

SORTA/Metro Finance Committee October 17, 2023 8:30 am-9:30 am Eastern Time

SORTA FINANCE COMMITTEE MEETING TUESDAY, OCTOBER 17TH, 2023 - 8:30 A.M. SORTA/METRO AT HUNTINGTON CENTER, SORTA BOARD ROOM (6th FLOOR), 525 VINE STREET CINCINNATI, OHIO 45202

#### **General Items:**

Call to order

Pledge of Allegiance

1 Approval of Finance Committee Minutes: September 19th, 2023

#### **Briefing Items**

- 2 Financial Results as of September 30th (Andy Aiello)
- 3 Investment of Fund Reserve Summary (Andy Aiello)
- 4 Internal Audit Report (Norman Bouwie)
  - 4.1 Riverfront Transit Center Audit Report (Norman Bouwie)
- 5 ERM Administrative Update (Andy Aiello)

#### Action Item

6 Approval of Investment of Funds Reports as of September 30th, 2023 (Andy Aiello)

#### Other Items:

New Business

Adjournment

The next regular meeting of the Finance Committee has been scheduled for

Tuesday, November 7th, 2023, at 8:30 a.m.

#### FINANCE COMMITTEE TUESDAY, SEPTEMBER 19<sup>TH</sup>, 2023 – 8:30 A.M. SORTA/METRO AT HUNTINGTON CENTER 6<sup>th</sup> FLOOR SORTA BOARD ROOM 525 VINE STREET CINCINNATI, OHIO 45202

<u>COMMITTEE MEMEBERS APPOINTED</u>: Sonja Taylor (Chair), Jay Bedi, Chelsea Clark, Dan Driehaus, Allen Freeman Rod Hinton and KZ Smith

<u>COMMITTEE/BOARD MEMBERS PRESENT</u>: Jay Bedi, Alyson Beridon, Tony Brice, Dan Driehaus, Trent Emeneker, Blake Ethridge, Allen Freeman, Rod Hinton, Kreg Keesee, Pete Metz, Sara Sheets KZ Smith and Sonja Taylor

#### COMMITTEE MEMBERS ABSENT: Gwen Robinson, Chelsea Clark & Robert Harris

<u>STAFF MEMBERS PRESENT</u>: Andy Aiello, Steve Anderson, Vicki Barker, Julie Beard, Norman Bouwie, Myla Danison, John Edmondson, Pat Giblin, Adriene Hairston, Brandy Jones, Natalie Krusling, Tenecia, Le'Flore, Jeff Mundstock, Ruth Reed, Jason Roe, Kevin Ruth, Khaled Shammout, August Schweitzer, Bill Spraul, Tara Walker and Mike Weil

OTHERS PRESENT: Kim Schaefer (Legal Counsel-Vorys), Matthew Hulme (City of Cincinnati) and Daker Monroe (Horan)

#### 1. Call to Order

Ms. Taylor called the meeting to order.

#### 2. Pledge of Allegiance

The Pledge of Allegiance was recited.

#### 3. Approval of Minutes of August 15th, 2023

Ms. Taylor moved, and Ms. Sheets seconded that the minutes of the August 15<sup>th</sup>, 2023, be approved. By voice vote the committee approved the minutes.

#### 4. Honoring Larry Pinkleton

Ms. Taylor asked the board and SORTA Executive Leadership team to take a moment of silence to honor Larry Pinkleton, CFO who passed away on August 30, 2023.

#### 5. Financial Report as of August 31, 2023

Mr. Aiello presented the August financial results. Total revenues were \$18.3 million, which was favorable to budget by \$1.2 million. Total expenses were \$12.6 million, which is favorable to budget by \$549,000. Surplus/Deficit was \$5.7, which was favorable to budget by \$1.8 million. Ridership was 1.133 million, which is favorable to budget by 274 thousand. Mr. Aiello then reviewed the contributing factors to these variances.

The Committee accepted the report as presented.

#### 6. Investment of Funds Reserve Summary as August 31, 2023

Mr. Aiello provided a high-level overview of the Investment of Funds Reserve Summary for the month of August. Total securities \$183,916,760. Total Current Capital Reserve Obligations totaled \$144,213,306. The Net Unrestricted Securities Available \$39,703,454, adding the 2023 Operating Budget Surplus (Deficit) of \$7,515,933, brings a total surplus of \$47,219,387 for the month of August.

The Committee approved the report as presented.

#### 7. Investment of Funds Reports as of August 31, 2023

Mr. Aiello presented the report noting the yields of SORTA 4.81% for August compared to the prior month of 4.72% for the month of July.

Mr. Aiello presented the report noting yields for the Infrastructure Transit Fund of 4.70% for August compared to the prior month of 4.61% for the month of July.

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Ms. Taylor moved, and Ms. Sheets seconded that the Investment of Funds as of August 31<sup>st</sup>, 2023, be approved. By voice vote the committee approved the reports.

