

**MINUTES OF A PUBLIC MEETING OF THE AUDIT COMMITTEE OF THE BOARD OF
DIRECTORS OF THE REGIONAL TRANSPORTATION AUTHORITY**

The **Audit Committee** of the Board of Directors of the Regional Transportation Authority met in public session on **Thursday, August 3, 2006**, at 8:55 a.m., in Suite 1550, 175 West Jackson Blvd., Chicago, Illinois, pursuant to notice.

Committee Chairman Patrick J. Durante presided.

ROLL CALL

Present:	Allan C. Carr Patrick J. Durante Armando Gomez, Sr. Fred T.L. Norris Michael Rosenberg
Others:	Carole L. Brown Dwight A. Magalis Mary M. McDonald Thomas Reece Michael Rosenberg Rev. Addie L. Wyatt RTA Chairman Jim Reilly

Reading and approval of minutes from the public session held on June 22, 2006

Director Carr moved, and Director Gomez seconded that the minutes from the public session held on June 22, 2006 be approved as submitted. The motion carried on the following roll call vote:

5 Yeas Directors Carr, Durante, Gomez, Norris, and Rosenberg

Report on the follow-up review of the Project Management Oversight Program

Mr. Paul Neuhauser, RTA Manager of Audit and Review explained that the purpose of the follow-up review is to determine if the three recommendations of the original review have been implemented and are accomplishing their intended purpose. The purpose of the PMO Program is to ensure that the Service Boards are managing their capital projects effectively and efficiently. This is done through monthly reviews with Service Board staffs to determine if capital projects are being executed according to scope, on time, within budget, and according to established management and engineering guidelines. In 2005, 124 PMO reviews were conducted involving 56 capital projects with budgets that totaled over \$1.3 billion, which represents about 15% of the total active capital projects of the Service Boards.

**APPROVED BY THE AUDIT COMMITTEE
OCTOBER 5, 2006**

Mr. Neuhauser then reported on the status of the three recommendations. The first recommendation “Update Project Manager’s job description,” has been completed and an approved job description for the Project Manager is on file in HR. Second, “Use one standard PMO questionnaire for all projects.” During the original review it was observed that there were 7 separate PMO report forms with different titles covering the same questions with only minor variations. It was recommended that the Division use one standard PMO form for all projects, and this was implemented in March. The final recommendation was “Study alternative methods of performing PMO reviews.” Because the contract for the single consultant retained by the RTA in 2005 was expiring in early 2006, it provided an opportune time to look at other options of performing PMO reviews, considering both the cost and the need to provide effective oversight. Those options included bringing the entire process in-house to retaining a consultant for the CTA projects only, which are the most numerous and complex, and having RTA staff perform the Metra and Pace reviews. After studying the options, it was concluded that given the huge expenditures at stake in the capital program of almost \$8.5 billion active during 2005, an independent oversight is an important part of the process, which can best be achieved by retaining outside consultants. The cost of contracting with consultants, given the size of the capital projects, is not unreasonable, and the independent review that they provide is invaluable.

Report on the follow-up review of the RTA’s privacy practices

Mr. Neuhauser explained that the objectives of the original review were to ensure that the RTA protects the personal information that it collects from employees, ADA paratransit applicants, reduced fare applicants, and vendors. The original report was presented to the Audit Committee in October 2005.

As a result of the initial review, five recommendations were made to improve the overall collection, security, and protection of personal information at the RTA. Four of the recommendations have been fully implemented, and the fifth partially implemented.

The recommendations that have been fully implemented include: the development of a RTA Privacy Policy, establishment of a central depository on privacy laws that impact the RTA, review of RTA documents that request personal information, and inclusion of the RTA privacy policy statement on the RTA web site.

The one recommendation that has been partially implemented is the collection of necessary personal information only. Customer Service and ADA Paratransit Certification programs collect social security numbers (SSNs) to track reduced fare and paratransit applications. Because of the sensitivity of SSNs, it was recommended that the Reduced Fare and ADA Paratransit Certification programs explore the use of other identifiers to track applications.

Customer Service no longer requests SSNs from Reduced Fare applicants. The customer’s date of birth is now the primary identifier to retrieve a reduced fare applicant’s account information. However, because of a new initiative taken on by the RTA since the original review, the ADA Paratransit Certification Program, at this time, continues to utilize SSNs as the primary identifier for its applicants. The RTA and Pace are currently seeking to obtain reimbursement from Medicaid for the cost of those medical related trips that Pace provides to Medicaid recipients. However, to identify which of the paratransit riders are also Medicaid recipients, it is necessary to merge and key the databases of the State and RTA with a common identifier. In two earlier tests with the State, the SSN identifier resulted in a much higher match than other identifiers such as date of birth. Because of this disparity, and the impact it

would have on Pace's ability to maximize its reimbursement under the Medicaid program, it was concluded that the RTA needs to continue to collect SSNs from paratransit applicants. However, the need to use SSNs for this purpose will be carefully monitored and the issue will be revisited in six months. The Director of Regional Services and the Manager of IT will continue to work together and with the State to determine whether it's possible to develop and implement a viable alternative to the use of the SSN for paratransit applicants.

