scope | |
| Capital Budgeting (Separate Audit Added to plan and in progress) | Operational Effectiveness as a result of budget decisions |
| Pension and Trust Fund internal budgeting | |

The preliminary assessment was concluded on May 8th, 2019. The Audit phase of the project was completed December 16th, 2020. The scope of testing in the audit phase used the 2020 budget for testing, with direct observations from the 2021 budgeting process that took place August through December 16, 2020.



Issues Remediation Status as of Audit Phase

| Summary | Issue Status | Management Response | Original Due Date | Status Date |
|---|-----------------------|---|-------------------|-------------|
| No standard of accountability was defined for over/under spending nor had budget performance measures been documented or followed up. | Un-remediated | New SOPS addressing the issues were drafted but are in the process of being reviewed by the new CFO and formally adopted. | 3/31/2020 | 12/31/2020 |
| Policies and procedures were not created to guide users and assign roles and responsibilities. | Partially Implemented | New SOPS addressing the issues were drafted but are in the process of being reviewed by the new CFO and formally adopted. | 3/31/2020 | 12/31/2020 |



Other Business

- a. Next meeting: Monday, April 12, 2021 at 3:00 p.m.



Adjourn