#### 8. Approval of 2024 SORTA Meeting Schedule

Mr. Aiello presented the proposed 2024 SORTA meeting schedule.

The board meeting times will be updated to reflect 9:00 a.m. or 6:00 p.m. (alternate times every other month).

The Committee agreed to recommend the motion to the full Board for approval on the consent agenda.

#### 9. Approval of 2024 Healthcare Plan

Mr. Barker presented the 2024 Healthcare Plan at a cost of \$205,897 for healthcare and \$723,977 for stop loss for a (1) year contract to United Healthcare (UHC).

The Committee agreed to recommend the resolution to the full Board for approval on the consent agenda. By voice vote the committee approved the report.

#### New Business

Andy Aiello recognized Larry Pinkleton's amazing work with a clear vision. He set us up for success. Recognized Kevin Ruth, Julie Beard, Norman Bouwie and Adam Przeklasa for their teamwork.

The next regular meeting of the Finance Committee has been scheduled for Tuesday, October 17th, 2023, at 8:30 A.M.

#### 10. Adjournment

The meeting adjourned at 9:06 A.M.



Southwest Ohio Regional Transit Authority

Financial Summary - September 2023 Report Out Date – October 17, 2023

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# **Agenda – Financial Summary**



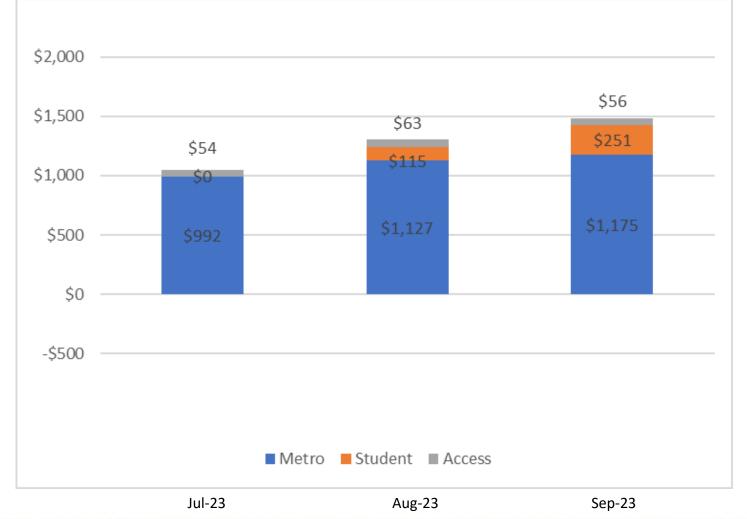
- Statement of Operations for September '23
  - Revenue Chart
  - Expense Chart
  - Key Drivers
  - Detail Profit & Loss Statement
- Investment Balance Update (separate attachment)
- Investment Funds Reserve Summary



# **STATEMENT OF OPERATIONS**

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## SEPTEMBER 2023 – FARE REVENUE SOURCES 3 MONTH TREND – JULY 2023 THRU SEPTEMBER 2023 In Thousands

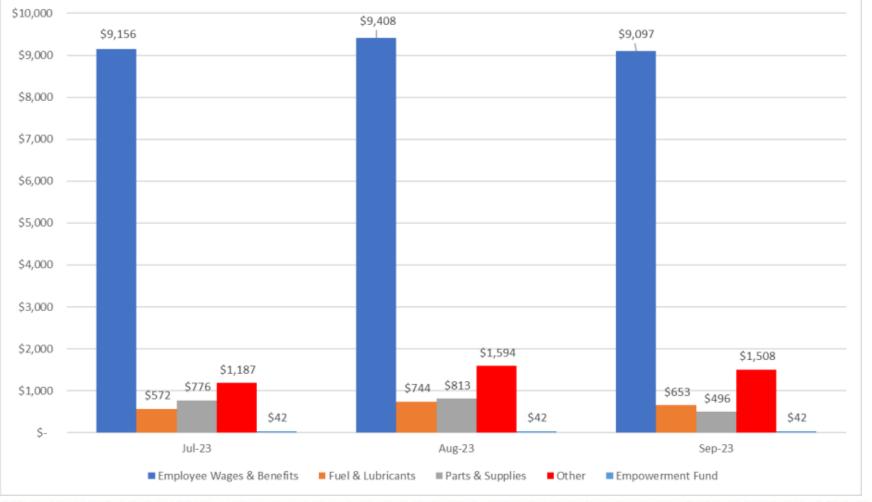




	Days per	Avg Rev
Month	Month	per Day
Jul-23	31	\$32
Aug-23	31	\$36
Sep-23	30	\$39

Note: Number of Weekdays within each corresponding month as follows: Jul 21, Aug 23, Sep 22

## SEPTEMBER 2023 – OPERATING EXPENSE SOURCES 3 MONTH TREND – JULY 2023 THRU SEPTEMBER 2023 In Thousands



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# **Profit & Loss – Summary / Key Drivers**