Director Rosenberg asked if we review the staff that has access to the information, and do non-RTA employees, such as the Service Boards' employees have access to any of this information. Mr. Neuhauser explained that we share certain information with the CTA and Pace as it pertains to paratransit. There are very limited situations where social security information would be disclosed to the outside. When information is shared with the Service Boards, it is encrypted and password protected.

Report on the review of internal controls of the RTA/CTA Transit Benefit Program

Mr. Neuhauser began by explaining that the RTA/CTA Transit Benefit Program is managed by the RTA's Regional Services Division and allows employers and employees to take advantage of Internal Revenue Service Code provisions to shelter transit commuting costs from taxes. In 2005, the Program generated over \$53 million in sales of transit checks and CTA fare media with approximately 7,000 employers participating in the program. The RTA has outsourced the processing of customer orders to Wired Commute, which is located in Wellesley Hills, Massachusetts. The purpose of the review was to ensure that adequate internal controls are in place at both the RTA and Wired Commute to protect the RTA from unauthorized use of the transit checks and CTA fare media, and to ensure that transactions are executed with the proper authorizations and correctly recorded.

Concurrent with our review, which was initiated in February of 2006, the RTA's external auditors, McGladrey & Pullen, recommended that service organizations, such as Wired Commute, which host or process data belonging to others be subject to a comprehensive audit to ensure that they have adequate internal controls and safeguards. As a result, the RTA's internal audit staff conducted a 3-day on-site audit of Wired Commute, reviewing the internal controls of their operation as they pertained to the RTA. Overall, sound internal control practices were in place in the processes that we examined at the RTA and Wired Commute. Nevertheless, the review at both the RTA and Wired Commute did result in 16 recommendations, some to strengthen internal control and others to improve the overall operation of the program. Seven of the recommendations pertained to Wired Commute, seven to the RTA, and two impacted both.

The first set of recommendations pertaining to Wired Commute include: provide the RTA with access to Wired Commute's database, include documentation with marketing invoices, ensure monthly reports are accurate, implement changes to positive pay process, eliminate/modify monthly reports, update system to track \$50 CTA fare cards, and improve security in inventory room.

The recommendations that pertain to the RTA include: study the feasibility of customers ordering on-line, extend positive pay notification by 20 days, evaluate options to lower messenger costs, track returned transit checks, determine compliance with State record retention guidelines, update written procedures, and update job descriptions.

The recommendations that pertain to both Wired Commute and the RTA include: provide complete and accurate physical inventories and improve accountability of voided checks.

The review team arrived at three conclusions. Wired Commute and RTA managements will implement the recommendations. Implementation of these recommendations requires no significant expenditure of funds. A follow-up review will be performed within six months to confirm that the recommendations have been implemented.

Director Rosenberg questioned the use of virtually the same vendor for the past 11 years and the RTA's security concerns when we have not changed vendors during the duration of this program. Mr. Phil Shayne, RTA Manager of Regional Services explained that over the years, there have been some difficulties beginning with the original contract with Work/Life Benefits. He pointed out that a couple years ago, this contract was bid out and there were six submissions. Every member of the evaluation team selected Work/Life Benefits to continue administering the program. Mr. Shayne added that when he took over management of this program there were problems, which needed to be addressed. This review identifies additional concerns that can now be addressed. Director Rosenberg followed by commenting that with the push for additional funding from Springfield, the Auditor General will be taking a close look at efficiencies, and we do not need any possible red flags raised on any of our programs.

Mr. Steve Schlickman, RTA Executive Director commented that as the Auditor General releases their report, the RTA and Service Boards will respond promptly to correct any findings. He added that in an attempt to avoid duplication of efforts, through our Strategic Plan efforts, we agreed to work with the Auditor General as an adjunct to the strategic planning process, and that once we are aware of reported findings, they will be completely incorporated into our planning effort for the RTA and the Service Boards.

Committee Chairman Durante commented that it is a good thing to be performing this audit given the length of time Work/Life Benefit has held the contract, even though Wired Commute now has control of this program. Mr. Shayne commented that Wired Commute has been very dedicated to running a good program. Mr. Neuhauser added that while working with them in Massachusetts, they were very cooperative. They wanted to correct any problems that were brought to their attention.

Committee Chairman Durante commented that the tollway's I-Pass program has an automatic renewal of funds feature where they automatically charge the credit card when it gets to a certain point. This may be a feature we should look into for this program. Mr. Shayne responded that the swipe card that the RTA issues called the Chicago card versus the CTA's Chicago Card Plus is an automatic renewal of a monthly pass unless it is stopped by the employer. He added if we utilize on-line ordering some of the process becomes easier.

ADJOURNMENT

There being no further business to come before the public session of the Audit Committee, Director Gomez moved, and Director Carr seconded that the meeting adjourn. The motion carried by voice vote.

5 Yeas Directors Carr, Durante, Gomez, Norris, and Rosenberg

The meeting ended at 9:25 a.m.

Audrey MacLennan

AUDREY MACLENNAN
Secretary of the Authority