

# SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

FY19 Risk Refresh

FY20 and FY21 Recommended Internal Audit Work Plans

March 7, 2019

Governance and Audit Committee Meeting

# VTA Auditor General Responsibilities:

## VTA's Auditor General is responsible for:

- Assisting the Board to fulfill its fiduciary responsibility through risk management, audit, and efficiency improvement processes
- Developing an annual Internal Audit Work Plan
- Identifying operational enhancements and process improvement opportunities
- Reporting results to the Governance & Audit Committee and the Board
- Monitoring VTA Ethics Hotline and investigating submissions
- Holding an annual public meeting

## The Auditor General's Office cannot:

- Perform management functions or make management decisions
- Implement any audit recommendations
- Create or develop any VTA policies or studies

## Types of Risk



# Previously Completed AG Projects (Selected)

## Information Technology

- CAD / AVL Project Monitoring
- Network Security
- IT Development & Project Management
- Trapeze Ops implementation

## Strategic

- Transit Oriented Development
- Succession Planning
- Express Lane Operations
- Risk Assessments

## Financial Reporting

- Third Party Fare Reporting
- Grants Management
- Timekeeping and Payroll
- ATU Pension Plan

## Safety & Security

- Network Security
- Public Safety Process
- Sheriff's Office Contract

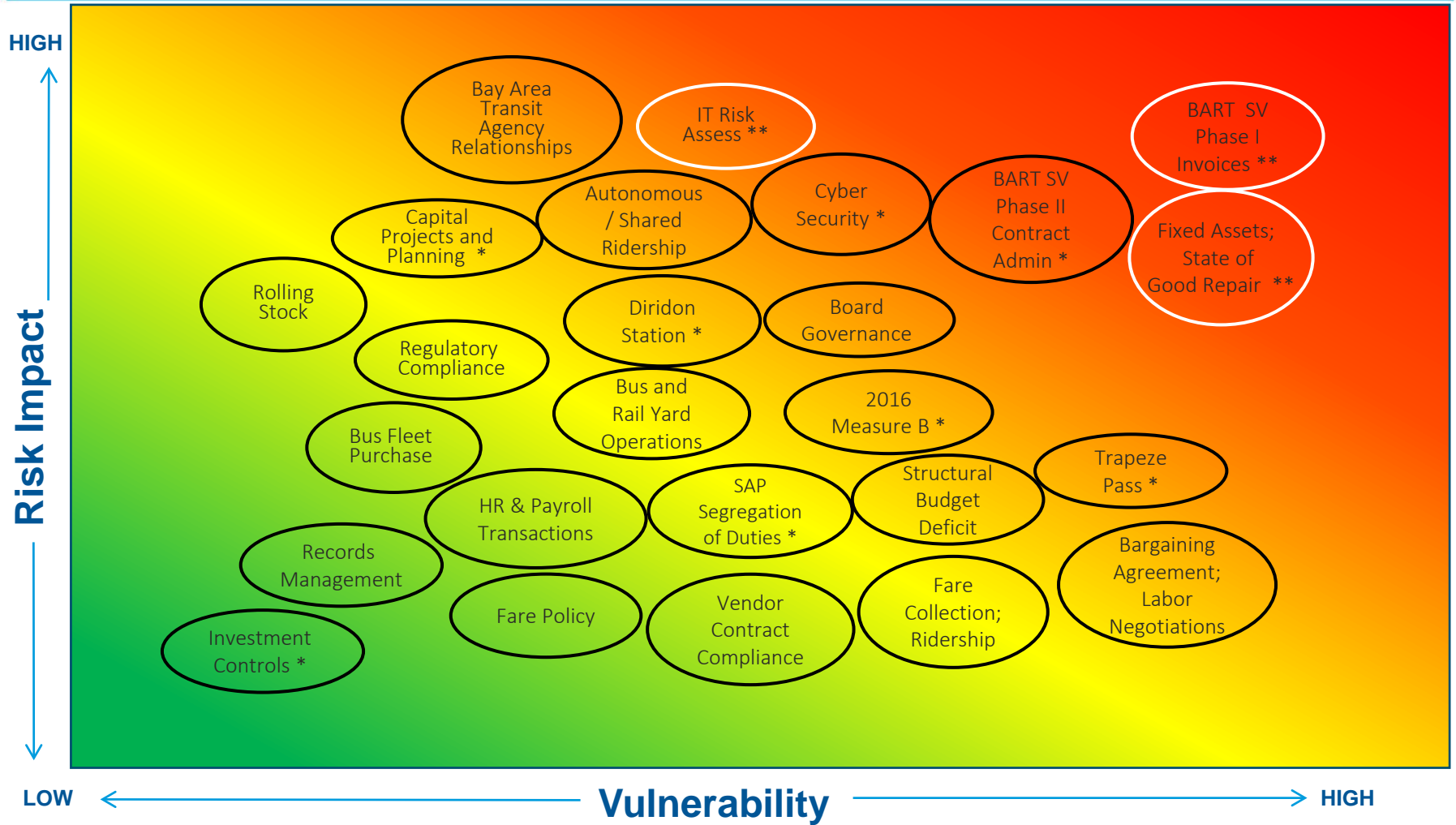
## Operations

- Paratransit Transition to MV
- Operator Scheduling
- Inventory Management
- Accounts Payable Master File

## Special Projects & Programs

- BART SV Project Schedule
- Alum Rock Construction
- BART SV Interagency Agreement

# FY19 Risk Assessment Refresh - Heat Map



**Notes:**

\* Risk Area has a proposed FY20 or FY21 project. See next slides.