## **Summary**

- Total Revenue \$24.1M favorable to Budget \$4.3M
- Total Expense \$11.8M favorable to Budget \$954k or 7.5%
- Surplus / ( Deficit ) \$12.4M favorable to Budget \$5.2M
- Note: Ridership total is 1,206k favorable to Budget 224k or 22.9%

## <u>Revenue</u>

- Total Operating Revenue \$1.7M favorable to Budget \$291k or 20.5%
- Non-Transportation \$800k favorable to Budget \$696k or 669.2%. Root Cause: Investment portfolio income higher than projected
- County Sales Tax \$9.8M unfavorable to Budget (\$107k) or (1.1%). Root Cause: June receipts lower Budget
- Federal Grants \$11.9M favorable to budget \$3.4m. Root Cause: Final true up of ARP funds

## Expense

- Wages & Benefits \$9.1M unfavorable (\$41k) or (0.5%)
- Fuel and Lubricants \$653k favorable \$1k or 0.2% to Budget
- Parts & Supplies \$496k favorable \$237k to Budget or 32.3%. Root Cause: Revenue vehicle parts favorable to Budget \$89k
- All Other \$1.5M favorable Budget \$757k. Root Cause: Outside services of \$433k or 60.9%

#### Southwest Ohio Regional Transit Authority 2023 Profit & Loss Statement



Mos Ending September 30, 2023		Мог	nth		Year to Date				
\$ In Thousands)	Actual	Budget	Fav(U	nfav)	Actual	Budget	Fav(U	nfav)	Prior Year
Ridership									
Regular	1,032,937	821,550	211,387	25.7%	8,592,921	7,940,219	652,702	8.2%	6,191,59
CPS	154,458	144,867	9,591	6.6%	999,259	888,503	110,756	12.5%	921,95
Subtotal Fixed Route	1,187,395	966,417	220,978	22.9%	9,592,180	8,828,722	763,458	8.6%	7,113,54
Access	15,235	15,303	(68)	(0.4%)	136,588	129,476	7,112	5.5%	125,47
MetroNow!	3,455	-	3,455	-	8,005	-	8,005	-	-
Total Ridership	1,206,085	981,720	224,365	<b>22.9</b> %	9,736,773	8,958,198	778,575	8.7%	7,239,02
Operating Revenue									
Metro Fares	\$ 1,175	\$ 907	\$ 268	29.5%	\$ 9,566	\$ 8,076	\$ 1,490	18.4%	\$ 8,11
Access Fares	56	55	1	1.8%	518	455	63	13.8%	45
MetroNow! Fares	7	-	7	n/a	16	-	16	n/a	-
CPS Fares	251	201	50	24.9%	1,124	2,098	(974)	(46.4%)	1,79
Other	223	258	(35)	(13.6%)	2,032	2,331	(299)	(12.8%)	2,22
Total Operating Revenue	1,712	1,421	291	20.5%	13,256	12,960	296	2.3%	12,58
Non-Operating Revenue									
County Sales Tax	9,758	9,865	(107)	(1.1%)	86,768	86,231	537	0.6%	84,67
ARP	2,177	2,100	77	3.7%	24,032	18,900	5,132	27.2%	18,97
ARP Comp	8,500	5,200	3,300	63.5%	28,500	25,200	3,300	13.1%	24,92
Federal Subsidies	1,200	1,200	-	-	10,800	10,800	-	-	-
Non Transportation	800	104	696	669.2%	5,905	937	4,968	530.2%	1,62
CARES Act	-	-	-	n/a	-	-	-	n/a	-
Total Non-Operating Revenue	22,435	18,469	3,966	21.5%	156,005	142,068	13,937	<b>9</b> .8%	130,19
Total Revenue	24,147	19,890	4,257	21.4%	169,261	155,028	14,233	9.2%	142,78
Expenses									
Employee Wages & Benefits	9,097	9,056	(41)	(0.5%)	80,223	82,440	2,217	2.7%	70,65
Fuel & Lubricants	653	654	1	0.2%	5,875	5,932	57	1.0%	3,57
Parts & Supplies	496	733	237	32.3%	6,851	6,644	(207)	(3.1%)	6,05
Empowerment Fund	42	42	-	-	376	378	2	0.5%	37
Other	1,508	2,265	757	33.4%	13,743	18,230	4,487	24.6%	21,33
Total Expenses	11,796	12,750	954	7.5%	107,068	113,624	6,556	5.8%	101,97
Surplus(Deficit) Before Adj	\$ 12,351	,	\$ 5,211		\$ 62,193	\$ 41,404	\$ 20,789		\$ 40,80
Capital Reserve Transfer	(12,351)	(7,140)	,		(62,193)	•	. ,		(40,80
Remaining Funds	\$ -	\$ -			\$ -	\$-	-		\$ -



