Utah Transit Authority

669 West 200 South
Salt Lake City, UT 84101

Audit Committee

REGULAR MEETING AGENDA

Monday, March 10, 2025   **3:00 PM**   **FrontLines Headquarters**

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**   Chair Carlton Christensen

3. **Consent**   Chair Carlton Christensen

    a.   Approval of December 16, 2024 Audit Committee Meeting Minutes

    b.   Audit Committee Charter Approval

4. **Audit Committee Actions and Reports**

    a.   Internal Audit Charter Approval   Mike Hurst

    b.   Enterprise Risk Profile Report   Christie Giles

    c.   2025 Internal Audit Plan Approval   Mike Hurst

5. **Internal Audit Update**

    a.   Internal Audit Update   Mike Hurst
        · 2024 Audit Plan Status
        · Internal Audit Strategic Plan
        · Other Internal Audit Activities

    b.   Open Issue Report - March 2025   Mike Hurst

6. **Internal Audit Reports**

    a.   Real Estate and Transit Oriented Development Audit Report (R-24-03)   Mike Hurst / Jay Fox

   b.   Information Technology General Controls Follow-up Report (R-21-05)   Mike Hurst / Alisha Garrett

7.   **Other Business**   Chair Carlton Christensen

     a.   Next Meeting: Monday, June 16th, 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 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.

•   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.
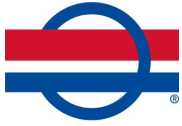
Utah Transit Authority

MEETING MEMO

Audit Committee **Date:** 3/10/2025

TO: Audit Committee
FROM: Curtis Haring, Board Manager

TITLE:

Approval of December 16, 2024 Audit Committee Meeting Minutes

AGENDA ITEM TYPE:

Minutes

RECOMMENDATION:

Approve the minutes of the December 16, 2024 Audit Committee meeting.

BACKGROUND:

A regular meeting of the UTA Audit Committee was held in person and broadcast live through the UTA meetings website on Monday, December 16, 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/960293.html> and video feed is available through the UTA Public Meeting Portal <https://rideuta.legistar.com/MeetingDetail.aspx?ID=1137861&GUID=12CDCC7E-26C1-4C30-8A37-0D809C5DFB2C>.

ATTACHMENTS:

2024-12-16_AUDIT_Minutes_UNAPPROVED

Utah Transit Authority
Audit Committee
MEETING MINUTES - Draft

| Monday, December 16, 2024 | 3:00 PM | FrontLines Headquarters |

Present: Chair Carlton Christensen
Beth Holbrook
Bob Stevenson
Jeff Acerson
Remote: Troy Walker

Also attending 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 join 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

Ann Green Barton, UTA Chief People Officer, delivered a brief safety message.

3.   Consent

    a.   Approval of September 23, 2024 Audit Committee Meeting Minutes

    b.   2024 Fraud Risk Assessment

A motion was made by Trustee Holbrook, and seconded by Trustee Acerson, to approve the consent agenda. The motion carried by unanimous vote.

4.   Audit Committee Actions

    a.   External Auditor Engagement Letters for 2024 Audits (Crowe LLP)

Rob Lamph, UTA Comptroller, presented the 2024 Engagement Letters for 2024 external audits, prepared by Crowe LLP. The audits include a financial audit, single audit, pension audit, and agreed upon procedure for National Transit Database (NTD) compliance.

Lamph noted this is the fifth year of a five-year contract with Crowe LLP and UTA will seek RFPs for 2025 external audit services.

Chair Christensen inquired if the audits are standard annual processes. Lamph responded in the affirmative.

Committee Member Bob Stevenson joined the meeting in person at 3:07 p.m.

A motion was made by Trustee Acerson, and seconded by Trustee Holbrook, to approve the External Audit Engagement Letters. The motion carried by unanimous vote.

5.　Internal Audit Update

　　a.　Internal Audit Update
　　　　· **2024 Audit Plan Status**
　　　　· **Other Internal Audit Activities**

Mike Hurst, UTA Director of Internal Audit, provided a status report for audit activities completed or in progress since the last audit committee meeting. Hurst's presentation included reports on the 2024 audit plan, continued projects, new projects, special projects, and other internal audit activities.

Hurst proceeded to review each category including a breakdown of the individual projects, current status, and associated timelines.

Discussion ensued. Questions posed by the committee and answered by Hurst included reporting concerns raised during safety audits, clarification of audit plan timelines, and the transfer of the sales tax review for purchasing card transactions assignment from Internal Audit to another department.

Hurst noted the 2025 audit plan will be presented in the March 2025 audit committee meeting.

Committee Member Troy Walker joined the meeting remotely at 3:15 p.m.

　　b.　Open Issues Report

Internal Audit presented a report detailing open issues tracked by the Audit Committee from April 2021 through September 2024. Hurst explained the report will serve as a planning tool and tracker for both Internal Audit and management and provide visibility and transparency to the committee. Hurst noted there are no concerns with the length of aging issues on the report and progress is being made or there are valid reasons for incompletion.

Chair Christensen asked Kim Shanklin how improvements and follow up work is being

addressed. Shanklin reported this task has been assigned to the UTA Risk Management department for monitoring and ongoing follow up with the involvement of the executive team and chief officers.

6.   **Internal Audit Reports**

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

Mike Hurst was joined by Dan Hofer, UTA Director of Capital Programs and Support, and Trice Batty, UTA Non-Revenue Vehicle Performance & Maintenance Manager.

The Support Fleet Vehicle Performance audit was completed in 2022. Subsequent follow up audits were completed in 2023 and 2024. Hurst's presentation included audit scope, findings, recommendations, and next steps. Remediation efforts were discussed. As part of the most recent audit, a new recommendation was added stating management needs access to the US Bank system to access support fleet related receipts.

Discussion ensued. Questions pertaining to staff resources, policies, SOPs, training, vehicle optimization, and centralized maintenance, were posed by the committee and answered by staff.

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

Mike Hurst was joined by Vi Miller, UTA Chief Financial Officer, and Rob Lamph to present on the 1099 reporting follow-up.

Hurst reported 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 compliance issues were repeated for reporting of year-end 2023.

Hurst discussed the audit scope and findings which included missing 1099 reporting for 34 vendors, the majority of which were medical claims and payments to attorneys. Management has developed action plans to avoid missed reporting in the future.

Discussion ensued on how the oversight occurred and how it will be avoided in the future. Miller stated controls and processes are in place in addition to adequate staffing and resources to manage this reporting. Lamph noted a correction process was enacted and UTA is in good standing with 1099 reporting.

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

Mike Hurst was joined by Vi Miller and Todd Mills, UTA Director of Supply Chain, to present the Procurement Process Performance Audit results.

Hurst reviewed the engagement scope, results, and recommendations. It was noted there were no compliance issues with federal regulations.

Recommendations include:
- Procurement department needs to disclose conflicts of interest identified during procurements to the UTA Ethics Officer.
- Outsourced positions should be converted to full-time employees.
- Management should study the procurement department's short and long-term resource needs ahead of the 2026 budget.

Discussion ensued. Questions pertaining to annual disclosures, departmental resources, and staffing needs, were posed by the committee and answered by staff.

7. Other Business

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

8. Adjourn

A motion was made by Committee Member Stevenson, and seconded by Trustee Holbrook, to adjourn the meeting. The motion carried by unanimous vote and the meeting adjourned at 4:09 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/pmn/sitemap/notice/960293.html for entire content. Meeting video is accessible at: https://rideuta.granicus.com/player/clip/338?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

Audit Committee   **Date:** 3/10/2025

TO: Audit Committee
FROM: Annette Royle, Chief of Board Strategy & Governance
PRESENTER(S): Annette Royle, Chief of Board Strategy & Governance

TITLE:

Audit Committee Charter Approval

AGENDA ITEM TYPE:

Audit - Approval

RECOMMENDATION:

Review and approve the UTA Audit Committee Charter as presented.

