

# UTA Audit Committee Meeting

June 16, 2025



# Call to Order and Opening Remarks



# Safety First Minute



# Consent Agenda

- a. Approval of the March 10, 2025, Audit Committee Meeting Minutes

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## Recommended Action (by acclamation)

Motion to approve the consent agenda



# Audit Committee Actions



# **2024 UTA Annual Comprehensive Financial Report (ACFR) and National Transit Database (NTD) Agreed Upon Procedure Report**





# Utah Transit Authority

2024 AUDIT PRESENTATION | June 16, 2025



# Key Engagement Team Members



Brad Schelle – Engagement Signing Partner



Stacy Curnow – Audit Manager



Kathy Lai – Concurring Review Partner

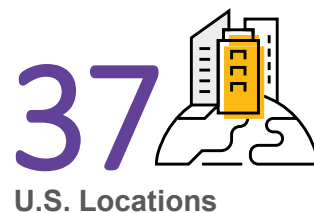


Morgan Kintner– Audit Senior Staff





# Crowe Background



# Audit Approach

## Objective

- Express an opinion on the presentation of the financial statements

## New Accounting Standards

- GASB 101 – Compensated Absences – see Note 2 of the Financial Statements



# Timeline

**May – June**

Test the financial statements and prepare to issue the audit opinion.

**December 2024**

Interim fieldwork, including management interviews and assessment of internal controls.

**June 2025**

Presentation of results to the Audit Committee

**October 2024**

Audit planning and risk assessment.

**April - May**

Year-end fieldwork, including substantive audit procedures on year-end balances and fiscal year activity.



# Audit Deliverables

## Financial Statements

- Independent Auditor's Report
- SAS 114 Letter
- Management Letter

## Compliance

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance
- Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the *State Compliance Audit Guide*
- "In relation to" opinion on the Schedule of Expenditures of Federal Awards
- Crowe's electronic certification of the Data Collection Form through Federal Clearinghouse
- Agreed Upon Procedures report on National Transit Database Federal Funding Allocation Statistics Form



# Audit Results

- Unmodified (clean) opinion
- No material weaknesses in internal controls
- One significant deficiency in internal controls
  - Accounting for capital and subscription assets
- Five deficiencies communicated via the management letter
  - Federal grant revenue
  - Improper accrual of expenses (recurring)
  - GASB 101 implementation
  - Revenue vehicle depreciation (recurring)
  - Payment of invoices within 60 days in accordance with Utah State Law (recurring)



# Audit Results (continued)

- Three audit adjustments
  - To properly record subscription asset and liability for new agreements entered into in 2024. This increased assets by \$14.3 million, increased liabilities by \$4.8 million, and decreased 2024 expenses by \$9.5 million.
  - To remove grant revenue and receivable related to expenditures not able to be claimed until a budget revision is executed on the grant. This decreased assets by \$2.7 million and decreased 2024 revenue by the same amount.
  - To record an accrual for December purchased transportation services provided. This increased liabilities by \$322 thousand and increased 2024 expenses by the same amount.
- Two waived or uncorrected adjustments
  - To transfer completed projects placed into service prior to December 31, 2024 from construction in progress (CIP) to a depreciable capital asset. The impact of waiving this adjustment is that CIP is overstated by \$8.9 million and depreciable capital assets is understated by the same amount. There is no net impact.
  - To transfer capitalizable expenses from an expense account to CIP. The impact of waiving this adjustment is that CIP is understated by \$5.7 million and 2024 expenses are overstated by the same amount.
- No observations noted in the NTD testing



# Fraud Considerations

## General:

- Inquiry of management, employees, and Board about risks of fraud - none noted
- Consideration of unusual or unexpected relationships that have been identified in performing analytical procedures in planning the audit - none noted
- Consideration of whether fraud risk factors exist - none noted
- Consideration of other information gathered throughout the audit - none noted

## Fraudulent Financial Reporting Procedures:

- Examination of journal entries and other adjustments for evidence of possible material misstatement due to fraud – no issues noted
- Review of accounting estimates for biases that could result in material misstatement due to fraud, including a retrospective review of significant prior year estimates – no issues noted
- Evaluation of the business rationale of significant unusual transactions – no issues noted
- Testing of revenue for proper cut-off – no issues noted



