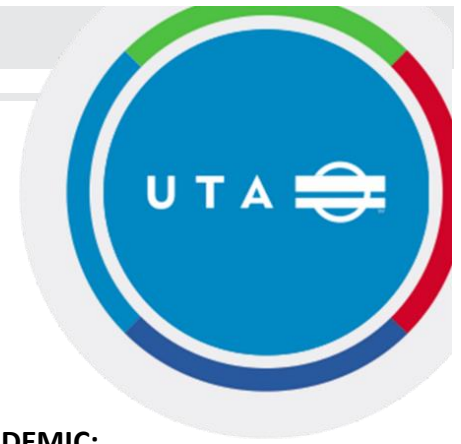


Regular Meeting of the  
**Utah Transit Authority Audit Committee**

Monday, October 19, 2020, 3:00 p.m.

Remote Electronic Meeting – No Anchor Location – Live-Stream at  
[https://www.youtube.com/results?search\\_query=utaride](https://www.youtube.com/results?search_query=utaride)



**NOTICE OF SPECIAL MEETING CIRCUMSTANCES DUE TO COVID-19 PANDEMIC:**

In keeping with recommendations of Federal, State, and Local authorities to limit public gatherings in order to control the continuing spread of COVID-19, and in accordance with the Utah Open and Public Meetings Act, specifically Utah Code § 52-4-207(4), the UTA Audit Committee will make the following adjustments to our normal meeting procedures.

- All members of the Audit Committee and meeting presenters will participate electronically via phone or video conference.
- Meeting proceedings may be viewed remotely through YouTube live-streaming.  
[https://www.youtube.com/results?search\\_query=utaride](https://www.youtube.com/results?search_query=utaride)

- |  |                                  |
|--|----------------------------------|
| <b>1. Call to Order &amp; Opening Remarks</b>                    | <b>Chair Carlton Christensen</b> |
| <b>2. Safety First Minute</b>                                    | <b>Sheldon Shaw</b>              |
| <b>3. Consent</b>  | <b>Chair Carlton Christensen</b> |
| a. Approval of August 24, 2020 Audit Committee Meeting Minutes   |                                  |
| <b>4. External Financial Auditor Recommendation (Crowe, LLP)</b> | <b>Troy Bingham</b>              |
| <b>6. Internal Audit Update</b>                                  | <b>Ron Ellis</b>                 |
| <b>7. Internal Audit Report Review</b>                           |                                  |
| a. Maintenance of Way Audit Report                               | Ron Ellis, David Hancock         |
| b. Transit-Oriented Development Preliminary Assessment Report    | Ron Ellis, Paul Drake            |
| <b>8. Other Business</b>   | <b>Chair Carlton Christensen</b> |
| a. Next meeting: TBD   |                                  |
| <b>9. Adjourn</b>  | <b>Chair Carlton Christensen</b> |

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**Special Accommodation:** Information related to this meeting is available in alternate format upon request by contacting [calldredge@rideuta.com](mailto:calldredge@rideuta.com) or (801) 287-3536. Request for accommodations should be made at least two business days in advance of the scheduled meeting.

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**UTAH TRANSIT AUTHORITY  
ELECTRONIC BOARD MEETING DETERMINATION**

Consistent with provisions of the Utah Open and Public Meetings Act, specifically UTAH CODE § 52-4-207(4), and acting in my capacity as the Chair of the Board of Trustees ("Board") of the Utah Transit Authority ("UTA"), I hereby make the following written determinations in support of my decision to hold and convene electronic meetings of the UTA Board without a physical anchor location:

1. Conducting Board and Board Committee meetings with an anchor location that is physically accessible for members of the public to attend in person presents a substantial risk to the health and safety of those who may be present at the anchor location.
2. This determination is based upon the following facts, among others:
  - a. The COVID-19 pandemic is ongoing and significant and continued community, person-to-person virus transmission continues to occur in the state of Utah; and
  - b. Federal, state, and local health authorities have adopted guidelines for the general public and businesses which encourage institutions and individuals to take precautions, including limiting in-person interactions and recommending increased virtual interactions.

This written determination takes effect on October 7, 2020, and is effective until midnight on November 6, 2020, (no more than 30 days after the effective date of this Declaration) and may be re-issued by future written determinations of the Chair of the Board at that or any other appropriate time.

Dated this 30 day of September, 2020.

  
\_\_\_\_\_  
Carlton Christensen Chair of the Board of Trustees



# MEETING MEMO

**TO:** Utah Transit Authority Audit Committee  
**FROM:** Jana Ostler, Board Manager

**AUDIT COMMITTEE MEETING DATE:** October 19, 2020

<b>SUBJECT:</b>	<b>Approval of August 24, 2020 Audit Committee Meeting Minutes</b>
<b>AGENDA ITEM TYPE:</b>	<b>Consent</b>
<b>RECOMMENDATION:</b>	Approve the minutes of the August 24, 2020 Audit Committee Meeting.
<b>BACKGROUND:</b>	A regular meeting of the UTA Audit Committee was held electronically and broadcast live on YouTube on Monday, August 24, 2020 at 3:00 p.m. Minutes from the meeting document the actions of the committee and summarize the discussion that took place in the meeting. A full audio recording of the meeting is available on the <a href="#">Utah Public Notice Website</a> and video feed is available on You Tube at <a href="https://www.youtube.com/results?search_query=utaride">https://www.youtube.com/results?search_query=utaride</a>
<b>ATTACHMENTS:</b>	1) 2020-08-24_AUDIT_Minutes_UNAPPROVED



Minutes of the Regular Meeting of the  
**Utah Transit Authority (UTA) Audit Committee**  
Monday, August 24, 2020, 3:00 p.m.  
**held remotely via phone or video conference  
and broadcast live for the public via YouTube**

**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 3:01 p.m. The Utah Transit Authority Electronic Board Meeting Determination Statement was read by Jana Ostler, UTA Board Manager.