BACKGROUND:

UTA's Bylaws established the Audit Committee to direct the Internal Auditor to conduct audits determined to be most critical to the organization and to hear reports from the Internal Auditor and external auditors. The Bylaws and the current Audit Committee Charter also require the Audit Committee to function under the terms of an Audit Committee Charter reviewed annually.

DISCUSSION:

The UTA Audit Committee Charter was last updated and approved by the Audit Committee and Board of Trustees in March 2024.   The charter is required to be assessed annually for its adequacy by the Audit Committee.

UTA's Audit Committee Charter was initially drafted to align with requirements set by the Utah State Auditor's Office and Utah's Public Transit District Act.   At this time, we are not recommending any revisions and the Audit Committee Charter being presented for review has no modifications from the previously approved version.

ALTERNATIVES:

The committee may make suggestions for revisions to the charter.

FISCAL IMPACT:
None

ATTACHMENTS:
Audit Committee Charter for the Utah Transit Authority

AUDIT COMMITTEE CHARTER

FOR THE UTAH TRANSIT AUTHORITY

Pursuant to the Utah Transit Authority's ("UTA") Bylaws, the Board of Trustees ("Board") has established an Audit Committee to provide oversight of both the internal and external audit functions.

The components of this Audit Committee Charter include:
- Mission Statement
- Composition and Requisite Skills
- Duties and Responsibilities
- Membership
- Meetings and notifications
- Decision-Making Process
- Reporting Requirements
- Charter Review

MISSION STATEMENT
The Audit Committee is established to assist the Board in fulfilling its responsibilities for overseeing UTA's accounting and financial reporting processes, the integrity of their financial statements, and responsibilities related to systems of internal controls.

COMPOSITION AND REQUISITE SKILLS
As set forth in UTA's Bylaws, the Audit Committee is comprised of the Board of Trustees and the Chair and Vice-Chair of the Advisory Council. The Chair of the Board of Trustees shall serve as the Chair of the Audit Committee.

The Committee will review accounting, auditing, and financial reports and evaluate UTA's financial statements, the external audit, and internal audit activities. Accordingly, the Audit Committee has a collective responsibility to ensure they:
1) Possess the requisite knowledge necessary to understand technical and complex financial reporting issues.
2) Have the ability to communicate with auditors, public finance officers and governing officials.
3) Are informed about internal controls, financial statement audits and management/operational audits.

DUTIES AND RESPONSIBILITIES
The duties and responsibilities of the Audit Committee include the following:
1) External Audit Focus
   a. Provide recommendations regarding the selection of the external auditor.
   b. Meet with the external auditor prior to commencement of the audit to, among other things, review the engagement letter.
   c. Review and discuss with the external auditor any risk assessment of the entity's fiscal operations developed as part of the auditor's responsibilities under governmental auditing standards for a financial statement audit, federal single audit standards, state compliance requirements, or agreed upon procedures.

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d. Receive and review the draft annual audit report and accompanying draft management letter, including the external auditor's assessment of the entity's system of internal controls.
e. Make a recommendation to the Board of Trustees on accepting the annual audit report.
f. Review corrective action plans developed by UTA's management.
2) Internal Audit Focus
a. Assist in the oversight of the internal audit function, including reviewing and approving the annual internal audit plan to ensure that high risk areas and key control activities are periodically evaluated and tested, and reviewing the results of internal audit activities.
b. Review significant recommendations and findings of the Internal Auditor.
c. Receive updates on management's implementation of the Internal Auditor's recommendations.
d. Participate in the evaluation of the performance of the Internal Audit function.
e. Review and approve an Internal Audit Charter annually.
3) Administrative Matters
a. Hold regularly scheduled meetings.
b. Review the Audit Committee Charter annually and as necessary, recommend Charter revisions to the Board of Trustees for adoption.

MEMBERSHIP DUTIES

The membership duties of the Audit Committee include the following:
1) Good Faith – Members of the Audit Committee shall perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the Committee and UTA with such care as a generally prudent person in a similar position would use under similar circumstances.
2) Independence – An individual may not serve on the Audit Committee if he or she:
a. Is employed by the entity (other than governing board members).
b. Currently provides, or within the prior two years, has provided, goods or services to the entity.
c. Is a family member of an employee or officer.
d. Is the owner of or has a direct and material interest in a company providing goods or services to the entity.
3) Confidentiality – During the exercise of duties and responsibilities, the Committee members may have access to confidential information. The Committee shall have an obligation to the Utah Transit Authority to maintain the confidentiality of such information.

MEETINGS AND NOTIFICATIONS

The Audit Committee shall meet a minimum of four times each year. An agenda of each meeting should be clearly determined in advance and the Audit Committee should receive supporting documents in advance, for reasonable review and consideration.

The Audit Committee shall create meeting minutes which include the meeting:
1) Agenda
2) Time, date, and location
3) Attendance
4) Findings requiring further investigation
5) Items to report to the Board of Trustees

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DECISION-MAKING PROCESS

All decisions shall be reached by vote of a simple majority of the total membership of the Committee. A quorum constitutes a simple majority of the total membership and meetings will not be conducted unless a quorum is present.

REPORTING REQUIREMENTS

The Audit Committee has the duty and responsibility to report its activities to the Board for their action as needed. The Audit Committee's reporting requirements are to:

1) Provide minutes or a summary of minutes of meetings which clearly record the actions and recommendations of the Committee.
2) Report on its review of UTA's draft annual external audit report and accompanying management letter and its review of significant findings.
3) Report on suspected fraud, waste or abuse, or significant internal control findings and activities of the internal control function.
4) Report on indications of material or significant non-compliances with laws or UTA policies and procedures.
5) Report on any other matters that the Committee believes should be disclosed and referred to the Board for their action.

CHARTER REVIEW

The UTA Audit Committee shall assess the adequacy of this Charter no less than an annual basis or as necessary. Charter modifications, as recommended by the Audit Committee, should be presented to the Board in writing for their review and action.

Revision/Review History:

Date	Action
11/28/2018	New UTA Bylaws adopted by R2018-11-01 establishing the Audit Committee and requiring an Audit Committee Charter to be reviewed annually (Bylaws since revised by R2019-06-01 with same provisions for Audit Committee).
6/10/2019	Audit Committee received draft Audit Committee Charter for review on 4/29/19; Audit Committee approved the Charter on 6/10/2019.
2/10/2020	Revised Audit Committee Charter approved by Committee on 2/10/20; adopted by the Board of Trustees on 2/26/20. Revisions expanded function of external auditor for state compliance requirements and agreed upon procedures.
4/19/2021	Audit Committee Charter approved by the Audit Committee with no changes.
4/18/2022	Committee adopted revised Audit Committee Charter on 4/18/2022. Revisions clarified the Audit Committee Chair and added the duty of the committee to approve the Internal Audit Plan annually.
3/6/2023	Audit Committee Charter presented to the Audit Committee for review and approval. Revisions expanded duties of committee to review and approve the Internal Audit Charter annually.
3/2024	Audit Committee Charter presented to the Audit Committee for review and approval on 3/11/2024 and to the Board of Trustees for adoption on 3/27/2024. Added confidentiality requirements to member duties and clarified process for annual charter review and revisions as necessary.
3/10/2025	Charter presented to Audit Committee for annual review with no recommended changes.

Utah Transit Authority

MEETING MEMO

Audit Committee   **Date:** 3/10/2025

TO:	Audit Committee
THROUGH:	Annette Royle, Chief of Board Strategy and Governance
FROM:	Mike Hurst, Director Internal Audit
PRESENTER(S):	Mike Hurst, Director Internal Audit

TITLE:

Internal Audit Charter Approval

AGENDA ITEM TYPE:

Audit - Approval

RECOMMENDATION:

Review and approve the revised Internal Audit Charter as presented.

BACKGROUND:

The Audit Committee Charter (mandated by the Authority's Bylaws) requires an Internal Audit Charter to be reviewed and approved annually by the Committee. The Internal Audit Charter is a written document that sets the authority, scope, and standards of the Internal Audit function. The Charter is reviewed annually, and changes are presented to the Audit Committee for approval.

