

UTA Audit Committee Meeting

February 10, 2020



Call to Order and Opening Remarks



Safety First Minute



Situational awareness - 'seeing' your security gaps



No Tailgating



Always
display
your ID



Consent

- a. Approval of December 9, 2019 Audit Committee Meeting Minutes
- b. Approval of 2020 Meeting Schedule
 - February 10, 2020
 - April 6, 2020
 - June 22, 2020
 - August 24, 2020
 - October 19, 2020
 - December 14, 2020



Recommended Action (by acclamation)

Motion to approve



Audit Committee Charter Approval



Audit Committee Charter

- Purpose: Govern the Audit Committee and define relationship with the Board of Trustees
- Annual review required
 - Last review and approval of Charter was in June 2019
- Minor change to charter is proposed, which is to add further language on the external auditor's responsibilities regarding state compliance requirements and agreed upon procedures



Internal Audit Charter Approval



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.”
- Annual review required
 - Last review and approval of Charter was in June 2019
- Minor change is proposed to simplify language regarding management’s action plans.



2020 Risk Assessment and Report





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Utah Transit Authority

Update on Entity-Wide Risk Assessment

February 10th, 2020

Agenda

1. Introduction
2. Background of the Project
3. Procedures Performed
4. Next Steps



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Introduction

Today's Facilitators

- Mark Maraccini, Partner, Crowe LLP



- Bill Dykstra, Manager, Crowe LLP





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Background of the Project

Project Background

- UTA Internal Audit Department conducts an entity-wide Business Risk Assessment on an annual basis.
- In October 2019, UTA management engaged Crowe LLP to help develop the 2020 entity-wide risk assessment
- The goal of this engagement was to work with UTA management to develop a tailored ERM framework using the top risk identified from the risk assessment, as the starting point for an ERM program launch.



What is ERM and Why is it Important?

The Premise

- Every entity – whether for profit, not- for-profit, or governmental – exists to provide value for its stakeholders. All entities face risk in the pursuit of value.
- Risk is the possibility that events will occur and affect the achievement of strategy and business objectives, which may be positive or negative.

ERM Defined

- The culture, capabilities, and practices, integrated with strategy-setting and its performance, that organizations rely on to manage risk in creating, preserving, and realizing value. (COSO ERM)
- A process that allows organizations to identify, evaluate, and manage risks that could significantly disrupt the successful achievement of mission and objectives. (AFERM)

The Importance of a Risk Management Program

The benefits to UTA of establishing a risk management program include the following:

- Improves decision-making and supports the deployment of resources based on risk
- Integrates risk with strategy, objective setting and performance
- Encourages open communications about significant risks and reduces gaps and inconsistencies with the management of process level objectives
- Risk management enhances knowledge management and workforce development
- Enables benchmarking and collaboration with other mature transit agencies and similar organizations with a formal risk management structure
- Enables a collaborative approach to identifying and addressing the top UTA priorities from a risk-based perspective.
- Forms the basis for a sustainable, measurable risk management framework.
- Creates a common language for communicating and reporting on risk and risk management activities.

A close-up, black and white photograph of a person's hands typing on a laptop keyboard. The hands are positioned over the keyboard, with fingers pressing down on the keys. The background is blurred, showing the laptop screen and other parts of the device. A solid blue horizontal bar is overlaid at the bottom of the image, containing the text 'Procedures Performed' in white, bold, sans-serif font.

Procedures Performed

Phase 1: Planning and Documentation Review

- We developed the project plan, including our scope, objectives, deliverables, and timeframe in collaboration with UTA management and our primary contacts.
- We conducted our own research and review of materials provided by UTA to develop a general understanding of the authority, its operating environment, and the challenges it may face to achieving its objectives.
 - Materials reviewed included, but were not limited to UTA strategic planning documents, regional plans, policies and procedures, budget documents, and UTA's 2019 Business Risk Assessment.
- In addition to our research, we used UTA's 2019 Business Risk Assessment as the starting point for what risks were most pertinent to UTA.