**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 June 22, 2020 Audit Committee Meeting Minutes

A motion to approve the consent agenda was made by Member Holbrook and seconded by Member Cronin. The motion carried unanimously.

**2019 National Transit Database (NTD) Agreed Upon Procedure Report.** Troy Bingham, UTA Comptroller, informed that, per Board of Trustee Policy 2.1, an annual review of the NTD submission was conducted by representatives from Keddington & Christensen LLC. The report outlines what was reviewed and details four findings that UTA needs to improve for future NTD submissions. Mr. Bingham highlighted the findings for the Committee and commented on how

they are being addressed by the agency. Mr. Bingham anticipates that the findings will be resolved and not be found deficient in the future.

**Revised 2020 Audit Plan Approval.** Ron Ellis, UTA Director of Internal Audit, reviewed the audit plan for ongoing scheduling of assignments and asked that a Recruitment and Retention Audit be dropped from the 2020 plan and a Capital Projects audit be added. Mr. Ellis requested that the committee approve the change.

The committee asked questions regarding the timeline and prioritization for audit projects. Discussion with staff ensued about reasons for the change.

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

**Internal Audit Update.** Mr. Ellis gave an update on the 2020 internal audit activities. The data access preliminary assessment and contract management preliminary assessment are complete and will be reported on later in the meeting. The transit oriented development preliminary assessment is in the reporting stage. The budget management audit and maintenance of way infrastructure audit are both in the report drafting stage. The grants management follow up audit and maintenance of way systems preliminary assessment are both in progress. Information technology, business continuity, and disaster recovery will be outsourced. The state of good repair audit will begin in September 2020.

The committee asked questions about the state of good repair schedule and Mr. Ellis answered with discussion.

Mr. Ellis gave an update on the status of open items for all current audits. Findings for cash management, grants management, inventory management, operating and ridership reporting, and treasury management have been remediated and closed. Findings for all other audits are in progress or have been adequately addressed. Mr. Ellis informed the committee that audit findings should be addressed by the end of the year, but the reporting may go into 2021.

The committee asked questions about the payroll and accounts payable findings which were answered by Mr. Bingham.

Mr. Ellis gave an update on the implementation of the ethics policy and training, as well as an update on the Auditboard software and training. Discussion on the Auditboard software ensued.

## Internal Audit Report Review

**Contract Procurement Preliminary Assessment Report.** Mr. Ellis presented the preliminary assessment results, which indicated that the procurement contract review and approval process required establishing limits on users who have Laserfiche access. Mr. Ellis also noted there were instances where SOPs need to be updated to align with current procedures and best practices.

Committee members asked questions about contracts and controls, as well as Laserfiche limitations. Mr. Ellis and Todd Mills, UTA Senior Supply Chain Manager, responded with discussion.

**Data Access Preliminary Assessment Report.** Mr. Ellis presented the preliminary assessment results, noting that the most significant issue identified was that developers have access to make changes to production databases without the assigned database administrator's knowledge. This can result in inaccurate data and troubleshooting issues. It was also noted that users who are transferred to other areas may maintain access they no longer need.

Discussion ensued. Committee members asked questions about progress correcting the database access issues which were answered by Dan Harmuth, UTA IT Director.

### Other Business.

**Next Meeting.** The next audit committee meeting is scheduled for Monday, October 19, 2020 at 3:00 p.m.

**Adjournment.** The meeting was adjourned at 3:48 p.m. by motion from Member Holbrook, with a second by Member Walker.

Transcribed by Stephanie Withers  
Executive Assistant to the Board  
Utah Transit Authority  
[swithers@rideuta.com](mailto:swithers@rideuta.com)  
801.278.2581

*This document is not intended to serve as a full transcript as additional discussion may have taken place; please refer to the meeting materials, audio, or video located at <https://www.utah.gov/pm/sitemap/notice/623675.html> for entire content.*

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

Approved Date:

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Carlton J. Christensen  
Chair, Board of Trustees

UNAPPROVED

**UTAH TRANSIT AUTHORITY  
ELECTRONIC BOARD MEETING DETERMINATION**

Consistent with provisions of the Utah Open and Public Meetings Act, specifically UTAH CODE § 52-4-207(4), and acting in my capacity as the Chair of the Board of Trustees ("Board") of the Utah Transit Authority ("UTA"), I hereby make the following written determinations in support of my decision to hold and convene electronic meetings of the UTA Board without a physical anchor location:

1. Conducting Board and Board Committee meetings with an anchor location that is physically accessible for members of the public to attend in person presents a substantial risk to the health and safety of those who may be present at the anchor location.
2. This determination is based upon the following facts, among others:
  - a. The COVID-19 pandemic is ongoing and significant and continued community, person-to-person transmission of the SARS-CoV-2 virus continues to occur in the state of Utah; and
  - b. Federal, state, and local health authorities have adopted guidelines for the general public and businesses which encourage institutions and individuals to take precautions, including limiting in-person interactions and recommending increased virtual interactions.