DISCUSSION:

The Internal Audit Charter has been updated to reflect a change in audit standards published by the Institute of Internal Auditors. In December 2024, the Board approved a reorganization that changed the organizational reporting structure of Internal Audit. The Charter was updated to reflect that change. The nature of consulting activities was clarified. Details of specific audit practices was removed to better align with the document being a charter and not an operating procedure document. The reporting section was updated to reflect the practice of management providing written responses to reports.

ALTERNATIVES:
The Audit Committee may make requests for further revisions to the Charter.

FISCAL IMPACT:
There is no fiscal impact from the Proposed changes.

ATTACHMENTS:
Internal Audit Charter for the Utah Transit Authority

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INTERNAL AUDIT CHARTER

FOR THE UTAH TRANSIT AUTHORITY

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The Board of Trustees ("Board") has established the Internal Audit Department ("Internal Audit") within the Board Strategy and Governance office as a key component of the Utah Transit Authority's ("UTA") governance framework.

This Internal Audit Charter serves as a framework for Internal Audit in the performance of its duties and is intended to provide a basis for the Chief of Board Strategy and Governance ~~Board~~ to evaluate the Internal Audit function.

The components of this Internal Audit Charter include:

- ~~Mission Statement~~Mandate
- Scope of Work
- Responsibilities
- Audit Plan
- Reporting
- Independence and Authority
- Standards of Audit Practice

~~MISSION STATEMENT~~MANDATE~~andate~~

The mandate ~~mission~~ of Internal Audit is to improve UTA's operations and systems of internal controls and add value through independent, objective assurance, and consultative support. Internal Audit helps UTA accomplish its objectives through a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance activities and processes.

SCOPE OF WORK

The scope of Audit coverage is organization~~agency~~-wide including all departments and business units of UTA.

To fulfill its mandate~~mission~~, Internal Audit assesses whether UTA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in areas such as:

- Risk identification and management
- Operational control
- Accurate, reliable, and timely financial, managerial and operating information
- Compliance with policies, standards and procedures
- Adherence to applicable laws and regulations
- Management's achievement of goals and objectives
- Economic acquisition, efficient use, and adequate protection of resources
- Support of management in their interaction with the various internal organizations and external regulatory authorities as needed~~.~~

RESPONSIBILITIES

The Director of Internal Audit and the Internal Audit staff have responsibility to:

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~~Approved – September 23, 2024~~
Proposed Revision – March 2024

- Develop an annual Audit Plan using appropriate risk-based methodology (including risks or control concerns identified by management, the Audit Committee and external Audits) and submit that plan to the Audit Committee for review and approval

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- Perform independent and objective audit engagements of the key processes and related internal controls supporting operations and financial reporting as part of the audit process
- Communicate audit engagement results and recommendations to management and the Audit Committee as part of the audit process
- Follow-up with management to assess whether Aaction Pplans are completed by management within the mutually agreed timeframe to address the risks and deficiencies identified
- Perform safety related audits required by the Federal Transit Administration.
- Support UTA management in their interaction with the external financial auditors
- Assist UTA management to facilitate other external compliance audits generally managed through other departments within UTA
- Assist UTA in identifying the characteristics of adequate systems of control
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of this Charter
- Establish and maintain a Quality Assurance and Improvement Program ("QAIP") in accordance with the ~~International Standards for the Professional Practice of Internal Auditing~~Global Internal Audit Standards, published by the Institute of Internal Auditors.
- Ensure that a peer review is conducted ~~d at least e~~every five years, and that results are communicated to the Audit Committee
- Keep the Audit Committee informed of emerging trends and best practices in internal auditing
- Assist the Audit Committee in any other way in connection with the discharge of ~~its~~ Ceommittee duties and responsibilities
- Prepare and present reports to the Audit Committee summarizing the status of Internal Audit's work at least quarterly but could be more frequently as directed by the Audit Committee
- Design and roll-out programs and practices around ethics, with support from UTA's Legal Counsel
- Assist in the investigations of suspected misconduct or fraudulent activities within the organization and notify management and, in the event of significant ethical violations, the Audit Committee.
- Develop a Strategic Plan for Internal Audit that documents~~ing~~ a long--term vision, objectives, and supporting initiatives for Internal Audit
- Maintain an Assurance Map outlining audit and monitoring activities across the organization

AUDIT PLAN

The annual Audit Plan is developed each year based upon input from UTA leadership and the Audit Committee and is submitted to the Audit Committee for review and approval.

The annual Audit Plan is comprised of topics or processes to be the subject of audit engagements, and may include, but is not limited to, a combination of the following:
- Assessments of compliance with UTA's policies and procedures
- Reviews of internal controls related to significant processes and IT systems to determine if ~~whether or not~~ they are properly designed and functioning as intended
- Reviews of financial and operating information
- Assessing if ~~whether~~ corporate assets are properly safeguarded

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- Reviews of computer-based systems focusing on data security, disaster recovery, and effective use of resources
- Reviews of internal controls designed to ensure compliance with external laws and regulations, including accounting rules and applicable regulations
- Operational audits focusing on improving efficiencies or effectiveness with a goal of contributing to cost reduction efforts
- Strategic audits, such as reviews of due diligence activities and the execution of UTA's strategic objectives
- Requested consulting services., Tthe nature of such services are determined in collaboration with management. Internal Audit may not provide any audit services for a period of one year following the conclusion of the consulting over an area where they consulted for a period of one year following the conclusion of the consulting.

To develop the annual Audit Plan, an overall risk-based approach is used to ensure that the Internal Audit function provides the greatest possible benefit to UTA. On an ongoing basis, matters considered in developing the annual Audit Plan include the following:

- Strategic and operational plans of UTA
- Risk for potential loss to UTA
- Opportunities to achieve operating benefits
- Existence of known errors, irregularities or control weaknesses
- Results of previous audits
- Changes in operations, systems or controls
- Changes in regulatory or other requirements
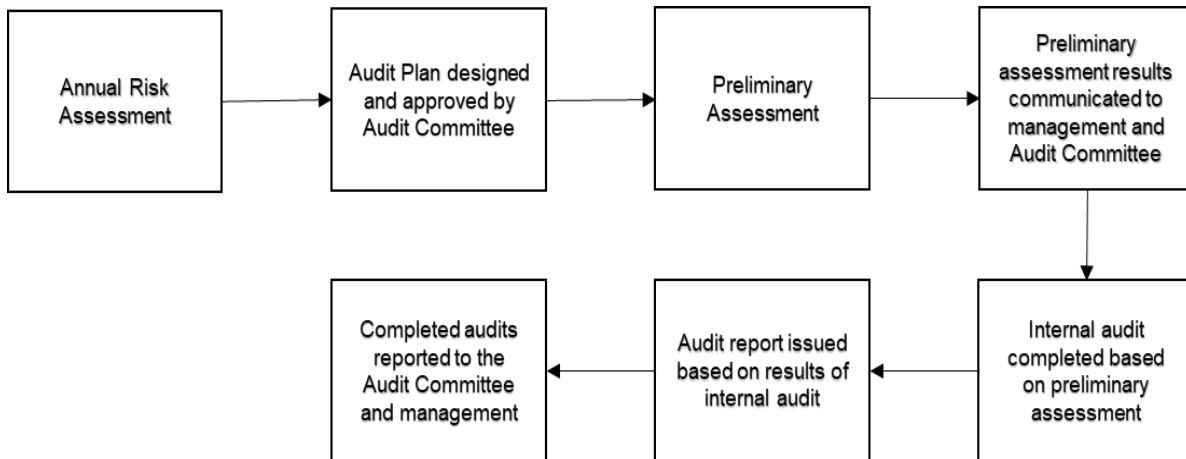- Requests from management, Audit Committee and external auditor

Each year, Internal Audit will work with UTA's leadership to perform risk assessment activities designed to identify and prioritize UTA's key risks. This information will be used to identify priorities to be addressed by the annual Audit Plan.

