



# Utah Transit Authority

## Audit Committee

### REGULAR MEETING AGENDA

669 West 200 South  
Salt Lake City, UT 84101

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**Monday, December 16, 2024**

**3:00 PM**

**FrontLines Headquarters**

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UTA Audit Committee will meet in person at UTA FrontLines headquarters (FLHQ) 669 W. 200 S. Salt Lake City, UT. 84101

1. **Call to Order & Opening Remarks** Chair Carlton Christensen
2. **Safety First Minute** Ann Green-Barton
3. **Consent** Chair Carlton Christensen
  - a. Approval of September 23, 2024 Audit Committee Meeting Minutes
  - b. 2024 Fraud Risk Assessment
4. **Audit Committee Actions**
  - a. External Auditor Engagement Letters for 2024 Audits (Crowe LLP) Rob Lamph
5. **Internal Audit Update**
  - a. Internal Audit Update Mike Hurst
    - 2024 Audit Plan Status
    - Other Internal Audit Activities
  - b. Open Issues Report Mike Hurst
6. **Internal Audit Reports**
  - a. Support Fleet Performance Audit Follow-up Report (R-22-06) Mike Hurst  
Daniel Hofer  
Trice Batty
  - b. 1099 Reporting Follow-up (R-23-03) Mike Hurst  
Viola Miller  
Rob Lamph
  - c. Procurement Process Performance Audit (R-24-01) Mike Hurst  
Viola Miller  
Todd Mills
7. **Other Business** Chair Carlton Christensen

- a. Next Meeting: Monday, March 10th, 2025 at 3:00 p.m.

**8. Adjourn**

Chair Carlton Christensen

**Meeting Information:**

- Special Accommodation: Information related to this meeting is available in alternate format upon request by contacting [adacompliance@rideuta.com](mailto:adacompliance@rideuta.com) or (801) 287-3535. Request for accommodations should be made at least two business days in advance of the scheduled meeting.
- All members of the Audit Committee and meeting presenters will participate in person, however committee members may join electronically as needed with 24 hours advance notice.
- Meeting proceedings may be viewed remotely by following the instructions and link on the UTA Public Meeting Portal - <https://rideuta.legistar.com/Calendar.aspx>
- In the event of technical difficulties with the remote connection or live-stream, the meeting will proceed in person and in compliance with the Open and Public Meetings Act.
- Public Comment will not be taken at this meeting, but general comment may be given online through <https://www.rideuta.com/Board-of-Trustees>. Comments may also be sent via e-mail to [boardoftrustees@rideuta.com](mailto:boardoftrustees@rideuta.com)
- Meetings are audio and video recorded and live-streamed.
- Motions, including final actions, may be taken in relation to any topic listed on the agenda.



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# Utah Transit Authority

669 West 200 South  
Salt Lake City, UT 84101

## MEETING MEMO

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**Audit Committee**

**Date: 12/16/2024**

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**TO:** Audit Committee  
**FROM:** Jana Ostler, Board Manager

**TITLE:**

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**Approval of September 23, 2024 Audit Committee Meeting Minutes**

**AGENDA ITEM TYPE:**

Minutes

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**RECOMMENDATION:**

Approve the minutes of the September 23, 2024 Audit Committee meeting

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**BACKGROUND:**

A regular meeting of the UTA Audit Committee was held in person and broadcast live through the UTA meetings website on Monday, September 23, 2024 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 [Utah Public Notice Website](https://www.utah.gov/pmn/sitemap/notice/940605.html) [<https://www.utah.gov/pmn/sitemap/notice/940605.html>](https://www.utah.gov/pmn/sitemap/notice/940605.html) and video feed is available through the UTA Meetings website at <https://rideuta.com/Board-of-Trustees/Meetings>

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**ATTACHMENTS:**

2024-09-23\_AUDIT\_Minutes\_UNAPPROVED



# Utah Transit Authority

## Audit Committee

### MEETING MINUTES - Draft

669 West 200 South  
Salt Lake City, UT 84101

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**Monday, September 23, 2024**

**3:00 PM**

**FrontLines Headquarters**

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**Present:** Chair Carlton Christensen  
Jeff Acerson  
Beth Holbrook

**Remote:** Troy Walker  
Bob Stevenson

Also in attendance were UTA staff and interested community members.

#### **1. Call to Order & Opening Remarks**

Chair Christensen welcomed attendees and called the meeting to order at 3:03 p.m. He announced this is an in-person, recorded meeting, with live viewing available online. It was noted Committee Members Troy Walker and Bob Stevenson may be joining the meeting remotely.

Chair Christensen welcomed Kim Shanklin, UTA's new Chief of Staff who is attending the meeting on behalf of Executive Director Jay Fox.

#### **2. Safety First Minute**

Patrick Preusser, UTA Chief Operating Officer, delivered a brief safety message.

#### **3. Consent**

a. **Approval of July 11, 2024 Audit Committee Meeting Minutes**

#### **4. Audit Committee Actions**

a. **Internal Audit Charter Approval**

Committee Member Bob Stevenson joined the meeting remotely at 3:05 p.m.

Mike Hurst, UTA Director of Internal Audit, outlined the proposed changes to the Internal Audit Charter. These include new standards adopted by the Institute of Internal Auditors (IIA), internal audit reporting procedures, and the transfer of responsibility for discrimination and retaliation investigations to the Office of the Attorney General.

Trustee Holbrook asked Hurst to explain, for the record, the reasoning for moving the responsibility for discrimination and retaliation investigations to the Office of the

Attorney General with one of those reasons being to engage attorneys who specialize in this area of expertise. Hurst added to Trustee Holbrook's comment by indicating the Internal Audit headcount was reduced which allowed funds to be allocated for a state employee from the Attorney General's office with the necessary expertise to fulfill this role.

A motion was made by Trustee Acerson, and seconded by Committee Member Stevenson, to approve the Internal Audit Charter. The motion carried by unanimous vote.

## 5. Internal Audit Update

### a. Internal Audit Update

- 2024 Audit Plan Status
- Other Internal Audit Activities

Mike Hurst provided a status report for audit activities in the 2024 Audit Plan. These included activities and reporting related to continued, new, and special projects. Individual projects, timelines, and estimated report out dates were reviewed.

Hurst reported the Memorandum of Understanding Discovery project has been moved from Internal Audit to the finance team who hired dedicated staff to manage the project.

Hurst provided details pertaining to other internal audit activities including the 2023 sales tax refund project.

Discussion ensued. Questions pertaining to the 2023 sales tax refund project were posed by the committee and answered by Mr. Hurst.

Committee Member Troy Walker joined the meeting remotely at 3:13 p.m.

### b. Open Issues Follow Up Report

Mike Hurst reviewed the status of the Open Issues Follow-up Report and announced this report will be presented at each committee meeting and provide a summary status of internal audit projects. It will highlight issues pertaining to audits which are either being addressed or remain unresolved in addition to management responses. The first report will be presented in the December 2024 Audit Committee meeting.

A question concerning the tracking of management responses and unresolved issues, was posed by Chair Christensen and answered by Hurst.

Hurst reported on follow up activity on projects since the June 2024 committee meeting including:

- 22-04 Fleet Engineering - all issues closed
- 21-06 Fuel Cost - issues open

- 22-05 Benefits Calculation - issues open
- 21-02 Utility Cost - issues open
- 23-05 Vendor Master File - issues open

Discussion ensued. Concern was raised by the committee over the length of time audits have remained opened with outstanding issues and inquired if there were barriers preventing their completion. Hurst explained this is mostly due to internal systems, work flow, and prioritization which varies from project to project and can cause delays.

Hurst affirmed there are no major concerns on current open issues and noted management have been responsive and responsible for their action plans.

## 6. Internal Audit Reports

### a. Payroll Process Preliminary Assessment (R-24-06)

Mike Hurst was joined by Viola Miller, UTA Chief Financial Officer; Mary Ann Schwalbendorf, UTA Payroll Manager; and Luke Barber, UTA Senior Internal Auditor.

Barber presented the results for the Payroll Preliminary Assessment. His report covered the engagement scope and objectives, governance, testing, recommendations and areas for improvement, and management's response.

Engagement results indicated strong governance with adequate resources, qualified and trained staff, and proactive monitoring reports. Areas for improvement include the need for the documentation of key processes within standard operating procedures (SOPs), and a greater separation of duties in performance and controls.

In reviewing payroll processes, a violation of the vacation sell-back policy was discovered with some employees selling back more vacation than allowed per the policy. Recommendations included stronger management of the vacation sell back process through supervisor training, stronger controls, and monitoring of sellback entries to detect future occurrences. In addition, JD Edwards should be utilized for documentation purposes on complex or uncommon anomalies.

Management's response to the recommendations included proactive measures taken to mitigate the risk of vacation sell back policy violations. Miller indicated there were some policy issues which have now been addressed and affirmed staff were not paid more than they were entitled to; the violation was selling more vacation hours than the policy allowed.

Discussion ensued. Questions relating to separation of duties, staffing, policies and procedures, system controls, document storage, and measures to mitigate future risks of vacation sell back violations, were posed by the committee and answered by staff.

**b. Follow-up of the Limited Scope Assessment of the Vendor Master File Review (R-23-05)**

Mike Hurst was joined by Viola Miller and Eric Barrett, UTA Deputy Comptroller, to present a follow-up of the Vendor Master File Review.

Hurst outlined the background to the audit and the follow up assessment scope. Key focus areas of the review included a progress review of management's action plans in addition to the testing the of key vendor master files and processes.

Hurst shared the assessment results and indicated management had implemented new procedures to vet vendors and verify the accuracy of entries in the database. Several data consistency issues were noted. These included a mismatch of taxpayer ID and name, duplicate vendor records, missing contact information, and over 500 vendors with no transactions over a 12 month period.

Management's response included continuation of staff training and improved data accuracy when entering new vendors in the system, clean-up efforts of current vendors, and working with IT staff to identify dormant vendors and closing those records where appropriate.

Discussion ensued. Questions relating to resolving inconsistencies, staff resources, reducing risk and vulnerability for potential vendor fraud, and the close out of dormant vendors, were posed by the committee and answered by staff.

**c. Fleet Engineering Follow-up (R-22-04)**

Mike Hurst was joined by Luke Barber, Patrick Preusser, and Nathan Hess, UTA Fleet Engineering Supervisor.

Barber presented the results for the Fleet Engineering follow-up. This project included reviewing progress against action plans from the initial preliminary assessment report and performing testing of new processes and procedures adopted by Fleet Engineering.

Barber summarized the three recommendations presented to management and their responses.

1. Identify another option in meeting the bus manufacturer's post-delivery purchaser's requirements such as employing an independent inspector who resides near the manufacturer's facility. Management declined to accept the recommendation and indicated their reasons why.
2. All bus preventative maintenance forms should be reviewed to ensure that key maintenance intervals match what is recommended by the manufacturer. Management explained their process of developing a "Best Practices" for maintenance recommendations made by the manufacturers. Fleet Engineering has an improved process of documenting a Best Practices Memo which they retain for

reference.

3. Preventative maintenance forms should be developed and tracked for the higher mileage intervals listed with the Original Equipment Manufacturers manuals (OEM). Management indicated a new process has been developed for reviewing the OEM resulting in a more controlled environment and ensures all recommended maintenance items from the manufacturer are included on UTA's inspection forms.

Discussion ensued. Questions relating to the inspection process including forms, recording systems, and tracking, were posed by the committee and answered by staff.

Preusser stated the work of Fleet Engineering includes improved processes and systems and the use of technology to provide improved controls for tracking and recording the required vehicle maintenance and associated documentation.

Barber commended Fleet Engineering on the progress and improvements towards their action plans in addition to their high level of dedication and commitment to continually develop best practices and systems.

## 7. Other Business

- a. Next Meeting: Monday, December 16, 2024 at 3:00 p.m.

## 8. Adjourn

A motion was made by Trustee Acerson, and seconded by Trustee Holbrook, to adjourn the meeting. The motion carried by unanimous vote and the meeting adjourned at 4:10 p.m.

Transcribed by Hayley Mitchell  
Executive Assistant to the Board  
Utah Transit Authority

This document is not intended to serve as a full transcript as additional discussion may have taken place; please refer to the meeting materials or audio located at: <https://www.utah.gov/pmnsitemap/notice/940605.html> for entire content. Meeting video is accessible at: [https://rideuta.granicus.com/player/clip/320?view\\_id=1&redirect=true](https://rideuta.granicus.com/player/clip/320?view_id=1&redirect=true)  
This document along with the digital recording constitute the official minutes of this meeting.

Approved Date:

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Carlton Christensen  
Chair, UTA Audit Committee





# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 12/16/2024

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit

**TITLE:**

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**2024 Fraud Risk Assessment**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion.

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**BACKGROUND:**

The Office of the State Auditor (Utah) requires government agencies to annually complete a fraud risk assessment checklist. The checklist is self-administered by the agency and assesses the existence and strength of policies and controls that are key to reducing the risk of fraud. The completed assessment is submitted to The Office of the State Auditor and is to be presented to the agency's governing body.

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**DISCUSSION:**

The 2024 Fraud Risk Assessment was completed jointly by the Finance and Internal Audit departments. Mike Hurst, Director Internal Audit, submitted the report to The Office of the State Auditor and received confirmation that it was received. The assessment was provided to the Board of Trustees in the consent agenda of the board meeting on October 23, 2024. The results of the assessment are now provided to the Audit Committee.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

2024 UTA Fraud Risk Assessment



OFFICE OF THE  
STATE AUDITOR

# Questionnaire

Revised December 2020

## Fraud Risk Assessment

### INSTRUCTIONS:

- Reference the *Fraud Risk Assessment Implementation Guide* to determine which of the following recommended measures have been implemented.
- Indicate successful implementation by marking “Yes” on each of the questions in the table. Partial points may not be earned on any individual question.
- Total the points of the questions marked “Yes” and enter the total on the “Total Points Earned” line.
- Based on the points earned, circle/highlight the risk level on the “Risk Level” line.
- Enter on the lines indicated the entity name, fiscal year for which the Fraud Risk Assessment was completed, and date the Fraud Risk Assessment was completed.
- Print CAO and CFO names on the lines indicated, then have the CAO and CFO provide required signatures on the lines indicated.

# Fraud Risk Assessment

Continued

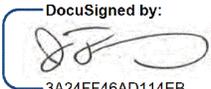
\*Total Points Earned: 395 /395 \*Risk Level: Very Low Low Moderate High Very High  
 > 355      316-355      276-315      200-275      < 200

	Yes	Pts
1. Does the entity have adequate basic separation of duties or mitigating controls as outlined in the attached Basic Separation of Duties Questionnaire?	200	200
2. Does the entity have governing body adopted written policies in the following areas:		
a. Conflict of interest?	5	5
b. Procurement?	5	5
c. Ethical behavior?	5	5
d. Reporting fraud and abuse?	5	5
e. Travel?	5	5
f. Credit/Purchasing cards (where applicable)?	5	5
g. Personal use of entity assets?	5	5
h. IT and computer security?	5	5
i. Cash receipting and deposits?	5	5
3. Does the entity have a licensed or certified (CPA, CGFM, CMA, CIA, CFE, CGAP, CPFO) expert as part of its management team?	20	20
a. Do any members of the management team have at least a bachelor's degree in accounting?	10	10
4. Are employees and elected officials required to annually commit in writing to abide by a statement of ethical behavior?	20	20
5. Have all governing body members completed entity specific (District Board Member Training for local/special service districts & interlocal entities, Introductory Training for Municipal Officials for cities & towns, etc.) online training ( <a href="http://training.auditor.utah.gov">training.auditor.utah.gov</a> ) within four years of term appointment/election date?	20	20
6. Regardless of license or formal education, does at least one member of the management team receive at least 40 hours of formal training related to accounting, budgeting, or other financial areas each year?	20	20
7. Does the entity have or promote a fraud hotline?	20	20
8. Does the entity have a formal internal audit function?	20	20
9. Does the entity have a formal audit committee?	20	20

\*Entity Name: Utah Transit Authority

\*Completed for Fiscal Year Ending: 2024 \*Completion Date: 9/17/2024

\*CAO Name: Jay Fox \*CFO Name: Viola Miller

\*CAO Signature:  3A24FF46AD114EB... \*CFO Signature:  6E67BAEE558445A...

\*Required

# Basic Separation of Duties

See the following page for instructions and definitions.

	Yes	No	MC*	N/A
1. Does the entity have a board chair, clerk, and treasurer who are three separate people?	X			
2. Are all the people who are able to receive cash or check payments different from all of the people who are able to make general ledger entries?			X	
3. Are all the people who are able to collect cash or check payments different from all the people who are able to adjust customer accounts? If no customer accounts, check "N/A".			X	
4. Are all the people who have access to blank checks different from those who are authorized signers?			X	
5. Does someone other than the clerk and treasurer reconcile all bank accounts OR are original bank statements reviewed by a person other than the clerk to detect unauthorized disbursements?	X			
6. Does someone other than the clerk review periodic reports of all general ledger accounts to identify unauthorized payments recorded in those accounts?	X			
7. Are original credit/purchase card statements received directly from the card company by someone other than the card holder? If no credit/purchase cards, check "N/A".	X			
8. Does someone other than the credit/purchase card holder ensure that all card purchases are supported with receipts or other supporting documentation? If no credit/purchase cards, check "N/A".	X			
9. Does someone who is not a subordinate of the credit/purchase card holder review all card purchases for appropriateness (including the chief administrative officer and board members if they have a card)? If no credit/purchase cards, check "N/A".	X			
10. Does the person who authorizes payment for goods or services, who is not the clerk, verify the receipt of goods or services?	X			
11. Does someone authorize payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".	X			
12. Does someone review all payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".			X	

\* MC = Mitigating Control

# Basic Separation of Duties

## Continued

**Instructions:** Answer questions 1-12 on the Basic Separation of Duties Questionnaire using the definitions provided below.

☺ If all of the questions were answered “Yes” or “No” with mitigating controls (“MC”) in place, or “N/A,” the entity has achieved adequate basic separation of duties. Question 1 of the Fraud Risk Assessment Questionnaire will be answered “Yes.” 200 points will be awarded for question 1 of the Fraud Risk Assessment Questionnaire.

☹ If any of the questions were answered “No,” and mitigating controls are not in place, the entity has not achieved adequate basic separation of duties. Question 1 of the Fraud Risk Assessment Questionnaire will remain blank. 0 points will be awarded for question 1 of the Fraud Risk Assessment Questionnaire.

## Definitions:

**Board Chair** is the elected or appointed chairperson of an entity’s governing body, e.g. Mayor, Commissioner, Councilmember or Trustee. The official title will vary depending on the entity type and form of government.

**Clerk** is the bookkeeper for the entity, e.g. Controller, Accountant, Auditor or Finance Director. Though the title for this position may vary, they validate payment requests, ensure compliance with policy and budgetary restrictions, prepare checks, and record all financial transactions.

**Chief Administrative Officer (CAO)** is the person who directs the day-to-day operations of the entity. The CAO of most cities and towns is the mayor, except where the city has a city manager. The CAO of most local and special districts is the board chair, except where the district has an appointed director. In school districts, the CAO is the superintendent. In counties, the CAO is the commission or council chair, except where there is an elected or appointed manager or executive.

**General Ledger** is a general term for accounting books. A general ledger contains all financial transactions of an organization and may include sub-ledgers that are more detailed. A general ledger may be electronic or paper based. Financial records such as invoices, purchase orders, or depreciation schedules are not part of the general ledger, but rather support the transaction in the general ledger.

**Mitigating Controls** are systems or procedures that effectively mitigate a risk in lieu of separation of duties.

**Original Bank Statement** means a document that has been received directly from the bank. Direct receipt of the document could mean having the statement 1) mailed to an address or PO Box separate from the entity’s place of business, 2) remain in an unopened envelope at the entity offices, or 3) electronically downloaded from the bank website by the intended recipient. The key risk is that a treasurer or clerk who is intending to conceal an unauthorized transaction may be able to physically or electronically alter the statement before the independent reviewer sees it.

**Treasurer** is the custodian of all cash accounts and is responsible for overseeing the receipt of all payments made to the entity. A treasurer is always an authorized signer of all entity checks and is responsible for ensuring cash balances are adequate to cover all payments issued by the entity.



# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date: 12/16/2024**

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Viola Miller, CFO  
**PRESENTER(S):** Rob Lamph, Comptroller

**TITLE:**

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**External Auditor Engagement Letters for 2024 Audits (Crowe LLP)**

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**AGENDA ITEM TYPE:**

Audit - Approval

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**RECOMMENDATION:**

Approve the engagement letters with Crowe LLP for UTA's 2024 external financial, pension, single audits, and NTD agreed upon procedure.

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**BACKGROUND:**

Crowe LLP has been contracted to perform UTA's external financial audit, single audit, pension audit, and agreed upon procedure for National Transit Database (NTD) compliance. Upon the completion of these audits, Crowe LLP will issue the following opinion letters:

- Independent Auditor's Report on the Financial Statements of Utah Transit Authority and Defined Benefit Pension Plan
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
- Independent Auditor's Report on Compliance on Internal Controls Over Compliance in Accordance with the State Compliance Audit Guide

General engagement letters were included in the contract approved by the Board on November 4, 2020, but due to external factors facing audits and legal issues, these engagement letter will change over the term of the 5-year contract. Each audit year, Crowe LLP will require an updated engagement letter that addresses changes in the dynamic audit and

legal environment and any new requirements in place as of the date of the letter.