\*\* Risk Area has a FY19 approved project, which is not yet underway. See next slide.



# FY19 Approved AG Projects (Not Yet Underway)

Project Area	Description
<b>Comprehensive IT Risk Assessment</b>	Examine risks and controls re: enterprise-wide IT operations and governance. Considerations may include: <ul style="list-style-type: none"> <li>• Business process and IT support structures</li> <li>• IT general controls (ITGC)</li> <li>• IT application controls (ITAC)</li> </ul> <ul style="list-style-type: none"> <li>* Benchmarking of IT practices</li> <li>* VTA's consideration of other IT risks</li> </ul>
<b>Fixed Assets Program</b>	Examine processes for fixed assets and <b>State of Good Repair</b> . Considerations may include: <ul style="list-style-type: none"> <li>• Adequacy of policies and procedures</li> <li>• Financial and reconciliation controls</li> <li>• FTA Circular on State of Good Repair</li> </ul> <ul style="list-style-type: none"> <li>* Asset requisition, disposal and capital budgeting</li> <li>* Funding for rolling stock and infrastructure needs</li> </ul>
<b>Supplemental Work Allowance (SWA)</b>	<ul style="list-style-type: none"> <li>• For projects or scope changes to be determined by the G&amp;A Committee</li> <li>• \$50,000 available; has not been utilized for FY19</li> <li>• Proposed for use in relation to Employee Attendance Audit recently requested by both G&amp;A and VTA's GM/CEO</li> </ul>

**Note:** These projects and related budgeted costs were previously approved by the G&A Committee on March 1, 2018. They are included here for reference, and will be scheduled by the AG's Office.



# FY20 Recommended AG Projects

Project Area	Description
<b>RTI Project – CAD/AVL Replacement</b>	Final phase of prior project to examine current and potential future needs of the RTI (Real Time information) project for Computer-Aided Dispatch (CAD) / Automatic Vehicle Location (AVL) by performing Independent Project Oversight (IPO) throughout the project’s duration. Considerations may include: <ul style="list-style-type: none"> <li>• Pre-Implementation review</li> <li>• System implementation strategy</li> <li>* Cost/Funding</li> <li>* RFP and contract, vendor capabilities</li> </ul>
<b>Trapeze Software Suite Assessment</b>	Examine the entire Trapeze software suite to understand extent and adequacy of processes and controls as well as deployment of available modules to confirm current state Trapeze utilization across the VTA system. Considerations may include: <ul style="list-style-type: none"> <li>• Software module acquisition and configuration</li> <li>• System controls and reporting</li> <li>* Module updates and go-live</li> <li>* Interface with invoicing and date reporting</li> </ul>
<b>2016 Measure B Sales Tax</b>	Examine processes and planned controls for Measure B receipts and expenditures. Considerations may include: <ul style="list-style-type: none"> <li>• Oversight and management of collected funds</li> <li>• Preparation, process and policies for increased volume of capital requests, expenditures and monitoring</li> <li>• Review of VTA published Guidelines and Master Agreements with communities and partner agencies</li> <li>• Process by which eligibility of projects and expenditures under Measure B definitions will be determined across the nine program categories</li> <li>• Adequacy and extent of any external audit procedures</li> </ul>
<b>Cyber Security</b>	Examine VTA’s Cyber Security framework and adequacy of processes and controls. Considerations may include: <ul style="list-style-type: none"> <li>• Threat and vulnerability assessment</li> <li>• Phishing and spoofing prevention</li> <li>• White hat hacking attempts</li> <li>* Programs staffing, awareness, and training</li> <li>* Data management and protection</li> <li>* Identity and access management</li> </ul>
<b>MTC Allocation/ Bay Area Transit Relationships</b>	Examine the controls and processes surrounding VTA’s MTC allocation. Considerations may include: <ul style="list-style-type: none"> <li>• Reasonableness and proportion of allocation</li> <li>• Subjectivity in allocation process</li> <li>* Impact of BART go-live</li> <li>* VTA process to identify and apply for grants</li> </ul>