Based on the risk assessment performed, the Director of Internal Audit will present a proposed annual Audit Plan to the Audit Committee for approval. The Audit Plan is a list of topics or processes that will be the subject of audit engagements. Any significant deviation from the approved Audit Plan, such as adding a large audit engagement or removing an audit engagement, will be submitted to the Audit Committee for review and approval. Small changes, such as changing the type of engagement performed or small requested audit engagements can be carried out without Audit Committee approval and will be reported in the Director of Internal Audit's quarterly report to the Audit Committee.

The Internal Audit Plan will be developed in a manner that allows for the coverage of UTA's highest risk areas in a three-year period. The Director of Internal Audit, in consultation with the Audit Committee, will determine when certain critical risks and controls require more frequent coverage.

BACKGROUND INFORMATION ON AUDIT PROCESS
The following process flow depicts the typical Audit process at a high-level:

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Annual Risk Assessment → Audit Plan designed and approved by Audit Committee → Preliminary Assessment → Preliminary assessment results communicated to management and Audit Committee

Completed audits reported to the Audit Committee and management ← Audit report issued based on results of internal audit ← Internal audit completed based on preliminary assessment

A preliminary assessment is the typical type of engagement for Internal Audit to conduct. The primary purpose of a preliminary assessment is to evaluate the control environment of the process or topic. A preliminary assessment may progress to an audit phase to test the operation of the control environment. Further follow up of outstanding issues may be conducted as a separate phase, as necessary.

Internal Audit may perform other types of audit engagements, such as performance audits, which evaluate a department's success against an objective criteria or measurement, or a compliance audit, which measures adherence to specific regulations, laws, or policies. Internal Audit will select the audit type during the planning of the engagement.

REPORTING

A report will be issued by the Director of Internal Audit to the Audit Committee following the completion of any engagement phase (preliminary assessment, audit, follow-up). —The report will document observations and , recommendations, and management action plans, as necessary. Management must be offered the opportunity to provide a written response to be included in the report. The written response can document agreement or disagreement with the results and an action plan, if applicable. The report will be provided to the Audit Committee members and discussed at a future Audit Committee meeting. Reports may be restricted from public release if classified as protected under the provisions of the Governmental Records Access and Management Act (Utah Code, §63G-2-101, *et seq*.).

- Other engagement types will have a report issued by the Director of Internal Audit outlining any findings, recommendations, and management Aaction Pplans. The report will be provided to the Audit Committee members and discussed in a future Audit Committee meeting.

- The Director of Internal Audit may report urgent issues to the Board of TrusteesChief of Board Strategy and- Governance, as necessary.

INDEPENDENCE AND AUTHORITY

To provide for Internal Audit's independence, the Director of Internal Audit reports to the Chief of Board Strategy and Governance, which position reports directly to the Board of Trustees. All Internal

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Audit personnel will report to the Director of Internal Audit. The Director of Internal Audit will meet at least once every quarter, but more frequently, if necessary, with the Audit Committee. The Audit Committee may choose to meet with the Director of Internal Audit in private and apart from UTA management, if the meeting satisfies the criteria for a closed session under Utah's Open and Public Meetings Act (Utah Code §52-4-101, *et seq.*).

To maintain its independence, Internal Audit will have no direct operational responsibility or authority over any of the activities under scope of its review. Accordingly, Internal Audit will not be responsible to develop or install systems or procedures, prepare records, or engage in any other activity that would normally be audited but may perform a consulting role without any decision-making authority.

Internal Audit is authorized to have unrestricted access to all company activities, records, property and personnel. Restriction to these accesses imposed by any employee or management of UTA, which prevents Internal Audit from performing ~~its~~any duties, will be reported immediately to the Executive Director, ~~Board Chair~~Chief of Board Strategy and Governance, or directly to the Audit Committee, based on circumstances as determined by the Director of Internal Audit.

STANDARDS OF AUDIT PRACTICE

Internal Audit will adhere to mandatory elements of The Institute of Internal Auditors' ~~International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Definition of Internal Auditing, and the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors in the execution of its duties. During 2024, Internal Audit will begin adopting the 2024~~ Global Internal Audit Standards. ~~published by The Institute of Internal Auditors on January 9, 2024, with full compliance by 2025.~~ Additionally, Internal Audit must adhere to laws and regulations specific to Internal Audit activities, with applicable jurisdiction, including Utah Code 17B-2a-801, Utah Public Transit District Act.

Revision/Review History:

Date	Action
3/28/2018	Board of Trustees adopted Internal Audit Charter by R2018-03-03
6/10/2019	Audit Committee presented with revised Internal Audit Charter for review on 4/29/19; Audit Committee approved the Charter on 6/10/2019.
2/10/2020	Revised Internal Audit Charter reviewed and approved by Committee on 2/10/20 with minor verbiage updates.
2/1/2021	Internal Audit Charter presented and approved by the Audit Committee with no changes.
1/31/2022	Committee adopted revised Internal Audit Charter. Revisions included title changes for staff functions and updates to audit processes including establishment of a QAIP, documentation of a peer review process, and expanded standards of audit practice.

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~~Approved – September 23, 2024~~
Proposed Revision – March 2024

3/6/2023	Audit Committee Charter duties and responsibilities amended to include the Committee's review and approval of the Internal Audit Charter annually. Committee approval of revised Internal Audit Charter that adds responsibility for EEO investigations, safety audits, and removes duties to facilitate UTA's annual risk assessment which will be done by management.
9/23/2024	Language was added to reflect new standards adopted by the Institute of Internal Auditors (IIA) that comply with State of Utah law, and to clarify audit types. Removed language about investigating discrimination and retaliation claims which will be done by the Office of the Attorney General.
2/13/2025	Language was added to reflect a change in audit standards published by the Institute of Internal Auditors. The organizational reporting structure was updated. The nature of consulting activities was clarified. Details of specific audit practices was removed to better align with the document being a charter and not an operating procedure document. The reporting section was updated to reflect the practice of management providing written responses to reports.

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Approved – September 23, 2024
Proposed Revision – March 2024

Utah Transit Authority

MEETING MEMO

Audit Committee   **Date:** 3/10/2025

TO:	Board of Trustees
THROUGH:	Jay Fox, Executive Director
FROM:	Alisha Garrett, Chief, Enterprise Strategy Office
PRESENTER(S):	Christie Giles, Risk Management Administrator

TITLE:

Enterprise Risk Profile Report

AGENDA ITEM TYPE:

Report

RECOMMENDATION:

Informational item for discussion.

BACKGROUND:

UTA leadership and the Enterprise Risk Management Administrator partnered to develop UTA's risk profile and risk appetite based off industry best practices and UTA's current risk data set.

DISCUSSION:

This report will provide a high-level review of UTA's risk profile based off current risk data. This data shows UTA's current risk ratings in comparison to UTA's risk appetite. The variance between the two provides insight for areas to focus our risk mitigation and risk controls.
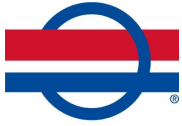

ALTERNATIVES:

N/A

FISCAL IMPACT:

Fiscal impact will be determined as risk mitigation efforts are considered and integrated into the future budget and resource conversation at the Agency.

ATTACHMENTS:

None

Utah Transit Authority

MEETING MEMO

Audit Committee   **Date:** 3/10/2025

TO: Audit Committee
FROM: Mike Hurst, Director Internal Audit
PRESENTER(S):   Mike Hurst, Director Internal Audit

TITLE:

2025 Internal Audit Plan Approval

AGENDA ITEM TYPE:

Audit - Approval

RECOMMENDATION:

Approve the 2025 Internal Audit Plan as presented.

BACKGROUND:

UTA's Audit Committee Charter, and Internal Audit Charter both require the Internal Auditor to annually submit an audit plan to the Audit Committee for approval. This plan is based on assessments of risk and input from management.

DISCUSSION:

Internal Audit is proposing the following projects for the 2025 Audit Plan:

1. 25-01 Environmental Governance

2. 25-02 Vanpool Operations

3. 25-03 Purchase Card Program

4. 25-04 Video Security

5. 25-05 Special Services Operations

6. 25-06 Drug and Alcohol Compliance

7. 25-07 Buy America Compliance

8. 25-08 Light Rail Safety

9. 25-09 Commuter Rail Safety

10. 25-10 Mount Ogden Bus Maintenance

11. 25-11 Assurance Map

12. 25-12 Bus Safety Audit

13. 25-13 Construction Audit

ALTERNATIVES:

The Audit Committee can reject specific projects or the entire plan and Internal Audit will revise the plan according to the feedback.