	Funds Report er 30, 2023		
		Principal Amount	9/30/2023 Yield
<b>Overnight Investments</b>			
STAR Ohio		\$152,651,307	5.56%
Fifth Third Bank Concentration Account	_	\$100,490	0.00%
Subtotal Overnight Investments / Average Rat	te _	\$152,751,797	5.56%
Securities & CD's			
Fifth Third Bank Custody Account:			
Agency Bond		\$11,477,811	2.18%
Certificate of Deposit		\$992,327	0.76%
U.S. Treasury Bond		\$4,535,851	2.18%
U.S. Treasury Note		\$18,757,662	1.50%
Subtotal Securities & CD's / Weighted Yield / I	Maturity _	\$35,763,651	1.78%
Total All Securities (9/30/2023) / Weighted Yield		\$188,515,448	4.87%
Capital Plan Commitments by type :			
BRT Project Development		\$36,000,000	
Local Match Future BRT ( Fed 80% & Lo	ocal 20% )	<u>\$24,000,000</u>	
	Total BRT	\$60,000,000	
Local Match - FTA and ODOT Grants Note - Metro's contribution ranges from 10	0% - 50%, most are 2	\$7,330,187 20%	
100% Local Projects	Prior Years Open	\$16,699,105	
	2023	\$26,365,935	
2 Months of Operating Expenses		\$24,000,000	
All Other Obligations		\$6,500,000	
Total Current Capital Reserve Obligations		\$140,895,227	
Net Unrestricted Securities Available		\$47,620,221	]
2023 Operating Budget Surplus (Deficit) Oct -	Dec	\$319,663	

Dany Haling

Darryl Haley Chief Executive Officer



**Riverfront Transit Center Audit Results** October 17, 2023 | Norman C. Bouwie III, CPA

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# Agenda

- Riverfront Transit Center (RTC) Background
- Audit Objective
- Audit Scope and Methodology
- Audit Observation and Results
- Audit Updates



## **Riverfront Transit Center Background**

# **Riverfront Transit Center Background**



- The City of Cincinnati (City) owns the property beneath Second Street in downtown Cincinnati.
- The City granted SORTA a non-exclusive easement over the City's property.
  - The City also permitted SORTA to manage and operate the parking areas.
- SORTA outsourced the management of the RTC and parking services to ABM Industry Groups LLC (ABM) and entered into a revenue sharing agreement.
  - A percentage of the gross parking revenue is paid to SORTA each month.
  - SORTA receives an 18% incentive fee from revenue collected minus monthly expenses and capital spending.



## **Audit Objectives**



- **Purpose:** The primary objective of this audit was to assess the Riverfront Transit Center agreement between the City of Cincinnati and SORTA, to determine if policies, practices, procedures, and internal controls are adequate to ensure that revenue received is appropriate.
- Key areas reviewed:
  - Insurance Indemnification
  - Vendor Set-Up
  - Invoice Review
  - Compensation Fees

- Safety & Security
- Employee Education
- Human Resources
- Environmental Hazards



# Audit Scope and Methodology

## **Audit Scope and Methodology**



- Interviewed Key Personnel
- Reviewed Contracts
- Observed parking and revenue collection process
- Examined Cash Receipts
- The data collected was from fiscal year 2022



# **Audit Observation and Results**

# **RTC Observations and Results**



#	Observation and Recommendation	Management Response
1		The Procurement team will work with the Project Management team for the ABM expired contract to generate an extension and to explore long-term contracting solutions for the work to be performed.
2	improvement. The security cameras were enhanced to cover more areas but a lack of bandwidth with the current internet provider	IT is working with the internet provider to remedy the issues. SORTA Security has communicated directly with Mike Lecky, (ABM Parking and Security Manager) regarding the status of camera system enhancements. ABM committed to adding regular patrols that were consistent with the contract.
3	and SORTA, multiple reports are required to be provided to the city on	The past due Annual Maintenance Report and Transit Asset Management Report will be submitted to the City by December 31st, 2023. The Annual Financial report was submitted to the City on September 28, 2023.
4	Internal audit noted that the current vendor setup procedures did not	

# **RTC Observations and Results (Continued)**



#	Observation and Recommendation	Management Response
5		SORTA will work with ODOT to create a schedule to practice flood door installation annually during early Spring to make sure the door fitment and seals are in good condition
6	of Cincinnati was not listed as an additional insured. Additionally, IA obtained a copy of the COI from ABM, and SORTA and the City of	SORTA was able to obtain a copy of the correct Insurance Coverage form. Management should review the insurance coverage annually for the RTC to make sure that the coverage provided is adequate based on the operating agreement.
7	Internal audit performed a walkthrough of the RTC tunnel with management and noted that the tunnel is in poor condition and in need of major repairs. The financial and safety risk at the RTC will increase if the City continues to neglect these maintenance concerns.	5