# Other Required Communications

Topic	Comment
Independence Communication	<ul style="list-style-type: none"> <li>We are not aware of any relationship between Crowe LLP and the Authority that, in our professional judgment, may reasonably be thought to impair our independence. We did assist in the preparation of the ACFR, but utilized the trial balance and documents from the Authority to prepare them.</li> </ul>
Significant Accounting Policies	<ul style="list-style-type: none"> <li>No new accounting policies</li> </ul>
Management's Judgments and Accounting Estimates	<ul style="list-style-type: none"> <li>Fair value of investments</li> <li>Estimated useful lives of capital assets</li> <li>Actuarial assumptions used in net pension liability calculations</li> <li>Loss contingencies</li> </ul>
Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices	<ul style="list-style-type: none"> <li>Appropriateness of accounting policies</li> <li>Adequacy of financial statement disclosures</li> <li>Timing of transactions</li> <li>Significant risks, exposures and unusual transactions - None</li> <li>Selective correction of misstatements – None</li> </ul>





# Other Required Communications (continued)

Topic	Comment
<p>Other Communications:</p> <ul style="list-style-type: none"><li>• Other Information in Documents Containing Audited Financial Statements</li><li>• Significant Difficulties Encountered During The Audit</li><li>• Disagreements With Management</li><li>• Consultations With Other Accountants</li><li>• Representations The Auditor Is Requesting From Management</li><li>• Significant Issues Discussed, Or Subject To Correspondence, With Management</li><li>• Significant Related Party Findings and Issues</li><li>• Other Finding or Issues We Find Relevant or Significant</li></ul>	<p>No issues noted.</p>



# Emerging Issues



Implementation 12/31/2025

- GASB 102, *Certain Risk Disclosures*

Implementation 12/31/2026

- GASB 103, *Financial Reporting Model Improvements*
- GASB 104, *Disclosure of Certain Capital Assets*

Inflation Reduction Act Tax Credits





# Thank You

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## **Recommended Action (by acclamation)**

Motion to recommend acceptance of the 2024 UTA Annual Comprehensive Financial Report and the National Transit Database Agreed Upon Procedure Report by the Board of Trustees



# Internal Audit Update

Agenda Item 5.



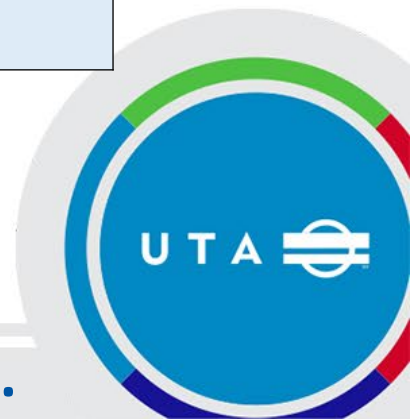
# Internal Audit Update

- 2024 Internal Audit Plan Status
- 2025 Internal Audit Plan Status



# 2024 Audit Plan

Engagement #	Project Name	Current Status	Report to Audit Committee
23-11	Recruitment Follow-up	Moved to follow-up tracker	Open issues should be resolved by October 2025, report to Audit Committee December 2025
24-02	Construction Contract Audit	Complete	June 16, 2025
24-03	Real Estate and Transit Oriented Development Audit	Complete	March 10, 2025
24-9	Outstanding Action Plan Follow-up	Closed	Reports on Follow-up activities occur every Audit Committee meeting
24-10	Legislative Auditor Follow-up	Ongoing	Not applicable



## 2025 Audit Plan – Internal Audit Projects

Engagement #	Audit Phase Project	Current Status	Report to Audit Committee
25-01	Environmental Governance	Not started	Expected March 2026
25-02	Vanpool Operations	Not started	Expected March 2026
25-03	Purchase Card Program	In progress	Expected September 2025





## 2025 Audit Plan – Internal Audit Projects

Engagement #	Audit Phase Project	Current Status	Report to Audit Committee
25-04	Video Security	Not started	Expected September 2025
25-05	Special Services Operations	In progress	Expected September 2025
25-06	Drug and Alcohol Compliance	Not started	Expected March 2026



## 2025 Audit Plan – Internal Audit Projects

Engagement #	Audit Phase Project	Current Status	Report to Audit Committee
25-07	Buy America Compliance	Not started	Expected March 2026
25-08	Light Rail Safety	In progress	Expected September 2025
25-09	Commuter Rail Safety	Not started	Expected September 2025



## 2025 Audit Plan – Internal Audit Projects

Engagement #	Audit Phase Project	Current Status	Report to Audit Committee
25-10	Mount Ogden Bus Maintenance	Partially complete	First phase: June 16, 2025. Second phase: December 2025
25-11	Assurance Map	Complete	June 16, 2025