FISCAL IMPACT:

Not applicable

ATTACHMENTS:

2025 Internal Audit Plan

Date: 2/13/2025
To: UTA Audit Committee
From: Mike Hurst, Director Internal Audit
Subject: Background Information for the 2025 Internal Audit Plan

Introduction

The following Audit Plan was drafted with input from senior management, assessment of risks and fraud risk, and by the results of past assurance activities. Each projects lists key background information, how the project supports the Strategic Priorities from the Utah Transit Authority ("UTA") 2030 Strategic Plan. Those strategic priorities are 1) Moving Utahns to a Better Quality of Life 2) Exceeding Customer Expectations 3) Achieving Organizational Excellence 4) Building Community Support 5) Generating Critical Economic Return. All five Strategic Objectives are covered by at least project on the Audit Plan.

The Audit Plan also documents how projects help to address the top perceived risks as documented by the UTA Enterprise Strategy Office. Those risks are 1) Technology 2) Strategy/Planning 3) Regulatory Compliance 4) Infrastructure 5) Operational 6) Financial 7) Informational Security 8) Reputational. All risks are covered by at least one project except for Information Security and Strategy/Planning.

Internal Audit lacks the in-house expertise to perform advanced audits related to Information Security and lacks the financial resources to outsource Information Security audits without specific request through the budget process. Internal Audit has partnered with the Information Technology department to provide assurance over Information Security. Internal Audit will contact Information Technology at the start of each audit, and they will consider the Information Security environment applicable to the audit and provide any technical assistance needed to audit the Information Security components.

Internal Audit considered projects that would cover Strategy/Planning, but none made the final Audit Plan. Both Strategy and Planning were significant topics in a recent audit completed by the State of Utah Legislative Auditors. There is not presently significant assurance gap from Internal Audit not including any projects in these areas.

Internal Audit Projects

1. 25-01 Environmental Governance

Background: UTA is subject to government regulations around environmental concerns, such as properly storing fuel and managing fuel spills. The Capital Services office manages UTA's environmental compliance. This audit will evaluate the governance aspects of the UTA environmental compliance management. Governance topics include evaluating aspects of the department such as resource levels, establishment of governance through policy, and execution of governance through procedure and training.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Quality of Life; Organizational Excellence; Economic Return

Related Risks: Regulatory/Compliance; Reputational, Operational

2. **25-02 Vanpool Operations**

Background: Vanpool refers to a UTA public group commuting program. This audit will evaluate the governance of the department that runs the program, how maintenance of vehicles is handled, compliance with applicable safety practices, and compliance with applicable civil rights related topics.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Quality of Life; Customer Experience; Community Support; Organizational Excellence; Economic Return

Related Enterprise Risks: Operational; Regulatory/Compliance

3. **25-03 Purchase Card Program**

Background: UTA has purchase cards (credit cards) to help employees efficiently make micro purchases that do not require formal bids or other procurement methods to be applied. This audit will evaluate the governance of the department that runs the purchase card program, evaluate cardholder compliance with program policies and procedures, and analyze transaction data for indicators of fraud, waste, or abuse.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Organizational Excellence; Economic Return

Related Enterprise Risks: Financial

4. **25-04 Video Security**

Background: UTA has video security cameras installed in facilities and on certain vehicles as a tool for safety and security. This audit will evaluate the governance of the department that runs the video security program and will evaluate the effectiveness of the program. Guidance published by the American Public Transportation Association ("APTA") will be used as audit criteria for evaluating effectiveness of the program.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Customer Experience; Community Support; Organizational Excellence; Economic Return

Related Enterprise Risks: Operational, Regulatory/Compliance; Infrastructure; Reputational; Technology

5. **25-05 Special Services Operations**

Background: Special Services is the business unit that oversees the operation and maintenance of the UTA transportation modes designed for people whose functional abilities required individualized transportation service, as Paratransit, flex route in the fixed route bus system, and vanpool. This audit will focus (but not be excluded to) paratransit and flex route modes. We will evaluate the governance of the business unit that runs the program, how maintenance of vehicles is handled, how trip scheduling is performed, how dispatching is performed, compliance with applicable safety practices, and compliance with applicable civil rights related topics.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Quality of Life; Customer Experience; Community Support; Organizational Excellence; Economic Return

Related Enterprise Risks: Operational; Regulatory/Compliance

6. **25-06 Drug and Alcohol Compliance**

Background: UTA is subject to government regulations regarding employee's use of drugs and alcohol. The UTA People Office manages compliance with these requirements. The specific topics of the audit will be developed in consultation with Bailey White Solutions LLC, a firm contracted by UTA to provide Federal Grant Compliance Management Services. This audit was requested by a member of senior management with nexus to our drug and alcohol compliance requirements.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Customer Experience; Organizational Excellence

Related Enterprise Risks: Regulatory/Compliance; Reputational

7. **25-07 Buy America Compliance**

Background: UTA is subject to regulations that require the use of American-made products in federally funded transportation projects. The specific topics of the audit will be developed in consultation with Bailey White Solutions LLC, a firm contracted by UTA to provide Federal Grant Compliance Management Services. This audit was requested by a member of senior management with nexus to our Buy America compliance requirements.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Economic Return

Related Enterprise Risks: Regulatory/Compliance; Financial

8. **25-08 Light Rail Safety**

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Background: UTA annually completes safety audit based on checklists produced by the Federal Transit Administration. This safety audit is focused on the Light Rail mode. The audit report for this project will go through the UTA Safety department, not through the UTA Audit Committee.

Related Strategic Priorities from the 2025 UTA Strategic Plan: Customer Experience; Organizational Excellence

Related Enterprise Risks: Regulatory/Compliance; Reputational; Operational, Infrastructure

9. 25-09 Commuter Rail Safety

Background: UTA annually completes safety audit based on checklists produced by the Federal Transit Administration. This safety audit is focused on the Commuter Rail mode. The audit report for this project will go through the UTA Safety department, not through the UTA Audit Committee.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Customer Experience; Organizational Excellence

Related Enterprise Risks: Regulatory/Compliance; Reputational; Operational; Infrastructure

10. 25-10 Mount Ogden Bus Maintenance

Background: Mount Ogden is a business unit that operates fixed bus routes in Davis and Weber counties. This audit will be focused on the maintenance performance of this business unit.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Customer Experience; Organizational Excellence; Economic Return

Related Enterprise Risks: Operational

11. 25-11 Assurance Map

Background: An assurance map is a document that visually depicts an organization's risks and all the assurance (audit) activities that cover those risks. As of January 2025, the audit standards that UTA Internal Audit follows requires an Assurance Map. Internal Audit will develop an Assurance Map and maintain it moving forward.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Organizational Excellence

Related Enterprise Risks: Regulatory/Compliance

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Outsourced Projects

12. 25-12 Bus Safety Audit

Background: UTA management requested that bus safety audit be added to accompany the Light Rail and Commuter Rail safety audits. For the first year of an annual audit, Internal Audit and management decided to outsource the audit to APTA. APTA offers a standard audit program and includes topics requested by management. The cost of the audit will be covered by the Internal Audit budget.

**Related Strategic Priorities from the 2030 UTA Strategic Plan:** Customer Experience; Organizational Excellence

Related Enterprise Risks: Regulatory/Compliance; Reputational; Operational, Infrastructure

13. 25-13 Construction Audit

Background: A third-party will be contracted to perform an audit over a UTA construction project. The audit is focused on contractor cost compliance against the related contract, not UTA internally. The cost of the audit will be covered by the Internal Audit budget.