# **Audit Updates**

- Audit Management Software
  - Vendor identified and working to finalize contract
- Audit Observation Follow Up
  - Internal Audit (IA) will follow up on audits 6-12 months after final report is issued
  - Follow-up will consist of discussions with department management and staff
  - IA will issue memo



# **Current and Upcoming Audits**

#	Audit Area	<b>Prior Audit Timing</b>	Est. Hours	Audit Start	<b>Estimated Completion</b>
1	Accounts Payable	2022	120	Q3 2023	Q4 2023
2	*Staffing Levels and Succession Planning *IT Cloud Assessment, Penetration & Vulnerability Scanning and Social Engineering	N/A N/A	175 120	Q4 2023 Q4 2023	Q1 2024 Q4 2023
4	*Investments	2021	60	Q4 2023	Q4 2023
5	Transit Infrastructure Fund	N/A	120	Q4 2023	Q1 2024

\* Designates Audits that are planned to be performed by Clark Schaefer Consulting

# Questions Thank you for your time!



# If you wish to discuss any aspects of this presentation in more detail, please feel free to contact us:

Norman: <u>NBouwie@Go-Metro.com</u>





## Riverfront Transit Center Audit September 30, 2023

**Riverfront Transit Center Audit** 



Date:	September 30, 2023
То:	John Ravasio, Chief Operations Officer
From:	Norman C. Bouwie III, CPA, Director of Internal Audit
Copies to:	SORTA Finance Committee Darryl Haley, Chief Executive Officer Jeff Mundstock, Director of Fleet Facilities Brad Mook, Infrastructure & Capital Project Manager

Subject: Riverfront Transit Center Audit

Attached is the Riverfront Transit Center audit report. The primary objective of this audit was to assess the Riverfront Transit Center (RTC) agreement between the City of Cincinnati (City) and Southwest Ohio Regional Transit Authority (SORTA), to determine if policies, practices, procedures, and internal controls are adequate to ensure that revenue received is appropriate.

We would like to thank the management and staff of the Fleet Facilities and RTC for their assistance and cooperation during this audit. If you need any further information, please contact me.

Attachment







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## **Executive Summary**

Internal Audit (IA) conducted a third-party audit of the Riverfront Transit Center. The primary objective of this audit was to assess the RTC agreement between the City of Cincinnati and SORTA, to determine if policies, practices, procedures, and internal controls are adequate to ensure that revenue received is appropriate.

The audit revealed several opportunities for strengthening the internal controls over Third Party Vendor Management Agreements. IA found that the current operating agreement with ABM Industry Groups LLC (ABM), the parking management provider, was expired without any options, but they continued to operate the facility on SORTA's behalf. SORTA should develop a policy to alert Key Stakeholders of expiring contracts at least a year in advance to ensure there is enough time to research and negotiate the best deal for SORTA.

Additionally, IA found that three reports that are required to be submitted to the City of Cincinnati on a regular basis were not being provided as stipulated in the operating agreement. The Insurance Coverage provided by SORTA and ABM were missing information for the Additional Insured section that was required by the operating agreement. The Primary Stakeholder for the RTC should develop a strategy to review the agreement more frequently to make sure that we are compliant.

IA found that the safety and security of the facility could use some improvement. The security cameras were enhanced to cover more areas but a lack of bandwidth with the current internet provider service prevented them from being fully effective. SORTA should work with ODOT to return to evaluating the flood doors on an annual basis. This will enable the RTC to be better prepared for future storms and will help to reduce the potential damage by having a faster and efficient installation process of the flood doors.







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## Introduction

#### Background

The City of Cincinnati owns the property beneath Second Street in downtown Cincinnati on which the Riverfront Transit Center is located. The City also owns the adjoining parking areas on the west and east sides. The City granted SORTA a non-exclusive easement over the City's property to operate the Transit Center. The City also permitted SORTA to manage and operate the Parking areas for public parking on the condition that SORTA use all the revenue generated therefrom to pay costs associated with the operation of the Transit Center and Parking Areas.

The East Lot, located on Plum Street by Paul Brown Stadium is open daily for parking and event parking with 142 available parking spots. The West lot which is located on Mehring Way by Great American Ball Park is open daily for daily parking and event parking with 159 parking spots. The RTC located under second street alongside Ft. Washington Way is open for monthly parking and bus parking during special events. Parking capacity depends on the size of buses.

SORTA wanted to outsource the management of the RTC and parking services to a company that was better equipped to manage that responsibility. SORTA entered into an agreement with ABM to manage the facility and collect parking revenue from the use of the open lots. ABM agreed to a revenue sharing agreement where a percentage of the gross parking revenue was collected and paid to SORTA each month. The revenue share paid to SORTA by ABM is used for the operations, maintenance, and capital spending for the RTC. SORTA receives an 18% incentive fee from the revenue collected minus the monthly expenses or capital spending.