This written determination takes effect on August 24, 2020, and is effective until midnight on September 23, 2020, (no more than 30 days after the effective date of this Declaration) and may be re-issued by future written determinations of the Chair of the Board at that or any other appropriate time.

Dated this 23 day of Sept, 2020.

  
\_\_\_\_\_  
Carlton Christense    Chair of the Board of Trustees





## MEETING MEMO

**TO:** Utah Transit Authority Audit Committee  
**FROM:** Bill Greene, Chief Financial Officer  
 Ron Ellis, Director of Internal Audit  
**PRESENTER(S):** Troy Bingham, Comptroller

**AUDIT COMMITTEE MEETING DATE:** October 19, 2020

<b>SUBJECT:</b>	<b>External Financial Auditor Recommendation (Crowe, LLP)</b>	
<b>AGENDA ITEM TYPE:</b>	<b>Approval Recommendation</b>	
<b>RECOMMENDATION:</b>	Recommend to the Board of Trustees to approve the selection of Crowe, LLP as the agency's external financial auditor	
<b>BACKGROUND:</b>	State law requires that the Authority cause an independent audit to be performed on an annual basis. The Authority also has a single audit of all federally funded programs administered by this agency as a requirement for continued funding eligibility. The Single Audit is mandatory for most local governments including the Utah Transit Authority. Staff prepared a Request for Proposal for Independent Auditors and received proposals from 5 audit firms.	
<b>DISCUSSION:</b>	A selection committee reviewed and rated each of the proposals based on each firm's experience with governmental auditing, including transit agencies, qualification of staff, ability to deliver the agreed upon services, and cost. Crowe, LLP was determined to be the firm that scored highest overall. Therefore, the selection committee recommends the engagement of Crowe, LLP as the independent auditor for the agency for an initial 3 year period with two (2) one year options to extend the agreement for a contract period not to exceed 5 years.	
<b>CONTRACT SUMMARY:</b>	Contractor Name: Crowe, LLP	Contract Number: 20-03230AB
	Base Contract Effective Dates: July 1, 2020 through June 30, 2023	Extended Contract Dates: June 30, 2024 (1 year extension option) June 30, 2025 (1 year extension option)
	Existing Contract Value:	Amendment Amount: N/A
	New/Total Amount Contract Value: \$474,050	
	Procurement Method: Request for Proposal	Funding Sources: Local

<b>ALTERNATIVES:</b>	The Committee could choose to not make a favorable recommendation to the Board of Trustees to approve Crowe, LLP as the agency's external financial auditor.	
<b>FISCAL IMPACT:</b>	The Comptroller's annual budget includes an allocation for the annual external financial audit.	
<b>ATTACHMENTS:</b>	None	



## MEETING MEMO

**TO:** Utah Transit Authority Audit Committee  
**FROM:** Ron Ellis, Director Internal Audit  
**PRESENTER(S):** Ron Ellis, Director Internal Audit

**AUDIT COMMITTEE MEETING DATE:** October 19, 2020

<b>SUBJECT:</b>	<b>Internal Audit Update</b>
<b>AGENDA ITEM TYPE:</b>	<b>Report</b>
<b>RECOMMENDATION:</b>	Informational report for discussion
<b>BACKGROUND:</b>	The Director of Internal Audit provides updates at each Audit Committee meeting on current internal audit activities since the last committee meeting.
<b>DISCUSSION:</b>	This report will provide an update on the 2020 internal audit activities. It includes information on the status of the 2020 approved internal audit plan, progress of instructor led training of administrative staff on the provisions of the UTA Ethics Policy 1.1.11 approved by the Board on April 29, 2020, and an update of Audit Board, the audit management system implementation and status of prior outstanding recommendations.
<b>ATTACHMENTS:</b>	None



## MEETING MEMO

**TO:** Utah Transit Authority Audit Committee  
**FROM:** Ron Ellis, Director Internal Audit  
**PRESENTER(S):** Ron Ellis, Director Internal Audit  
David Hancock, Director of Asset Management

**AUDIT COMMITTEE MEETING DATE:** October 19, 2020

<b>SUBJECT:</b>	<b>Internal Audit Report Review: Maintenance of Way Infrastructure Audit Report</b>
<b>AGENDA ITEM TYPE:</b>	<b>Audit Report</b>
<b>RECOMMENDATION:</b>	Informational report for discussion
<b>BACKGROUND:</b>	The Audit Committee engages in a dialogue with the Internal Audit department and Management on audit reports issued by the Internal Audit department to understand the risks identified and management actions planned or already taken.
<b>DISCUSSION:</b>	The Audit Committee will receive information on: <ul style="list-style-type: none"><li>• Maintenance of Way – Infrastructure Audit Report</li></ul>
<b>ATTACHMENTS:</b>	1) Maintenance of Way, Infrastructure Audit Report



# **INTERNAL AUDIT REPORT**

## **Maintenance of Way - Infrastructure**

**R-20-04**

**August 18, 2020**

## Executive Summary

### Introduction

In conjunction with the Audit Committee, Internal Audit (IA) developed a risk-based annual audit plan. All of the audits on the audit plan are conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute for Internal Auditors (IIA), and provide several benefits:

- Management's continuous improvement efforts are enhanced
- Compliance is verified and shortfalls are identified so that they can be corrected
- Board of Trustee oversight of governance, control, and risk management is strengthened

All of these benefits contribute toward the Utah Transit Authority's strategic plan focus areas of:

- Customer Service – Improve products, services, accessibility, and mobility
- Leadership and Advocacy – Address current and future transportation challenges
- Access to Opportunity – Enrich transit access and quality of life
- Strategic Funding – Be wise stewards of public resources
- Workplace of the Future – Foster dynamic, diverse, and engaged employees

As part of the 2019 audit plan, IA was directed by the Audit Committee to perform an audit to determine if controls over Maintenance of Way (MOW) - Infrastructure are designed adequately and operating effectively to ensure compliance with federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives. The preliminary stage of the audit was concluded in June 2019 and the final audit was completed in August 2020.

### Background and Functional Overview

The Director of Asset Management for the Utah Transit Authority (UTA) provided a functional overview of the MOW-Infrastructure process to provide context to this report. Please note that all of the statements made are assertions by the Director of Asset Management and were not assessed by Internal Audit.

Management and MOW Infrastructure group would like to thank Internal Audit for their efforts in regards to the audit they performed on the MOW group. Management would like to provide the following information and background about the MOW Group.

The MOW Infrastructure group resides in the Asset Management Department and during the audit period consisted of 33 total staff. The staff breakdown is as follows; Manager, 2 Assistant Managers, 6 Supervisors, and 24 Rail Maintenance Workers. Since the audit, the structure has changed slightly in the group with the creation of the independent Compliance and Inspection group. MOW Infrastructure lost 1 Assistant Manager, 1 Supervisor, and 4 Rail Maintenance Workers.

The MOW Infrastructure group is responsible for all Federal Railroad Administration (FRA) mandated inspections contained in 49 Code of Federal Regulations (CFR) Part 213 Track Safety Standards. These mandated inspections include all inspections that need contractors to perform the work, including geometry and rail integrity testing. Outside of these mandated inspections, the group is responsible for all maintenance, rail repairs, and ride quality in the UTA rail corridor. Rail Infrastructure also provides Roadway Worker in Charge (RWIC) services to all third party contractors needing to access the rail corridor.

At times, the MOW Infrastructure group is known for maintenance activities like “weeds, trees, and trash”, but like many departments within UTA, the MOW Infrastructure group has begun to use data to analyze and improve the timing of maintenance, repairs and replacements. This trend will continue as more inspections become digital and we are able to capture the needed data to make better decisions.

Again, we would like to thank the Internal Audit team for their efforts in helping us to align with best practices. The MOW Infrastructure team will work with the Executive team to develop plans to address the recommendations in this audit.

This concludes the functional overview of the MOW-Infrastructure process provided by the Director of Asset Management for UTA

### **Objectives and Scope**

The period of the preliminary assessment started on May 1, 2018 and covered through April 30, 2019; the completion audit work continued on June 1, 2019 through July 31, 2020.

The primary areas of focus for the MOW preliminary assessment were:

- Governance
- Inspection
- Maintenance
- Third Party Contracts
- Training

Internal audit excluded from the scope of this preliminary assessment areas such as:

- MOW – Systems
- Assessment of MOW performance

## Audit Conclusion

### Summary

During the Preliminary Assessment, the MOW-Infrastructure department was in the process of implementing a new organizational structure; it was fully executed in August of 2019. As part of the audit fieldwork, Internal Audit was afforded the opportunity to observe several key areas and processes that were changed by the restructure.

IA found that the infrastructure department of MOW has established processes, systematic controls, and a departmental tone of collaboration which is aiding in their ability to continue improving and documenting the individual areas within the department.

While observing work areas, in the main facility, IA identified a centrally located board of information. We commend the MOW management for providing the MOW staff with centrally located, easily identifiable, relevant information. The board provided not only information on shift crews, supervisors and work zones but also provided photographs of supervisors and work zones. This approach in our opinion is a strong control to avoid confusion of authority.

IA also noted that the MOW-Infrastructure department, to insure compliance for rail inspections, has implemented 28-day work schedules versus monthly schedules. This prevents monthly inspection delays due to shift rotations. The department has assigned specific functions to specific workers in order to standardize job and shift functions. The new assignment changes has allowed for consistency and provided the opportunity for the department to identify areas of strengths and weakness needing further improvements.

Internal Audit (IA) found that Management had strengthened their methods, processes, and controls to carry out departmental activities in accordance with the requirements of 49 CFRs 213 and 214 by formalizing and documenting roles, responsibilities, and procedures.

While this report details the results of the audit based on limited sample testing, the responsibility for the maintenance of an effective system of internal control and the prevention and detection of irregularities and fraud rests with management.

Internal Audit wants to thank management and staff for their cooperation and assistance during the audit.