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**DISCUSSION:**

The objective of the audit is the expression of an opinion on the financial statements. The audit in accordance with auditing standards generally accepted in the United States of America. These include the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Those standards require reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud, and that UTA report on the Schedule of Expenditures of Federal Awards (as noted above), and on UTA’s compliance with laws and regulations and on its internal controls as required for a Single Audit. Because of inherent limitations of an audit and internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with applicable standards. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

The NTD agreed-upon procedures will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. There is no obligation to perform any procedures beyond those agreed to by UTA. Those agreed upon procedures are in accordance with guidance from the FTA.

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**ALTERNATIVES:**

UTA could refuse the terms of the engagement letter and seek alternative auditors for the 2024 Audits.

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**FISCAL IMPACT:**

5-year Contract Amount \$642,920

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**ATTACHMENTS:**

- 1) Audit Engagement Letter
- 2) NTD Engagement Letter



**Crowe LLP**  
Independent Member Crowe Global

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Indianapolis, IN 46240-0977  
Tel +1 317 569 8989  
Fax +1 317 706 2660  
[www.crowe.com](http://www.crowe.com)

November 18, 2024

Ms. Viola Miller  
Utah Transit Authority  
669 West 200 South  
Salt Lake City, Utah 84101

Dear Ms. Miller:

This letter confirms the arrangements for Crowe LLP (“Crowe” or “us” or “we” or “our”) to provide the professional services discussed in this letter to Utah Transit Authority (“you”, “your” or “Client”). The attached Crowe Engagement Terms, and any other attachments thereto, are integral parts of this letter, and such terms are incorporated herein.

## AUDIT SERVICES

### Our Responsibilities

We will audit and report on the financial statements of the Client for the year ending December 31, 2024.

We will audit and report on the financial statements of the business-type activities which collectively comprise the basic financial statements of the Client for the period(s) indicated.

In addition to our report on the financial statements, we plan to evaluate the presentation of the following supplementary information in relation to the financial statements as a whole, and to report on whether this supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

- Supplemental Schedules of Revenues, Expenses and Changes in Net Position – Budget and Actual
- Schedule of Expenditures of Federal Awards

In addition to our report on the financial statements, we also plan to perform specified procedures in order to describe in our report whether the following required supplementary information is presented in accordance with applicable guidelines. However, we will not express an opinion or provide any assurance on this information due to our limited procedures.

- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Required Employer Contributions
- Management’s Discussion and Analysis

The document will also include the following additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor’s report will disclaim an opinion:

- Introductory Section of the Comprehensive Annual Financial Report
- Statistical Section of the Comprehensive Annual Financial Report

The objective of the audit is the expression of an opinion on the financial statements. We will plan and perform the audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud, and that we report on the Schedule of Expenditures of Federal Awards (as noted above), and on your compliance with laws and regulations and on its internal controls as required for a Single Audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the entity's compliance with the requirements of the federal programs as a whole. Because of inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with applicable standards. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks that the financial statements could be misstated by an amount that we believe would influence the judgment made by a reasonable user of these financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. As required by the standards, we will maintain professional skepticism throughout the audit.

In making our risk assessments, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Client's internal control. However, we will communicate in writing to those charged with governance and management concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. We will communicate to management other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention. We will also communicate certain matters related to the conduct of the audit to those charged with governance, including (1) fraud involving senior management, and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential) (3) disagreements with management and other significant difficulties encountered in performing the audit and (4) various matters related to the Client's accounting policies and financial statements. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

As part of our audit, we will conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Client's ability to continue as a going concern for a reasonable period of time.

We expect to issue a written report upon completion of our audit of the Client's financial statements. Our report will be addressed to those charged with governance of the Client. Circumstances may arise in

which it is necessary for us to modify our opinion, add an emphasis of matter or other matter paragraph or a separate section in the auditor's report, or withdraw from the engagement.

Management has requested that we report key audit matters in the independent auditor's report.

In addition to our report on the financial statements and supplemental information, we plan to issue the following reports:

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* — The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Client's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.
- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance -- The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.
- Independent Auditor's Report on Compliance on Internal Controls Over Compliance in Accordance with the State Compliance Audit Guide - The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the State Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.
- Independent Auditor's Report on the Financial Statements of Utah Transit Authority Defined Benefit Pension Plan (Plan) – The purpose of this report is to express an opinion on the fair presentation, in all material respects, the respective fiduciary net position of the Plan as of December 31, 2024 and respective changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We will also perform tests of controls including testing underlying transactions, as required by the Uniform Guidance, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of your major federal awards programs. We will determine major programs in accordance with the Uniform Guidance. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed. We will inform you of any non-reportable conditions or other matters involving internal control, if any, as required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of your compliance with applicable laws, regulations, contracts and grants. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. However, the objective of our audit of compliance relative to the financial statements will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion. We will advise you, however, of any matters of that nature that come to our attention, unless they are clearly inconsequential.

The Uniform Guidance requires that we plan and perform the audit to obtain reasonable assurance about whether you have complied with certain provisions of laws, regulations, contracts and grants. Our procedures will consist of the applicable procedures described in the United States Office of Management and Budget (OMB) Compliance Supplement for the types of compliance requirements that could have a

direct and material effect on each of your major programs. The purpose of our audit will be to express an opinion on your compliance with requirements applicable to major Federal award programs. Because an audit is designed to provide reasonable assurance, but not absolute assurance, the audit is not designed to detect immaterial violations or instances of noncompliance.

Our audit and work product are intended for the benefit and use of the Client only. The audit will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.

The working papers for this engagement are the property of Crowe and constitute confidential information.

However, we may be requested to make certain working papers available to your oversight agency or grantors pursuant to authority given to them by law, regulation, or contract. If requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to your oversight agency or grantors. The working papers for this engagement will be retained for a minimum of three years after the date our report is issued or for any additional period requested by the oversight agency or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the working papers.

*Government Auditing Standards* require that we provide you with a copy of our most recent peer review report, which accompanies this letter along with the related letter of comment and response thereto.

#### The Client's Responsibilities

The Client's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

The Client's management is also responsible for complying with applicable laws, regulations, contracts and grants and such responsibility extends to identifying the requirements and designing internal control policies and procedures to provide reasonable assurance that compliance is achieved. Management has the responsibility to make Crowe aware of significant contractor relationships in which the contractor is responsible for program compliance. Client's management is responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports. Additionally, it is management's responsibility to follow up and take corrective action on reported audit findings, to establish and maintain a process for tracking the status of findings and recommendations, and to prepare a summary schedule of prior audit findings, which should be available for our review, and a corrective action plan.

Management has the responsibility to adopt sound accounting policies, maintain an adequate and efficient accounting system, to safeguard assets, and to design and implement programs and controls to prevent and detect fraud. Management's judgments are typically based on its knowledge and experience about past and current events and its expected courses of action. Management's responsibility for financial reporting includes establishing a process to prepare the accounting estimates included in the financial statements and to devise policies to ensure that the Client complies with applicable laws and regulations.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Client's ability to continue as a going concern for one year from the date the Financial Statements are available to be issued.

Management is responsible for providing to us, on a timely basis, all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Management is also responsible for providing such other additional information we may request for the purpose of the audit, and unrestricted access to persons within the Client from whom we determine it necessary to obtain audit evidence. Additionally, those charged with governance are responsible for informing us of their views about the risks of fraud within the Client, and their knowledge of any fraud or suspected fraud affecting the Client.

Management is responsible for adjusting the financial statements to correct material misstatements related to accounts or disclosures. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including that the effects of any uncorrected misstatements aggregated by us during the audit are immaterial, both individually and in the aggregate, to the financial statements, and to the Client's compliance with the requirements of its Federal programs. Management acknowledges the importance of management's representations and responses to our inquiries, and that they will be utilized as part of the evidential matter we will rely on in forming our opinion. Because of the importance of such information to our engagement, you agree to waive any claim against Crowe and its personnel for any liability and costs relating to or arising from any inaccuracy or incompleteness of information provided to us for purposes of this engagement.

Management is responsible for the preparation of the supplementary information identified above in accordance with the applicable criteria. As part of our audit process, we will request from management certain written representations regarding management's responsibilities in relation to the supplementary information presented, including but not limited to its fair presentation in accordance with the applicable criteria, the method of measurement and presentation and any significant assumptions or interpretations underlying the supplementary information. In addition, it is management's responsibility to include the auditor's report on supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. It is also management's responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by Client of the supplementary information and the auditor's report thereon.

Management is responsible for the preparation of the required supplementary information identified above in accordance with the applicable guidelines. We will request from management certain written representations regarding management's responsibilities in relation to the required supplementary information presented, including but not limited to whether it has been measured and presented in accordance with prescribed guidelines, the method of measurement and presentation and any significant assumptions or interpretations underlying the supplementary information.

At the conclusion of the engagement, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty days after receipt of the auditor's reports or nine months after the end of the audit period.

Management is responsible for report distribution responsibilities, including determining which officials or organizations will receive the report and making the report available to the public as applicable when the audit organization is responsible for report distribution.

## OTHER SERVICES

Financial Statement Preparation

The Client will provide us with the necessary information to assist in the preparation of the draft financial statements including the notes thereto. We are relying on the Client to provide us with the detailed trial balance, note disclosure information and any other relevant report information in a timely fashion and ensure the data is complete and accurate. Management is solely responsible for the presentation of the financial statements.

Data Collection Form input services

We will provide assistance in completing sections of the Data Collection Form (DCF) relative to its federal award programs pursuant to the requirements of Section §200.512 of the Uniform Guidance that are promulgated to be completed by the Client. While we may provide this data entry service and assist you in satisfying your electronic data communication requirements to the Federal Audit Clearinghouse, the completeness and accuracy of this information remains the responsibility of your management.

With respect to the above other services, we will perform the services in accordance with applicable professional standards. We, in our sole professional judgment, reserve the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities. In connection with performing the above other services, you agree to: assume all management responsibilities including making all management decisions; oversee the service by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

## FEES

Our fees, inclusive of out-of-pocket expenses and certain internal technology charges, are outlined below. We will also invoice you for a business services fee, to be billed at 5% of other invoiced fees. The business services fee reflects our estimate of costs including but not limited to technology, data security, administrative support, processing support and other related support on this engagement. We will bill on a monthly basis according to the progress of the audit and our invoices are due and payable upon receipt. Invoices that are not paid within 30 days of receipt are subject to a monthly interest charge of one percent per month or the highest interest rate allowed by law, whichever is less, which we may elect to waive at our sole discretion, plus costs of collection including reasonable attorneys' fees. If any amounts invoiced remain unpaid 30 days after the invoice date, you agree that Crowe may, in its sole discretion, cease work until all such amounts are paid or terminate this engagement.

Description of Services	Fee Amount
Audit of Utah Transit Authority	\$82,500
Audit of Utah Transit Authority Defined Benefit Pension Plan	\$17,020
ACFR Preparation Assistance	\$8,256
<b>Total:</b>	<b>\$107,776</b>

The fees outlined above are based on certain assumptions. Those assumptions may be incorrect due to incomplete or inaccurate information provided, or circumstances may arise under which we must perform additional work, which in either case will require additional billings for our services. Examples of such circumstances include, but are not limited to:

- Changing service requirements
- New professional standards or regulatory requirements
- New financial statement disclosures

- Work caused due to the identification of, and management's correction of, inappropriate application of accounting pronouncements
- Erroneous or incomplete accounting records
- Evidence of material weakness or significant deficiencies in internal controls
- Substantial increases in the number of significant deficiencies in internal controls
- Regulatory examination matters
- Change in your organizational structure or size due to merger and acquisition activity or other events
- Change in your controls
- New or unusual transactions
- Agreed-upon level of preparation and assistance from your personnel not provided
- Numerous revisions to your information
- Lack of availability of appropriate Client personnel during fieldwork.

Additionally, to accommodate requests to reschedule fieldwork without reasonable notice, additional billings for our services could be required, and our assigned staffing and ability to meet agreed upon deadlines could be impacted.

Due to such potential changes in circumstance, we reserve the right to revise our fees. However, if such a change in circumstances arises or if some other significant change occurs that causes our fees to exceed our estimate, we will advise management.

Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs, imposed in respect of the Services, any work product or any license, all of which Client agrees to pay if applicable or if they become applicable (other than taxes imposed on Crowe's income generally), without deduction from any fees or expenses invoiced to Client by Crowe.

The Client and Crowe agree that the Client may periodically request Crowe to provide additional services for accounting and reporting advice regarding completed transactions and potential or proposed transactions. The fees for such additional services will be based on Crowe's hourly billing rates plus expenses or as mutually agreed upon between the Client and Crowe.

To facilitate Crowe's presence at Client's premises, Client will provide Crowe with internet access while on Client's premises. Crowe will access the internet using a secure virtual private network. Crowe will be responsible for all internet activity performed by its personnel while on Client's premises. In the event Client does not provide Crowe with internet access while on Client's premises, Client will reimburse Crowe for the cost of internet access through other means while on Client's site.

#### MISCELLANEOUS

For purposes of this Miscellaneous section, the Acceptance section below, and all of the Crowe Engagement Terms, "Client" will mean the entity(ies) defined in the first paragraph of this letter and will also include all related parents, subsidiaries, and affiliates of Client who may receive or claim reliance upon any Crowe deliverable.

Crowe will provide the services to Client under this Agreement as an independent contractor and not as Client's partner, agent, employee, or joint venturer under this Agreement. Neither Crowe nor Client will have any right, power or authority to bind the other party.

This engagement letter agreement (the "Agreement"), in combination with the Professional Services Agreement 20-03230 (PSA), reflects the entire agreement between the parties relating to the services (or any reports, deliverables or other work product) covered by this Agreement. The engagement letter, the Professional Services Agreement (PSA), and any attachments (including without limitation the attached Crowe Engagement Terms) are to be construed as a single document, with the provisions of each section applicable throughout. Notwithstanding any language to the contrary, the PSA terms and conditions take

precedence over the terms and conditions contained in this Engagement Letter. This Agreement may not be amended or varied except by a written document signed by each party. No provision of this Agreement will be deemed waived, unless such waiver will be in writing and signed by the party against which the waiver is sought to be enforced. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter, and each party agrees that in entering this Agreement, it has not relied on any oral or written representations, statements or other information not contained in or incorporated into this Agreement. Any non-disclosure or other confidentiality agreement is replaced and superseded by this Agreement. Each party shall remain obligated to the other party under all provisions of this Agreement that expressly or by their nature extend beyond and survive the expiration or termination of this Agreement. If any provision (in whole or in part) of this Agreement is found unenforceable or invalid, this will not affect the remainder of the provision or any other provisions in this Agreement, all of which will continue in effect as if the stricken portion had not been included. This Agreement may be executed in two or more actual, scanned, emailed, or electronically copied counterparts, each and all of which together are one and the same instrument. Accurate transmitted copies (transmitted copies are reproduced documents that are sent via mail, delivery, scanning, email, photocopy, facsimile or other process) of the executed Agreement or signature pages only (whether handwritten or electronic signature), will be considered and accepted by each party as documents equivalent to original documents and will be deemed valid, binding and enforceable by and against all parties. This Agreement, including any dispute arising out of or related to this Agreement and the parties' relationship generally, will be governed and construed in accordance with the laws of the State of Utah applicable to agreements made and wholly performed in that state, without giving effect to its conflict of laws rules to the extent those rules would require applying another jurisdiction's laws.

\* \* \* \* \*

We are pleased to have this opportunity to serve you, and we look forward to a continuing relationship. If the terms of this Agreement and the attached Crowe Engagement Terms are acceptable to you, please sign below and return one copy of this letter at your earliest convenience. Please contact us with any questions or concerns.

(Signature Page Follows)

**ACCEPTANCE**

I have reviewed the arrangements outlined above and in the attached "Crowe Engagement Terms," and I accept on behalf of the Client the terms and conditions as stated. By signing below, I represent and warrant that I am authorized by Client to accept the terms and conditions as stated.

IN WITNESS WHEREOF, Client and Crowe have duly executed this Agreement effective the date first written above.

Utah Transit Authority

Crowe LLP

\_\_\_\_\_  
Signature

*Bradley T Schelle*  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

Bradley Schelle  
\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

Partner  
\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

11/21/2024  
\_\_\_\_\_  
Date

DocuSigned by:  
*Michael Bell* 12/9/2024  
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Utah Assistant Attorney General

### **Crowe Engagement Terms**

Crowe wants Client to understand the terms under which Crowe provides its services to Client and the basis under which Crowe determines its fees. These terms are part of the Agreement and apply to all services described in the Agreement as well as all other services provided to Client (collectively, the "Services"), unless and until a separate written agreement is executed by the parties for separate services. Any advice provided by Crowe is not intended to be, and is not, investment advice.

**CLIENT'S ASSISTANCE** – For Crowe to provide Services effectively and efficiently, Client agrees to provide Crowe timely with information requested and to make available to Crowe any personnel, systems, premises, records, or other information as reasonably requested by Crowe to perform the Services. Access to such personnel and information are key elements for Crowe's successful completion of Services and determination of fees. If for any reason this does not occur, a revised fee to reflect additional time or resources required by Crowe will be mutually agreed. Client agrees Crowe will have no responsibility for any delays related to a delay in providing such information to Crowe. Such information will be accurate and complete, and Client will inform Crowe of all significant tax, accounting and financial reporting matters of which Client is aware.

**PROFESSIONAL STANDARDS** – As a regulated professional services firm, Crowe must follow professional standards when applicable, including the Code of Professional Conduct of the American Institute of Certified Public Accountants ("AICPA"). Thus, if circumstances arise that, in Crowe's professional judgment, prevent it from completing the engagement, Crowe retains the right to take any course of action permitted by professional standards, including declining to express an opinion or issue other work product or terminating the engagement.

**REPORTS** – Any information, advice, recommendations or other content of any memoranda, reports, deliverables, work product, presentations, or other communications Crowe provides under this Agreement ("Reports"), other than Client's original information, are for Client's internal use only, consistent with the purpose of the Services. Client will not rely on any draft Report. Unless required by an audit or other attestation professional standard, Crowe will not be required to update any final Report for circumstances of which we become aware or events occurring after delivery.

**CONFIDENTIALITY** – Except as otherwise permitted by this Agreement or as agreed in writing, neither Crowe nor Client may disclose to third parties the contents of this Agreement or any information provided by or on behalf of the other that ought reasonably to be treated as confidential and/or proprietary. Client use of any Crowe work product will be limited to its stated purpose and to Client business use only. However, Client and Crowe each agree that either party may disclose such information to the extent that it: (i) is or becomes public other than through a breach of this Agreement, (ii) is subsequently received by the recipient from a third party who, to the recipient's knowledge, owes no obligation of confidentiality to the disclosing party with respect to that information, (iii) was known to the recipient at the time of disclosure or is thereafter created independently, (iv) is disclosed as necessary to enforce the recipient's rights under this Agreement, or (v) must be disclosed under applicable law, regulations, legal process or professional standards.

**CLIENT-REQUIRED CLOUD USAGE** – If Client requests that Crowe access files, documents or other information in a cloud-based or web-accessed hosting service or other third-party system accessed via the internet, including, without limitation iCloud, Dropbox, Google Docs, Google Drive, a data room hosted by a third party, or a similar service or website (collectively, "Cloud Storage"), Client will confirm with any third parties assisting with or hosting the Cloud Storage that either such third party or Client (and not Crowe) is responsible for complying with all applicable laws relating to the Cloud Storage and any information contained in the Cloud Storage, providing Crowe access to the information in the Cloud Storage, and protecting the information in the Cloud Storage from any unauthorized access, including without limitation unauthorized access to the information when in transit to or from the Cloud Storage. Client represents that it has authority to provide Crowe access to information in the Cloud Storage and that providing Crowe with such access complies with all applicable laws, regulations, and duties owed to third parties.