Phase 2: On-Site Fieldwork and Interviews

- We interviewed various members of the management team and the Board of Trustees members to gain additional insight on the risks and challenges that UTA faces in the pursuit of its operating and strategic objectives.
- Based on what was discussed in interviews and our research and review of UTA-provided documentation, we compiled a risk “register” of the top risks to UTA.



Top Eleven Risks to UTA

The following list represents the top risks that UTA faces.

- Cybersecurity Attack
- Fraud or Illegal Acts
- Reduced Funding
- Conflicting Board and Management Priorities
- Turnover in Key or Skilled Positions
- Inability to Maintain a State of Good Repair
- Harm to People or Property
- Failure to Meet Service or Expansion Plans
- Cybersecurity Attack
- Lack of Reliable Data
- Disaster or Emergency Event
- Cash Shortfalls

Step 3: Risk Forum

- Crowe facilitated a risk assessment workshop (“Risk Forum”) on December 11, 2019. The Forum included only members of UTA management and did not include members of the Board or Internal Audit
- During the Forum, we asked the participants to rate each of the 11 risks based on the potential impact and the probability of occurrence.
 1. If the event were to happen, what would be the **impact** to the Authority?
 2. How **likely** is it that the event will take place at the identified level of impact?
- We asked the Risk Forum participants to evaluate each risk in the context of the current operating environment without considering the effect that existing mitigation strategies and internal controls have on reducing risk levels.

Risk Scoring Methodology

Potential Impact of Risk Events

Negligible – Unlikely to cause the activity to fail to meet part of its objectives.

Minor – May cause a failure of the business process to meet part of its objectives, which may expose UTA to minor financial losses, less-effective or efficient operations, some non-compliance with laws and regulations, waste of resources, etc.

Moderate – May cause a failure of the business process to meet a significant part of its objectives, or negatively impact the objectives of other activities, which may expose UTA to moderate financial losses, reductions to or ineffectiveness of operations, non-compliance with laws and regulations, sizable waste of resources, etc.

Significant – May cause a failure of the business process to meet a significant part of its objectives, or negatively impact the objectives of other activities, which may expose UTA to major financial losses, reductions to or ineffectiveness of operations, non-compliance with laws and regulations, sizable waste of resources, etc.

Major – May cause a failure of the business process to meet its objectives, or cause objective failure in other activities, which may cause or expose UTA to major financial losses, interruptions in operations, failure to comply with laws and regulations, major waste of resources, failure to achieve stated goals, etc.

Probability of Occurrence of Risk Events

Rare – Reasonable assumption that this risk will not occur.

Unlikely – Reasonable assumption that this risk will likely not occur.

Possibly – Reasonable assumption that this risk may occur.

Likely – Reasonable assumption that this risk will likely occur.

Almost Certain – Reasonable assumption that this risk will occur.

Risk Scoring Methodology

		Potential Impact				
		Negligible (1)	Minor (2)	Moderate (3)	Significant (4)	Major (5)
Probability of Occurrence	Almost Certain (5)	Low	Moderate	Elevated	High	High
	Likely (4)	Low	Low	Moderate	Elevated	High
	Possible (3)	Low	Low	Moderate	Elevated	Elevated
	Unlikely (2)	Insignificant	Low	Low	Moderate	Moderate
	Rare (1)	Insignificant	Insignificant	Low	Moderate	Moderate