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# APPENDIX 1

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# APPENDIX 1

## 1. Governance

Preliminary Finding R-19-04-01	High
<p>Criteria:</p> <ul style="list-style-type: none"><li>• Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision making responsibility, authority, and accountability to the appropriate levels. Governance principles include:<ul style="list-style-type: none"><li>○ Management establishes reporting lines, with board oversight, of the development and performance of internal control</li><li>○ Individually establishes accountability for internal control responsibilities in pursuit of entity objectives</li></ul></li></ul> <p>Sources: COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson</p> <ul style="list-style-type: none"><li>• 49 CFR 213 - Track Safety Standards documents the minimum Federal standards for track inspection and maintenance.</li><li>• 49 CFR 214 – Railroad Workplace Safety documents the minimum Federal standards for track personnel workplace safety.</li><li>• UTA Rail Maintenance Standards aligns UTA track inspection and maintenance operations with standards of 49 CFR 213</li><li>• Railway Worker Protection Plan (RWWP) aligns UTA on-track personnel activities with safety standards of 49 CFR 214</li></ul> <p>Condition:</p> <ul style="list-style-type: none"><li>• Although the Rail Maintenance Standards do identify some roles and responsibilities, they did not assign accountability or define how critical inspection and maintenance activities will be tracked, monitored, and followed up on</li><li>• Rail Maintenance Standards were last updated in 2014 and there was no evidence of periodic review</li><li>• No management review was performed to assure that the Rail Maintenance Standards aligned with 49 CFR 213 nor was a responsible party identified for ownership or approval authority of the Standards</li><li>• Although pocket handbooks for 49 CFR 213 and 49 CFR 214 were provided, were identified as the reliable standard for users to rely on, and was required to be carried at all times, there was no process in place to assure that all users required received one or that the handbooks were carried at all times</li><li>• Although job descriptions for Rail Maintenance Workers and Supervisors did include some aspects of roles and responsibilities, the job descriptions did not assign ownership, delegate responsibility, or ascribe accountability for critical MOW Infrastructure duties</li><li>• 3 (of 4) sign off sheets, for standard operating procedure training, tested were not complete with all employees signing off that they attended</li></ul> <p>Root/Cause Analysis:</p> <ul style="list-style-type: none"><li>• Management placed reliance and trust on expertise of MOW personnel to perform</li></ul>	

# APPENDIX 1

- Management placed reliance on FRA inspection reports to assess performance and inform corrective action rather than to design a comprehensive system of controls to ensure compliance with regulatory requirements

**Effect:**

Governance best practices such as formal delegation of authority, assignment of roles and responsibilities, as well as the design of critical controls for performance of critical processes was not undertaken, which increases the risk that UTA may be non-compliant with Federal regulations.

**Recommendations**

- Management should consider formally assigning roles and responsibilities through a policy, operating procedures, or a combination of both as deemed appropriate. Operating procedures should also include the controls designed by management to minimize risk in MOW-Infrastructure operations and align activities with the requirements of 49 CFR 213 and 49 CFR 214 for the following areas:
  - Inspections
  - Maintenance
  - Training
- Management should review the set of standards to ensure it aligns with the CFRs

Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	12/31/2019

- Management has recently (July 2019) restructured MOW and created an “Inspection and Compliance Group”. This group is responsible for compliance to the CFRs. The group consists of both MOW Infrastructure inspectors (4) and MOW Systems Inspectors (19) as well as a Manager and Supervisors (4). Roles and responsibilities have been assigned by the approved restructure plan dated May 2019. This restructure plan was shared with everyone in the MOW departments and the organizational chart and group responsibilities will be posted in all MOW work areas.
- The Light Rail/MOW training department is working on a program to satisfy 49 CFR 243 that will be going into effect the start of 2020. With this new program all training will be tracked and logged through the LMS system and will ensure compliance with the CFRs.
- Management will be updating the Rail Maintenance Standards to include the new CWR plan that is in process of being reviewed by the FRA. Once the new plan is approved it will be included in the Rail Maintenance Standards and management will take the opportunity at that time to update the standards and ensure the standards align with the CFRs.

**Final Status**

**N/A**

- IA reviewed MOWs restructure plan to verify responsibilities are assigned, and determine compliance is defined in responsibilities. IA also conducted a site visit to the 2264 South 900 West location and verified the posting of the Inspection and Compliance Group information in the work areas. The department of MOW has established a formal delegation of authority, and assignment of roles, responsibilities and accountability. The issue has been mitigated.
- IA reviewed the new training program and verified it had been approved by the Federal Railroad Administration as satisfying the requirements dictated in 49 CFR 243. The program has been loaded into LMS for tracking. The issue has been mitigated.

# APPENDIX 1

- The CWR plan was separated from the Rail Maintenance Standards and approved by the Federal Railroad Administration (FRA). The issue has been mitigated.

Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	N/A

## 2. Inspection

Preliminary Finding R-19-04-02	High
<p>Criteria:</p> <ul style="list-style-type: none"> <li>49 CFR 213 - Track Safety Standards documents the minimum Federal standards for track inspection and maintenance.</li> <li>The Rail Maintenance Standards defines inspection expectations from Management, including:               <ul style="list-style-type: none"> <li>An inspection form is completed manually and filed for every inspection performed</li> <li>Remediation is documented for defects identified on inspection forms</li> <li>For each type of inspection performed (track, switch, special, temperature) there is a corresponding template for use in completing the inspection form</li> <li>2 Track inspections are performed each week for every applicable section of track</li> <li>Each track inspection week begins on Sunday and ends of Saturday</li> <li>Each switch is inspected once a month</li> <li>Special Inspections are to be performed when potential damage has occurred to tracks due to accidents and derails</li> <li>Temperature inspections are performed on applicable track sections when the temperature reaches 95 degrees</li> </ul> </li> </ul> <p>Condition:</p> <ul style="list-style-type: none"> <li>From a sample of 84 inspections tested, the following exceptions were identified:               <ul style="list-style-type: none"> <li>7 out of 84 track inspections tested did not have an inspection form on file.</li> <li>5 instances of a single segment and week tested were missing a single track inspection form.</li> <li>1 week and segment tested was missing both inspection forms.</li> </ul> </li> <li>One track inspection form (out of 6 total track inspections with a defect identified) had no remediation information</li> <li>Switch Inspections on same form occurred 12 days apart, increasing the risk that inspections are not performed within requisite 30 days.</li> <li>No standard for identifying, assessing, and tracking incidents for Special and Temperature Inspection need</li> <li>No documentation created to indicate completion and acceptance for the quarterly review of inspection logs</li> <li>Same person performing quarterly review of inspection forms also performed inspections and filed forms</li> <li>No tracking of defects identified outside the paper inspection forms to confirm that remediation happened in line with regulatory requirements or for further analysis of ongoing issues</li> </ul>	