**DATA PROTECTION** – If Crowe holds or uses Client information that can be linked to specific individuals who are Client’s customers ("Personal Data"), Crowe will treat it as confidential as described above and comply with applicable US state and federal law and professional regulations (including, for financial institution clients, the objectives of the Interagency Guidelines Establishing Information Security Standards) in disclosing or using such information to carry out the Services. The parties acknowledge and understand that while Crowe is a service provider as defined by the California Consumer Privacy Act of 2018 and processes information on behalf of Client and pursuant to this Agreement, Crowe retains its independence as required by applicable law and professional standards for purposes of providing attest services and other related professional services. Crowe will not (1) sell Personal Data to a third party, or (2) retain, use or disclose Personal Data for any purpose other than for (a) performing the Services and its obligations on this Agreement, (b) as otherwise set forth in this Agreement, (c) to detect security incidents and protect against fraud or illegal activity, (d) to enhance and develop our products and services, including through machine learning and other similar methods and (e) as necessary to comply with applicable law or professional standards. Crowe has implemented and will maintain physical, electronic and procedural safeguards reasonably designed to (i) protect the security, confidentiality and integrity of the Personal Data, (ii) prevent unauthorized access to or use of the Personal Data, and (iii) provide proper disposal of the Personal Data (collectively, the "Safeguards"). Client warrants (i) that it has the authority to provide the Personal Data to Crowe in connection with the Services, (ii) that Client has processed and provided the Personal Data to Crowe in accordance with applicable law, and (iii) will limit the Personal Data provided to Crowe to Personal Data necessary to perform the Services. To provide the Services, Client may also need to provide Crowe with access to Personal Data consisting of protected health information, financial account numbers, Social Security or other government-issued identification numbers, or other data that, if disclosed without authorization, would trigger notification requirements under applicable law ("Restricted Personal Data"). In the event Client provides Crowe access to Restricted Personal Data, Client will consult with Crowe on appropriate measures (consistent with legal requirements and professional standards applicable to Crowe) to protect the Restricted Personal Data, such as: deleting or masking unnecessary information before making it available to Crowe, using encryption when transferring it to Crowe, or providing it to Crowe only during on-site review on Client’s site. Client will provide Crowe with Restricted Personal Data only in accordance with mutually agreed protective measures. Crowe and Client will each allow opportunistic TLS encryption to provide for secure email communication, and each party will notify the other in writing if it deactivates opportunistic TLS encryption. If Client fails to allow opportunistic TLS encryption, Client agrees that each party may use unencrypted electronic media to correspond or transmit information, and Client further agrees that such use of unencrypted media will not in itself constitute a breach of any confidentiality or other obligation relating to this Agreement. Otherwise, Client and Crowe agree each may use unencrypted electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations under this Agreement. Crowe will reasonably cooperate with Client in responding to or addressing any request from a consumer or data subject, a data privacy authority with jurisdiction, or the Client, as necessary to enable Client to comply with its obligations under applicable data protection laws and to the extent related to Personal Data processed by Crowe. Client will promptly reimburse Crowe for any out-of-pocket expenses and professional time (at Crowe’s then-current hourly rates) incurred in connection with providing such cooperation. Client will provide prompt written notice to Crowe (with sufficient detailed instructions) of any request or other act that is required to be performed by Crowe. As appropriate, Crowe shall promptly delete or procure the deletion of the Personal Data, after the cessation of any Services involving the processing of Client’s Personal Data, or otherwise aggregate or de-identify the Personal Data in such a way as to reasonably prevent reidentification. Notwithstanding the foregoing, Crowe may retain a copy of the Personal Data as permitted by applicable law or professional standards, provided that such Personal Data remain subject to the terms of this Agreement. If Crowe uses a third-party provider, Crowe will include terms substantially similar to those set forth in this Data Protection Paragraph into an agreement with the provider.

**GENERAL DATA PROTECTION REGULATION COMPLIANCE** – If and to the extent that Client provides personal data to Crowe subject to the European Union General Data Protection Regulation ("GDPR"), then in addition to the requirements of the above Data Protection section, this section will apply to such personal data ("EU Personal Data"). The parties agree that for purposes of processing the EU Personal Data, (a) Client will be the "Data Controller" as defined by the GDPR, meaning the organization that

determines the purposes and means of processing the EU Personal Data; (b) Crowe will be the “Data Processor” as defined by GDPR, meaning the organization that processes the EU Personal Data on behalf of and under the instructions of the Data Controller; or (c) the parties will be classified as otherwise designated by a supervisory authority with jurisdiction. Client and Crowe each agree to comply with the GDPR requirements applicable to its respective role. Crowe has implemented and will maintain technical and organizational security safeguards reasonably designed to protect the security, confidentiality and integrity of the EU Personal Data. Client represents it has secured all required rights and authority, including consents and notices, to provide such EU Personal Data to Crowe, including without limitation authority to transfer such EU Personal Data to the U.S. or other applicable Country or otherwise make the EU Personal Data available to Crowe, for the duration of and purpose of Crowe providing the Services. The types of EU Personal Data to be processed include name, contact information, title, and other EU Personal Data that is transferred to Crowe in connection with the Services. The EU Personal Data relates to the data subject categories of individuals connected to Client, Client customers, Client vendors, and Client affiliates or subsidiaries (“Data Subjects”). Crowe will process the EU Personal Data for the following purpose: (x) to provide the Services in accordance with this Agreement, (y) to comply with other documented reasonable instructions provided by Client, and (z) to comply with applicable law. In the event of a Crowe breach incident in connection with EU Personal Data in the custody or control of Crowe, Crowe will promptly notify Client upon knowledge that a breach incident has occurred. Client has instructed Crowe not to contact any Data Subjects directly, unless required by applicable law. In the event that a supervisory authority with jurisdiction makes the determination that Crowe is a data controller, Client will reasonably cooperate with Crowe to enable Crowe to comply with its obligations under GDPR.

**INTELLECTUAL PROPERTY** – Any deliverables, works, inventions, working papers, or other work product conceived, made or created by Crowe in rendering the Services under this Agreement (“Work Product”), and all intellectual property rights in such Work Product will be owned exclusively by Crowe. Upon full payment by Client, Crowe grants to Client a license to use for its business purposes any deliverables, including any other Work Product incorporated in such deliverables. Crowe will retain exclusive ownership or control of all intellectual property rights in any ideas, concepts, methodologies, data, software, designs, utilities, tools, models, techniques, systems, Reports, or other know-how that it develops, owns or licenses in connection with this Agreement as well as any enhancements to any of the above (“Materials”). The foregoing ownership will be without any duty of accounting.

**CLIENT DATA USAGE** – Client shall retain full ownership of all data provided to Crowe by or on behalf of Client in connection with this Agreement, and Crowe will maintain the confidentiality and protection of Client data as set forth in this Agreement. Client agrees that Crowe may, in its discretion, use any Client information or data provided to Crowe for the purpose of (a) performing the Services and its obligations under this Agreement; (b) as otherwise agreed upon in writing; (c) to further improve or develop our products and services; or (d) as necessary to comply with applicable law or professional standards.

**DATA AGGREGATION & BENCHMARKING** – Client agrees that Crowe may, in its discretion, aggregate Client content and data with content and data from other clients, other sources, or third parties (“Data Aggregations”) for purposes including, without limitation, product and service development, commercialization, industry benchmarking, or quality improvement initiatives. Prior to, and as a precondition for, disclosing Data Aggregations to other Crowe customers or prospects, Crowe will anonymize any Client data or information in a manner sufficient to prevent such other customer or prospect from identifying Client or individuals who are Client customers. All Data Aggregations will be the sole and exclusive property of Crowe.

**USE OF THIRD PARTIES IN CROWE OPERATIONS** – Crowe uses third-party providers and third-party solutions in the ordinary course of Crowe business operations. Third-party providers and solutions used in the ordinary course of Crowe business operations include without limitation email providers, cyber-security providers, data hosting centers, operating systems, tools with machine learning or artificial intelligence components (including generative artificial intelligence products or services), and other third-party products and solutions used to perform the Services or generate Work Product, or components thereof. Crowe also uses its subsidiaries (owned and controlled by Crowe) within and outside the United States for various administrative and support roles. Crowe subsidiaries and any third-party providers used

in the ordinary course of Crowe business operations will meet the confidentiality and data protection requirements in this Agreement. The limitations in this Agreement on Client's remedies will also apply to any such third-party providers and Crowe subsidiaries.

**USE OF SUBCONTRACTORS FOR SERVICE DELIVERY** – Crowe may engage third-party subcontractors in delivering Services to Client. Third-party subcontractors are not owned or controlled by Crowe (including without limitation Crowe Global member firms). If Crowe engages such a subcontractor to deliver Services to Client, Crowe will execute an agreement for the protection of Client's confidential information consistent with the provisions of this Agreement. Crowe will be solely responsible for the provision of Services (including those provided by subcontractors) and for the protection of Client's confidential information. The limitations in this Agreement on Client's remedies will also apply to any subcontractors.

**LEGAL AND REGULATORY CHANGE** – Crowe may periodically communicate to Client changes in laws, rules or regulations. However, Client has not engaged Crowe, and Crowe does not undertake an obligation, to advise Client of changes in (a) laws, rules, regulations, industry or market conditions, or (b) Client's own business practices or other circumstances (except to the extent required by professional standards). The scope of Services and the fees for Services are based on current laws and regulations. If changes in laws or regulations change Client's requirements or the scope of the Services, Crowe's fees will be modified to a mutually agreed amount to reflect the changed level of Crowe's effort.

**PUBLICATION** – Client agrees to obtain Crowe's specific permission before using any Report or Crowe work product or Crowe's firm's name in a published document, and Client agrees to submit to Crowe copies of such documents to obtain Crowe's permission before they are filed or published.

**CLIENT REFERENCE** – From time to time Crowe is requested by prospective clients to provide references for Crowe service offerings. Client agrees that Crowe may use Client's name and generally describe the nature of Crowe's engagement(s) with Client in marketing to prospects, and Crowe may also provide prospects with contact information for Client personnel familiar with Crowe's Services.

**NO PUNITIVE OR CONSEQUENTIAL DAMAGES** – Any liability of Crowe will not include any consequential, special, incidental, indirect, punitive, or exemplary damages or loss, nor any lost profits, goodwill, savings, or business opportunity, even if Crowe had reason to know of the possibility of such damages.

**LIMIT OF LIABILITY** – Except where it is judicially determined that Crowe performed its Services with recklessness or willful misconduct, Crowe's liability will not exceed fees paid by Client to Crowe for the portion of the work giving rise to liability. A claim for a return of fees paid is the exclusive remedy for any damages. This limit of liability will apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, including, without limitation, to claims based on principles of contract, negligence or other tort, fiduciary duty, warranty, indemnity, statute or common law. This limit of liability will also apply after this Agreement.

**INDEMNIFICATION FOR THIRD-PARTY CLAIMS** – In the event of a legal proceeding or other claim brought against Crowe by a third party, except where it is judicially determined that Crowe performed Services with recklessness or willful misconduct, Client agrees to indemnify and hold harmless Crowe and its personnel against all costs, fees, expenses, damages and liabilities, including attorney fees and any other fees or defense costs, associated with such third-party claim, relating to or arising from any Services performed or work product provided by Crowe that Client uses or discloses to others or this engagement generally. This indemnification is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim, liability, or damages asserted, including, without limitation, to claims, liability or damages based on principles of contract, negligence or other tort, fiduciary duty, warranty, indemnity, statute or common law. This indemnification will also apply after termination of this Agreement.

**NO TRANSFER OR ASSIGNMENT OF CLAIMS** – No claim against Crowe, or any recovery from or against Crowe, may be sold, assigned or otherwise transferred, in whole or in part.

**TIME LIMIT ON CLAIMS** – In no event will any action against Crowe, arising from or relating to this Agreement or the Services provided by Crowe relating to this engagement, be brought after the earlier of 1) one (1) year after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations or repose.

**RESPONSE TO LEGAL PROCESS** – If Crowe is requested by subpoena, request for information, or through some other legal process to produce documents or testimony pertaining to Client or Crowe's Services, and Crowe is not named as a party in the applicable proceeding, then Client will reimburse Crowe for its professional time, plus out-of-pocket expenses, as well as reasonable attorney fees, Crowe incurs in responding to such request.

**MEDIATION** – If a dispute arises, in whole or in part, out of or related to this engagement, or after the date of this agreement, between Client or any of Client's affiliates or principals and Crowe, and if the dispute cannot be settled through negotiation, Client and Crowe agree first to try, in good faith, to settle the dispute by mediation administered by the American Arbitration Association, under its mediation rules for professional accounting and related services disputes, before resorting to litigation or any other dispute-resolution procedure. The results of mediation will be binding only upon agreement of each party to be bound. Costs of any mediation will be shared equally by both parties. Any mediation will be held in Chicago, Illinois.

**JURY TRIAL WAIVER** – FOR ALL DISPUTES RELATING TO OR ARISING BETWEEN THE PARTIES, THE PARTIES AGREE TO WAIVE A TRIAL BY JURY TO FACILITATE JUDICIAL RESOLUTION AND TO SAVE TIME AND EXPENSE. EACH PARTY AGREES IT HAS HAD THE OPPORTUNITY TO HAVE ITS LEGAL COUNSEL REVIEW THIS WAIVER. THIS WAIVER IS IRREVOCABLE, MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND APPLIES TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A BENCH TRIAL WITHOUT A JURY. HOWEVER, AND NOTWITHSTANDING THE FOREGOING, IF ANY COURT RULES OR FINDS THIS JURY TRIAL WAIVER TO BE UNENFORCEABLE AND INEFFECTIVE IN WAIVING A JURY, THEN ANY DISPUTE RELATING TO OR ARISING FROM THIS ENGAGEMENT OR THE PARTIES' RELATIONSHIP GENERALLY WILL BE RESOLVED BY ARBITRATION AS SET FORTH IN THE PARAGRAPH BELOW REGARDING "ARBITRATION."

**ARBITRATION** – If any court rules or finds that the JURY TRIAL WAIVER section is not enforceable, then any dispute between the parties relating to or arising from this Agreement or the parties' relationship generally will be settled by binding arbitration in Chicago, Illinois (or a location agreed in writing by the parties). Any issues concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of this Section, will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). The arbitration will be governed by the Federal Arbitration Act and resolved by the arbitrator(s). Regardless of the amount in controversy, the arbitration will be administered by JAMS, Inc. ("JAMS"), pursuant to its Streamlined Arbitration Rules & Procedures or such other rules or procedures as the parties may agree in writing. In the event of a conflict between those rules and this Agreement, this Agreement will control. The parties may alter each of these rules by written agreement. If a party has a basis for injunctive relief, this paragraph will not preclude a party seeking and obtaining injunctive relief in a court of proper jurisdiction. The parties will agree within a reasonable period of time after notice is made of initiating the arbitration process whether to use one or three arbitrators, and if the parties cannot agree within fifteen (15) business days, the parties will use a single arbitrator. In any event the arbitrator(s) must be retired federal judges or attorneys with at least 15 years commercial law experience and no arbitrator may be appointed unless he or she has agreed to these procedures. If the parties cannot agree upon arbitrator(s) within an additional fifteen (15) business days, the arbitrator(s) will be selected by JAMS. Discovery will be permitted only as authorized by the arbitrator(s), and as a rule, the arbitrator(s) will not permit discovery except upon a showing of substantial need by a party. To the extent the arbitrator(s) permit discovery as to liability, the arbitrator(s) will also permit discovery as to

causation, reliance, and damages. The arbitrator(s) will not permit a party to take more than six depositions, and no depositions may exceed five hours. The arbitrator(s) will have no power to make an award inconsistent with this Agreement. The arbitrator(s) will rule on a summary basis where possible, including without limitation on a motion to dismiss basis or on a summary judgment basis. The arbitrator(s) may enter such prehearing orders as may be appropriate to ensure a fair hearing. The hearing will be held within one year of the initiation of arbitration, or less, and the hearing must be held on continuous business days until concluded. The hearing must be concluded within ten (10) business days absent written agreement by the parties to the contrary. The time limits in this section are not jurisdictional. The arbitrator(s) will apply substantive law and may award injunctive relief or any other remedy available from a judge. The arbitrator(s) may award attorney fees and costs to the prevailing party, and in the event of a split or partial award, the arbitrator(s) may award costs or attorney fees in an equitable manner. Any award by the arbitrator(s) will be accompanied by a reasoned opinion describing the basis of the award. Any prior agreement regarding arbitration entered by the parties is replaced and superseded by this agreement. The arbitration will be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. All aspects of the arbitration will be treated by the parties and the arbitrator(s) as confidential.

**NON-SOLICITATION** – Each party acknowledges that it has invested substantially in recruiting, training and developing the personnel who render services with respect to the material aspects of the engagement (“Key Personnel”). The parties acknowledge that Key Personnel have knowledge of trade secrets or confidential information of their employers that may be of substantial benefit to the other party. The parties acknowledge that each business would be materially harmed if the other party was able to directly employ Key Personnel. Therefore, the parties agree that during the period of this Agreement and for one (1) year after its expiration or termination, neither party will solicit Key Personnel of the other party for employment or hire the Key Personnel of the other party without that party’s written consent unless the hiring or engaging party pays to the other party a fee equal to the hired or engaged Key Personnel’s compensation for the prior twelve-month period with the other party.

**CROWE AND EQUAL OPPORTUNITY** – Crowe abides by the principles of equal employment opportunity, including without limitation the requirements of 41 CFR 60-741.5(a) and 41 CFR 60-300.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, national origin, protected veteran status or disability. Crowe also abides by 29 CFR Part 471, Appendix A to Subpart A. The parties agree that the notice in this paragraph does not create any enforceable rights for any firm, organization, or individual.

**CROWE GLOBAL NETWORK** – Crowe LLP and its subsidiaries are independent members of Crowe Global, a Swiss organization. “Crowe” is the brand used by the Crowe Global network and its member firms, but it is not a worldwide partnership. Crowe Global and each of its members are separate and independent legal entities and do not obligate each other. Crowe LLP and its subsidiaries are not responsible or liable for any acts or omissions of Crowe Global or any other Crowe Global members, and Crowe LLP and its subsidiaries specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Global or any other Crowe Global member. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe LLP or any other member. Crowe Global and its other members are not responsible or liable for any acts or omissions of Crowe LLP and its subsidiaries and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe LLP and its subsidiaries. Visit [www.crowe.com/disclosure](http://www.crowe.com/disclosure) for more information about Crowe LLP, its subsidiaries, and Crowe Global.



## Report on the Firm's System of Quality Control

To the Partners of Crowe LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Crowe LLP (the "Firm") applicable to engagements not subject to Public Company Accounting Oversight Board ("PCAOB") permanent inspection in effect for the year ended March 31, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants ("Standards").

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The Firm is responsible for designing and complying with a system of quality control to provide the Firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the Firm's system of quality control based on our review.

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA); and examinations of service organizations (SOC 1® and SOC 2® engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Crowe LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2022, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Crowe LLP has received a peer review rating of *pass*.

A handwritten signature in black ink that reads "Cherry Bekaert LLP".

Cherry Bekaert LLP  
September 29, 2022



National Peer  
Review Committee

October 20, 2022

Mark Baer  
Crowe LLP  
225 W Wacker DR Ste 2600  
Chicago, IL 60606-1228

Dear Mark Baer:

It is my pleasure to notify you that on October 13, 2022, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is September 30, 2025. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink that reads "Michael Wagner". The signature is fluid and cursive.

Michael Wagner  
Chair, National PRC

+1.919.402.4502

cc: Jeffrey Sabetta, Jennifer Allen

Firm Number: 900010014904

Review Number: 592839

220 Leigh Farm Road, Durham, NC 27707-8110  
T: +1.919.402.4502 F: +1.919.419.4713  
aicpaglobal.com | cimaglobal.com | aicpa.org | cima.org



November 18, 2024

Ms. Viola Miller  
Utah Transit Authority  
669 West 200 South  
Salt Lake City, Utah 84101

Dear Ms. Miller:

This letter confirms the arrangements for Crowe LLP (“Crowe” or “us” or “we” or “our”) to provide the professional services discussed in this letter to Utah Transit Authority (“you”, “your”, “Authority” or “Client”).

Crowe will apply agreed-upon procedures over the Federal Funding Allocation Statistics (FFA-10) form for the year ended December 31, 2024 from information you provide. The intended purpose of the engagement is to assist the specified parties in evaluating Client’s compliance with the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 for the use of Client and the Federal Transit Administration (FTA), pursuant to the *2024 Policy Manual*. Client is responsible for compliance with those requirements.

## PROFESSIONAL SERVICES

### Our Responsibilities

The agreed-upon procedures will be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We have no obligation to perform any procedures beyond those agreed to by you and FTA and have been acknowledged to be appropriate for your purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to you. It is understood that we will prepare a report reflecting our findings of the procedures for use by you and FTA. We make no representations as to the adequacy of these procedures for your or FTA’s purposes.

If you decide that additional procedures are needed, we will discuss those with you. It is customary for us to document such revisions by an addendum to this letter. If you wish to add specified users of the report, we will require that you provide, at the conclusion of the engagement, written representation that you have obtained the specified users’ agreement to the procedures and acknowledgement that the procedures performed are appropriate for their purposes.

The agreed-upon procedures do not contemplate obtaining the understanding of internal control or assessing control risk, tests of accounting records and responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an examination. Thus, this engagement does not provide assurance that we will become aware of significant matters that would be disclosed in an examination. Client agrees not to rely on our engagement to disclose errors, fraud or illegal acts that may exist. However, we will inform you of any significant errors that may come to our attention. Our engagement will not enable us to address legal or regulatory matters or abuses of management discretion, which matters should be discussed by you with your legal counsel. You are also responsible for the accuracy and completeness of the information provided to Crowe for purposes of this engagement and for timely updating such information. Because of the importance of such information to our engagement, you agree to waive any claim against Crowe and its personnel for any liability and costs relating to or arising from any inaccuracy or incompleteness of information provided to us for purposes of this engagement.

Our procedures and work product are intended for the benefit and use of you and FTA. This engagement will not be planned or conducted in contemplation of reliance by any other party or with respect to any

specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. The working papers for this engagement are the property of Crowe and constitute confidential information.

If, for any reason, we are unable to complete the agreed-upon procedures, we will not issue a report as a result of this engagement.

#### Client's Responsibilities

The agreed upon procedures are listed in Attachment A. You agree to the procedures included in Attachment A and acknowledge that the procedures are appropriate for the intended purpose of the engagement.

In addition to your use, other specified parties including FTA, will be requested by you to agree to the procedures and acknowledge that the procedures performed are appropriate for their purposes.