Participants and Interviewees

Participant	Interviewed	Rated Risks
Executive Director	X	X
Chief Operating Officer	X	X
Chief Service Development Officer (Acting)	X	X
Chief People Officer	X	X
Chief Financial Officer	X	X
Chief Marketing and Communications Officer	X	X
Senior Manager of Culture and Talent Development	X	X
IT Director	X	X
Assistant Attorney General for UTA	X	X
Senior Manager of Operations Analysis and Solutions	X	X
Claims and Insurance Manager	X	X
Safety and Security Manager	X	X
Manager of IT Quality Assurance		X
IT Network Support Manager		X
Director of Planning	X	
Director of Board Governance	X	
Chief Internal Auditor	X	
Chair, UTA Board of Trustees	X	
UTA Board of Trustees	X	
UTA Board of Trustees	X	



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Next Steps

Next Steps

1. We have provided the risk assessment results to Internal Audit to facilitate their completion of the 2020 Internal Audit Plan.
2. Crowe will work with UTA management to develop a tailored ERM framework using the risks identified from our risk assessment as the starting point for an ERM program launch.
3. While the framework and program will be tailored to meet UTA's specific needs, the necessary components for launch typically include:
 - A documented ERM charter and framework
 - ERM governance and administrative structures
 - Identification of risk owners and development of risk responses/action plans.
 - A documented process flow and timeline for managing the ERM cycle.

Next Steps

- The next phases of this project will build on the risk assessment to help management evaluate existing risk mitigation and control activities.
- Mitigation and monitoring plans will be developed as needed to maintain risks at targeted levels.
- A final report outlining the ERM framework and program components will be issued upon UTA management's acceptance by April 30, 2020.



Questions?



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Thank You!

2020 Audit Plan Approval



Draft 2020 Internal Audit Plan

Inherent Risk	Preliminary Assessment (PA) / Audit	Executive
Cybersecurity Attack	External Assurance	Executive Director
Inability to maintain a State of Good Repair	State of Good Repair Audit Maintenance of Way – Infrastructure Audit Maintenance of Way – Systems PA	COO
Disaster or Emergency Event	External Assurance Outsource IT Business Continuity/ Disaster Recovery	Executive Director
Fraud or Illegal Acts	Contract Management PA Accounts Payable Follow-Up Audit Transit Oriented Development PA	CFO CSDO
Harm to People or Property	Maintenance of Way – Systems PA Bus Training Program PA	COO

COO: Chief Operating Officer

CFO: Chief Financial Officer

CSDO: Chief Service Development Officer

Draft 2020 Internal Audit Plan *(continued)*

Inherent Risk	Preliminary Assessment (PA) / Audit	Executive
Lack of Reliable Data	Data Access Audit General Scope Item	Executive Director
Turnover in Key or Skilled positions	Recruitment and Retention PA Payroll Follow-Up Audit General Scope Item	CPO CFO
Reduced Funding	Budget Management Audit Grants Management Follow-Up Audit	CFO CSDO
Cash Shortfalls	Budget Management Audit	CFO
Conflicting Board and Management Priorities	General Scope Item (Policies and Procedures)	
Failure to meet service or expansion plans	Budget Management Audit	CFO

CPO: Chief People Officer

CFO: Chief Financial Officer

CSDO: Chief Service Development Officer

Internal Audit Update



2019 Internal Audit Plan Status

Audit / Preliminary Assessment (PA)	Timing	Executive	Status
State of Good Repair PA	Q1	COO	Completed
Budget Management PA	Q1	CFO	Completed
Cash Management Audit	Q2	CFO	Completed
Maintenance of Way (Infrastructure) PA	Q2	COO	Completed
Data Access PA	Q2	Executive Director	Reporting
Payroll Audit	Q3	CFO	Reporting
Grants Management Audit	Q3	Acting CSDO	Completed
Accounts Payable Audit	Q4	CFO	Reporting
Maintenance of Way (Systems) PA	Q4	COO	Postponed[~]

[~] **Preliminary assessment postponed to 2020**

COO: Chief Operating Officer

CFO: Chief Financial Officer

CSDO: Chief Service Development Officer

Other Business

- a. Next Meeting: Monday, April 6, 2020 at 3:00 p.m.



Closed Session



Open Session



Adjourn



Break