# FY21 Recommended AG Projects

Project Area	Description
<b>Diridon Station</b>	Examine plans and partners related to the Diridon Station development. Considerations may include: <ul style="list-style-type: none"> <li>• Project planning and development</li> <li>• Community outreach</li> </ul> <ul style="list-style-type: none"> <li>* Joint agreement and MOUs</li> <li>* VTA's share of funding vs. risk</li> </ul>
<b>Capital Budget and Project Controls</b>	Examine the Capital Budget planning and monitoring processes. Considerations may include: <ul style="list-style-type: none"> <li>• Methodology for reviewing and approving projects</li> <li>• Capital project and schedule execution</li> <li>• Project change order controls</li> </ul> <ul style="list-style-type: none"> <li>* Project feasibility and planning</li> <li>* Contractor selection and oversight</li> <li>* Cost and project monitoring controls</li> </ul>
<b>BART SV Phase II Contract Administration</b> (Note 1)	Examine the BART Phase II contract administration process and controls. Considerations may include: <ul style="list-style-type: none"> <li>• Applicable policies, standards, processes and controls</li> <li>• VTA PMO structure and contractual oversight personnel and skillsets</li> <li>• Engineering, Consulting and Construction Contractor's compliance with their contracts</li> <li>• Timeliness of payments to BSV contractors and vendors</li> </ul>
<b>SAP System Segregation of Duties</b>	Examine the segregation of duties related to the SAP system. Considerations may include: <ul style="list-style-type: none"> <li>• Module enhancements made, or new risks resulting from the expected 2020 SAP upgrade</li> <li>• Vendor management process, controls and ongoing monitoring</li> <li>• Risks of duplicate payments or unauthorized access to vendor master data</li> <li>• Fraud prevention controls and reporting</li> </ul>

Note (1): Project was previously named "BART SV Phase II PMO Assessment" and approved by G&A Committee on March 1, 2018. Title and objectives have been modified slightly, as a result of our Risk Assessment.



# Potential Future AG Projects

Project Areas	Description
<b>Maintenance Operations &amp; Scheduling</b>	Examine VTA's maintenance operations and scheduling at bus and rail yards. Considerations may include: <ul style="list-style-type: none"> <li>• Methodology for planning and scheduling maintenance</li> <li>• Key performance indicators (KPIs) &amp; continuous improvement</li> <li>• Productivity and process effectiveness</li> </ul> <ul style="list-style-type: none"> <li>* Internal controls and monitoring</li> <li>* Utilization of SAP and other technology</li> <li>* Parts planning and inventory utilization</li> </ul>
<b>Rolling Stock</b>	Examine the process related to the purchase, planning, use, and maintenance of VTA's rolling stock. Considerations may include: <ul style="list-style-type: none"> <li>• Maintenance schedule and productivity</li> <li>• Supply chain operations related to parts procurement</li> <li>• Mid-life rehabilitation</li> </ul> <ul style="list-style-type: none"> <li>* Vehicle roll out / shortages</li> <li>* Impact on the system and riders</li> </ul>
<b>Regulatory Compliance</b>	Examine establishment and tracking of regulatory compliance requirements. Considerations may include: <ul style="list-style-type: none"> <li>• Regulators and organizational compliance requirements</li> <li>• Compliance assessment</li> </ul> <ul style="list-style-type: none"> <li>* Internal monitoring and controls</li> <li>* Federal, state, and local regulations</li> </ul>
<b>Bus and Rail Yard Operations</b>	Examine VTA's operational processes and controls at bus and rail yards. Considerations may include: <ul style="list-style-type: none"> <li>• Productivity and process effectiveness</li> <li>• Key performance indicators (KPIs) and continuous improvement programs</li> </ul> <ul style="list-style-type: none"> <li>* Internal controls and monitoring</li> </ul>



# FY20 Recommended AG Work Plan

Work Plan	FYE June 30, 2020	
	Est. Hours	Est. Cost
<b>Auditor General Projects:</b>		
RTI Project – CAD/AVL Replacement	120	\$20,000
Trapeze Software Suite Assessment	540	\$99,500
2016 Measure B Sales Tax Funding	200	\$35,000
Cyber Security	500	\$96,400
MTC Allocation/Bay Area Transit Relationships	400	\$68,000
<b>Auditor General Services:</b>		
AG Services Support	380	\$65,000
Annual Risk Refresh	60	\$18,000
Follow-up of Management Action Plans	100	\$20,000
<b>Ethics Hotline Support</b>	80	\$13,500
<b>Expenses (Travel and Related Costs)</b>	n/a	\$25,000
<b>Supplemental Work Allowance (for Projects TBD by G&amp;A Committee)</b>	200	\$50,000
<b>Total</b>	<b>2,580</b>	<b>\$510,400</b>



# FY21 Recommended AG Work Plan

Work Plan	FYE June 30, 2021	
	Est. Hours	Est. Cost
<b>Auditor General Projects:</b>		
Diridon Station	320	\$60,000
Capital Budget and Project Controls	310	\$53,000
BART SV Phase II Contract Administration	520	\$88,000
SAP System Segregation of Duties	450	\$90,000
<b>Audit General Services:</b>		
AG Services Support	380	\$65,000
Annual Risk Assessment	80	\$24,000
Follow-up of Management Action Plans	100	\$20,000
<b>Ethics Hotline Support</b>	80	\$13,500
<b>Expenses</b> (Travel and Related Costs)	n/a	\$25,000
<b>Supplemental Work Allowance</b> (for Projects TBD by G&A Committee)	200	\$50,000
<b>Total</b>	<b>2,440</b>	<b>\$488,500</b>