You agree to provide a written representation letter at the conclusion of the engagement. Because of the importance of the written representations to this engagement, you agree to release Crowe and its personnel from any liability and costs relating to our services under this letter attributable to any misrepresentations by you, the engaging party.

The Client is responsible for providing to us, on a timely basis, all information of which you are aware that is relevant to this agreed-upon procedures engagement. The Client is also responsible for providing such other additional information we may request for the purpose of this engagement, and unrestricted access to persons within the Client from whom we determine it necessary to perform the agreed-upon procedures.

#### Other Matters

Our report is expected to be restricted to your use and the use of FTA.

Although the actual language of our report may change as a result of our procedures, we presently expect our independent accountant's report on the agreed-upon procedures to read as follows:

We have performed the attached procedures on the Federal Funding Allocation Statistics Form FFA-10 (FFA-10), related to the Authority's compliance with the Federal Transit Administration's (FTA) Declarations section of the *2024 Policy Manual* and the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, January 15, 1993, as of December 31, 2024. The Authority is responsible for its compliance with those requirements.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating compliance with the above specified requirements. Additionally, FTA has agreed to and acknowledged that the procedures are appropriate to meet their purposes. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures and reporting on findings based on the procedures performed.

The procedures and the associated findings will be inserted.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Authority and FTA and is not intended to be, and should not be, used by anyone other than these specified parties.

#### MISCELLANEOUS

For purposes of this Miscellaneous section, the Acceptance section below, and all of the Crowe Engagement Terms, "Client" will mean the entity(ies) defined in the first paragraph of this letter and will also include all related parents, subsidiaries, and affiliates of Client who may receive or claim reliance upon any Crowe deliverable.

Crowe will provide the services to Client under this Agreement as an independent contractor and not as Client's partner, agent, employee, or joint venturer under this Agreement. Neither Crowe nor Client will have any right, power or authority to bind the other party.

This engagement letter agreement (the "Agreement"), in combination with the Professional Services Agreement 20-03230 (PSA) reflects the entire agreement between the parties relating to the services (or any reports, deliverables or other work product) covered by this Agreement. The engagement letter, the Professional Services Agreement (PSA), and any attachments (including without limitation the attached Crowe Engagement Terms) are to be construed as a single document, with the provisions of each section applicable throughout. Notwithstanding any language to the contrary, the PSA terms and conditions take precedence over the terms and conditions contained in this Engagement Letter. This Agreement may not be amended or varied except by a written document signed by each party. No provision of this Agreement will be deemed waived, unless such waiver will be in writing and signed by the party against which the waiver is sought to be enforced. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter, and each party agrees that in entering this Agreement, it has not relied on any oral or written representations, statements or other information not contained in or incorporated into this Agreement. Any non-disclosure or other confidentiality agreement is replaced and superseded by this Agreement. Each party shall remain obligated to the other party under all provisions of this Agreement that expressly or by their nature extend beyond and survive the expiration or termination of this Agreement. If any provision (in whole or in part) of this Agreement is found unenforceable or invalid, this will not affect the remainder of the provision or any other provisions in this Agreement, all of which will continue in effect as if the stricken portion had not been included. This Agreement may be executed in two or more actual, scanned, emailed, or electronically copied counterparts, each and all of which together are one and the same instrument. Accurate transmitted copies (transmitted copies are reproduced documents that are sent via mail, delivery, scanning, email, photocopy, facsimile or other process) of the executed Agreement or signature pages only (whether handwritten or electronic signature), will be considered and accepted by each party as documents equivalent to original documents and will be deemed valid, binding and enforceable by and against all parties. This Agreement, including any dispute arising out of or related to this Agreement and the parties' relationship generally, will be governed and construed in accordance with the laws of the State of Utah applicable to agreements made and wholly performed in that state, without giving effect to its conflict of laws rules to the extent those rules would require applying another jurisdiction's laws.

\* \* \* \* \*

We are pleased to have this opportunity to serve you, and we look forward to a continuing relationship. If the terms of this Agreement are acceptable to you, please sign below and return one copy of this letter at your earliest convenience. Please contact us with any questions or concerns.

(Signature Page Follows)

**ACCEPTANCE**

I have reviewed the arrangements outlined above and I accept on behalf of the Client the terms and conditions as stated. By signing below, I represent and warrant that I am authorized by Client to accept the terms and conditions as stated.

IN WITNESS WHEREOF, Client and Crowe have duly executed this Agreement effective the date first written above.

Utah Transit Authority

Crowe LLP

\_\_\_\_\_  
Signature

*Bradley T Schelle*  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

Bradley Schelle  
\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

Partner  
\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

November 21, 2024  
\_\_\_\_\_  
Date

DocuSigned by:  
*Michael Bell* 12/9/2024  
70E33A415BA44F6...

Utah Assistant Attorney General

## ATTACHMENT A – PROPOSED AGREED UPON PROCEDURES

The procedures below were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of the District for the fiscal year ending December 31, 2024 for each of the following modes:

- Motor Bus – Directly Operated (MBDO)
  - Commuter Bus – Directly Operated (CBDO)
  - Commuter Rail – Directly Operated (CRDO)
  - Light Rail – Directly Operated (LRDO)
  - Demand Response – Directly Operated (DRDO)
  - Demand Response – Purchased Transportation (DRPT)
  - Motor Bus – Purchased Transportation (MBPT)
  - Vanpool – Directly Operated (VPDO)
- a. Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630 and as presented in the 2024 Policy Manual. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.
  - b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data over:
    - The extent to which the transit agency followed the procedures on a continuous basis, and
    - Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630 dated January 15, 1993, and as presented in the 2024 Policy Manual.
  - c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.
  - d. Based on a description of the transit agency's procedures from items (A) and (B) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, haphazardly select three months out of the year and observe whether the document exists for each of these periods.
  - e. Discuss the system of internal controls by inquiring whether separate individuals (independent of the individuals preparing source documents and posting data summaries) obtain the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews in order to perform procedure f.
  - f. Select a random sample of 3 source documents for each mode and observe whether supervisors' signatures are present. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.
  - g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Recalculate the arithmetical accuracy of the summaries.
  - h. Observe the procedure for accumulating and recording passenger miles traveled (PMT) data and inquire whether the procedure is one of the methods specifically approved in the 2024 Policy Manual.
  - i. Inquire with transit agency staff the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Observe whether the transit agency meets NTD criteria that allow transit

agencies to conduct statistical samples for accumulating PMT data every third year rather than annually by specifically observing the following:

- According to the 2010 Census, the public transit agency serves an UZA with a population less than 500,000.
  - The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
  - Service purchased from a seller is included in the transit agency's NTD report.
  - For transit agencies that meet one of the above criteria, observe the NTD documentation for the most recent mandatory sampling year and observe that statistical sampling was conducted and meets the 95 percent confidence and  $\pm 10$  percent precision requirements.
  - Inquire how the transit agency estimated annual PMT for the current report year.
- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, observe that the universe of runs was the sampling frame. Observe that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, observe that a replacement sample run was random. Observe that the transit agency followed the stated sampling procedure.
- k. Select a random sample of three source documents for each mode for accumulating PMT data and determine that the data are complete by comparing the data in the accumulation periods to the total (all required data are recorded) and that the computations are accurate by recalculating. Select a random sample of three accumulation periods for each mode and re-compute the accumulations for each of the selected periods. Recalculate the arithmetical accuracy of the summary.
- l. Inquire with management regarding the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures by selecting a random sample of three source documents for each mode used to record charter and school bus mileage and recalculate the arithmetical accuracy of the computations.
- m. For actual vehicle revenue mile (VRM) data, observe the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
- If actual VRMs are calculated from schedules, observe the procedures used to subtract missed trips. Select a random sample of three days that service is operated and re-compute the daily total of missed trips and missed VRMs. Recalculate the arithmetical accuracy of the summary.
  - If actual VRMs are calculated from hubodometers, observe the procedures used to calculate and subtract deadhead mileage. Select a random sample of three hubodometer readings and observe that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Recalculate the arithmetical accuracy of the summary of intermediate accumulations.
  - If actual VRMs are calculated from vehicle logs, select a random sample of three vehicle logs for each mode and observe that the deadhead mileage has been correctly computed in accordance with FTA definitions by recalculating deadhead mileage.
- n. For rail modes, observe the recording and accumulation sheets for actual VRMs and observe that locomotive miles are not included in the computation.

- o. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, inquire of the person responsible for maintaining and reporting the NTD data whether the operations meet FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
  - Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or
  - Bus (MB, CB, or RB) service operating over exclusive or controlled access rights-of-way (ROW), and
    - Access is restricted
    - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
    - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation
- p. Observe the measurement of FG and HIB DRM with the person reporting NTD data and inquire if he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and compare the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.
- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply to management:
  - Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
  - If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.
- r. Recalculate FG/HIB DRM from maps or by retracing route.
- s. Inquire whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, observe that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. (Note: Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.)
- t. Obtain the FG/HIB segments form. Inquire regarding the Agency Revenue Service Start Date for any segments added in the 2024 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Observe that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. (Note: If a segment was added for the 2024 report year, the Agency Revenue Service Date must occur within the transit agency's 2024 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.)
- u. Compare operating expenses in the FFA-10 with audited financial data after reconciling items are removed.

- v. If the transit agency purchases transportation services, inquire with the personnel reporting the NTD data regarding the amount of PT generated fare revenues. Observe the PT fare revenues equal the amount reported on the Contractual Relationship form.
- w. If the transit agency's report contains data for purchased transportation services and the procedures in this report were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Note as a negative finding if the purchased transportation services were not included in this report, and the transit agency also does not have a separate Independent Accountant's Statement for the purchased transportation data.
- x. If the transit agency purchases transportation services, obtain a copy of the PT contract and observe that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Inquire of the person responsible for retention of the executed contract whether copies of the contracts are retained for three years.
- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and observe the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and observe that the stated procedure is followed and that the computations are correct through recalculation.
- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased. Inquire of transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.



# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 12/16/2024

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit

**TITLE:**

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**Internal Audit Update**

- **2024 Audit Plan Status**
- **Other Internal Audit Activities**

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**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion.

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**BACKGROUND:**

Internal Audit will report on audit activities since the September 23, 2024 Audit Committee Meeting.

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**DISCUSSION:**

Internal Audit will report on audit activities since the September 23, 2024 Audit Committee Meeting.

The following items will be discussed:

- Status of engagements listed on the 2024 Audit Plan.
- Other Internal Audit activities completed will be discussed, including an update on the five-year peer review of audit standards.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

None



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# Utah Transit Authority

669 West 200 South  
Salt Lake City, UT 84101

## MEETING MEMO

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**Audit Committee**

**Date: 12/16/2024**

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit

**TITLE:**

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**Open Issues Report**

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**AGENDA ITEM TYPE:**  
Report

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**RECOMMENDATION:**  
Informational report for discussion

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**BACKGROUND:**

Internal Audit performs follow-up work on the status of outstanding audit issues. Internal Audit prepared a report showing all open issues that were reported to the Audit Committee from April 2021 through September 2024. The issues statuses are current as of October 21, 2024. Management was provided an opportunity to respond with current information on the issues.

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**DISCUSSION:**

Internal Audit will report on recently completed and expected upcoming follow-up work.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

Open Issues Report October 2024

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Original Report Details</i>				<i>Current Status Details</i>				
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
Preliminary Assessment Report - IT General Controls	R-21-05-02	The IT department does not follow set information technology standards to address cybersecurity risks.	04/18/2022	Partially Remediated	6/26/2023	Management purchased a software that will aid in monitoring compliance with a reputable standards framework.	<i>No response provided</i>	1/15/2025
Capital Projects Preliminary Assessment	R-20-07-01	Capital project request forms would benefit from requiring additional information, such as budget estimate support, expected timelines, and a forecast of monthly cash flow.	04/19/2021	In progress	5/15/2023	Management's action plan was spread over three planned phases. Internal Audit noted progress in our follow-up report dated May 15, 2023 that phases one and two were complete, with phase three pending.	The budget request form was created and added the additional information for budget estimate support, and expected timelines. The monthly cashflow or aging as it is often referred to is handled outside of the request form and is updated twice a year by the PM's, once around March/April and then again in August to close out the year. In 2024, we replaced the overall budget approach with a base budget and then additional initiatives interviews.	Internal Audit will follow-up with management in the first half of 2025. Significant changes have been made to the control environment since the initial report. Follow-up work will take these changes into account.
Capital Projects Preliminary Assessment	R-20-07-03	UTA has not adopted any policy or standard operating procedure that establishes the specific responsibilities that project managers have in executing capital projects.	04/19/2021	In progress	05/15/2023	Management made significant progress on a Capital Budget Request Manual to guide on the process of making annual capital budget requests. As of May 2023, that document was in draft form.	There were a lot of changes that have happened in 2024 with how the 2025-2029 capital plan was created (base budget + additional initiatives). Will try to memorialize the changes in a formal document for the 2026-2030 five year planning period before meeting with Internal Audit in first half of 2025.	Internal Audit will follow-up with management in the first half of 2025. Significant changes have been made to the control environment since the initial report. Follow-up work will take these changes into account.

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
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<b>Engagement</b>	<b>Issue Number</b>	<b>Issue Summary</b>	<b>Audit Committee Report Date</b>	<b>Current Status</b>	<b>Current Status Date</b>	<b>Current Status Summary</b>	<b>Current Management Response</b>	<b>Next Touchpoint</b>
Capital Projects Preliminary Assessment	R-20-07-04	Capital Development provides project managers with a monthly report comparing project expenditures to budget. However, no authoritative follow-up is performed when variances are detected.	04/19/2021	In progress	5/15/2023	Management previously implemented a quarterly project reconciliation and reporting to the executive team. Additionally, management is currently implementing monthly budget reconciliation and reporting.	We've implemented the report out every 4 months for PM's where status, risks and opportunities, budget, and schedule are reviewed for the more major projects in the program.  We probably need to implement a monthly email to the PM's and their chiefs to indicate variances more definitively. Will need the Chief Officers to enforce delivery among their teams or provide certain Directors with that type of authority to hold PM's accountable for delivery that may not necessarily report to them.	Internal Audit will follow-up with management in the first half of 2025. Significant changes have been made to the control environment since the initial report. Follow-up work will take these changes into account.
Support Fleet Preliminary Performance Audit Report	R-22-06-1	The department assigned responsibility for UTA's non-revenue vehicles has insufficient resources to fulfill responsibilities.	06/27/2022	Partially Remediated	10/16/2023	A manager-level position was created to oversee the support fleet and the team was staffed with four positions. Management has drafted but not yet adopted policies and procedures to strengthen governance. The issue will be closed pending adoption of those policies.	Policy was held up for approval due to a general pause in approving Board Policies. The SOP's were tied to that NRV policy approval. Understanding now is that the policy is being advanced for approval and the SOP's are in DocuSign for approval as well. Hopefully this will be closed out before the end of 2024.	10/15/2025
Support Fleet Preliminary Performance Audit Report	R-22-06-2	Support Fleet management does not have internal policies and procedures to govern the non-revenue vehicle fleet.	06/27/2022	Partially Remediated	10/16/2023	Management has made significant changes to the control environment. The issue will be closed pending adoption of policies and procedures codifying the controls.	Same as above.	10/15/2025

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

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Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
Support Fleet Preliminary Performance Audit Report	R-22-06-3	UTA has non-revenue vehicles with low use. There are opportunities to right-size this fleet.	06/27/2022	Partially Remediated	10/16/2023	Management is developing strategies to optimize vehicle use, purchase decisions, and disposal decisions.	A lot of the ability to execute the strategy for vehicle optimization is tied to the authority provided in the agency policy and SOP's mentioned above. For the most part, groups are receptive to the idea of the optimization. There is still resistance to getting rid of or reassigning some vehicles with low utilization (either daily trips of mileage). Passing policies will help but it is going to need Executive Team buy in and support to back the NRV team when strategies are presented for vehicle disposal or reassignment. That's not to say the NRV team won't be flexible if the need is justified, just that UTA needs to be objective in the usage need.	10/15/2025
Support Fleet Preliminary Performance Audit Report	R-22-06-4	Check-out and physical security measures for "floating" (unassigned) vehicles are ineffective against preventing fraud and abuse.	06/27/2022	Partially Remediated	10/16/2023	Management is researching options for a key management system to improve physical security for the unassigned vehicles in the fleet. Budget funds are earmarked for the purchase.	Research was completed. UTA did an RFP process in January this year for the key box system. A vendor was selected and project was underway in early 2024. They were on track to finish up project around August. IT had raised some concerns around security and those should have recently been worked through. Project should be resuming although a new project completion date has not been established yet.	10/15/2025

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Vehicle Disposal Preliminary Assessment (23-02)	R-23-02-1	Management did not receive Board approval prior to completing 12 disposal sales with total proceeds exceeding \$200,000 per sale.	12/18/2023	Pending Remediation	12/18/2023	Not applicable	UTA staff will be presenting a contract ratification option to the Board on 11/13 to ratify the existing contract with JJ Kane, the current auction provider, with an estimated contract value through the end of their contract, which ends around mid April next year. At that time, UTA will procure another vendor for these services and UTA intends to get Board approval for that contract when it happens to help avoid this in the future. The Finance group is the current holders of this contract and they will be taking the lead on this effort moving forward. The Capital Asset group moved over to that group at the beginning of 2024.	1/15/2025
Recruitment Assessment Report (23-11)	R-23-11-A	Third party recommendation: Process with new information system implementation and ensure a thoughtful consideration of design and implementation.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	Workday Implementation is ongoing and will go live the later part of 2025. TA workflows are being mapped into the new system to eliminate redundancies and include upgrades to best practices.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-B	Third party recommendation: Update standard operating procedures and include service level agreements.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	<i>No comment provided</i>	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-C	Third party recommendation: Develop and track key performance indicators to enable data-driven decision making.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	<i>No comment provided</i>	Currently in progress

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

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Recruitment Assessment Report (23-11)	R-23-11-D	Third party recommendation: Proceed with new Talent Acquisition team structure, and increase headcount to support with data entry.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	An onboarding specialist and Data Entry specialist were hired in 2024 to bring more manual, dedicated resources to data quality in JDE. So far, we have experienced a significant decrease in Data Quality issues. As workday goes live in 2025, TA should see the elimination of Manual Data Quality checks and better hiring experiences for Candidates and Hiring Managers.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-E	Third party recommendation: Conduct Leadership Strategy Sessions to align on priorities for the Talent Acquisition team	06/26/2023	Pending Remediation	6/26/2023	Not applicable	Monthly meetings with Sr TA team members are conducted to ensure the team stays focused on our strategies and our TA work. Annual Team meetings also take place each December to calibrate our focus for the next year of hiring.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-F	Third party recommendation: Investigate data validation rules and optimize features in Jobvite.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	TA wrapped up it's integration with Laserfiche to allow for files to batch transfer to records every day. Much time and effort was put into building an automated data transfer integration between JobVite (Applicant Tracking System) and JDE. Though we have realized many efficiencies and fewer key strokes in hiring a person into UTA, JDE still requires a human to review the hiring data in JDE after it transfers from JobVite to JDE, because there are still unknown reasons why JDE will accept the data from JobVite and reformat it wrong.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-G	Third party recommendation: Communicate expectations with Hiring Managers and other teams on processes and service level agreements.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	In collaboration with Sr Stakeholders from all areas of the business and TA, a Service Level Agreement was authored and will be introduced in the December Manager meeting.	Currently in progress

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

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Recruitment Assessment Report (23-11)	R-23-11-H	Third party recommendation: Build structure into Talent Acquisition team communication cadence.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	(See row 16) and Introduced a monthly Sr TA team member meeting to discuss overall TA forecasted needs and updates.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-I	Third party recommendation: Adopt immediate, tactical process improvements to the hiring process to generate 'quick wins'.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	TA Whiteboard weekly meetings were introduced to create better Communication transparency in TA project progress/updates and successes.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-J	Third party recommendation: Provide standardized onboarding and ongoing development training to Recruiters.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	The TA team has partnered with CI to map out our complete hiring process for Bargaining and Administrative hires. Training manuals were build to allow for better onboarding of new TA resources when needed.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-K	Third party recommendation: Provide Hiring Manager training on how to conduct interviews.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	TA is collaborating with Talent Training and CI to build Hiring manager training to be used as support for new managers and currently existing managers. The initial phase of this process is standardizing the Hiring process across the organization as much as we can. This project is underway and TA expects to have it entering curriculum design the later part of 2025.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-L	Third party recommendation: Update the Talent Acquisition team reporting structure.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	TA has restructured the team into three specialty groups. Administration team, Operations Team, and Maintenance team. Each team service the business in the following way: Operations up to the RGM level, Maintenance up to the RGM level, Administration up to the C-Level. This realignment addresses TA Resource Deployment, TA communications, and TA strategy issues/inefficiencies within the old structure.	Currently in progress