#### **Audit Selection**

IA conducted this audit in accordance with the Audit Plan for 2023

#### Audit Objective

The primary objective of this audit was to assess the Riverfront Transit Center agreement between the City of Cincinnati and SORTA, to determine if policies, practices, procedures, and internal controls are adequate to ensure that revenue received is appropriate.

#### Audit Scope and Methodology

To achieve the audit objective, IA interviewed appropriate staff, reviewed contracts, observed the parking and revenue collection process, obtained key program data, and examined cash receipts. The data collected was from fiscal year (FY) 2022.







#### **Statement of Auditing Standards**

This audit was performed according to the Institute of Internal Auditor's ("IIA") International Standards for the Professional Practice of Internal Audits.



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#### **Observations & Recommendations**

Based upon Internal Audit's review of Southwest Ohio Regional Transit Authority's operating agreements with the City of Cincinnati and ABM Industry Groups, LLC, we have identified seven areas where controls could be enhanced. A ranking of each observation is provided below.

#### **Observation #1: Operating Agreement**

Severity: Moderate

#### Observation

SORTA agreed to a revenue sharing contract for parking services with ABM at the RTC. ABM agreed to pay SORTA the greater of the contractual percentage of the gross parking revenue collected or the guaranteed revenue specified in the Pricing Proforma Summary listed in Exhibit A of the operating agreement. The contract term became effective on June 1, 2018, and terminated on May 31, 2023. Currently ABM is still managing the facility on behalf of SORTA without having a signed agreement based on updated terms.

#### Recommendation

Management should work to get a temporary amendment created to allow ABM to continue to manage and the operate the RTC in the interim period. Management should work with procurement to follow the necessary procedures to get a long-term agreement signed. The procurement team should develop a strategy to inform Key Stakeholders of expiring contracts at least one year in advance to ensure that long term agreements are executed and implemented in accordance with the policies of the Federal Transit Administration (FTA).

#### **Management Response**

The Procurement Department is currently in the process of collecting all agency related contracts to be uploaded into a new e-procurement management platform. This project will be completed by the end of Q4 2023 and be managed by the Vendor Performance Analyst. The Vendor Performance Analyst will be required to communicate with all Project Managers on a regular and reoccurring basis to determine the proper course of action for expiring contracts.

The Procurement team will work with the Project Management team for the ABM expired contract to generate an extension and to explore long-term contracting solutions for the work to be performed.





#### **Observation #2: Facility Security**

Severity: LOW

#### Observation

Internal Audit performed a walk through at the Riverfront Transit Center to review the effectiveness of the site's security. Management noted that SORTA was currently in the process of upgrading the Closed-Circuit Television (CCTV) surveillance system and identified several areas that lacked camera and/or monitor viewing support. Management indicated that SORTA verbally informed ABM that several cameras would be down for an undisclosed amount of time. ABM indicated that additional security routes would be established for the areas that lacked coverage however this was not formally documented. IA observed the security guard working on homework during their shift and they were not focused on the active monitors. IA observed the emergency exit doors. The exit doors are equipped with exit panic doors so they can be opened from the inside even when locked, however they are not equipped with alarms.

#### Recommendation

Management should prepare a formal document to be shared with ABM regarding the security expectations while the camera systems are down or operating at less than 100% capacity. As a best practice, the exit panic doors should be equipped with alarms that are armed when the tunnel is closed for normal operations as an extra layer of security.

#### **Management Response**

The security camera system enhancements caused issues at the RTC because the current internet service provider was not able to support increased memory and coverage that are needed by the new security cameras. The enhancement included an increase from thirty-nine camera views to fifty-eight camera views. All cameras are live and recorded with a 28-day retention period, and they are accessible by SORTA security personnel. IT is working with the internet provider to remedy the issues. SORTA Security has communicated directly with Mike Lecky, (ABM Parking and Security Manager) regarding the status of camera system enhancements. ABM committed to adding regular patrols that were consistent with the contract.

#### **Observation #3: Reports**

Severity: Low

#### Observation

According to the operating agreement between the City of Cincinnati and SORTA, multiple reports are required to be provided to the city on an annual basis. The Annual Maintenance Report, which is a detailed report that describes the maintenance and repairs made by SORTA, is due to the City no later than July 31 of each year. The Annual Financial Report, which is a detail report of the revenues and expenses of the RTC, is due to the City no later than July 31 of each year. The Same form submitted to the FTA for the prior year, is due to the City no later than March 31<sup>st</sup> of each year. Management was not able to provide





#### **Observation #3: Reports (Continued)**

documentation that the annual reporting requirements as identified in Exhibit D of this operating agreement were being met.

#### Recommendation

Management should make sure that they are fully aware of all reporting deadlines that were negotiated in this operating agreement. IA recommends that SORTA submit their report at least one month in advance of the deadline as best practice.