Related Strategic Priorities from the 2030 UTA Strategic Plan: Economic Return

Related Enterprise Risks: Infrastructure; Financial; Regulatory/Compliance
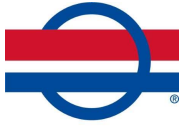
5

Utah Transit Authority

MEETING MEMO

Audit Committee   **Date:** 3/10/2025

TO: Audit Committee
THROUGH: Annette Royle, Chief of Board Strategy & Governance
FROM: Mike Hurst, Director Internal Audit
PRESENTER(S): Mike Hurst, Director Internal Audit

TITLE:

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

AGENDA ITEM TYPE:

Discussion

RECOMMENDATION:

Informational presentation for discussion.

BACKGROUND:

Internal Audit will report on audit activities since the December 16, 2024 Audit Committee Meeting.

DISCUSSION:

The following items will be discussed:

- Status of engagements listed on the 2024 Internal Audit Plan.

- Internal Audit Strategic Plan.

- Other Internal Audit Activities completed will be discussed, including an update on the five-year peer review of audit standards and the drafting of an Internal Audit desk reference guide.

ALTERNATIVES:

Not applicable

FISCAL IMPACT:

Not applicable

ATTACHMENTS:

None

Utah Transit Authority

MEETING MEMO

Audit Committee   **Date:** 3/10/2025

TO:	Audit Committee
FROM:	Mike Hurst, Director Internal Audit
PRESENTER(S):	Mike Hurst, Director Internal Audit

TITLE:

Open Issue Report - March 2025

AGENDA ITEM TYPE:

Discussion

RECOMMENDATION:

Informational presentation for discussion.

BACKGROUND:

The Open Issues Report tracks outstanding findings from prior internal audit reports and provides the status of those issues. Internal Audit monitors and assesses management's response to an audit finding until the open issue can officially be closed.

DISCUSSION:

Internal Audit will discuss outstanding issues that have been closed since the last report at the Audit Committee meeting on December 16, 2024. UTA's Enterprise Risk Management Administrator will join in discussing new procedures for management's follow-up work to resolve the open issue items.

ALTERNATIVES:

Not applicable

FISCAL IMPACT:

Not applicable

ATTACHMENTS:
Internal Audit Open Issues Log

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3) Original Report Details	(4)	(5)	(6)	(7)	(8)
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Original Report Details					
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
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	12/16/2024	To date four standard operating procedures have been adopted. One more SOP and a policy are pending adoption.	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	12/16/2024	Management has plans to develop support fleet related training to guide vehicle users on proper protocols.	Same as above.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	12/16/2024	Management is developing strategies and procedures for optimizing the make-up and distribution of the support fleet.	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Original Report Details					
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
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	12/16/2024	A key management system has been purchased and is pending installation.	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Support Fleet Preliminary Performance Audit Report	R-22-06-5	Management has not established formal thresholds to govern vehicle use.	12/16/2024	12/16/2024	Not applicable		Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Support Fleet Preliminary Performance Audit Report	R-22-06-6	Management is not receiving all vehicle related transaction data from purchase card users. The Procurement department should provide them with read-only access to the US Bank purchase card system.	12/16/2024	12/16/2024	Not applicable		Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3) Original Report Details	(4)	(5)	(6)	(7)	(8)
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Recruitment Assessment Report (23-11)	R-23-11-B	Third party recommendation: Update standard operating procedures and include service level agreements.	06/26/2023	6/26/2023	Not applicable	*No comment provided*	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	6/26/2023	Not applicable	*No comment provided*	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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 Conduct Leadership Strategy Sessions to align on priorities for the Talent Acquisition team.	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3) *Original Report Details*	(4)	(5)	(6)	(7)	(8)
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
Recruitment Assessment Report (23-11)	R-23-11-F	Third party recommendation: Investigate data validation rules and optimize features in Jobvite.	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Recruitment Assessment Report (23-11)	R-23-11-H	Third party recommendation: Build structure into Talent Acquisition team communication cadence.	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	6/26/2023	Not applicable	TA Whiteboard weekly meetings were introduced to create better Communication transparency in TA project progress/updates and successes.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Recruitment Assessment Report (23-11)	R-23-11-J	Third party recommendation: Provide standardized onboarding and ongoing development training to Recruiters.	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3) Original Report Details	(4)	(5)	(6)	(7)	(8)
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
Recruitment Assessment Report (23-11)	R-23-11-K	Third party recommendation: Provide Hiring Manager training on how to conduct interviews.	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Recruitment Assessment Report (23-11)	R-23-11-L	Third party recommendation: Update the Talent Acquisition team reporting structure.	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3) Original Report Details	(4)	(5)	(6)	(7)	(8)
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
Recruitment Assessment Report (23-11)	R-23-11-N	Third party recommendation: Instill proactive candidate sourcing as a norm.	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Recruitment Assessment Report (23-11)	R-23-11-O	Third party recommendation: Communicate and educate Hiring Managers on Compensation Benchmarking results	06/26/2023	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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.	12/16/2024	12/16/2024	Not applicable	New SOP requiring a W-9 for vendors has been drafted and is in the process of review.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
1099 Reporting Preliminary Assessment (R-23-03)	R-23-03-2	Audit testing for reporting year 2022 identified 52 medical practitioners or attorneys that should have been issued a form 1099 but were not. Follow-up work for reporting year 2023 found the problem repeated.	12/16/2024	12/16/2024	Not applicable	New SOP requiring a W-9 for claims vendors has been drafted and is in the process of review.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Original Report Details					
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Original Report Details					
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3) _Original Report Details_	(4)	(5)	(6)	(7)	(8)
Engagement	**Issue Number**	**Issue Summary**	**Audit Committee Report Date**	**Current Status Date**	**Current Status Summary**	**Current Management Response**	**Next Touchpoint**
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	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 Clerks 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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	2/27/2025	The broader Operations office is putting a pause on issuing new SOPs.	A 2025 schedule for documented information was developed to review/revise/reissue about 80 documents. A dedicated resource was assigned to document production on February 11th.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	2/27/2025	The issue appears to have been partially remediated - details will not be shared until the issue is fully resolved.	_Not applicable given security concerns._	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

Internal Audit Open Issues Log
Scope: Open audit issues reported to the Audit Committee from April 2021 - December 2024

(1)	(2)	(3) *Original Report Details*	(4)	(5)	(6)	(7)	(8)
Engagement	Issue Number	Issue Summary	Audit Committee Report Date	Current Status Date	Current Status Summary	Current Management Response	Next Touchpoint
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	2/27/2025	Management is working on a restructuring and consolidation that will positively impact the resourcing and efficiency of TCC.	We are also exploring the feasibility of centralizing control centers, which would result in a Regional Operations Center.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	*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.*	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Preliminary Assessment of Payroll Process	R-24-06-01	Internal Audit testing found non-compliance with vacation sell-back policy.	09/23/2024	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
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	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.	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Procurement Process Performance Audit	R-24-01-01	The Procurement department does not report identified conflicts of interest to the UTA Ethics Officer.	12/16/2024	12/16/2024	Not applicable	Not applicable	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.
Procurement Process Performance Audit	R-24-01-02	The Procurement department is under-resourced relative to the size and scope of their business objectives.	12/16/2024	12/16/2024	Not applicable	Not applicable	Timing and nature of follow-up to be determined in coordination with Enterprise Risk Management.

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Utah Transit Authority

MEETING MEMO

Audit Committee   **Date:** 3/10/2025

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

TITLE:

Real Estate and Transit Oriented Development Audit Report (R-24-03)

AGENDA ITEM TYPE:

Report

RECOMMENDATION:

Informational report for discussion.

BACKGROUND:

Internal Audit conducted an audit of the Real Estate and Transit Oriented Development ("TOD) department as part of the 2024 Internal Audit Plan. The objective of the audit was to examine if accounting policies are followed in the sale and purchase of real estate, if records are properly maintained, if the role of the Board of Trustees with Real Estate and TOD is appropriate, and the sufficiency of project management of TOD projects.

