

UTA Audit Committee Meeting

April 29, 2019



Call to Order and Opening Remarks



Safety First Minute



**Don't let April Showers bring you hospital flowers.
Stay alert when driving in wet conditions.**



UTA 
SAFETY & SECURITY

April 2019



Approval of February 13, 2019 Audit Committee Meeting Minutes



Recommended Action (by acclamation)

Motion to approve



Approval of 2019 Audit Committee Schedule



Remaining 2019 Meeting Dates

- April 29
- June 10
- August 12
- October 21
- December 9



Recommended Action (by acclamation)

Motion to approve



Discussion Items



Internal Audit Peer Review



Peer Review

- International Standards for the Professional Practice of Internal Auditing, Standard no. 1312 states:

“External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

 - The form and frequency of external assessment.
 - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.”
- Approach
 - Full external assessment
 - Internal self-assessment with independent validation
- UDOT
 - Qualifications
 - Independence
- Memorandum of understanding

Peer Review

- Scope
 - Conformance with definition of Internal Auditing, Code of Ethics, the Standards
 - Internal Audit Charter, policies, procedures, practices, and other requirements
 - Expectations of the Board, senior management, and operational managers
 - Integration of internal audit activity into UTA's governance process
 - Tools and techniques employed by the internal audit activity
 - Mix of knowledge, experience, and disciplines
 - Internal audit activity adds value and improves operations
- Timing and Cost
 - Planned for Q3/Q4 2019
 - Incidental cost

Audit Committee Charter



Audit Committee Charter

- Best practice recommended by State Auditor
- Purpose: Govern the Audit Committee and define relationship with the Board of Trustees
- Annual review required

Internal Audit Charter



Internal Audit Charter

- International Standards for the Professional Practice of Internal Auditing, Standard no. 1000 states:
“The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter,...The chief audit executive must periodically review the internal audit charter and present it to senior management and the Board for approval.”
- Charter reviewed and approved last in March 2018

Internal Audit Update



2019 Internal Audit Plan Status

Audit	Timing	Executive	Status
State of Good Repair	Q1	COO	Reporting stage
Budget Management	Q1	CFO	Fieldwork stage
Cash Management	Q2	CFO	Fieldwork stage
Maintenance of Way	Q2	COO	Planning stage
	Q4	COO	On schedule*
Data Access & Security	Q2	Interim Executive Director	On schedule*
Payroll	Q3	CFO	On schedule*
Grants Management	Q3	COO	On schedule*
Accounts Payable	Q4	CFO	On schedule*

*Audit is on schedule to be performed as planned

Audit Recommendations Compliance

Audit Recommendations Compliance - Audits

Audit	Findings			Planned action date
	Total Findings	Findings addressed	Findings in progress	
Family Medical Leave Act	4	4	0	-
Business Continuity/Disaster Recovery	10	10	0	-
Data Centers	5	5	0	-
Sales Tax Collections & Reporting	1	1	0	-
Davis-Bacon Compliance	1	1	0	-
Grants Management	6	6	0	-
Procurement	19	19	0	-

Audit Recommendations Compliance - Audits

Audit	Findings			Planned action date
	Total Findings	Findings addressed	Findings in progress	
Transit Oriented Development	15	15	0	-
IT General Controls	14	14	0	-
Purchase Card Compliance	15	15	0	-
Operating & Ridership Reporting	8	7	1	Q4, 2019
Treasury Management	6	6	0	-
Inventory Management	8	1	7	Q2, 2019
Vanpool Operations	14	3	11	Q2, 2019
National Transit Database	5	2	3	Q4, 2019
Total	131	109	22	

Audit Recommendations Compliance - Assessments

Audit	Findings			Planned action date
	Total Findings	Findings addressed	Findings in progress	
Accounts Payable	8	0	8	Q2, 2019
Cash Management	8	8	0	-
Grants Management	7	6	1	Q2, 2019
Payroll	7	7	0	-
Total	30	21	9	

SURVEY

Survey

- International Standards for the Professional Practice of Internal Auditing, Standard no. 1310 states:
“The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity”
- Quality Assurance and Improvement Program (QAIP) includes internal and external assessments
 - External assessment is a Peer Review
 - Part of internal assessment is a customer survey every other year

Survey

- **People**
- **Audit Management & Governance**
- **Audit Process**
- **Overall Effectiveness**
- **General Questions**

ASSURANCE PROVIDER FRAMEWORK

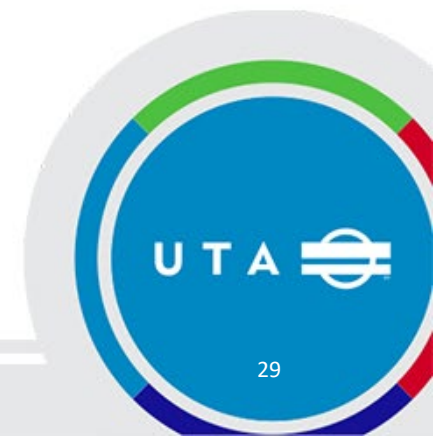
Assurance Provider Framework

- International Standards for the Professional Practice of Internal Auditing, Standard no. 2050 states:

“The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.”