## 2025 Audit Plan – Outsourced Projects

Engagement #	Audit Phase Project	Current Status	Report to Audit Committee
25-12	Bus Safety Audit	Procurement in progress	Award – September 2025; Audit Report – December 2025
25-13	Construction Audit	Procurement in progress	Award – December 2025; Report – to be determined based on the timing of construction project audited



# **2024 UTA Internal Audit External Assessment – Remediation Action Plans**



# External Assessment Background

- Audit Standards require an external assessment of standards compliance every five years.
- Assessment was against standards published in 2017.
- Internal Audit performed a self-assessment with external validation.
- The Internal Audit department for the Department of Workforce Services performed our External Assessment, completed February 2025.



# Gaps of Conformance and Action Plans, page 1

1. The annual risk assessment is completed by the Enterprise Risk Management function at UTA, and the timing of the audit plan has not allowed for consideration of the annual risk assessment.
  - Agree. Issue identified in December 2023. Moved adoption of Audit Plans to March to accommodate the timing of Enterprise Risk Management's risk assessment.
  
2. The Internal Audit Function's policies and procedures have needed updated for a couple of years.
  - Agree. IA identified the issue in 2023 but purposely delayed because new standards were forthcoming. Procedure manual adopted in February 2025 aligned to the 2025 standards.



# Gaps of Conformance and Action Plans, page 2

## 3. Internal Audit has not audited the Enterprise Risk Management function

- Partially agree. Enterprise Risk Management was not fully implemented until 2024. The new standards no longer require this, but the topic will be considered for future audit plans.

## 4. Documentation retention for the Internal Audit function had not been formalized.

- Agree. We identified the issue in December 2023. Procedure manual lists document retention requirements. We completed training by the Records department in March 2025.





# Gaps of Conformance and Action Plans, page 3

5. The documentation for engagement supervision was not readily available.

- Agree. IA identified the issue in December 2023 and practices were improved. Review requirements are documented in procedure manual and now controlled by templates.

6. The monitoring of audit recommendations did not have a formal process.

- Agree. We began a more formal process starting with the December 2024 Audit Committee meeting. We have since partnered with Enterprise Risk Management to develop a robust and collaborative follow up process.



# Opportunities for Continuous Improvement and Action Plans, page 1

1. A third party provided assurance services over ethics controls.
  - Disagree. In 2023, Internal Audit outsourced an audit of controls we perform. This was the proper way to handle the situation and will do it again if the situation arises.
2. The Enterprise Risk Management Function completes the risk assessment, and internal audit must consider risk management as part of their due professional care.
  - Partially Agree. Internal Audit actively coordinates with Enterprise Risk Management on risk assessment activities. We will consider audits of the department as appropriate, but the new standards do not require such audits.



# Opportunities for Continuous Improvement and Action Plans, page 2

3. The lack of formally adopted policies and procedures leaves a gap in control for achieving the purpose and responsibilities outlined in the audit charter.

- Agree. IA identified the issue in 2023 but purposely delayed because new standards were forthcoming. Procedure manual adopted in February 2025 aligned to the 2025 standards.

4. The Chief Audit Executive has limited interaction with the external auditors.

- Agree. This Audit Committee we released our first assurance map, which is a strong step towards greater visibility of the actions of external auditors.



# **Open Audit Recommendations Report – June 2025**



## Open Issue – Procedure Update

- Enterprise Risk Management (ERM) works with management on action plans
- ERM uses a form to submit to IA changes to action plans and requests for follow-up review
- Communication is managed using a shared dashboard
- New report format
  - Executive Summary
  - Overview of Open Issues
  - Details of Open Issues
  - Issues closed since last report



## Issues changes since last Audit Committee Meeting

- Four “low priority” issues from Recruitment Assessment
  - Management will treat these as continuous improvement opportunities
- IA closed recommendation that Vanpool perform red flag monitoring of purchase card transactions – folding into full audit.
- Closed issue that Payroll department use JD Edwards for document storage – not practical



## Issues changes since last Audit Committee Meeting

- ERM submitted 11 issues for follow-up on May 18.
- ERM escalated seven issues to the Executive Team.
- ERM paused three issues until policy and procedure initiatives are resolved.