DISCUSSION:

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

ALTERNATIVES:

Not applicable

FISCAL IMPACT:

Not applicable

ATTACHMENTS:
R-24-03 Real Estate and Transit Oriented Development Audit

UTA

INTERNAL AUDIT

Real Estate and Transit Oriented Development Audit

R-24-03

February 14, 2025

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Rating Matrix

Descriptor	Guide
High	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.
Medium	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.
Low	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[1]	For Information	Reviewed prior to release
Audit Committee		*	
Executive Director		*	
Chief Capital Services Officer		*	
Director of Real Estate & TOD		*	*

[1]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 Real Estate and Transit Oriented Development ("TOD") department. The Audit Committee approved the Audit Plan that included this engagement on December 18, 2023. IA conducted the audit in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

Background and Overview

UTA's Real Estate and TOD department is a subdivision of the Capital Services office. Their responsibility is to oversee the development, sale, and purchase of real properties for the organization. The department manages multiple projects aimed at continuous development of property to better serve the public and aid in UTA's mission.

Objectives and Scope

The period under review was January 1, 2022 – June 30, 2024.

Internal Audit focused audit activities on reviewing the department's compliance with UTA policies and standards of procedures ("SOP"). Specifically, IA reviewed the following topics:

- Real Estate Transaction Accounting
- Records Management
- Project Management of TOD projects
- Role of the Board in Real Estate and TOD

Summary

IA initiated this engagement on June 10, 2024 and then cancelled February 12, 2025 after management did not meet a final deadline to provide records. We were particularly concerned with the state of real estate transaction records; the documentation for land sales and purchases appeared incomplete and disorganized. We were unable to determine precise root cause for the low levels of engagement and poor records, but the department appears to be understaffed, has had recent turnover of high-performing staff, and may lack specific expertise in key areas.

Executive Management is hiring a consultant team to assist Real Estate and TOD in determining pain points and reviewing department processes. IA will not conduct further testing or root cause analysis because the consultant's activities will fulfill the primary outstanding goals of the audit. We thank Real Estate and TOD for their dedication to meeting UTA's mission. Our intent with this report is to document a need to determine what resources the department needs to meet their objectives.

Management Response

Management did not provide a response for this report as of the time of publishing the report.

Utah Transit Authority

669 West 200 South
Salt Lake City, UT 84101

MEETING MEMO

Audit Committee **Date:** 3/10/2025

TO:	Audit Committee
THROUGH:	Jay Fox, Executive Director
FROM:	Mike Hurst, Director Internal Audit
PRESENTER(S):	Mike Hurst, Director Internal Audit
	Alisha Garrett, Chief, Enterprise Strategy Office

TITLE:

Information Technology General Controls Follow-up Report (R-21-05)

AGENDA ITEM TYPE:

Report

RECOMMENDATION:

Informational report for discussion.

BACKGROUND:

Internal Audit completed a preliminary assessment of Information Technology General Controls and presented the report in the Audit Committee meeting on April 18, 2022. Internal Audit completed an audit phrase of this project and reported to the Audit Committee on June 26, 2023. One issue remained open after this phase (R-21-05-02 Security Standards). Internal Audit confirmed it was completed in follow-up work completed February 2025. The project is now closed.

DISCUSSION:

Internal Audit will report on observations from the follow-up phase of the project.

ALTERNATIVES:

Not applicable

FISCAL IMPACT:

Not applicable

ATTACHMENTS:

R-21-05 Information Technology General Controls Follow-up Report

INTERNAL AUDIT

Information Technology General Controls

Follow-up Report

R-21-05

February 18, 2025

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Rating Matrix

Descriptor	Guide
High	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.
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Low	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[1]	For Information	Reviewed prior to release
Executive Director		*	*
Chief Enterprise Strategy Officer		*	
Information Technology Director		*	
Information Security Manager		*	
Enterprise Systems Manager		*	

[1]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

In conjunction with the Audit Committee, Internal Audit (IA) developed a risk-based annual audit plan. This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute for Internal Auditors (IIA).

IA was directed by the Audit Committee to perform an audit to determine if information technology general controls are designed adequately and operating effectively to ensure compliance with federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives.

IA completed the preliminary assessment phase with a report dated March 9, 2022 and completed an audit phase with a report dated March 6, 2023. IA completed final follow-up work on February 5, 2025.

Background and Overview

UTA Information Technology (IT) is the custodian of data rights, as authorized by executive, department, and section managers, to UTA employees who require access to data and applications to perform their jobs. Technology's goal is to protect and limit access to only those staff members that need access to data to perform their assigned tasks.

Objectives and Scope

Audit Phase

The time period reviewed was April 1, 2022, through November 30, 2022. The primary areas of focus for the preliminary assessment were:
- Governance
- Security Management
- Change Management
- Data Management
- Business Continuity
- Third-party service providers

IT topics are by nature complex and require a high level of expertise and experience to understand and apply. While Internal Audit has an understanding of IT topics and IT general controls, we lack the specific expertise to offer assurance over highly technical areas. This engagement should be not understood as a general assessment and not providing an depth, technical look at the IT control environment.

Follow-up Phase

IA limited the objectives and scope of the follow-up phase to determining the status of finding R-21-05-02, which finding recommended that IT adopt a framework of standards for information technology.

Summary

Audit Phase

Internal Audit reviewed, without exception, the following:

- IT has implemented a software that assists with threat detection and response.
- has installed a software that will track compliance with established standards.
- IT's governance within the organization is well established by policy and documentation.
- Rules for system user passwords are enforced and effective.
- Active Directory control is effectively managed. Timely communication from departments who hire contractors is needed, but this is not a reportable issue.
- Internal access to servers is limited to authorized employees.
- IT enforces installation of anti-virus software on user computers.
- Software patches are addressed and implemented.
- IT works closely with the Records department to implement data retention strategy.
- Data backups occur at regular intervals. Tests of backup data are performed monthly.
- IT provides UTA management with regular reports on cyber security vulnerabilities.
- IT maintains a business continuity and disaster recovery plan.

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

Follow-up Phase

IT provided evidence that a third-party, Optiv, completed an assessment and analysis of UTA's compliance with the National Institute of Standards and Technology Cybersecurity Framework. The report itself is evidence that IT has adopted NIST and satisfied finding R-21-05-02. IA has closed all findings from the initial audit report.

Finding R-21-05-01 Data Access Separation of Duties	High

Preliminary Assessment Condition Summary:
SOD helps protect the company against fraud by ensuring that any one user does not have access to applications that can be used to circumvent an approval process. Internal Audit attempted to prepare a detailed review of SOD within the JD Edwards environment. This review noted that the IT department does not maintain a data dictionary defining the functionality of objects.

The IT department relies on the Data Owners reviewing user access to determine if there are conflict of duties. However, without a data dictionary, or "key", to use to determine the functionality of objects, the reviewer cannot adequately determine if a user's access rights present a conflict.

Criteria:
UTA Department of Information Technology No. 1.0.5 Access Control Policy states:

> *III. The term "Authorized User" or "User" means any person who is authorized to use a specific Technology Resource. Authorization may be based on job title, job roles, job responsibility or other methods of access control. Authorization will be determined by the Department of Information Technology Supervisor in charge of the system or application, or designee, in consultation with the data owner.*

> *IV.C. Segregation of Duties*
> *1. Access to Technology Resources will only be provided to Authorized Users based on business requirements, job function, and/or responsibilities.*
> *2. All Authorized Users of Sensitive Data will have the appropriate authorization granted to them by the owner and/or system administrator of the Sensitive Data.*
> *3. Authorized parties granting access to Users must document the specific privileges.*

> *IV.D. User and Administrative Access*
> *4. All privileged access by data or system administrators will be reviewed no less than every 6 months by appropriate administrator and validated by the SISA.*

UTA Agency SOP No. AGCY01.03 Technology Access Control Standard Operating Procedure states:

> *2. "Separation of Controls and Duties" is an internal control designed to prevent damage, fraud, and error by ensuring that at least two individuals are responsible for separate parts of any sensitive task. An example would be by disseminating the duties and associated privileges for a specific business process among multiple users.*

> *2.A.2. Separation of Controls and Duties*
> *Authorization to a resource will rely upon feedback from the system, application or data owners, and the Department of Information Technology, utilizing job title, job roles, job responsibility, or other access control methods.*

> *2.B.1. Authorized User Account and Access Management*

Each Department will define data access roles that support segregation of duties in order to reduce unauthorized data access and use.