# APPENDIX 1

## Root/Cause Analysis:

- No documented procedures to guide users through the inspection process and requirements
- Reviews happened quarterly which inhibited timely identification of issues for correction and feedback

## Effect:

- There was an elevated risk of fines and findings from the FRA due to inspection records not available in line with requirements
- All required special inspections may not be performed and if performed, may not be documented
- Poor segregation of duties for quarterly inspection form review increases the risk that inspections are not complete, valid, or correct
- Increased risk that switches may be inspected outside the requisite time period due to switch inspections on the same form happening 13 days apart

## Recommendations

- Management should include critical controls in standard operating procedures to mitigate risk in FRA mandated inspection activities. Areas of risk include, but are not limited to:
  - Insufficient number of inspections performed
  - Inspections not occurring within required timeframe
  - Inspection documentation not complete, valid, accurate, or retained
  - Requirements and responsibility for monitoring, communicating, recording, and performing FRA inspections not defined or understood, including for:
    - Track inspections
    - Switch Inspections
    - Special Inspections
    - Temperature inspections
- Management should also consider development or purchase of an electronic system to assist in monitoring, communicating, recording, and performing FRA inspections.

Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	6/30/2020
<ul style="list-style-type: none"> <li>• Management agrees that better control and tracking will help mitigate non-compliant or missed inspection risks. Management will create an inspection process flow chart that will be used to control, schedule and track FRA defect and maintenance work.</li> <li>• Management will look into developing or purchasing a system that tracks inspections and maintenance work orders. Target completion date is pushed to mid-2020 in order to properly investigate FRA approved track inspection and maintenance tracking systems.</li> </ul>		

## Final Status

**Low**

- Wendia software contract 15-1494, with modification was selected to utilize the contract, and it will integrate into current systems. As of August 2020, the Director is waiting on the program mock-up for review. The issue is in process of being mitigated.
- IA verified a Priority Process flowchart was prepared and available for review. The issue is mitigated.

# APPENDIX 1

Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	3/31/2021

## 3. Maintenance

Preliminary Finding R-19-04-03	High
<p>Criteria:</p> <ul style="list-style-type: none"> <li>• 49 CFR 213 - Track Safety Standards documents the minimum Federal standards for track inspection and maintenance.</li> <li>• In order to align with 49 CFR 213 Management requires that all defects be addressed immediately or as soon as possible. Additionally, all maintenance activities are overseen by a supervisor qualified under the requirements of 49 CFR 213.</li> </ul> <p>Condition:</p> <ul style="list-style-type: none"> <li>• Maintenance requests are not all tracked or linked to maintenance performed</li> <li>• The appropriate methods of communicating and documenting maintenance requests has not been defined</li> <li>• Although a system for logging maintenance is in place, not all maintenance performed is logged, nor is it clearly defined what meets the threshold for tracking</li> <li>• Although standard practice is to reorder additional parts for long lead time items whenever the shelf stock gets down to 1, there is no assigned responsibility for monitoring and reordering or tracking of performance</li> </ul> <p>Root/Cause Analysis: Requirements for requesting, initiating, documenting, and tracking the maintenance process have not been defined.</p> <p>Effect:</p> <ul style="list-style-type: none"> <li>• Maintenance records may not be complete</li> <li>• Maintenance activities may be different than Management expectations for example, all maintenance requests received may not have been addressed</li> </ul>	
Recommendations	
<ul style="list-style-type: none"> <li>• Management should consider formally documenting the critical policies and procedures of the maintenance process, such as, but not limited to: <ul style="list-style-type: none"> <li>○ How maintenance needs should be identified, recorded, and tracked</li> <li>○ Procedures and assignment of responsibility for monitoring that maintenance needs identified have been followed up on and addressed</li> <li>○ Assignment of authority to approve maintenance requests and how requests should be communicated</li> </ul> </li> <li>• Management should also consider developing or purchasing a system that tracks maintenance activities which integrates with the inspection system recommended in R-19-04-02.</li> </ul>	

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Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	6/30/2020
<ul style="list-style-type: none"> <li>Management will look into developing or purchasing a system that tracks maintenance work orders and integrates with the inspection system. Target completion date is pushed to mid- 2020 in order to properly investigate FRA approved track inspection and maintenance tracking systems.</li> <li>Management will create a maintenance process flow chart that will be used to control and track FRA defects and maintenance work orders based on priority rating. This flow chart will detail who has authority to approve maintenance requests and the communication procedures to be followed.</li> </ul>		