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

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Recruitment Assessment Report (23-11)	R-23-11-M	Third party recommendation: Reinstate assessments for certain positions and begin testing as appropriate.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	TA/PO Analytics is partnering with our Assessment Vendor CriteriaCorp to Build and evaluate the effectiveness of their tool at better prediction "Quality of Hire" for Operations. We are currently in the data gathering and assessing phase. This phase can take up to a year to gather enough data for validation purposes.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-N	Third party recommendation: Instill proactive candidate sourcing as a norm.	06/26/2023	Pending Remediation	6/26/2023	Not applicable	The TA team has partnered with Internal Communications to map out Recruitment Marketing Campaigns to leverage both externally and internally. With the Workday Implementation, we are exploring building out a robust Employee Referral program that will not require all the manual tracking and processing that was historically required.	Currently in progress
Recruitment Assessment Report (23-11)	R-23-11-O	Third party recommendation: Communicate and educate Hiring Managers on Compensation Benchmarking results	06/26/2023	Pending Remediation	6/26/2023	Not applicable	Compensation and Benefits controls the levers to this part of the Audit. TA has implemented feedback loops to compensation that normally get triggered during the Recruitment Process.	Currently in progress
1099 Reporting Preliminary Assessment (R-23-03)	R-21-03-1	Audit testing on a sample of 15 vendors found nine of the vendors were required to be issued a 1099 but were not.	06/24/2024	Pending Remediation	6/24/2024	Not applicable	New SOP requiring a W-9 for vendors has been drafted and is in the process of review.	7/15/2025
1099 Reporting Preliminary Assessment (R-23-03)	R-23-03-2	Audit testing identified 52 medical practitioners or attorneys that should have been issued a form 1099 but were not.	06/24/2024	Pending Remediation	6/24/2024	Not applicable	New SOP requiring a W-9 for claims vendors has been drafted and is in the process of review.	7/15/2025
Internal Audit Report Review Utilities Preliminary - Assessment	R-21-02-04	The utilities management standard operating procedure was drafted but not finalized. The draft had issues with how governance was aligned and a key control around opening new utility accounts was not documented.	10/17/2022	In progress	6/21/2024	Management has drafted but not adopted a policy.	We're meeting with accounting this month to go over the updates for the Treasury SOP to include utilities. With there adoption we will revise the draft Utility Management SOP for facilities to be more detailed and submit to Jake Ekker to begin the process for review and acceptance.	07/15/2025

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

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Internal Audit Report Review Maintenance of Way - (MOW) Systems Preliminary Assessment	R-21-01	Management has insufficient resources to develop an apprentice program in a timely manner.	06/21/2021	In progress	6/27/2022	Management has added additional resources and feel supported by management in completing their goal.	Organizational Design & Structure Assessment In Process.  Additional headcount (MOW Training Administrator filled in 2022 and MOW Training Specialist in 2023) and the hiring of an outside consultant (HNTB) to assist in content development and completion of an apprenticeship program. The Memorandum of Understanding has been signed between the ATU and UTA, with an implementation timeline of Quarter 1, 2025.	07/15/2025
Bus Operations and Safety Preliminary Assessment Report (R-21-04)	R-21-03	The compliance rate for external service announcements by the Timpanogos business unit was 68% from the period 9/4/2020 - 12/29/2020. This rate needed improved consistency and reliability.	08/23/2021	Partially Remediated	9/24/2024	The first system installation is scheduled. If successful then they will proceed with widespread installation.	This project can be categorized in two separate phases. Phase one is to make improvements to the system to allow the passengers to better hear the ADA announcements by installing some new system components that include the speakers. This phase is currently funded. The second phase would be to retrofit a new system that would automatically announce and be ambient noise sensing to accommodate night vs day volumes. This phase is unfunded currently. Phase one progress and schedule; four units have been installed as prototypes and are successful in accomplishing the goal of better acuity. All components are currently being manufactured, with the FMI being published November 11, 2024. Each garage will be providing the necessary labor resources for installation of 450 buses requiring a three-hour window. The projected installation kickoff date is	1/15/2025

**Internal Audit Open Issues Log**

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Bus Operations and Safety Preliminary Assessment Report (R-21-04)	R-21-04	Customer complaint data from 1/1/2020 - 6/15/2021 showed that operator improvement was needed for securing mobility devices or operator insensitivity to customers using mobility devices.	08/23/2021	Partially Remediated	9/24/2024	Management is working on procuring an off-the-shelf refresher training and developing an in-house training.	Civil Rights has been working with operations to create a video resource for training that is inclusive of all types of securements used on UTA vehicles. Civil rights completed an outline for this training in May 2023 and shared with operations. Drafted portions of a script for a video were also sent to operations to add the instructional information was sent shortly after. A meeting was scheduled for 11/14/24 with instructional design to continue work on this project.	3/15/2025
Bus Operations and Safety Preliminary Assessment Report (R-21-04)	R-21-05	Standard operating procedure for serving customers with disabilities was not aligned with overall UTA policy on points such as the definition of service animals or policy towards personal care attendants.	08/23/2021	Partially Remediated	11/26/2024	Management made all needed updates, but further alignment is needed with the Fare policy.	The SOP was updated in April 2023. The section on Personal Care Attendants needs to be revised in order to be consistent with what the current Fares policy is.	6/30/2025
Fuel Cost Preliminary Assessment 21-06	R-21-06-02	Vanpool staff does not review fuel card purchases to verify that purchases were for UTA vehicles or services.	11/15/2021	In progress	7/12/2024	During the Audit phase of the project IA found that Management had created and filled, Vanpool Data and Security Admin position. This position will play a role in managing fuel card data and conducting red flag analysis. During our 2024 follow up we found that the employee had not been made aware of the previous audit that was performed and steps were just starting with a consultant to create a dashboard to track this data.	We (Rideshare Accountant & Vanpool Data and Security Admin) are currently compiling weekly data from both, US Bank-Fleetcommander and Geotab, while working with our Data team to create a program that can filter/locate concerns. This information must then be reviewed to determine what is most relevant to address the concerns needed.	1/15/2025

**Internal Audit Open Issues Log**

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<b>Engagement</b>	<b>Issue Number</b>	<b>Issue Summary</b>	<b>Audit Committee Report Date</b>	<b>Current Status</b>	<b>Current Status Date</b>	<b>Current Status Summary</b>	<b>Current Management Response</b>	<b>Next Touchpoint</b>
Fuel Cost Preliminary Assessment 21-06	R-21-06-06	UTA staff did not complete required pre-fueling and post-fueling checklists on 13/25 fuel deliveries tested by Internal Audit.	11/15/2021	Pending Remediation	7/10/2024	IA performed testing to determine what progress was made. We found that 17 of 32 delivery invoices did not have the required pre-fueling and post-fueling checklists completed.	I met with Luke Barber (Internal Auditor) July 2024. This issue which has been a problem since 2019 with many attempts to get Parts Cerks to follow SOP MP 3.04. With consultation with Mike Hurst, Luke said they will look into issuing a finding to go out to the appropriate the supervisors and managers. On a positive note, Regina Ortiz supervisor at Warm Springs has recently taken the initiative to train Parts Clerks, under her supervision, to implement SOP MP 3.04 to satisfactory levels.	1/15/2025
Fuel Cost Preliminary Assessment 21-06	R-21-06-08	Internal Audit reviewed the list of individuals with fuel access and found data inconsistencies, shared accounts, and access for individuals not in official employee records.	11/15/2021	In progress	7/30/2024	IA performed testing and determined that significant steps had been taken to remove former employees still listed as having access to fuel pumps. But we identified a number of employees who recently left UTA employment still listed as having access to fuel pumps. Additional steps were recommended and future testing will be performed.	An internal review was completed that removed current and former employees from accessing Fuel. Additionally, a new process was implemented that runs lists of terminated employees in a database and alerts so that they can be removed from access. This item should be considered closed.	1/15/2025
Preliminary Assessment Report - Light Rail	R-22-01	The training module for Light Rail's Emergency Response Plan is incompatible with UTA's current learning system. There was no record of completed emergency training since May 2021.	10/17/2022	Partially Remediated	10/3/2024	Management is currently updating the training. Once rolled out they will push for employees to complete it. Internal Audit will follow-up in 2025.	Training is updated and in progress: 63% complete. Target completion date November 30, 2024.	2/15/2025

**Internal Audit Open Issues Log**

Scope: Open audit issues reported to the Audit Committee from April 2021 - September 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Original Report Details</i>				<i>Current Status Details</i>				
<b>Engagement</b>	<b>Issue Number</b>	<b>Issue Summary</b>	<b>Audit Committee Report Date</b>	<b>Current Status</b>	<b>Current Status Date</b>	<b>Current Status Summary</b>	<b>Current Management Response</b>	<b>Next Touchpoint</b>
Preliminary Assessment Report - Light Rail	R-22-03	There are a significant number of references to standard operating procedures ("SOP") in the TRAX 2022 Rule Book with no supporting SOP available in the department library.	10/17/2022	In progress	10/3/2024	Management is continuing to work on SOPs. Management is waiting for an agency SOP on the SOP process to be approved before moving forward. Internal Audit will follow-up in 2025.	Work to develop & implement a governance structure and process for managing documented information (e.g., plans, procedures, work instructions) to ensure it remains accurate, up-to-date, and available to relevant parties is In Process. On track to reach 1/3 review/updated by December 31, 2024.	2/15/2025
Transit Communication Center Preliminary Assessment (R-23-04)	R-23-04-1	Audit procedures found a security issue - details will not be shared in this report until the issue is resolved.	03/11/2024	Pending Remediation	3/11/2024	Not applicable	We will continue to work on the issue.	1/15/2024
Transit Communication Center Preliminary Assessment (R-23-04)	R-23-04-2	The UTA Transit Communication Center has insufficient staff compared to industry standards.	03/11/2024	Pending Remediation	3/11/2024	Not applicable	Organizational Design & Structure Assessment In Process	1/15/2024
Limited Scope Assessment of the Vendor Master File Review	R-23-05-01	The vendor master file is not sufficiently formal and there are a number of data inconsistencies, such as missing taxpayer identification numbers.	10/16/2023	Pending Remediation	9/23/2024	Management showed significant progress in improving the process and improving records. Internal Audit will follow-up in two years to verify that new controls are working and that the database is clean.	<i>A new process is in place to ensure compliance of new vendors and we are in the process of reviewing the exceptions to correct the errors.</i>	7/1/2026
Preliminary Assessment of Payroll Process	R-24-06-01	Internal Audit testing found non-compliance with vacation sell-back policy.	09/23/2024	Open	10/16/2024	Not applicable	A new analysis report (vacation sell back verification) was created. This report is used to identify employees who have requested sell back in the current payroll period vs vacation that has already been sold in the current calendar year.	7/1/2025

**Internal Audit Open Issues Log**

**Scope:** Open audit issues reported to the Audit Committee from April 2021 - September 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Original Report Details</i>				<i>Current Status Details</i>				
<b>Engagement</b>	<b>Issue Number</b>	<b>Issue Summary</b>	<b>Audit Committee Report Date</b>	<b>Current Status</b>	<b>Current Status Date</b>	<b>Current Status Summary</b>	<b>Current Management Response</b>	<b>Next Touchpoint</b>
Preliminary Assessment of Payroll Process	R-24-06-2	Payroll stores the documentation for payroll exceptions in a shared folder instead of in the built in retention of the JD Edwards system.	09/23/2024	Open	10/16/2024	Not applicable	Further investigation on the JDE document retention system showed that the attachment feature cannot be used with the payroll documents. We have also been notified that the new workday payroll integration cannot support document attachments. We continue to retain all associated documents in the payroll files by pay period end date.	7/1/2025



# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 12/16/2024

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit  
Dan Hofer, Director of Capital Program and Support  
Trice Batty, Manager Non-Revenue Vehicle Performance and Maintenance

**TITLE:**

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**Support Fleet Performance Audit Follow-up Report (R-22-06)**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion.

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**BACKGROUND:**

Internal Audit conducted a performance audit of Support Fleet in June 2022. The next phase of the audit was completed in August 2023 and focused on follow-up on issues from the 2022 report, testing of key controls, and a risk and fraud risk assessment of the department. Follow-up work was completed in November 2024 and focused on the current status of open issues.

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**DISCUSSION:**

Internal Audit will report on observations and recommendations from the audit.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

R-22-06 - Support Fleet Report UTA Follow Up Phase Report



# **INTERNAL AUDIT**

## **Follow-up of the Performance Audit of Support Fleet**

**R-22-06**

**November 20, 2024**

## Table of Contents

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Attachment A: Status of Recommendations from 2022 Audit Phase	5
Attachment B: Additional Recommendations from 2024 Follow-up Phase	16
Attachment C: Residual Value by Mileage and Model Year	19

## Rating Matrix

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.

## Distribution List

Title	For Action	For Information	Reviewed prior to release
Executive Director		*	*
Chief Financial Officer	*	*	
Chief Capital Services Officer		*	
Director of Capital Program and Support		*	
Manager Non-revenue Vehicle Performance and Maintenance	*		

## Executive Summary

### Introduction

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The Audit Committee directed Internal Audit (“IA”) to conduct a performance audit to determine if controls over support fleet management are designed adequately and operating effectively to ensure compliance with internal policies and procedures as well as to support the achievement of management objectives. The Audit Committee approved by the Audit Plan on January 31, 2022. IA completed the initial audit phase on June 7, 2022, we completed the second phase on July 31, 2023 and we completed the current follow-up phase on November 18, 2024.

IA conducted the follow-up work in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

### Background and Functional Overview

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The purpose of the UTA non-revenue support fleet (“NRV”) is to support the day-to-day operations and maintenance of the organization. The non-revenue support fleet is a diverse group of vehicles, which includes police vehicles, maintenance vehicles such as bucket trucks, street sweepers, and tractors, maintenance trucks, and cars used at various facilities, and both assigned and pool vehicles used by employees. The total support fleet size as of November 11, 2024 is approximately 557 light duty vehicles, 51 specialty vehicles, 173 ancillary assets (such as trailers), 111 police vehicles, and 20 other assets (such as a wrecker, rail car mover, and a skid steer loader).<sup>1</sup>

### Objectives and Scope

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#### *2023 Audit Phase:*

The period of this phase of the performance audit focused on activity between July 1, 2022, to May 31, 2023. Additional periods were reviewed as necessary.

This audit phase focused on determining the current status of recommendations and action plans from the 2022 audit report. Additionally, audit testing was conducted of key controls already existing, including accuracy of vehicle data, vehicle registration and emissions paperwork, and driver licensure.

#### *2024 Follow-up Phase:*

The follow-up phase of this performance audit focused on activity since August 2023. IA reviewed governance, including the status of policies and procedure documents. IA analyzed adopted policies and procedures against previously completed risk assessments to determine the sufficiency of management’s control design.

Additionally, IA documented the status of an NRV training program, the status of fleet right-sizing efforts, management’s funding strategy for vehicles, and the status of a key management system for shared vehicles.

### Summary

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#### *2023 Audit Phase:*

IA found significant progress has been made toward fulfilling action plans from the 2022 audit report. Notably, management is implementing a foundation for strong, centralized governance of the Support

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<sup>1</sup> Figures come from data provided by management. They are for context purposes only and are un-audited.

Fleet. This strength is based on investing the group with authority to execute policies and vision, staffing the team appropriately, and enriching the data environment to drive decision-making on topics such as driving behavior, fleet deployment, and disposal. Policies and standard operating procedures (“SOP”) have been drafted but not yet adopted.

As part of a risk-based audit approach, management and IA identified key risks and fraud risks that, if left unaddressed, could prevent Support Fleet objectives from being achieved. A total of 24 key risks were evaluated, including maintenance issues, recordkeeping, and legal compliance. Controls existed or were in development to appropriately manage all risks examined, though Internal Audit offered some informal recommendations on improvements and items to consider. Most significant is that management should consider expediting centralizing maintenance for Support Fleet vehicles. This will ensure consistent standards of good repair, compliance with federal recordkeeping requirements, and adequate budget for maintenance and repairs.

This audit feedback comes with the caveat that changes to Support Fleet is a work in progress, with many decisions and implementations pending. In that light, this report is best understood as interim assurance. Ultimate success will depend on Support Fleet management maintaining momentum and commitment to a strong control environment. Success also depends on senior management continuing to support the vision, properly resourcing, and granting authority to the Support Fleet team.

#### *2024 Follow-up Phase:*

Management made significant progress in adopting standard operating procedures (“SOP”) since the 2023 audit phase. They have adopted SOP governing vehicle use, vehicle procurement, and vehicle disposal and reallocation. IA found that these SOPs adequately create a control environment to address underlying risks.

IA noted that the SOP for vehicle use grants executive-level employees authority to override the procedures at their discretion. This is poor governance – NRV use cannot be truly governed if such a broad exception exists and triggering of the exception is outside the control and approval of the NRV team. This override clause is concerning not just for this SOP but for the potential precedent it sets for any other SOP. The SOP was adopted only days before writing this report and no evidence of effect is available. IA will evaluate the effects of the override protocols in another follow-up phase before making any recommendations.

Management has not created a training program to date but have intentions to design training on topics like policy review and defensive driving. Internal Audit will follow up on this item in approximately one year.

Management tracks vehicle utilization and identifies vehicles that can be moved to a shared pool or not replaced upon disposal, but by their own assessment they have not made significant progress towards this objective. They feel this is because they lack the “teeth” to enforce their right-sizing decisions. They also do not have clear guidelines or thresholds to make utilization decisions.

This will be re-evaluated in approximately one year. By then, policies will be adopted that should improve governance. IA also included a recommendation in this report that management adopt a formal utilization threshold.

Management is funding vehicle purchases through the capital plan. Vehicle users, however, primarily pay for maintenance costs, which has led to an information gap as management does not have direct control of the documentation. IA drafted recommendations to address this shortcoming.

Management signed a contract for a key management system called Agile Fleet in April 2024. There have been delays to installation pending decisions on issues like hosting.

## Attachment A: Status of Recommendations from 2022 Audit Phase

### Audit Finding R-22-06-1 Support Fleet Governance and Resources

Risk Level: High

#### Details:

The Fleet Vehicle Administrator (“FVA”) is responsible for managing and providing oversight over UTA’s support fleet. As of February 7, 2022, JDE records indicated a total of 812 support fleet vehicles, including ancillary items such as trailers and ATVs, in “active” status spread across all UTA locations which would fall under the umbrella of the FVA’s responsibilities. Those responsibilities include overseeing vehicle purchasing needs, registration and preparation of vehicles, broad maintenance oversight, tracking vehicle custody, and performing the initial disposal process prior to auction.

The current resources allotted to the department are insufficient to adequately manage all of the aspects required by a fleet of this magnitude spread across multiple locations. The FVA’s time cannot reasonably be allocated across all responsibilities in a manner that is efficient and effective to meet the objectives of a well-run fleet management function.

In addition to the lack of resources, UTA lacks codified policies and procedures that would give the FVA adequate authority to actively manage the fleet and enforce consequences on users of fleet vehicles if issues were to arise. For instance, all fleet vehicles have required service intervals. In the event an organization did not perform required maintenance in a timely manner, the FVA should have the ability to suspend use of that vehicle until the issue is corrected. Likewise, in the event a vehicle is underutilized, the FVA should have authority to reassign the vehicle based on business needs. As noted in recommendation R-22-06-2 below, any new internal policies created by the FVA to guide operations will need to have higher-level UTA policy in place to delegate authority.

#### Criteria:

Best practice published by United State Government Accountability Office’s (“GAO”), Standards for Internal Control in the Federal Government (“Green Book”) section 3.07, states:

*“When assigning responsibility and delegating authority management considers the overall responsibilities assigned to each [business] unit, determines what key roles are needed to fulfill the assigned responsibilities, and establishes the key roles. Those in key roles can further assign responsibility for internal control to roles below them in the organizational retain ownership for fulfilling the overall responsibilities assigned to the unit.”*

#### Underlying Cause:

Current resources and department full time employees (“FTE”) are not sufficient to effectively manage all aspects of UTA’s support fleet. In fact, the role of Fleet Vehicle Administrator was not even created until 2018, meaning issues were allowed to compound for decades.

#### Effect:

- Support fleet metrics cannot be adequately measured to determine right sizing, purchasing needs vs. reassignment, and disposal of vehicles.

- The lack of UTA policies do not allow adequate enforcement of fleet policies, creating inconsistencies in how fleet vehicles are managed and treated by different departments and at different locations.
- The FVA does not have the ability to enforce consequences for misuse of fleet vehicles, leading to an increased likelihood of misuse simply from the perception of lack of consequence.
- Periodic maintenance could be delayed or not performed at all leading to more expensive repairs, loss of useful life, and residual value of support fleet vehicles.
- Maintenance records are not adequately retained and tracked for purposes of accountability to Federal grant requirements.

**Recommendations:**

1. Provide the Support Fleet Management with additional resources subject to budgetary constraints and additional needs analysis of the department.
2. Develop and implement new policies and procedures that grant authority to the FVA to oversee, provide training, and enforce matters related to UTA’s support fleet.

**Management Response and Action Plan:**

Management agrees with IA recommendations for this finding. The entirety of UTA support fleet is provided by the Fleet Vehicle Administrator. Management recognizes the need for additional resources to properly manage this program. Many of the current challenges were highlighted in the Federal Transit Administration’s (FTA) FMO audit at the end of last year. Internal Audit’s review has illustrated the need for additional resources and actions to address the challenges identified. The response to each recommendation is outlined below.

Recommendation #1: Management recognizes the current fleet management approach is unsustainable given the scope and number of issues/recommendations identified in this report. The current management approach lacks the resources, authority, and policy guidance for a successful program and instead presents a risk of escalation which could stall progress in addressing these items.

UTA looked at other local agencies with support fleets. After reviewing their structures and responsibilities and comparing that with UTA’s approach to address its challenges, management is developing a budget request that will address immediate needs, develop an action plan to address issues identified in this audit, and create a robust and sustainable fleet management strategy.