UTA Corporate Policy No. 1.1.23 Information Security Policy states:
IV.A.7. Individual Accountability
The Technology Department has the right to limit User's access to Technology Resources based on best practices, least privilege or contractual, compliance or regulatory requirements.

Cause:
Not determined.

Inherent Risk:
Users access rights may grant them the ability to circumvent established approval process, allowing them to perform tasks outside their responsibilities and authority. This access can lead to undetected fraud, waste, mistakes, or abuse.

Recommendations:
1. IA recommends the Enterprise Applications department prepare a list specifying the function of each object in the JD Edwards environment and provide it to the Data Owners that review user access.
2. IA recommends the IT department develop an alert to detect when conflicting duties are assigned to a user and require an approval before assignment of conflicting duties takes effect.

Management Response and Action Plan:
Creating a data dictionary of all objects is the JD Edwards environment would result in millions of records and would be unmanageable. It would also be a never-ending task and any benefit of a Data Dictionary would be negated by the effort in keeping it current.

The Enterprise Applications Department believes that many of Internal Audit's objectives listed above can be achieved by creating a Sensitive Objects list and having access to these objects approved by the JDE Superusers that are all subject matter experts in their respective functional areas.

Furthermore, the Enterprise Applications Team will research options to determine if a system alert can be proactively created that will provide a notification in the event a conflict-of-interest duty is created.

Target Completion Date:
March 31, 2023

Current Status – Audit Phase:
Closed.

Management determined that it would be infeasible to create a comprehensive Sensitive Objects list for the JD Edwards application. This is because of the high number (potentially thousands) of objects, and they are not subject matter experts on what duties constitute a conflict.

Management relies on departments to manage conflicting duties through job and task assignment. To assist management with identification of potentially conflicting object access, management sends a quarterly report to department management listing objects and who has access and what access they have. Management can then review the list to determine if access is appropriate for current circumstances.

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From IT's perspective, they have appropriately mitigated the risk. Separation of duties must be considered a departmental, end-user issue.

Finding R-21-05-02 Security Standards	Medium

Preliminary Assessment Condition Summary:
Internal Audit determined that the IT department does not follow a set of information technology standards. Standards provide a framework organizations can use to design effective controls to ensure a secure information system infrastructure.

Criteria:
UTA Department of Information Technology No. 9.1.1 IT Application and Systems Devops Policy states:
I. Purpose.

> *A goal of the IT Department is to provide quality systems for users that initially meets the users requirements and is without issues. Secondary to this goal, it is also a goal to develop systems that are easily supportable and understandable by IT staff assigned to support systems. To this end, this Policy establishes the minimum requirements, responsibilities used to successfully develop and deploy applications and systems, and to establish best practices and procedures for ongoing Application services and Database support. Detailed procedures may exist in supportive Application Support and Development Division Standard Operating Procedures (SOPs).*

Utah Code Part 7 Cybersecurity Affirmative Defense Act states:
78B-4-703 Components of a cybersecurity program eligible for an affirmative defense

> *(1) Subject to Subsection (3), a person's written cybersecurity program reasonably conforms to a recognized cybersecurity framework if the written cybersecurity program:*
>> *(a) is designed to protect the type of personal information obtained in the breach of system security; and*
>> *(b)*
>> *(i) is a reasonable security program described in Subsection (2);*
>> *(ii) reasonably conforms to the current version of any of the following frameworks or publications, or any combination of the following frameworks or publications:*
>>> *(A) NIST special publication 800-171;*
>>> *(B) NIST special publications 800-53 and 800-53a;*
>>> *(C) the Federal Risk and Authorization Management Program Security Assessment Framework;*
>>> *(D) the Center for Internet Security Critical Security Controls for Effective Cyber Defense; or*
>>> *(E) the International Organization for Standardization/International Electrotechnical Commission 27000 Family - Information security management systems;*
>> *(iii) for personal information obtained in the breach of the system security that is regulated by the federal government or state government, reasonably complies with the requirements of the regulation, including:*
>>> *(A) the security requirements of the Health Insurance Portability and Accountability Act of 1996, as described in 45 C.F.R. Part 164, Subpart C;*
>>> *(B) Title V of the Gramm-Leach-Bliley Act of 1999, Pub. L. No. 106-102, as amended;*

(C) the Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283;

(D) the Health Information Technology for Economic and Clinical Health Act, as provided in 45 C.F.R. Part 164;

(E)Title 13, Chapter 44, Protection of Personal Information Act; or

(F) any other applicable federal or state regulation; or

(iv) for personal information obtained in the breach of system security that is the type of information intended to be protected by the PCI data security standard, reasonably complies with the current version of the PCI data security standard.

(2) A written cybersecurity program is a reasonable security program under Subsection (1)(b)(i) if:

(a) the person coordinates, or designates an employee of the person to coordinate, a program that provides the administrative, technical, and physical safeguards described in Subsections 78B-4-702(4)(a) and (c);

(b) the program under Subsection (2)(a) has practices and procedures to detect, prevent, and respond to a breach of system security;

(c) the person, or an employee of the person, trains, and manages employees in the practices and procedures under Subsection (2)(b);

(d) the person, or an employee of the person, conducts risk assessments to test and monitor the practice and procedures under Subsection (2)(b), including risk assessments on:

(i) the network and software design for the person;

(ii) information processing, transmission, and storage of personal information; and

(iii) the storage and disposal of personal information; and

(e) the person adjusts the practices and procedures under Subsection (2)(b) in light of changes or new circumstances needed to protect the security, confidentiality, and integrity of personal information.

(3)

(a) If a recognized cybersecurity framework described in Subsection (1)(b)(ii) or (iv) is revised, a person with a written cybersecurity program that relies upon that recognized cybersecurity framework shall reasonably conform to the revised version of the framework no later than one year after the day in which the revised version of the framework is published.

(b) If a recognized cybersecurity framework described in Subsection (1)(b)(iii) is amended, a person with a written cybersecurity program that relies upon that recognized cybersecurity framework shall reasonably conform to the amended regulation of the framework in a reasonable amount of time, taking into consideration the urgency of the amendment in terms of:

(i) risks to the security of personal information;

(ii) the cost and effort of complying with the amended regulation; and

(iii) any other relevant factor.

Inherent Risk:

Absent the guidance of a reputable framework, internal controls over key information systems may not be designed adequately to protect private information from intrusion and exploitation, or to ensure the stability and fidelity of the system.

Cause:

The previous Director of IT had stated on several occasions,

"The IT Department aligns with The National Institute of Standards and Technology (NIST) which means that the IT Department utilizes NIST 800-100 Information Security as recommendations and suggestions in forming how it can provide information security at UTA with current resources. It is understood that NIST requires an enormous amount of resources that a public transportation agency would not be able to have for the level of security risk compared to other State or Federal agencies or private organizations, so directly measuring UTA against NIST is not applicable."

Recommendations:
IA recommends UTA implement a set of standards or framework to provide assurance that:
- The IT department is governed and managed holistically
- Gaps in controls are identified and addressed
- UTA has guidance in areas of regulatory compliance, risk management and aligning IT Strategy with organizational goals.

Management Response and Action Plan:
Management will develop a process to better align I.T. with a reputable Framework. As the process is developed and gaps identified, management will determine what additional Risk Management Activities need to be implemented. I.T. Management will identify areas that would benefit from aligning I.T. Strategy with Organizational Goals.

Target Completion Date:
March 31, 2023

Current Status – Audit Phase:
Partially implemented.

Management has procured a new software that will aid in monitoring against NIST standards. This a strong first step toward standards compliance.

Current Status – Follow-up Phase:
Completed.

IT management adopted the NIST Cybersecurity Framework. Management hired a third-party, Optiv, to perform an assessment and analysis of conformance with the Standards, with a report issued November 27, 2024. Management addressed the issue, and IA closed it as completed.

Management Response – Follow-up Phase
Management did not provide a response.