 - This requires the chief audit executive to be involved in the organization’s assurance provider framework
- Three lines of defense within an organization
 - 1st Line: Operational Management (own and manage risk)
 - 2nd Line: Risk Management and Compliance Functions (oversee risk)
 - 3rd Line: Internal Audit (independent assurance on risk)
 - Additional line of defense: External assurance providers

Internal Audit Report Review



AUDIT REPORTS AND PRELIMINARY ASSESSMENT

- Vanpool Audit (R-18-08)
- Inventory Management Audit (R-18-07)
- Payroll Preliminary Assessment (R-18-01)

Vanpool Report



Vanpool Audit

- Preliminary assessment: 04/01/2016 to 03/31/2017
- Audit: 01/01/2018 – 9/30/2018

Audit Scope	
<u>Included</u>	<u>Excluded</u>
• Accounting and Accounts Receivable Management	• IT Security
• Management Reporting	• Gas Card Transaction Analysis
• Gas Card Administration	
• Contracting	
• Driver Screening, Training and Monitoring	
• Vehicle Management	
• Insurance	
• Grants Management	

Vanpool Audit

- Vehicle Maintenance
- Maintenance Vendors
- Vehicle Inspections and Tracking
- Accounts Receivable Balances
- Accounts Receivable Management
- Accounts Receivable Contract Management
- Vanpool Financial Statements
- Driver Monitoring
- Maintaining Driver's License Records
- Driver Training
- Administration of Gas Cards
- Monitoring Gas Card Expenditures
- Grants Management
- Risk Assessment

Inventory Management Report



Inventory Management Audit

- Preliminary assessment: 09/01/2016 – 8/31/2017
- Audit: 4/1/2018 – 08/31/2018

Audit Scope	
<u>Included</u>	<u>Excluded</u>
<ul style="list-style-type: none">• All warehouses and parts rooms for Bus, Light Rail, and Commuter Rail locations	<ul style="list-style-type: none">• Non-inventory items
<ul style="list-style-type: none">• Inventory receiving and distribution	<ul style="list-style-type: none">• Inventory procurement process
<ul style="list-style-type: none">• Inventory tracking and controlling	<ul style="list-style-type: none">• Inventory accounts payable process
<ul style="list-style-type: none">• Issuing of inventory	<ul style="list-style-type: none">• Fuel and oil
<ul style="list-style-type: none">• Stock counts	
<ul style="list-style-type: none">• Warranties	

Inventory Management Audit

- Governance
- Segregation of duties
- Adjustments, Disposals, and Write Offs
- Inventory Counts
- Automated Reorder Process
- Receiving of Inventory

Payroll Preliminary Report



Payroll Preliminary Assessment

- Preliminary assessment: 01/01/2017 to 12/31/2017
- Audit Scheduled: 08/15/2019 to 9/30/2019

Audit Scope	
<u>Included</u>	<u>Excluded</u>
<ul style="list-style-type: none">• Employee master files (including change management controls)	<ul style="list-style-type: none">• Compliance with the Collective Bargaining Agreement *
<ul style="list-style-type: none">• Employee timekeeping	<ul style="list-style-type: none">• Withholding calculations (taxes)
<ul style="list-style-type: none">• Payroll processing and payroll calculations	<ul style="list-style-type: none">• W-2 reporting
<ul style="list-style-type: none">• Leave management	<ul style="list-style-type: none">• Compliance with the Fair Labor Standards Act (FLSA)
<ul style="list-style-type: none">• Payroll, bank and general ledger reconciliations	

* With the exception of potential impact on certain timekeeping and payroll controls included in the processes listed in scope

Payroll Preliminary Assessment

- Payroll Process Governance
- Accounting and Payments
- Human Resources
- Payroll Processing
- JDE System Master Files
- Bargaining Unit Employee Timekeeping
- Bargaining Unit Timekeeping Application Administration

Other Business

Next Meeting: June 10, 2019 at 3:00 p.m.



Closed Session

Discussion regarding deployment of security personnel, devices, or systems



Recommended Action (by acclamation)

Motion to enter closed session



Closed Session



Open Session



Adjourn