Final Status	Low	
<ul style="list-style-type: none"> <li>Wendia software contract 15-1494, with modification was selected to utilize the contract, and it will integrate into current systems. As of August 2020, the Director is waiting on the program mock-up for review. The issue is in process of being mitigated.</li> <li>IA verified a Priority Process flowchart was prepared and available for review. The issue is mitigated.</li> </ul>		
Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	3/31/2021

## 4. Contracting

Preliminary Finding R-19-04-04	Medium
<p>Criteria:            UTA Policy 3.1.6 Contracting Authority identifies the employees, by level of authority, who may execute contracts and agreements on UTA's behalf as well as define controls in place regarding the commitment and obligations of UTA to contractual obligations.</p> <p>Condition:</p> <ul style="list-style-type: none"> <li>The Roadway Worker In Charge signed the 2 contracts selected for testing but his oversight authority is not defined or formally documented</li> <li>For 1 (of 2) contracts tested, there was a provision that held the Contractor not liable for any damages due to delay in testing, which elevated the risk of unforeseen or unmitigated obligations</li> <li>For 1 (of 2) contracts reviewed a contract provision automatically qualified the Contractor as an additional insured per UTA's insurance coverage, after a \$5M self-insurance retention. However, the Claims and Insurance Manager identified this clause as risky and not recommended or approved.</li> </ul> <p>Root/Cause Analysis:</p> <ul style="list-style-type: none"> <li>Responsibility to assess contract value, including the estimated cost of UTA self-insuring a contractor, is not assigned by UTA Contracting Policy 3.1.6</li> </ul>	



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- The Claims and Insurance Manager was on vacation when review of the contract was required

Effect:

- Not all costs may have been properly considered in valuation, including cost to insure contractor
- Possible non-compliance with signature requirements of UTA Contracting Policy 3.1.6 with regard to an estimated cost of insurance that was not included
- Liability may have been created that UTA did not anticipate

### Recommendations

- Management should consider documenting contract valuation procedures in an SOP including the following:
  - How contract provisions without a clear nominal value, but that does obligate UTA resources, should be identified and valued
  - Who may approve contract valuations where such provisions are identified
  - How total contract values should be documented, monitored, and reported in the contract database
- Additionally, consideration may want to be given to formally identifying who may approve inclusion of a contractor on UTA insurance or whether it is appropriate.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	12/31/2019
<p>Supply Chain will revise our SOP to define the difference between Negotiated Price Discounts (NPD), Blanket Purchase Orders (BPO), and Contracts, and when to use each type. This definition will clarify when it is appropriate to use a NPD or BPO based on dollar value and if the contract is an exclusivity contract or not.</p> <p>We will also review the Procurement SOP insurance section and make changes as agreed to by UTA and the AG legal counsel with regard to insurance requirement approvals.</p>		

Final Status	Medium
<p>This change was placed on hold due to department process changes. The department implemented a new program, Laserfiche, during 2019, and was in the process of determining the extent of utilization before the departments Preliminary Assessment. The Preliminary Assessment was completed April 2020 with SOP change recommendations. IA will evaluate the SOP during the Procurement Contract Audit for NPD, BPO and Contract dollar value and insurance requirements.</p>	
Management Agreement	Owner
	Supply Chain Manger

## 5. Roadway Worker in Charge

Preliminary Finding R-19-04-05	Low

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**Criteria:**

- 49 CFR 214.319 requires working limits be established on controlled track and placed under the authority of a designated RWIC who is qualified, for the purpose of establishing on-track safety of UTA personnel, contractors, or others with permission to enter UTA track outside of normal operation.
- Roadway Worker Protection Plan section 2.7 Roadway Worker in Charge identifies the related responsibilities of the position. Additional guidance is given throughout the plan for specific situations.

**Condition:**

- RWIC oversight authority is not defined or formally documented for MOW Management to prioritize MOW activities as needed.
- Procedures for identifying, requesting, and scheduling a RWIC were in place, however, they were not documented

**Root/Cause Analysis:**

Management relied on the expertise and experience of personnel to carry out the RWIC assignments rather than a formally designed process with defined controls

**Effect:**

In the absence of delegated authority as well as documented roles and responsibilities there was an elevated risk of:

- Competing priorities not being correctly adjudicated, such as when maintenance responsibilities conflict with contractor needs or desires.
- Contract work may be scheduled without a RWIC, leading to charges for work scheduled but not able to be performed

**Recommendations**

Management should consider documenting RWIC roles, responsibilities, and procedures, including, but not limited to:

- Process to request a RWIC and to whom
- Individual authorized to approve, or reject, a RWIC request
- The schedule of fees for RWIC provisioning
- Responsible party for tracking, documenting, and approving RWIC hours to be charged
- Responsible party for billing RWIC charges according to tracked hours
- Process for reconciliation of RWIC fees collected and hours worked

	Owner	Target Completion Date
Yes	Director of Asset Management	3/31/2020

Management will work with the UTA property division to develop a process flow chart that documents the RWIC process for all items mentioned above. This flow chart will show responsible party for each step so no misunderstandings will occur.