#### **Management Response**

The past due Annual Maintenance Report and Transit Asset Management Report will be submitted to the City by December 31<sup>st</sup>, 2023. The Annual Financial report was submitted to the City on September 28, 2023. Moving forward, the Transit Asset Management Report will be submitted by March 31<sup>st</sup> annually, and the Maintenance Report will be submitted by July 31<sup>st</sup> annually as well.

#### **Observation #4: Vendor Maintenance**

Severity: Moderate

Severity: Low

#### Observation

Internal audit obtained a list of the RTC expenses for the 2022 Fiscal Year and selected vendors to evaluate for proper setup and documentation retention. The seven vendors evaluated did not have a W-9 or ACH Form on file. Five out of seven vendors were not listed on the System for Award Management (SAM) website, which is used to verify that vendors are listed and in good standing. Internal audit noted that the current vendor setup procedures did not address the process of managing the Vendor Masterfile.

#### Recommendation

Procedures should be developed to validate the information change request for active vendors. Periodically a control should be established to review the Vendor Masterfile to remove inactive vendors, identify duplicates and consolidate the data. Management should make sure that they retain a copy every active vendor's pertinent information such as their W-9, ACH Authorization Form and any other supporting documentation.

#### **Management Response**

A Vendor Performance Analyst was hired in March 2023 and will be responsible for managing communications with vendors that have active contracts and updating contact information as needed.

Beginning in Q4 2023, Procurement will upload the New Vendor Setup form, W-9, ACH authorization, and all other relevant vendor documentation to the vendor profile in Maximo and will maintain backup copies of the information in the contract file.







<u>Sever</u>ity: Low

#### **Observation #5: Flood Plan**

#### Observation

The Ohio Department of Transportation (ODOT) is responsible for the installation of the flood doors at the Riverfront Transit Center. The flood doors are prepared for installation when the Ohio River reaches a height of fifty-two feet. The RTC flood doors are installed once the river reaches a height of fifty-four feet and rising as documented in the Emergency Action Plan Flood Door Installation. According to the Emergency Action Plan it is recommended that the installation of these doors be practiced annually at a minimum. The Flood Doors were last installed during the Flood Warning that took place in February of 2020.

#### Recommendation

Management should reach out to ODOT about annually practicing the installation of the RTC Flood Doors. If an annual review is not practical, then management and ODOT should evaluate the risk to the facility of not completing this task on an annual basis. The Emergency Action Plan should be revised to reflect the updates to the installation procedures.

#### **Management Response**

SORTA will work with ODOT to create a schedule to practice flood door installation annually during early Spring to make sure the door fitment and seals are in good condition. SORTA will work with ODOT and The City of Cincinnati to update the Emergency Action Plan by the end of Q3 2023.

#### **Observation #6: Insurance Indemnification**

Severity: Low

#### Observation

The operating agreement between the City of Cincinnati and SORTA states that the throughout the Term, SORTA shall maintain Commercial Liability Insurance in the amount of no less than \$1 Million per occurrence and \$3 Million in the aggregate, naming the City of Cincinnati as an additional insured. The agreement also states that if SORTA enters contracts with third parties who will be entering upon the Transit Center and/or Parking Areas, that SORTA shall require such third parties to maintain Commercial General Liability Insurance, naming SORTA and the City as additional insureds and shall require such third parties to provide a certificate of insurance (COI) to Operator and the City evidencing such insurance. Internal Audit (IA) obtained a copy of the COI from SORTA, and the City of Cincinnati was not listed as an additional insured. Additionally, IA obtained a copy of the COI from ABM, and SORTA and the City of Cincinnati were not listed as an additional insured holder.





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#### **Observation #6: Insurance Indemnification (Continued)**

Severity: Low

#### Recommendation

Management should review their Insurance Coverage on annual basis along with the coverage that the third party is required to provide to make sure that is following the operating agreement.

#### Management Response

SORTA reached out to our Insurance Provider and obtained an updated copy of our COI listing the City of Cincinnati as an additional insured holder. Management followed up with ABM and obtained an updated COI listing SORTA and the City of Cincinnati as additional insured holders. Management will review the insurance coverage annually for the RTC to make sure that the coverage is adequate based on the operating agreement.

#### **Observation #7: RTC condition**

Severity: Informational

#### Observation

Internal audit performed a walkthrough of the RTC tunnel with management and noted that the tunnel is in poor condition and in need of major repairs. Internal Audit observed pieces of concrete falling from the ceiling which creates a safety risk for customers and partners. Internal Audit obtained a list of recommended repairs which will cost an estimated \$2 million dollars and require about 14 months to complete. The primary source of the damage can be linked to the water leak from the street level above the tunnel, which is the responsibility of the City. The water leak will need to be repaired first before management is able to address the other maintenance issues at the RTC. The financial and safety risk at the RTC will increase if the City continues to neglect these maintenance concerns.

#### Recommendation

Management should continue to have conversations with the city about the repairs. However, if the city decides not to move forward with the repairs, management should consider reviewing the current agreement to determine if it is in best interest of SORTA to operate the RTC past the expiration date of October 31, 2028.