Recommendation #2: Management, including new resources identified above, and Support Fleet Management will work to produce these governance policies and training to better position the Support Fleet team to manage, educate UTA business units, and enforce policies relating to the use of Support Fleet vehicles.

Management is in the process of developing a budget request for Board approval to add resources to support and improve existing practices, develop and implement new policies and procedures, and create a Fleet Management Action Plan (FMAP) with recommendations for a more robust and sustainable Fleet Management strategy.

**Target Completion Date:** July 1, 2023

### 2023 Audit Phase Status:

Recommendation #1 has been addressed by creating a manager-level position to oversee the support fleet and four staff members. To date, four of the five positions have been filled. Additionally, support fleet vehicles have been installed with Geotab trackers that have given management the ability to make data-driven fleet decisions. Additional follow-up will be performed by Internal Audit to determine if this level of resources is fully implemented and is adequate to manage the fleet.

Management has drafted policies and standard operating procedures (SOP), pending adoption, to address recommendation #2. Internal Audit evaluated the effectiveness of the governance outlined in the drafts against Committee of Sponsoring Organizations of the Treadway Commission (COSO) Component 3 *Establishes Structure, Authority, and Responsibility*. Sufficient governance, as measured against that framework, exists if the policies are adopted as drafted with the support of Executive management and the Board of Trustees. The finding will be closed upon validation of policy adoption and the language of that adopted version.

### 2024 Follow-up Phase Status:

IA discussed the ongoing resources of the department with management. They see a need for additional resources, such as a maintenance specialist and an office administrator. In the auditor's judgement, the control environment is still too immature to evaluate what needs are the result of resource constraint versus what is a result of a still-developing process. IA will review this topic in future follow-up.

Management drafted a policy document that is in the final stages of the adoption process. Management has adopted three SOP to date with additional SOP (at least one) expected. IA evaluated the adequacy of the adopted SOPs against a risk assessment performed during the 2023 phase of this engagement (in the case of the vehicle use and procurement SOPs) and against a risk assessment performed during IA's preliminary assessment of the vehicle disposal process, completed in November 2023 (in the case of the disposal SOP). Management has adequately addressed all relevant risks through the SOPs or through other UTA procedures.

This audit issue will remain open pending completion of all items.

**Audit Finding R-22-06-2 Support Fleet Policies and Procedures**

**Risk Level: Medium**

#### Details:

Support Fleet management does not currently have codified internal policies and procedures to govern its multiple processes. That is not to say the current control environment is inherently ineffective. Since 2018, the FVA has put a set of ad-hoc controls in place to address risks present within the support fleet. However, not having a set of codified and uniform policies and procedures creates potential gaps in when and how procedures are applied.

We also noted a lack of consistent training procedures for users of support fleet vehicles. Periodic training exists to ensure policies and procedures are applied consistently across the organization. The FVA has been working towards developing policies but due to day-to-day job duties and the lack of departmental resources noted in the finding above they have not yet been completed.

#### Criteria:

According to the GAO Green Book Section 3.11,

*“Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.”*

**Underlying Cause:**

Current resources and department FTEs are not sufficient to allow day-to-day operating responsibilities in conjunction with administrative tasks such as developing policies and procedures.

**Effect:**

Support Fleet procedures are applied inconsistently across the organization, leading to an increased risk that the fleet will not be managed effectively. These inconsistent procedures expose the fleet to risks such as:

- Untimely maintenance, causing potential mechanical failure and potential harm to life and property.
- Vehicle access is not subject to a mandatory or robust checkout process, which increases the risk of undetected vehicle misuse or theft.
- Key security practices are not mandated, leading to an increased risk of undetected vehicle misuse or theft.

**Recommendations:**

1. We recommend Support Fleet Management develop new policies and procedures to define requirements and necessary steps for each of its key areas of responsibility.
2. We recommend Support Fleet Management develop training on the policies and procedures and provide this training to employees responsible for or users of fleet vehicles at least annually.

**Management Response and Action Plan:**

Management agrees with the operational recommendations listed above. The Support Fleet Management is currently working to draft a UTA Support Fleet Vehicle Policy and multiple Standard Operating Procedures (SOP) covering vehicle procurement and onboarding, vehicle maintenance, vehicle use, and vehicle disposal.

Until SOPs and Policy are adopted, UTA's Executive Director will be issuing an order implementing a moratorium on the approval of purchase orders for new non-revenue fleet vehicles. Exception requests will be considered on a case-by-case basis and subject to approval by the requesting Chief Officer and Executive Director.

As discussed in R-22-06-01, UTA management has identified this as an agency priority and is in the process of developing a budget request to add the resources necessary to complete the development of policies, procedures, and training and a supporting FMAP.

**Target Completion Date:** July 1, 2023

**2023 Audit Phase Status:**

Recommendation #1 - Internal Audit performed a risk and fraud risk assessment with management which yielded 24 key risks inherent to Support Fleet. Existing controls were documented and drafted policies and SOPs were reviewed to determine if those 24 key risks were sufficiently addressed by management. While Internal Audit offered some informal recommendations to improve the control environment, no reportable gaps exist. Management has yet to adopt policies and SOPs, and the corresponding controls must be implemented, so this recommendation will remain open.

Recommendation #2 – Management has documented consideration of training needs of Support Fleet vehicle drivers. The details, such as content, time, and applicability, are to be determined. While not a reportable condition, Internal Audit informally gave the advice that vehicle access require drivers to

undergo training on Support Fleet policy and processes, completing driver safety, and providing proof of a driver’s license. This recommendation will remain open pending development of a training program.

**2024 Follow-up Phase Status:**

Recommendation #1 – IA documented the status of this recommendation in the prior section of this report.

Recommendation #2 - Management has not created a training program to date but have intentions to design training on topics like policy review and defensive driving. Internal Audit will follow up in approximately one year.

This audit issue will remain open pending completion of all items.

**Audit Finding R-22-06-3 Opportunities Exist to Right-Size the Support Fleet Risk Level: High**

**Details:**

UTAs support fleet was comprised of 812 active status vehicles according to JDE as of February 7, 2022. Of those, 582 are drivable vehicles (“white fleet”) with the remainder consisting of different types of ancillary assets such as ATVs, trailers, police vehicles, and other equipment. We limited our scope of analysis to only the 582 white fleet vehicles. Further analysis should be conducted to determine UTAs operational needs for the ancillary assets.

We performed three levels of analysis to determine a) the general reasonableness of the size of the white fleet, b) the estimated utilization of the white fleet, and c) the potential residual value for vehicles deemed “underutilized.”

Support Fleet Size Reasonableness

We performed a preliminary “gut-check” test on the size of the white fleet by comparing the total number of vehicles in service to the total number of employees who may reasonably expected to use a vehicle. We noted this was an ad-hoc analysis and used our best judgment to determine which employee job descriptions would not be likely to ever use a white fleet vehicle. Therefore, we removed all UTA police department employees and bus/rail operators and hosts from our analysis. This left a conservative total of 1,791 employees that could have access to white fleet out of the 2,577 total employees listed in the phone directory at the time of our review. This indicates that UTA owns one (1) vehicle for every 2.8 employees that could potentially need to use one.

**Table 1. Vehicle to Employee Ratio**

White Fleet Vehicles	Employees	Vehicle to Employee Ratio
582	1,791	1:3.3

*A low ratio indicates a potentially oversized fleet.*

This low ratio indicates a potentially oversized fleet. There are additional variables that should be taken into account such as unique use vehicles (e.g., snowplows, bucket trucks, etc.) which would reduce the number of vehicles in the analysis. However, this is still a very conservative ratio as many of the employees would likely never have the need to use or would use the vehicles so infrequently that a deeper-dive analysis would exclude them.

Utilization

After determining there was a high potential that UTA’s support fleet was oversaturated we gauged each white fleet vehicles utilization based upon the estimated number of miles drive by each vehicle over a one-year period between April 23, 2021 and April 22, 2022. We ran into several challenges due to the quality of data that was available for analysis and thus developed assumptions and estimations to arrive at

our conclusions. The FVA concurred with us that the quality of data available to UTA was likely not entirely accurate due to several manual touchpoints being inherent within interconnected processes.

The key datasets and underlying constraints and assumptions we drew from to perform the analysis are indicated in table 2.

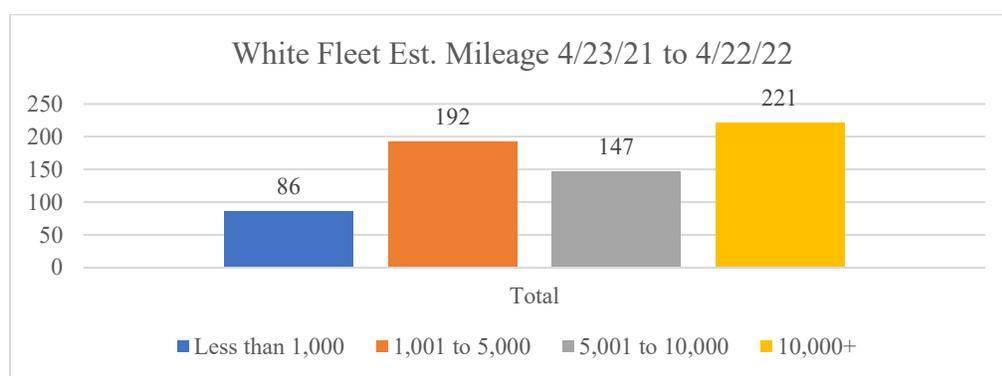
**Table 2. Utilization Datasets, Constraints, and Assumptions**

Dataset	Constraints	Analysis Assumptions
FuelMaster Fueling Data	Manual odometer entries lead to potential erroneous inputs.  White fleet vehicles could be fueled at non FuelMaster stations.	Fueling quantity data is likely the most accurate measurement of vehicle use.  All vehicles filled were fueled at a FuelMaster station.
Internet Research on Avg. MPG EPA Data	Different models with different options may have slightly different avg. mpg.	The average mpg based on vehicle make and model is a conservative enough estimate to determine estimated miles driven.

*Incomplete and inaccurate datasets required IA to develop reasonable analysis assumptions.*

According to Kelley Blue Book, the average number of miles driven by vehicle per year in the US in 2019 was 14,263. To be more conservative, we set our parameter for underutilization at approximately 1/3 of that distance at 5,000 miles. Any vehicle with estimated miles driven of less than 5,000 miles over the period of 4/23/21 to 4/22/22 were classified as underutilized. We found of the 646 total vehicles analyzed, 278 (43%) were driven less than 5,000 miles over that period. Figure 1 below shows the overall breakdown of estimated miles drive.

**Figure 1. White Fleet Estimated Miles Driven 4/23/21 to 4/22/22**



*We estimated underutilized vehicles made up 43% of the white fleet.*

The quality of data limited the overall accuracy of our analysis but did serve as a baseline to indicate where further analysis is warranted. Clearly some vehicles will be used less based on their purpose. But ultimately it begs the question if UTA is deploying its fleet in the most efficient manner. There is a high level of opportunity to rearrange where vehicles are located, which can be better shared, which can be reassigned, and those that should be disposed.

Support Fleet Management is currently in the process of installing geotrackers on all support fleet vehicles. These devices should provide more useful datasets that can be measured with a higher level of

accuracy to better answer the question of optimal fleet deployment. For example, the geotrackers should have the ability to track mileage in real time, use GPS and geofencing to ensure vehicles stay within a defined area, and connect to vehicle sensors to proactively detect maintenance issues.

### Potential Residual Value

After identifying underutilized vehicles, we attempted to determine the potential residual value of those vehicles in the event UTA chose to liquidate them at this point in time. The analysis was meant to serve as a guide for future decision-making. It is not meant to definitively say this is how much UTA will derive from an aggregate set of transactions.

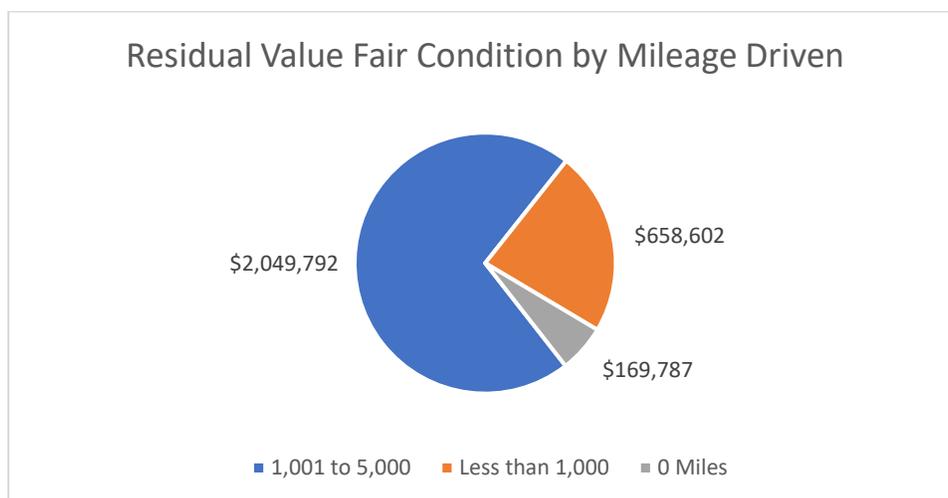
We compared underutilized vehicle descriptions (year, make, model) to Kelley Blue Book values, whenever available, using the following assumptions for the vehicles:

- Base Model
- Standard Features
- White Paint
- Fair Condition (Used, needs some mechanical repairs)

We used these assumptions to obtain a conservative base value for vehicles even though most newer vehicles are likely in “good” condition and included features will vary vehicle to vehicle. In the event Kelley Blue Book values were not available we used other sites to find the most accurate value available (e.g., Commercial Truck Trader for larger vehicles like the Ford F550). We omitted any vehicles with less than one-year of use to avoid skewing the estimated residual value. This left us with a total of 256 vehicles to evaluate.

Our calculations yielded a potential resale value of approximately \$2.88 million. Figure 2 illustrates the potential residual value by mileage stratification. The table in Attachment B shows the breakdown by model year and mileage stratification.

**Figure 2. Residual Value Fair Condition by Mileage Driven**



*Zero-mile vehicles should be closely scrutinized for disposal.*

These findings, even with incomplete or inaccurate data, illustrate the point that UTA’s support fleet is likely very oversaturated and serious considerations need to be made as to which vehicles the organization actually needs to fulfill its mission and which ones can be disposed of in order to recapture value that could be put to more effective uses.

**Criteria:**

According to Fleet Services, a fleet consulting and management company founded in 1957, a key best practice for any Fleet Management function is to have the right vehicles, in the right hands, at the right times. Every vehicle should have a justified business purpose.

**Underlying Cause:**

The procedures for evaluating vehicle utilization are limited by the type and accuracy of data available to be analyzed along with resource constraints within Support Fleet Management.

**Effect:**

UTA has an excess of support fleet vehicles which creates the following negative outcomes:

1. New vehicles are purchased when underutilized, older vehicles could be reassigned to serve the same purpose.
2. Departments have the perception that they can have a vehicle purchased or assigned to them without thorough justification for their use.
3. Underutilized vehicles, particularly newer ones, are constantly losing residual value simply by aging.
4. UTA incurs holding costs to maintain underutilized vehicles or underutilized vehicles are not maintained creating a further decrease in residual value.
5. Negative public perception of taxpayer dollar waste.

**Recommendations:**

1. We recommend Support Fleet Management use the new geotrackers to pinpoint precisely which vehicles are being underutilized and work to either reassign vehicles where they will be more useful or dispose of them to recapture some residual value.
2. We recommend the vehicle purchasing strategy be overhauled to ensure that proper steps are taken to determine if another vehicle within support fleet would be sufficient to meet the needs of the requesting department prior to purchasing a new vehicle.
3. We recommend Support Fleet Management require all employees responsible for a support fleet vehicle, especially underutilized ones, to provide written justification for the business need of their vehicles. Based on the justifications, support fleet should make decisions as to which vehicles may be reassigned or slated for disposal.
4. We recommend Support Fleet Management review the use of floating fleet vehicles available to be checked out by employees to determine if any could be repurposed or disposed.
5. We recommend UTA management review its disposal and auction process to determine if there are ways to streamline sales once vehicles to be disposed of have been identified.
6. We recommend UTA's accounting and finance teams determine if there is a more effective way to manage the budget strategy for support fleet vehicles, for instance, using an internal service fund to charge departments for the use of vehicles.

**Management Response and Action Plan:**

Management agrees with the recommendations in this finding.

Recommendation 1- Support Fleet Management has been working to install the Geotab units on UTA's support fleet. The amount of data the Geotab telematics units provide is impressive. The use of the data will allow for documented evidence to make actionable and timely decisions in the management of the support fleet. The goal is to right-size the fleet and ensure the vehicle are being appropriately utilized.

The data collected with Geotab will be used to inform a vehicle utilization policy and inform fleet right-sizing based on vehicle usage and department needs. The information collected with Geotab will also inform management response to items 1 thru 3 and form a foundational element of the FMAP.

Recommendations 2 thru 5 will be addressed in the FMAP as defined in Management Response to finding R-22-06-01(2), and the completion of SOPs the Support Fleet group is developing.

Recommendation #6 is currently being investigated by UTA's Finance team regarding establishing an internal service fund for financing the Support Fleet Vehicle strategy. Management recognizes that more funding is needed for the management, operations, and maintenance of the support fleet vehicles.

Finance will review options for better fiscal management and control of the Support Fleet including potentially developing a self-supporting funding approach to the support fleet, either by use of an internal service fund potentially partially funded by vehicle auction sales or the creation of dedicated budgets and fiscal controls for the management of the fleet.

Regardless of the funding strategy, the identification of a centralized owner and budget overseen by Support Fleet Management instead of the current decentralized approach will provide consistency and greater management oversight and control of all Fleet Management functions.

**Target Completion Date:** April 1, 2023

**2023 Audit Phase Status:**

Recommendation #1 - Management has installed Geotrackers in support fleet vehicles. These devices collect data on the vehicle and driver habits, including odometer mileage, which audit testing verified as accurate, and patterns of aggressive driving. Additionally, a consulting firm developed a formula management can use to evaluate vehicle retain/dispose decisions with mileage a key input. The formula has bookends of minimum annual mileage and maximum total mileage to alert management of vehicles that may need to be disposed.

Recommendation #2 and #3 – Management has drafted, but not yet adopted, an SOP to guide on vehicle assignments and allocation. Vehicle users will be required to annually complete a form justifying continued vehicle use, and when a position incumbent leaves UTA. Vehicle assignment will be based on the following criteria: 1) Need for the vehicle 2) type of vehicle needed 3) number of operators 4) number of operator shifts 5) vehicle availability. Management believes that the enriched data environment may ultimately make a justification form unnecessary, since the data will bear vehicle use patterns out. The recommendation will remain open pending adoption of SOPs, finalization of controls, and support from executive management on adoption.

Recommendation #4 - In response to the audit, the Executive Director placed a purchase moratorium on new non-revenue vehicles. No purchases varying from the terms of the moratorium were made.

Management made the decision not to dispose of vehicles unless for age-based reasons and is developing strategy to optimize use of the current fleet. This optimization will be based on performance metrics such as mileage by trip, vehicle model, and time in use with an emphasis on the needs of departments. While fleet right-sizing will be an on-going goal, management has documented a researched and methodical approach to implementation. The recommendation will remain open, with final resolution dependent on the successful roll-out of a right-sizing strategy, as evidenced by an improvement in fleet use metrics.

Recommendation #5 was not considered in this audit but will be in a separate preliminary assessment of disposal practices.

Recommendation #6 – Management hired consultants who evaluated the merits of a revolving service fund strategy with initial funding from the auction of surplus vehicles. The consultants concluded *“In summary, auction seed money would not substantially support a revolving service fund. To further explore the possibility of the revolving fund, additional funding sources will need to be identified. It is also recommended for UTA to establish a vehicle replacement timeline to support a consistent cash flow projection.”* The comptroller confirmed that funding for support fleet is currently being conceptualized as capital funding. This recommendation will remain open pending final decisions on how the support fleet will be funded in the future.

#### **2024 Follow-up Phase Status:**

Recommendation #1 – IA documented that this action plan was complete in the 2023 phase of the engagement.

Recommendation #2, #3, and #4 – Management tracks utilization and identifies vehicles that can be moved to a shared pool or not replaced upon disposal, but by their own assessment they have not made significant progress towards this objective. They feel this is because they lack the “teeth” to enforce their utilization decisions. They also do not have clear guidelines or thresholds to make utilization decisions, which weakens their ability to enforce their decisions.

IA will re-evaluate progress on these recommendations in approximately one year. Management expects additional policy and SOP to be adopted by that time. IA recommends that management adopt formal threshold standards to hold vehicle users accountable for expected rates of use. See Audit Finding R-22-06-5 of this report for the documentation of that recommendation.

Recommendation #5 – IA removed this recommendation audit in the 2023 phase of the engagement in because the topic was covered by an engagement specific to the topic of vehicle disposal.

Recommendation #6 – Management is funding vehicle purchases through the capital plan. Vehicle users, however, primarily pay for maintenance costs using UTA issued purchase cards. This has led to an information gap as management does not have direct control of the documentation. For example, in May 2024 NRV showed approximately \$85,000 of maintenance and repair related expenses, while auditor pulled records showed expenses of \$119,000 in that month. NRV management could reduce this information gap if they had read-only access to the system where purchase cards receipts are retained. See Audit Finding R-22-06-6 of this report for additional recommendations to assist management.

