



Utah Transit Authority

Audit Committee

MEETING MINUTES - Draft

669 West 200 South
Salt Lake City, UT 84101

Monday, September 23, 2024

3:00 PM

FrontLines Headquarters

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

Also in attendance were UTA staff and interested community members.

1. Call to Order & Opening Remarks

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

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

2. Safety First Minute

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

3. Consent

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

4. Audit Committee Actions

a. Internal Audit Charter Approval

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

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

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

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

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

5. Internal Audit Update

a. Internal Audit Update

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

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

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

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

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

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

b. Open Issues Follow Up Report

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

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

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

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

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

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

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

6. Internal Audit Reports

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

reference.

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

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

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

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

7. Other Business

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

8. Adjourn

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

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

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

Approved Date:

Carlton Christensen
Chair, UTA Audit Committee