#### **Management Response**

No management response is required, as this observation is informational in nature and is outside of management's control.







# **Everybody Rides Metro Foundation**

- The Everybody Rides Metro foundation was created by the Southwest Ohio Regional Transit Authority (SORTA) Board of Trustees and received its 501(c)(3) status in September 2006. The foundation was the first of its kind in the country and has provided more than 2 million bus rides since its creation.
- As part of the Reinventing Metro Plan, SORTA committed \$500,000 per year to support low-income riders. Effective January 1, 2021, ERM began distributing these funds by subsidizing 100 percent of the cost for partner social service agencies to provide Metro fare media to individuals in need of medical, social services, or work-related transportation.



# **2021-2023 Contribution Method**

- In the annual SORTA budget, \$500,000 was allocated for the Everybody Rides Metro Foundation 501(c)3.
- \$80,000 was held back for administrative expenses (staff, marketing, etc.) and \$420,000 was deposited into the 501(c)3 account, one twelfth each month.
- The \$420,000 was used to reimburse bus passes purchased from social service agencies.
- Unspent funds rolled over for use in future years.





# **2024 Contribution Method, Proposed**

- In the annual SORTA budget, \$420,000 would be directed toward the Everybody Rides Metro Program.
- Those funds would be used to reimburse bus passes purchased from social service agencies.
- Other program costs, administrative support, etc. would be funded out of the SORTA budget as part of SORTA's administrative overhead.



# **Transition Period, Proposed**

- 2024 Finances
  - First, spend down any funds remaining in the 501(c)3 account.
  - Next, use the program funds directly from the SORTA budget.
- Any time after the 501(c)3 balance is zero, the Foundation would be closed.
- The program would continue without interruption and would transition to a regular Metro fare program (like Fare Deal and MVP programs).
- The program could continue to receive donations.
- The donations would not be tax deductible.
- The ERM Board would transition to an ERM Advisory Committee.







	of Funds Report oer 30, 2023			
	Principal Amount	9/30/2023 Yield	Security Days	Days to Maturity
Overnight Investments				
STAR Ohio	\$152,651,307	5.56%		
Fifth Third Bank Concentration Account	\$100,490	0.00%		
Subtotal Overnight Investments / Average Rate	\$152,751,797	5.56%	-	
Securities & CD's				
Fifth Third Bank Custody Account:				
Agency Bond	\$11,477,811	2.18%		
Certificate of Deposit	\$992,327	0.76%		
U.S. Treasury Bond U.S. Treasury Note	\$4,535,851	2.18%		
Subtotal Securities & CD's / Weighted Yield / Maturity	\$18,757,662 \$35,763,651	1.50% 1.78%	573	606
Total All Securities (9/30/2023) / Weighted Yield	\$188,515,448	4.87%	1	
=	\$188,515,448	4.87%		
Total All Securities (8/31/2023) / Weighted Yield	\$183,916,760	4.81%		
Funds provided by (required for) Operations during September	\$5,649,728	Monthly Inve	stment Income	\$ 705,90
Funds provided by (required for) Capital during September	(\$1,051,040)	Year to Date Inve		
Change in Cash during September 2023	\$4,598,688			

\$83,529,277

Note: Total All Securities (9/30/2022)

Reviewed and Approved by:

Dan lu

Darryl Haley Chief Executive Officer



	estment of Funds Report mber 30, 2023			
	Principal Amount	9/30/2023 Yield	Sec Days	Days to Maturity
Overnight Investments				
STAR Ohio	\$63,493,403	5.56%		
Trust Account/Fed Govt Oblig Issue Money Market Fund	\$1,583,173	5.20%		
Fifth Third Bank Infrastructure Account	\$11,044	0.00%		
Subtotal Overnight Investments / Average Rate	\$65,087,620	5.55%	_	
Securities & CD's Fifth Third Bank Custody Account:				
Agency Bond	\$12,543,192	3.23%		
Commercial Paper	\$957,857	5.89%		
U.S. Treasury Bond	\$5,235,693	1.82%		
U.S. Treasury Note	\$13,537,601	3.47%		
Subtotal Securities & CD's / Weighted Yield / Maturity	\$32,274,343	3.22%	416	442
Total All Securities (9/30/2023) / Weighted Yield / Maturity	\$97,361,963	4.75%		
Total All Securities (8/31/2023) / Weighted Yield / Maturity	\$94,811,323	4.70%		
Funds provided by (required for) Tax Receipts during September	\$ 3,758,372	Monthly Inves	stment Income	\$ 337,976
Funds provided by (required for) Payouts during September	\$ (1,207,732)	Year to Date Inves		,
Change in Cash during September 2023	\$ 2,550,640			

Note: Total All Securities (9/30/2022)

\$62,182,918

Reviewed and Approved by:

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Darryl Haley Chief Executive Officer