This audit issue will remain open pending completion of all items.

**Audit Finding R-22-06-4 Floating Vehicle Check-out and Physical Security Measures are Ineffective Against Preventing Fraud and Abuse** **Risk Level: High**

#### **Details:**

Support Fleet currently utilizes a checkout application on an internal intranet site called UTANet for its floating white fleet, defined as fleet vehicles any employee can potentially use. We examined the support fleet vehicle check-out process for floating support fleet vehicles. This included a review of the support fleet check-out application found on UTANet and the physical security of vehicle keys. We found the online application for checking out and checking in vehicles was not developed or deployed in a manner

to adequately approve and track vehicle use. The system was lacking key controls to allow Support Fleet to properly monitor the check-out process. This included lack of proper approval workflows, allowing anyone with a login to request a vehicle without having a supervisor approve the check-out. We noted lack of logic controls, such as being able to check out a vehicle without it being checked back in first.

We also found the physical security over vehicle keys was non-existent at the UTA headquarters building, FLHQ. Keys are kept in a lockbox by the FLHQ Southwest entrance which is not locked. Anyone with access to the building can remove a support fleet vehicle from the premise without detection. To illustrate this point, the Internal Audit team, with the permission of the Board Chair and the knowledge of the UTA Police Department, stole a car from the FLHQ parking lot and dropped it at another UTA facility for a one-week period. During that time the vehicle was never reported missing. UTA saves its security footage for a one-week period, meaning that vehicles not reported missing within that timeframe have a significant risk of being stolen and not detected until the next physical inventory of vehicles.

**Criteria:**

According to Fleet Services, an independent vehicle management company established in 1957, one of the best practices that should be implemented over fleet vehicles is the drafting and approving driver and vehicle policies that reduce the company's exposure to unexpected liabilities resulting from drivers who perhaps should not be driving. This extends to the argument that the systems that enforce those policies be designed and implemented in a way that allows the policies to be adequately followed.

**Underlying Cause:**

The lack of resources within Support Fleet Administration, coupled with the inadequate design of the check-out and monitoring system, has resulted in a lack of governance and oversight over floating support fleet vehicles.

**Effect:**

Support fleet vehicles could be stolen or otherwise misused without detection.

**Recommendations:**

1. We recommend developing or purchasing new check-out software and adding additional controls to the check-out process. The new controls should be robust enough to 1) ensure Support Fleet knows who has custody of a vehicle at any given time, 2) ensures proper approvals for vehicle use are documented prior to an employee taking custody of a vehicle, 3) ensure vehicle keys are kept in a secure (locked) area that can only be accessed with either a unique identifier code or unlocked by a custodian that verifies the employee has gone through the check-out process and has all approvals documented.

**Management Response and Action Plan:**

Management agrees with this finding and will put in place a system of controls to improve security of the check-out process. Recommendations for the acquisition of a new automated check-out system with the appropriate controls will be reviewed and included in the FMAP for early implementation.

Management also recognizes the likely challenges it will have to analyze for implementation while not creating overburdensome requirements for support fleet vehicle use, particularly as it relates to UTA's ability to respond to emergencies.

There are a variety of solutions UTA could review in the FMAP to secure its pool keys and vehicles. Solutions could potentially include, but are not be limited to:

- 1) Leveraging additional functionality capabilities of the Geotab system and implement various levels of RFID technology to better document operating characteristics.
  - a. Could be implemented to require users to scan key fob before operating via SOP.
  - b. Could be implemented with additional vehicle hardware preventing the starting of a vehicle without scanning employee key fob.
- 2) Purchase an electronic key management system that tracks key usage and verifies only authorized employees are checking out vehicles.
- 3) Ensure software solution notifies Support Fleet Management when fleet vehicles are not returned per vehicle checkout information.
- 4) Eliminate or modify the concept of a fleet pool and have department/assigned vehicles

The FMAP will consider the options and associated complexities that will inform its recommendations.

**Target Completion Date:** April 1, 2023

**2023 Audit Phase Status:**

Management is researching options for a new key management and checkout system but have yet to arrive at a decision. Research has included consultant investigation into options and in-person inspections of systems used by other organizations.

Management has researched costs of a key management system and \$330,000 is earmarked in the UTA five-year capital plan for procurement of a key management system.

**2024 Follow-up Phase Status:**

Management signed a contract for a key management system called Agile Fleet in April 2024. There have been delays installing as the Information Technology (“IT”) department has decided various issues such as hosting. Currently, IT has no timeline for implementation on their end. The audit issue will remain open pending implementation.

**Attachment B: Additional Recommendations from 2024 Follow-up Phase**

**Audit Finding R-22-06-5 Management should create clear use thresholds to govern vehicle use**

**Risk Level: Medium**

**Criteria:**

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) publishes an integrated framework to guide organizations on best practices for internal controls. Component Three: Control Activities, Principle 12 of this framework, states:

*The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.*

An advocacy group called NAFA Fleet Management Association publishes a guide called “The Ultimate Guide to Understanding Fleet Utilization.” Section 3.1 of the guide, Establishing a Baseline, states:

*Objective, timely, and accurate fleet utilization metrics are the key to all fleet utilization studies. If any of these characteristics of the basic fleet information you use to make fleet changes is*

*questioned, so will the outcomes you generate from your fleet utilization study. So, be absolutely certain that data you collect is believable and valuable.*

The guide provides further “ingredients for success” defining the characteristic of objective in context of a utilization metric:

- *Avoid subjective criteria such as “used frequently”, “necessary,” [sic] “important”*
- *Document the definition of metrics clearly if there is any ambiguity in the meaning of the metric*
- *Use technology to capture metrics when possible (e.g. GPS, electronic logs, or motor pool or fleet management systems)*
- *Ensure that metrics are captured and reported in a consistent way across the fleet*

**Condition:**

NRV management monitors vehicle use and identifies vehicles with low to no use that may be candidates for disposal or moving to a shared pool. Management has informal thresholds to evaluate utilization but have not documented the thresholds and associated expectations.

**Cause:**

Formal control over support vehicles is recent.

**Underlying Effect:**

NRV management cannot exercise governance authority on disposal decisions without clear guidance on what performance metrics vehicles operators should meet.

**Recommendation:**

1. Management should establish thresholds to evaluate vehicle utilization.
  - a. The thresholds should be objective.
  - b. The thresholds should be measurable.
  - c. Expected outcomes should be clearly defined and associated to thresholds.
2. Management should develop an accompanying policy to address vehicle user’s appeals and unusual circumstances that may make deviations from expected outcomes appropriate.

**Management Response and Action Plan:**

The current threshold to determine whether an assigned vehicle is appropriate or if use of the motor pool would better meet operational needs is based on an annual Vehicle Miles Traveled (VMT) threshold of 3600. Vehicles that fall under 3600 VMT are further evaluated by their average daily trips using 260 days per year as the divisor. The threshold number for average daily trips counted for a vehicle to be considered for reallocation if it is not meeting the 3,600 VMT per year would be 1. Both the VMT and trip count data is taken from the Advanced Default Trips Summary Report in Geotab.

A Laserfiche form will be implemented to address appeals or circumstances that would allow the continued use of an assigned vehicle outside of the established thresholds.

Given the relatively recent establishment of formal control over the Non-Revenue Vehicle Program, the current thresholds may need adjustment as more data becomes available. The thresholds will be regularly reviewed and updated as necessary to ensure they remain aligned with operational requirements.

**Target Completion Date:** Not applicable – use thresholds will be an ongoing benchmark evaluated by management.

**Audit Finding R-22-06-6 Management should be granted read-only access to the US Bank Purchase Card System**

**Risk Level: Medium**

**Criteria:**

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) publishes an integrated framework to guide organizations on best practices for internal controls. Component Four: Information and Communication, Principle 13 of this framework, states:

*The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.*

Guidance for the principle further clarifies:

*Obtaining relevant information requires management to identify and define information requirements at the relevant level and requisite specificity. Identifying information requirements is an iterative and ongoing process that occurs throughout the performance of an effective internal control system.*

**Condition:**

Vehicle users primarily pay for vehicle maintenance costs, such as maintenance, supplies, fuel, and repairs using UTA issued purchase cards. NRV management attempts to track these costs, but they do not have access to the US Bank system used by the Procurement department to store purchase card receipts. Management relies on cardholders to provide their applicable documentation, but this does not always happen. For example, in May 2024, NRV management received documentation for approximately \$85,000, while accounting records show that approximately \$119,000 of purchases were booked to NRV accounts.

**Cause:**

Not applicable.

**Underlying Effect:**

Management relies on complete and accurate information to forecast budgets, manage the timing of maintenance, and track the overall cost of the NRV fleet.

**Recommendation:**

1. Procurement Management should grant read-only access to US Bank the NRV team to run detailed reports and download receipts.

**Management Response and Action Plan:**

Management is working with the Non-Revenue Vehicle team to identify what team members need US Bank access. It will be set up to grant needed access while protecting sensitive data.

**Target Completion Date:** December 31, 2024

## Attachment C: Residual Value by Mileage and Model Year<sup>2</sup>

**Figure 2. Residual Value by Mileage and Model Year**

Vehicle Year	Vehicle Count	0 Miles	Less than 1,000	1,001 to 5,000	Grand Total
1988	1	\$ -	\$ 4,666.00	\$ -	\$ 4,666.00
1995	2	\$ -	\$ 1,846.00	\$ 5,335.00	\$ 7,181.00
1997	4	\$ 1,464.00	\$ -	\$ 5,866.00	\$ 7,330.00
1998	15	\$ 2,430.00	\$ 36,288.00	\$ 11,470.00	\$ 50,188.00
1999	13	\$ 2,280.00	\$ 12,526.00	\$ 26,190.00	\$ 40,996.00
2000	8	\$ -	\$ 31,582.00	\$ 39,072.00	\$ 70,654.00
2002	15	\$ 2,944.00	\$ 39,441.00	\$ 28,978.00	\$ 71,363.00
2004	13	\$ 2,271.00	\$ 42,076.00	\$ 31,007.00	\$ 75,354.00
2005	5	\$ 4,934.00	\$ 39,000.00	\$ 8,536.00	\$ 52,470.00
2006	23	\$ 2,096.00	\$ 24,972.00	\$ 129,332.00	\$ 156,400.00
2007	24	\$ 16,982.00	\$ 102,115.00	\$ 154,793.00	\$ 273,890.00
2008	30	\$ 3,192.00	\$ 53,466.00	\$ 228,433.00	\$ 285,091.00
2009	21	\$ -	\$ 50,284.00	\$ 168,301.00	\$ 218,585.00
2010	6	\$ -	\$ 8,477.00	\$ 16,843.00	\$ 25,320.00
2011	30	\$ 5,491.00	\$ 51,916.00	\$ 416,300.00	\$ 473,707.00
2012	16	\$ -	\$ 53,857.00	\$ 220,258.00	\$ 274,115.00
2013	15	\$ 39,875.00	\$ 32,920.00	\$ 217,241.00	\$ 290,036.00
2014	1	\$ -	\$ -	\$ 5,806.00	\$ 5,806.00
2016	1	\$ -	\$ -	\$ 58,651.00	\$ 58,651.00
2017	4	\$ -	\$ -	\$ 117,733.60	\$ 117,733.60
2018	4	\$ -	\$ 46,817.00	\$ 96,898.00	\$ 143,715.00
2019	1	\$ 58,268.00	\$ -	\$ -	\$ 58,268.00
2020	1	\$ -	\$ -	\$ 25,719.00	\$ 25,719.00
2021	3	\$ 27,560.00	\$ 26,353.00	\$ 37,029.00	\$ 90,942.00
<b>Grand Total</b>	<b>256</b>	<b>\$ 169,787.00</b>	<b>\$ 658,602.00</b>	<b>\$ 2,049,791.60</b>	<b>\$ 2,878,180.60</b>

- This table details the aggregate potential residual value for underutilized vehicles by vehicle model year and the range of miles driven between the period of April 23, 2021 and April 22, 2022. The purpose is to illustrate the stratification in value between older and newer vehicles for the purpose of determining where “quick-wins” can be realized through the disposal process.

<sup>2</sup> This table is from the 2022 phase of the audit. It is retained in this report to maintain the reference in the 2022 findings.



# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date: 12/16/2024**

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit  
Viola Miller, Chief Financial Officer  
Rob Lamph, Comptroller

**TITLE:**

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**1099 Reporting Follow-up (R-23-03)**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion.

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**BACKGROUND:**

Internal Audit completed a preliminary assessment of 1099 Reporting, a federal tax reporting requirement, in August 2023 as part of the 2023 Audit Plan. The engagement found compliance issues with reporting for year-end 2022. A follow-up audit was completed in October 2024 and the compliance issues were repeated for reporting of year-end 2023.

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**DISCUSSION:**

Internal Audit will report on observations and recommendations from the audit.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

R-23-03 1099 Reporting Follow Up Report



# **INTERNAL AUDIT**

## **Follow-up Report of 1099 Reporting**

**R-23-03**

**November 20, 2024**

## Table of Contents

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## Rating Matrix

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.

## Distribution List

Title	For Action	For Information	Reviewed prior to release
Executive Director		*	*
Chief Financial Officer		*	*
Comptroller	*		
Assistant Comptroller	*		
Accounting Supervisor	*		*

## Executive Summary

### Introduction

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The Audit Committee directed Internal Audit (IA) to conduct a preliminary assessment to determine if controls and processes over the issuing and reporting Internal Revenue Service (IRS) 1099 forms are designed adequately and operating effectively to ensure compliance with internal policies and procedures as well Internal Revenue Service (IRS) requirements and standard. The Audit Plan was approved by the Audit Committee on December 12, 2022.

IA completed the preliminary assessment phase on August 25, 2023. We completed the work in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors (“IIA”). Due to the specialized nature of 1099 reporting and tax filings IA outsourced the final conclusions of this follow-up to High Impact CPA and received their final report on October 8, 2024. IA performed preliminary testing in this follow-up to prepare data for the CPA’s review. The full report from High Impact CPA can be seen on Attachment B of this report.

### Background and Functional Overview

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#### *Initial Phase Background Information:*

UTA’s Accounting department is responsible for the preparation and transmission of IRS forms 1099-MISC and 1099-NEC. Entities are required to complete Form 1099-NEC by January 31 to report payments of \$600 or more made in the previous tax year to each non-employee who performed services. Entities file a Form 1099-Misc by March 31, if filing electronically, to report payments of \$600 or more for items such as rent or medical and health care payments made to non-employees and certain vendors in the previous tax year.

Most payments made to entities organized as a corporation do not need to be reported on a form 1099-Misc. However, the IRS has given direction that payments made to corporations must be reported on Form 1099-Misc if the payments were medical and health care payments or gross proceeds paid to an attorney.

Starting in Tax Year 2022 Nonemployee Compensation (“NEC”) should be reported on Form 1099-NEC. Non-employee compensation refers to the money an entity pays to an independent contractor who performs contingent work. Therefore, non-employee compensation includes fees, commissions, prizes, and awards for any services completed.

Key features of this process include:

- Identifying which vendors to include in 1099 reporting
- Bulk Taxpayer Identification Number (TIN) matching
- 1099-MISC & 1099-NEC preparation
- Printing and mailing 1099 forms to vendor recipients
- Electronic reporting (E-File) final 1099 report to the IRS

### Objectives and Scope

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#### *Initial Phase Scope:*

The period of the preliminary assessment phase focused on payments made to vendors between January 1, 2022, to December 31, 2022, with the coinciding IRS reporting occurring in the spring of 2023. Additional periods were reviewed, as necessary.

The primary areas of focus for the audit were:

- Governance
- TIN Accuracy Testing
- 1099 Forms issued for claims paid UTA
- Similar Vendors Testing

*Follow-up Phase Scope:*

The period of the follow-up phase focused on payments made to vendors between January 1, 2023, to December 31, 2023, with the coinciding IRS reporting occurring in early 2024. IA limited the focus of the follow-up to the findings from the Preliminary Assessment.

- Finding R-23-03-1: Required 1099 Forms were not issued
- Finding R-23-03-2: Claims vendors, physicians and attorneys were not sent a 1099 Form

## Summary

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*Initial Summary:*

Audit testing found approximately 60 vendors that should have been issued a 1099 form but were not. The majority were paid medical claims and payments to attorneys. Management was not aware of the IRS’ renewed emphasis on reporting these categories. Additional 1099 forms not reported were simply missed. This points to a need for a defined process, resources and emphasis, and training for staff.

Finance management took immediate action to disclose noncompliance with proper taxing authorities. As of May 2024, UTA legal counsel confirmed there is no outstanding noncompliance with the IRS or Utah State Tax Commission.

IA would like to thank management for their diligence and attention completing the engagement.

*Follow-up Summary:*

In follow up testing IA found that 35 vendors should have had form 1099 filed with the IRS by the Accounting department. IA provided this information to High Impact CPA for final testing and confirmation. The CPA concluded that 34 of the vendors required a 1099. The one that did not require a 1099 was a pharmacy.

## Attachment A: Current Status of Recommendations

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**Audit Finding R-23-03-1**

**Required 1099 Forms were not issued**

**Risk Level: Medium**

### **Preliminary Assessment Status**

**Criteria:**

The IRS requires that entities report payments made to contractors totaling \$600 or more on form 1099 NEC “Non Employment Compensation.”

Instructions for form 1099 NEC indicate that it should be used to report all payments for services performed for a trade or business by people not treated as its employees. Examples: fees to subcontractors, directors, and golden parachute payments.

**Condition:**

IA conducted testing of 1099 compliance on a sample of 15 vendors containing “LLC” in the name of the company. Nine of these vendors were eligible for a 1099 but were reported on a form 1099. Additionally, testing was conducted on vendors with similar names to determine if 1099s were missed due to aggregation errors. While there were no aggregation errors, IA did note two additional vendors that should have been issued a 1099 but were not.

**Underlying Cause:**

Eight of the nine vendors from the ‘LLC Test’ had a form W-9 saved in JDE, meaning UTA had the information necessary to properly report taxable amounts. This indicates that Accounts Payable has underdeveloped processes for identifying which vendors would need to receive a Form 1099 within the accounting system. In further detail:

- a. AP has historically operated lean and lacked the resources to develop and maintain a robust control process. The team is currently at six and now better resourced to implement controls.
- b. A former employee performed or was believed to have performed 1099 reporting. This process was not adequately passed on to the successor.
- c. The AP team did not receive sufficient training or instruction on properly validating if vendors would need to receive a Form 1099.

**Effect:**

Entities who information returns are not filed or not filed timely are subject to penalties from the IRS. The penalty varies from \$50 to \$280 per form in 2022, depending on how long past the deadline the business issues the form. If an entity intentionally disregards the requirement to provide a correct payee statement, there is no maximum penalty<sup>1</sup>.

**Recommendations:**

- 1. Management should coordinate with Legal Counsel to develop a disclosure and mitigation strategy for unreported forms 1099.
- 2. Additional research should be conducted by management to identify if other vendors who received payments from UTA should have had a 1099 sent to them.
- 3. Accounts Payable staff should receive training on Form 1099 reporting procedures.

**Management Response and Action Plan:**

See Management Response for R-23-03-2.

**Target Completion Date:**

See Target Completion Date for R-23-03-2.

**Current Status:** See Current Status for R-23-03-2.

**Audit Finding R-23-03-2 Claims vendors, physicians and attorneys were not sent a 1099 Risk Level:**

**Performance Audit Status**

**Criteria:**

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<sup>1</sup> Internal Revenue Service, “Information Return Penalties”, irs.gov, Internal Revenue Service, Last Revised 10-May-2023, <https://www.irs.gov/payments/information-return-penalties>

IRS instructions for Form 1099-Misc state that a company must file form 1099-Misc for each person in the course of your business to whom you have paid the following during the year.

*At least \$600 in:*

- *Rents (box 1);*
- *Prizes and awards (box 3);*
- *Other income payments (box 3);*
- *Generally, the cash paid from a notional principal contract to an individual, partnership, or estate (box 3);*
- *Any fishing boat proceeds (box 5);*
- ***Medical and health care payments (box 6);***
- *Crop insurance proceeds (box 9);*
- ***Gross proceeds paid to an attorney (box 10) (see Payments to attorneys, later);***
- *Section 409A deferrals (box 12); or*
- *Nonqualified deferred compensation (box 15).*

(Emphasis added by IA).

Additional instruction from the IRS indicates that the following are reportable payments to corporations; emphasis added by IA to indicate what applies in this situation.

*The following payments made to corporations must generally be reported on Form 1099-MISC,*

- *Cash payments for the purchase of fish for resale reported in box 11.*
- ***Medical and health care payments reported in box 6.***
- *Substitute payments in lieu of dividends or tax-exempt interest reported in box 8.*
- ***Gross proceeds paid to an attorney reported in box 10.***

*Payments to attorneys. The term “attorney” includes a law firm or other provider of legal services. **Attorneys' fees of \$600 or more paid in the course of your trade or business are reportable in box 1 Form 1099-NEC, under section 6041A(a)(1).***

***Gross proceeds paid to attorneys. Under section 6045(f), report in box 10 payments that:***

- *Are made to an attorney in the course of your trade or business in connection with legal services, but not for the attorney's services, for example, as in a settlement agreement;*
- *Total \$600 or more; and*
- *Are not reportable by you in box 1 of Form 1099-NEC.*

(Emphasis added by IA).