# Internal Audit Reports





# 2025 Assurance Map (25-11)



# What is an Assurance Map?

- A list of any audit or monitoring activity and how they check up on the biggest risks of UTA.
- UTA Level 1 Risks:
  - Technology
  - Strategy/Planning
  - Regulatory/Compliance
  - Infrastructure
  - Operational
  - Financial
  - Information Security
  - Reputational



# Why does UTA need an Assurance Map?

- Requirement of Standards
- Ensures coverage of what's important
- Decreases duplication of work



# What stood out in the Assurance Map?

- UTA has a strong assurance presence around the risks Operations and Regulatory/Compliance.
- Additional coverage is needed in Technology and Information Security risks.
- There are assurance activities for areas that affect reputation, but no assurance over departments with direct responsibility for managing UTA's reputation, such as Communications and Government Relations.



# Construction Cost Audit Report (24-02)



# Audit Scope



- Audit focused on the program management services vendor, HNTB.
- Period of Review: April 1, 2021 – December 31, 2024
- Audit topics:
  - Invoicing and Approval Process
  - HNTB Consulting Needs that Exceeded Hours of a Full-time Employee
  - Disallowed costs that UTA may have paid



# Audit Recommendations, page 1

- Future contracts should have clear requirements for invoice documentation and format.
- Management should develop and document standard procedures for invoice review and approval.
- In the future the appropriate project manager must approve all invoices.
- Future contract provisions should clearly define the invoice approval process and specify the period within which UTA is authorized to review then approve invoices prior to payment to the vendor.



## Audit Recommendations, page 2

- Management should develop a tracking mechanism to identify specific specialties that UTA uses for over 2,000 hours per year. Management can then use this data to build cases for additional headcount as appropriate.
- Future contracts should adopt a Master Task Order (MTO) format, or similar, to ensure that Board oversight is applied at a project level.
- Management should work with the Board Office to define a streamlined approval process, due to the volume of single projects executed under the contract.





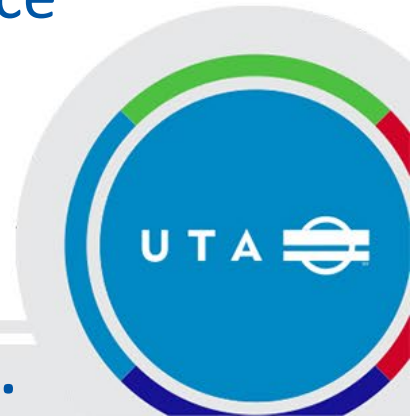
# **Mount Ogden Bus Maintenance Audit Report (25-10)**



# Audit Scope



- Period of Review: January 1, 2024 – February 28, 2025
- Audit topics:
  - Governance
  - Risk Management
  - Maintenance Performance



# Audit Recommendations, page 1

Standard Operating Procedure Title	Date Updated
Safety Inspections and Audits	8/21/2015
Walking-Working Surfaces	8/21/2015
Fall Protection	5/31/2017
Roadway Response Safety	8/21/2015
Hot Work (cutting/welding) Plan	5/31/2017
Spray Finishing Operations	8/21/2014
Respiratory Protection Plan	8/21/2015
Confined Space (Permit and Non-Permit)	11/15/2019
Hazard Energy Control (Lockout/Tagout)	5/31/2017
Power Industrial Truck and Forklift Safety Program	8/21/2015
Overhead Lifting (Crane and Hoist Operation)	5/31/2017
Machine/Equipment Safety and Guarding Plan	8/21/2015
Exposure Control Plan (Blood-Borne Pathogens)	6/29/2017
Regulatory Inspection Response	8/21/2015

Operations management should work with the Safety Department to review 14 safety-related SOPs and make necessary updates.



## Audit Recommendations, page 2

Job Title	Last Updated	Minimum Experience Described	Job Duties Described
Bus Vehicle Maintenance Supervisor	09/2019	Yes	Yes
Journeyist	06/2015	Yes	Yes – low level of details
Manager Vehicle Performance & Maintenance	04/2020	Yes	Yes
Mechanic/Technician Apprentice	03/2020	Yes	Yes – low level of details
Service Employee	03/2020	Yes	Yes – low level of details
Coach Cleaner	11/2014	No	Yes – low level of details

Operations management should work with Human Resources to review all job description documents and make necessary updates.





# Next Steps



- Internal Audit will test the timeliness of performing preventative maintenance in October 2025.
- The delay was to give time for a sufficient sample size to be generated.
- Results will be reported to the Audit Committee during the December meeting.



# Other Business

- a. Next Meeting: Monday, September 22, 2025, at 3:00 p.m.



# Adjourn