**Final Status**

**N/A**

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IA verified a flow chart has been developed. The flow chart documents the processes for assigning and billing an RWIC for a 3rd party contractor. The RWP program manual dictates the RWICs responsibilities. The issues have been mitigated.		
Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	N/A

## 6. Training

Preliminary Finding R-19-04-06	Medium
<p>Criteria:</p> <ul style="list-style-type: none"> <li>• Safety training is mandated by the FRA for all MOW employees, Inspectors, and Maintenance Supervisors.</li> <li>• Management aligns its processes with FRA requirements through requiring the following:             <ul style="list-style-type: none"> <li>○ All employees to be trained on the Roadway Worker Protection Plan (RWWP) prior to working on or near UTA tracks</li> <li>○ Prior to becoming an Inspector or a Supervisor personnel must pass the basic and advanced courses of Track Maintenance from the Railway Educational Bureau</li> </ul> </li> </ul> <p>Condition:</p> <ul style="list-style-type: none"> <li>• Internal Program:             <ul style="list-style-type: none"> <li>○ Training was tracked using the learning management system (LMS). The Rail Maintenance Supervisor received weekly emails regarding past due or expired training but there was no standard timeframe or documentation created for following up with employees to ensure all outstanding training is completed</li> <li>○ LMS reports listing overdue training were not retained on file</li> <li>○ There was no documentation on file evidencing the former UTA General Manager’s approval of MOW General Code of Operating Rules (GCOR) training</li> <li>○ There are no standard on the job training requirements for MOW workers for becoming a qualified inspector.</li> <li>○ Although employees were trained and signed off on individual SOPs at department meetings, not all employees were present and no other process was identified to assure that all employees completed the training and signed off for each SOP</li> </ul> </li> <li>• FTA Standards:             <ul style="list-style-type: none"> <li>○ The test administered by the Manager of Right of Way Assets for potential inspectors may be waived at his discretion with no standard criteria or written guidelines</li> <li>○ Tests to certify Inspectors administered by management were not signed off indicating review and acceptance</li> <li>○ There is no documentation of the review performed by the Manager of Right of Way Assets of candidate knowledge to perform switch inspection which may be required for some candidates to be elevated to Inspector</li> </ul> </li> </ul> <p>Root/Cause Analysis:</p>	

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- No documented guidance for users in the form of an SOP or other governing document in how to ensure accuracy, validity, and completeness of MOW – Infrastructure personnel training
- The Rail Maintenance Supervisor stated that resources were not adequate in terms of time available to provide training and perform supervisory duties.

**Effect:**

- Increased risk that personnel may not be fully compliant with training requirements
- Elevated risk that personnel seeking certification as Inspector may not have consistent requirements or that commensurate qualification may not be well communicated resulting in the perception that requirements are inconsistent
- Practices may vary by supervisor and there is no documentation created to evidence what training was performed

**Recommendations**

Management should consider formally documenting in an SOP or other governing document the roles, responsibilities, and procedures for how to ensure the accuracy, validity, and completeness of MOW-Infrastructure personnel training.

Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	3/31/2020
<ul style="list-style-type: none"> <li>• The Light Rail/MOW training department is working on a program to satisfy 49 CFR 243 that will be going into effect the start of 2020. With this new program all training will be tracked and logged through the LMS system and will ensure compliance with the CFRs.</li> <li>• Management will work with the Light Rail/MOW training department to develop a process flow chart that details the training cycle of employees.</li> </ul>		

**Final Status**

**N/A**

IA reviewed the new training program and verified it had been approved by the Federal Railroad Administration as satisfying the requirements dictated in 49 CFR 243. The program has been loaded into LMS for tracking. Management established the Master training chart to assist in ensure all employees receive proper training. Issues have been mitigated.

Management Agreement	Owner	Target Completion Date
Yes	Director of Asset Management	N/A

# APPENDIX 2

## RATING MATRIX

### DETAILED FINDING PRIORITY RATING

Descriptor	Guide
<b>High</b>	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
<b>Medium</b>	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
<b>Low</b>	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

# APPENDIX 3

DISTRIBUTION LIST			
Name, Title	For Action <sup>1</sup>	For Information	Reviewed prior to release
Executive Director	*		*
Chief Operating Officer	*		*
Director of Asset Management	*		*
Manager, Right of Way Assets	*		*
Assistant Manager Rail Infrastructure Assets	*		*
Rail Maintenance Supervisor	*		*
Senior Supply Chain Manager	*		*

<sup>1</sup>For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.



## MEETING MEMO

**TO:** Utah Transit Authority Audit Committee  
**FROM:** Ron Ellis, Director of Internal Audit  
**PRESENTER(S):** Ron Ellis, Director of Internal Audit  
Paul Drake, Director of Real Estate and Transit Oriented Development

**AUDIT COMMITTEE MEETING DATE:** October 19, 2020

<b>SUBJECT:</b>	<b>Internal Audit Report Review: Transit Oriented Development Preliminary Assessment</b>
<b>AGENDA ITEM TYPE:</b>	<b>Audit Report</b>
<b>RECOMMENDATION:</b>	Informational report for discussion
<b>BACKGROUND:</b>	The Audit Committee engages in a dialogue with the Internal Audit department and Management on audit reports issued by the Internal Audit department to understand the risks identified and management actions planned or already taken.
<b>DISCUSSION:</b>	The Audit Committee will receive information on: <ul style="list-style-type: none"><li>• Transit-Oriented Development (TOD) Preliminary Assessment</li></ul>
<b>ATTACHMENTS:</b>	None