Further guidance can be found within IRS *General Instructions for Filing 1099 Misc and NEC Forms*.

### **Condition:**

IA identified 53 medical practitioners and attorneys identified as “VC” vendors within JDE, indicating that the payments were made as part of a settlement with the Claims department. These vendors should have all received a 1099 Misc form and been included in what was reported to the IRS.

### **Underlying Cause:**

UTA was not aware of the recent changes made to the Form 1099 Misc which added specific areas for reporting Medical payments and Gross Proceeds paid to Attorneys. Many “VC” vendors did not have a W-9 form collected.

**Effect:**

Entities who information returns are not filed or not filed timely are subject to penalties from the IRS. The penalty varies from \$50 to \$280 per form in 2022, depending on how long past the deadline the business issues the form. If an entity intentionally disregards the requirement to provide a correct payee statement, there is no maximum penalty

**Recommendations:**

1. Management should coordinate with Legal Counsel to develop a disclosure and mitigation strategy for unreported forms 1099.
2. Accounts Payable should require a completed W-9 before issuing any future claims payments.
3. Accounts Payable or the Accounting Supervisor should maintain an IRS e-news subscription to receive future updates to the Form 1099 reporting process<sup>2</sup>.

**Management Response and Action Plan:**

Accounting management is aware of the need for internal processes and controls to ensure compliance with Internal Revenue Service (IRS) requirements specifically regarding the issuance of Form 1099. Audit Finding R-23-03-1 Required 1099 Forms were not issued Risk Level: Medium; and Audit Finding R-23-03 Claims vendors, physicians and attorneys were not sent a 1099 Risk Level: Medium; are both related to 1099 forms that should have been issued due to payments coming out of Claims and Insurance either for Personal Injury Protection claims or workers' compensation claims. In addition to reviewing internal processes related to 1099 issuance, management also sought counsel from our internal and external legal partners. We are also in the process of creating a Finance SOP between the Claims & Insurance and Accounting departments for IRS Form W9 Requirements for Claims Settlements which will help by triggering Accounting to determine the need for a 1099. Finally, we have added two new accounts payable analysts positions to the Accounting department to assist with the improved workflow and increased workload. Two staff members are subscribed to IRS alerts to make sure we insure timely implementation of changes like 1099 requirements.

**Target Completion Date:**

July 2024

**Current Status:** In progress

High Impact CPA identified 34 vendors that were not issued a 1099 but were required to under IRS guidelines. We recommend that the Accounting department consult with UTA's legal counsel on disclosure and remediation of the missed filings with the IRS. Further, Accounting should investigate why these filings were missed and make corrections to the control environment ahead of the 2025 filing period.

**Management Response and Action Plan:**

Accounting management is aware of the need for internal processes and controls to ensure compliance with Internal Revenue Service (IRS) requirements specifically regarding the issuance of Form 1099. Audit Finding R-23-03-1 Required 1099 Forms were not issued Risk Level: Medium; and Audit Finding R-23-03 Claims vendors, physicians and attorneys were not sent a 1099 Risk Level: Medium; are both related to 1099 forms that should have been issued due to payments coming out of Claims and Insurance either for Personal Injury Protection claims or workers' compensation claims. In addition to reviewing

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<sup>2</sup> Management can subscribe to IRS alerts at the following website: <https://www.irs.gov/newsroom/e-news-subscriptions>

internal processes related to 1099 issuance, management also sought counsel from our internal and external legal partners. A Finance SOP between the Claims & Insurance and Accounting departments for IRS Form W9 Requirements for Claims Settlements has been drafted and reviewed. This will help trigger Accounting to determine the need for a 1099 by requiring a W9 from everyone receiving a payment. Finally, we have added two new accounts payable analysts positions to the Accounting department to assist with the improved workflow and increased workload. As of November 25<sup>th</sup> [sic] AP will be fully staffed. Two staff members are subscribed to IRS alerts to make sure we insure timely implementation of changes like 1099 requirements.

**Target Completion Date:** December 2024

### **Attachment B: High Impact CPA Report**

*Attachment begins on the following page.*



High Impact CPA  
Consultation Report – Utah Transit Authority 1099 Analysis  
October 8<sup>th</sup>, 2024

High Impact CPA  
1154 W. Fremont Ave  
Salt Lake City, UT 84104  
(435) 669-0718

Mike Hurst, Internal Audit Director

Utah Transit Authority

669 W. 200 S.

Salt Lake City, UT 84104

Dear Mr. Hurst,

We have completed our analysis of 2023 payment transactions processed by Utah Transit Authority (“UTA”) that were identified by the UTA Internal Audit Division where the payee should have potentially been issued an IRS form 1099-MISC or 1099-NEC. We performed our engagement within the professional standards set by the American Institute of Certified Public Accountants *Statements on Standard’s for Consulting Services No. 1*. We note this was not an assurance engagement, and thus offer no opinions on the financial condition of UTA.

#### Scope of Consulting Engagement

The scope of this engagement is limited to performing an independent, 3<sup>rd</sup> party analysis of transactions identified by UTA’s Internal Audit Division that occurred in calendar year 2023 to determine if any payees should have been issued either a Form 1099-MISC or 1099-NEC as defined by Internal Revenue Code Section 6041 and accompanying IRS publications and instructions. The scope of our engagement was only to determine reportability and is not a full recalculation of transactions.

#### Intended Users of Report

This report is intended for use by UTA’s Internal Audit Division and UTA’s management for internal decision-making purposes only. We do not authorize this report to be used or relied upon by any 3<sup>rd</sup> parties.

#### Methodology

We examined a total of 54 transactions paid to a mix of 35 different payees where single or aggregate payments exceeded \$600 during 2023. For each transaction we analyzed the characteristics of the transaction to determine if it could qualify as reportable on a Form 1099. We also reviewed w9’s submitted by payees to UTA to determine if any of the transactions should be excluded based on both the characteristics of the transaction and the legal and/or tax structure of the payee. Where w9’s were not available we relied on the characteristics of the transaction and our professional judgment in the interpretation of *IRC Section 6041* and the IRS *Instructions for Forms 1099-MISC and 1099-NEC (Rev. January 2024)*.

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## Conclusion

We determined that 34 of 35 payees identified by the Internal Audit Division should have been issued a Form 1099. We found three primary reasons why these payees should have been issued a 1099:

### 1. Payments made to attorneys.

According to the IRS instructions for Form 1099-MISC and 1099-NEC:

*“Generally, you are not required to report the claimant’s attorney’s fees. For example, an insurance company pays a claimant’s attorney \$100,000 to settle a claim. The insurance company reports the payment as gross proceeds of \$100,000 in box 10. However, the insurance company does not have a reporting requirement for the claimant’s attorney’s fees subsequently paid from these funds. These rules apply whether or not:*

- *The legal services are provided to the payer;*
- *The attorney is the exclusive payee (for example, the attorney’s and claimant’s names are on one check); or*
- *Other information returns are required for some or all of a payment under another section of the Code, such as section 6041.*

*For example, a person who, in the course of a trade or business, pays \$600 of taxable damages to a claimant by paying that amount to a claimant’s attorney is required to:*

- *Furnish Form 1099-MISC to the claimant, reporting damages pursuant to section 6041, generally in box 3; and*
- *Furnish Form 1099-MISC to the claimant’s attorney, reporting gross proceeds paid pursuant to section 6045(f) in box 10.”*

We analyzed 15 payments for legal claims made to attorney’s or law firms on behalf of a claimant. Therefore, based on the final two bullet points in the instructions it is our opinion that 1099’s should have been issued.

### 2. Payments made for medical or healthcare purposes.

According to the IRS instructions for Form 1099-MISC and 1099-NEC, Box 6. Medical and Health Care Payments:

*“Enter payments of \$600 or more made in the course of your trade or business to each physician or other supplier or provider of medical or health care services. Include payments made by medical and health care insurers under health, accident, and sickness insurance programs...”*

We analyzed 29 payments made by UTA for medical or healthcare payments and determined that 1099’s should have been issued.

### 3. Payments to other individuals or businesses that should have been issued based on the information provided on Form w9 furnished to UTA by the payee.

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We reviewed the w9's submitted for five vendors and determined they should have been issued a 1099 based on the fact they were not S-Corporations or C-Corporations as defined by the internal revenue code.

4. Payees not requiring a 1099.

The one payee we determined should be exempt from receiving a 1099 was identified as a pharmacy that received five payments in the population provided. The IRS instructions for Form 1099-MISC, Box 6. Medical and Health Care Payments explicitly states that *"you are not required to report payments to pharmacies for prescription drugs."* We recommend UTA consult further with a tax attorney to help ascertain the IRS purpose for this exclusion and to ultimately determine the 1099 treatment for that vendor.

A list of vendor numbers and the determination of reportability can be seen in Appendix A of this report.

We sincerely appreciate the opportunity to work with UTA's Internal Audit Division and Management. If there are any questions regarding the content of this report, please reach out to High Impact CPA for further clarification.

Sincerely,



David E. Lewis, CPA

Principal, High Impact CPA

1154 W. Fremont Ave.

Salt Lake City, UT 84104

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Appendix A. Payee Analysis by Transaction

Transaction	Payee ID	Amount	Purpose	1099 Required
1	1462437	162.73	Pharmacy	No
2	1462437	162.97	Pharmacy	No
3	1462437	210.66	Pharmacy	No
4	1462437	163.19	Pharmacy	No
5	1462437	13.42	Pharmacy	No
6	1507528	1,699.50	Medical	Yes
7	1509009	600.00	Per w9	Yes
8	1514566	663.10	Per w9	Yes
9	1512242	75,000.00	Legal	Yes
10	1513143	3,000.00	Legal	Yes
11	1509628	21,255.00	Legal	Yes
12	1510638	32,000.00	Legal	Yes
13	1510811	3,000.00	Legal	Yes
14	1512241	57,491.90	Legal	Yes
15	1507464	700.00	Per w9	Yes
16	1510902	15,498.74	Legal	Yes
17	1510902	11,538.07	Legal	Yes
18	1513001	4,776.81	Legal	Yes
19	1515124	17,500.00	Legal	Yes
20	1515125	22,500.00	Legal	Yes
21	1515127	35,000.00	Legal	Yes

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22	1515128	40,000.00	Legal	Yes
23	1515819	35,000.00	Legal	Yes
24	1516333	3,000.00	Legal	Yes
25	1457724	76.87	Medical	Yes
26	1457724	268.24	Medical	Yes
27	1457724	154.82	Medical	Yes
28	1457724	236.61	Medical	Yes
29	1497485	180.78	Medical	Yes
30	1497485	96.29	Medical	Yes
31	1497485	92.38	Medical	Yes
32	1497485	54.81	Medical	Yes
33	1503168	102.47	Medical	Yes
34	1503168	102.47	Medical	Yes
35	1503168	479.21	Medical	Yes
36	1506275	1,123.80	Medical	Yes
37	1508158	1,397.76	Medical	Yes
38	1508158	2,271.36	Medical	Yes
39	1508716	4,169.33	Medical	Yes
40	1509314	153.90	Medical	Yes
41	1509314	153.90	Medical	Yes
42	1509314	163.80	Medical	Yes
43	1509314	222.30	Medical	Yes
44	1510809	5,170.00	Medical	Yes

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45	1513571	5,479.00	Medical	Yes
46	1513766	202.99	Medical	Yes
47	1513766	747.30	Medical	Yes
48	1513767	586.72	Medical	Yes
49	1513767	255.86	Medical	Yes
50	1514034	691.65	Medical	Yes
51	1514562	3,000.00	Medical	Yes
52	1101615	5,161.20	Medical	Yes
53	1514470	16,325.00	Per w9	Yes
54	1205731	5,220.63	Per w9	Yes

Subtotals by Payee ID

Payee ID	Transaction Count	Transaction Total	1099 Required
1101615	1	5,161.20	Yes
1205731	1	5,220.63	Yes
1457724	4	736.54	Yes
1462437	5	712.97	No
1497485	4	424.26	Yes
1503168	3	684.15	Yes
1506275	1	1,123.80	Yes
1507464	1	700.00	Yes
1507528	1	1,699.50	Yes
1508158	2	3,669.12	Yes

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1508716	1	4,169.33	Yes
1509009	1	600.00	Yes
1509314	4	693.90	Yes
1509628	1	21,255.00	Yes
1510638	1	32,000.00	Yes
1510809	1	5,170.00	Yes
1510811	1	3,000.00	Yes
1510902	2	27,036.81	Yes
1512241	1	57,491.90	Yes
1512242	1	75,000.00	Yes
1513001	1	4,776.81	Yes
1513143	1	3,000.00	Yes
1513571	1	5,479.00	Yes
1513766	2	950.29	Yes
1513767	2	842.58	Yes
1514034	1	691.65	Yes
1514470	1	16,325.00	Yes
1514562	1	3,000.00	Yes
1514566	1	663.10	Yes
1515124	1	17,500.00	Yes
1515125	1	22,500.00	Yes
1515127	1	35,000.00	Yes
1515128	1	40,000.00	Yes

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1515819	1	35,000.00	Yes
1516333	1	3,000.00	Yes
<b>Totals</b>	<b>54</b>	<b>435,277.54</b>	

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# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date: 12/16/2024**

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit  
Viola Miller, Chief Financial Officer  
Todd Mills, Director of Supply Chain

**TITLE:**

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**Procurement Process Performance Audit (R-24-01)**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion

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**BACKGROUND:**

The UTA Supply Chain department is a subdivision of the Finance office. Their responsibility is to procure, store, and deliver needed inventory and material to all departments within the organization. They manage purchase cards for small dollar purchases and manage large dollar requisitions. This engagement was focused on the Procurement function of Supply Chain with a particular emphasis on determining compliance with key federal procurement regulations.

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**DISCUSSION:**

Internal Audit will report on observations and recommendations from the audit.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

R-24-01 Procurement Process Performance Audit Report



**INTERNAL AUDIT**

## **Procurement Process Performance Audit**

**R-24-01**

**November 20, 2024**

## Table of Contents

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Attachment A: Detail of Recommendations	5

## Rating Matrix

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.

## Distribution List

Title	For Action <sup>1</sup>	For Information	Reviewed prior to release
Audit Committee		*	
Executive Director		*	*
Chief Financial Officer	*	*	
Director of Supply Chain	*	*	
Ethics Officer		*	

<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.

# Executive Summary

## Introduction

---

The Utah Transit Authority (“UTA”) Audit Committee directed the Internal Audit department (“IA”) to conduct a performance audit over the processes of the Procurement department. The Audit Committee approved the Audit Plan that included this engagement on December 18, 2023. IA completed the audit in accordance with International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

## Background and Overview

---

UTA’s Supply Chain department is a subdivision of the Finance office. Their responsibility is to procure, store, and deliver needed inventory and material to all departments within the organization. They manage purchase cards for small dollar purchases and manage large dollar requisitions. As of November 2024, the department is led by a Director of Supply Chain and then divided into groups under the following titles: Procurement Manager and Warehouse and Inventory Operations Manager. This engagement was focused on the Procurement function of Supply Chain.

## Objectives and Scope

---

Internal Audit focused audit activities on reviewing the Procurement department’s compliance with federal regulations. We took our audit procedures from checklists published in the Federal Transit Administration (“FTA”) document *Procurement System Review Contractors Manual Fiscal Year 2023* (“PSR”). Specifically, IA performed the checklists on policies and procedures, on systemwide elements, and conducted surveys from PSR published questions. We reviewed any time periods as necessary.

During the audit, IA found indications that the department was under-resourced relative to their objectives and responsibilities. We worked with management to document the existence and extent of under-resourcing.

## Summary

---

IA found that UTA procurement practices are in compliance with the PSR elements reviewed. We noted through that the Procurement department deviates from UTA policy on how they manage conflicts of interest identified in a procurement. UTA policy requires all employees to report conflicts of interest to the UTA Ethics Officer, but the Procurement department does not do this in the context of procurement requisitions. We recommend that the Procurement department adjust conflict of interest practices to align with UTA policy.

IA documented indications that the Procurement department is under-resourced, such as long processing times for procurements and staff working irregular hours to meet basic responsibilities.

The resource gap has a particularly high impact on the UTA Capital Services department. Capital Services has a high volume of procurement requisitions and needs timely service from the Procurement department to meet project deadlines and cost goals. The Chief Capital Services Officer addressed this constraint by using department funds to hire outsourced help for Procurement that would be dedicated to Capital Services. This is a wise use of funds by Capital Services to quickly address the problem and meet their goals, but it should not be necessary for one department to supplement another in this way. It also diverts funds Capital Services could otherwise spend on their

department's objectives. IA recommends that management converts the outsourced positions to UTA employee positions, and that management formally study the Procurement department's resource needs ahead of preparing the 2026 UTA budget.

## **Attachment A: Detail of Recommendations**

---

**Finding R-24-01-01 Conflict of Interest Disclosures to UTA Ethics Officer**

**Risk Level: Medium**

### **Criteria**

In the Procurement Desk Reference (PDR), the main repository for procurement policy, states in section 3.4 that UTA designates UTA Ethics Policy 01.01 (Ethics Policy) as its procurement standards of conduct.

The Ethics Policy section 3)A states:

*Any employee who has an actual or apparent Conflict of Interest must immediately report the nature of such interest to a Senior Manager and/or Director in the employee's supervisory chain and also to the Ethics Officer.*

### **Condition**

IA identified during surveys and interviews with Procurement department staff that the current procurement processes do not include any consultation or notification with the Ethics Officer on identified conflicts of interest.

### **Cause**

Current practice by the Procurement department has not encouraged or required the involvement of the Ethics Officer.

### **Effect**

Employees, contractors, or vendors may act unethically without detection when employees do not follow conflict of interest controls.

### **Recommendation**

1. Procurement department employees should report any conflicts of interest discovered in a procurement requisition to the UTA Ethics Officer.

### **Management Response and Action Plan**

By 12/31/2024 Management will conduct a training and review the PDR section with all procurement specialists and contract buyers to reinforce the policy. Management will also add a signature line on the "Affidavit regarding conflict of interest" form for Ethics Officer signature.

**Target Completion Date:** December 31, 2024

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) publishes an integrated framework to guide organizations on best practices for internal controls. Principle 4 of this framework, states:

*The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.*

COSO guidance on this principle further elaborates:

*The adequate number of resources is determined and periodically readjusted considering the relative importance of risks to be mitigated to support the achievement of the entity’s objectives.*

**Condition**

The Procurement department lacks adequate resources to meet their objectives and the needs of other departments that rely on their services.

**Cause**

Not applicable.

**Effect**

1. The Procurement department performs business critical services for UTA. All other departments rely on Procurement for sourcing and supply management, cost control, managing the risks of supply disruptions, and quality control over supplies and provider services. The Procurement department also plays a key role in ensuring that UTA is compliant with federal regulations that affect grant funding and in ensuring ethical procurement. An under-resourced Procurement department puts UTA’s objectives across the organization at risk of disruption.
2. Procurement department under resourcing has had an especially negative impact on the Capital Services department. Capital Services have a high volume of procurement requisitions and need timely service to meet project deadlines and cost goals. The Chief Capital Services Officer addressed this constraint by using department funds to hire outsourced help for Procurement that would be dedicated to Capital Services. This is a wise use of funds by Capital Services to quickly address the problem and meet their goals, but it should not be necessary for one department to supplement another department in this way. It also diverts funds Capital Services could otherwise spend on their department objectives.

The arrangement is also not ideal for the Procurement department. First, because Capital Services is paying for the outsourced help, their use must be focused on Capital Services’ requisitions. This may not always align with the most pressing immediate needs.

Additionally, outsourced help is not as cost-effective employees. The contract with the outsourced provider has a yearly cost of \$310,501 for two full-time consultants. By contrast, one of UTA’s medium tenured procurement employees had 2023 compensation of \$109,297 (including wages and benefits). UTA could hire almost three employees for the cost of two consultants.

3. Procurement department staff frequently work odd or long hours to meet their responsibilities. The auditor received the timestamp metadata of the Procurement department staff's emails. The data was not standardized enough to systematically analyze in a way that meets audit standards, but anecdotally the data showed significant staff time spent outside typical work hours of 7AM to 6 PM.
4. Staff levels have necessitated using management as procurement specialists instead of focusing on needed management activities.
5. The Procurement department's internal tracking of open requisitions show an average age of 24 days, and 18 requisitions were older than 180 days.

There are reasons besides Procurement resource levels that an open requisition may take time – for example, the requestor of procurement services may delay or otherwise stall the timeline, vendors may be slow to respond to requests, requisitions may be delayed for strategic reasons, etc. Regardless, the data shows that the average requestor of Procurement's services cannot expect a quick turnaround in typical circumstances. It is likely that under-resourcing is a contributing, if not the primary, factor.

### **Recommendation**

1. The Procurement department's 2026 budget should include headcount increases to convert the two outsourced consultant positions to full-time employees.
2. Management should formally study the Procurement department's resource needs ahead of planning for the 2026 budgets and allocated resources as appropriate to the findings of the study.

### **Management Response and Action Plan**

Prior to and during the 2026 budget planning season Procurement management will review expiring contracts and new projects with stakeholders in other departments to confirm that there is an ongoing need for more resources. If the demand for procurements is going to continue at this pace or increase we will submit to the Executive Team to convert the contractor positions to full-time positions.

**Target Completion Date:** August 31, 2025