

The Unique Alternative to the Big Four®



## CTA Risk Assessment Project Overview

May 8, 2009





# Agenda

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- **Introduction**
- **Project Scope and Methodology**
- **Summary of Internal Control Weaknesses**
- **Key Issues Identified**



# Introduction

- **Risk Assessment methodology used was built upon Sarbanes-Oxley internal control assessments performed at publicly traded companies.**
- **SoxLite at the CTA resulted from concerns of departmental reorganizations and downsizing of staff.**
- **Initiative is best-in-class for governmental agencies .**
- **CTA Project sponsors:**
  - VP Comptroller
  - Inspector General
- **Weekly project oversight meetings held with Project Sponsors and Finance and OIG staff.**
- **Objective of the project was to:**
  - Document approximately 50 key processes and related controls,
  - Identify weaknesses and opportunities for improvement,
  - Develop recommendations and monitor remediation, and
  - Set up a repeatable process for ongoing maintenance of documentation.



# Documentation and Design Approach

- **Interview each of the key process owners and staff**
- **Develop Process Flowcharts and Control Narratives**
- **Corroborate matrix mapping Controls to Risks**
- **Identify Key Controls**
  - Who performs the control,
  - When they perform the control (daily, weekly, monthly, quarterly, annual),
  - How they perform the control (specifies),
  - Where and how they evidence performance (specifies), and
  - What's the control operation (automated or manual).
- **Disseminate Internal Control Weaknesses**
- **Formulate Remediation and Best Practice Recommendations**



# Assessment of Internal Control Design Weaknesses

- **The Internal Control Design Weaknesses identified were evaluated and prioritized based upon potential operational or financial impact and likelihood of the risk:**
  - High (22) - operational or financial impact that seriously impairs ability to achieve business objectives.
  - Moderate (54) - operational or financial impact that would significantly affect, but not seriously impair ability to achieve business objectives.
  - Low (96) - operational or financial impact that would not significantly affect ability to achieve business objectives.
- **Based on the CTA risk assessment, the overall risk is low for financial processes and is moderate for operational processes.**



# Design Control Weakness Analysis

These process level risk takes into consideration the existing controls for each process as well as the associated control weaknesses. Fourteen CTA areas were rated with high control weaknesses, thirteen with moderate and twenty-one with low control weaknesses.

Department	Process	H	M	L	Total	Risk	Cycle	Process	H	M	L	Total	Risk		
Law	Workers Compensation	-	-	2	2	Low	Technology	Database of Fare Revenue Data	-	3	1	4	High		
	Claims Management	-	2	3	5	Mod		Software Acceptance Testing	-	-	1	1	Low		
Planning	Service Planning & Scheduling	1	4	6	11	High		Firmware Testing	-	2	2	4	Mod		
	Marketing	1	2	1	4	High		Maintenance of Fare Revenue Equipment	-	-	-	-	Low		
Construction	Construction	-	-	1	1	Low		ERP Security	-	2	-	2	Mod		
Operations	Workforce Mgmt - Rail Operations	1	-	1	2	High		Finance	Network Change Control	-	2	2	4	Mod	
	Workforce Mgmt - Bus Operations	1	-	1	2	High			Oversight of SDI	-	-	1	1	Low	
	Workforce Mgmt - Rail Maintenance	1	-	1	2	High			Financial Close Process	-	-	4	4	Low	
	Workforce Mgmt - Bus Maintenance	1	-	1	2	High			Accounts Receivable	-	1	3	4	Mod	
	Maintenance Management System	3	3	-	6	High			Accounts Payable	-	1	2	3	Low	
Power and Way	Workforce Mgmt & Timekeeping	1	2	2	5	High			Grants	-	-	1	1	Low	
Facilities	Workforce Mgmt & Timekeeping	1	2	2	5	High			Property	-	-	1	1	Low	
Control Center	Control Center	-	3	11	14	Mod			Payroll	-	1	-	1	Low	
Real Estate	Real Estate	5	5	1	11	High			Treasury	Investments/Cash Management	-	-	2	2	Low
Purchasing & Warehousing	Procurement Process	-	-	3	3	Low	Fare Collections			-	2	2	4	Mod	
	Inventory Management	5	4	2	11	High	Currency Counting			-	-	-	-	Low	
	Vendor Management	-	1	-	1	Mod	Fare Media Production			-	-	-	-	Low	
	Construction Contract Payments	-	-	2	2	Low	Fare Media Distribution			-	1	1	2	Mod	
	Benefits Management	-	4	4	8	Mod	Fuel Hedging			-	1	1	2	Mod	
Human Resources	Payrate changes/Compensation	-	3	2	5	High	Safety	Chicago Card database management		-	1	2	3	Mod	
	Personnel Evaluations	-	-	4	4	Low		Credit Card Processing		1	-	1	2	High	
	Recruitment	-	-	5	5	Low		Construction Oversight		-	-	2	2	Low	
	Exempt Employees Discipline	-	-	4	4	Low		Operation Safety Inspections		-	-	-	-	Low	
	CTA Policies & Procedures	-	2	6	8	Mod		Communications		Communications	-	-	2	2	Low

High (H)	22	13%
Moderate (M)	54	31%
Low (L)	96	56%
Total	172	100%



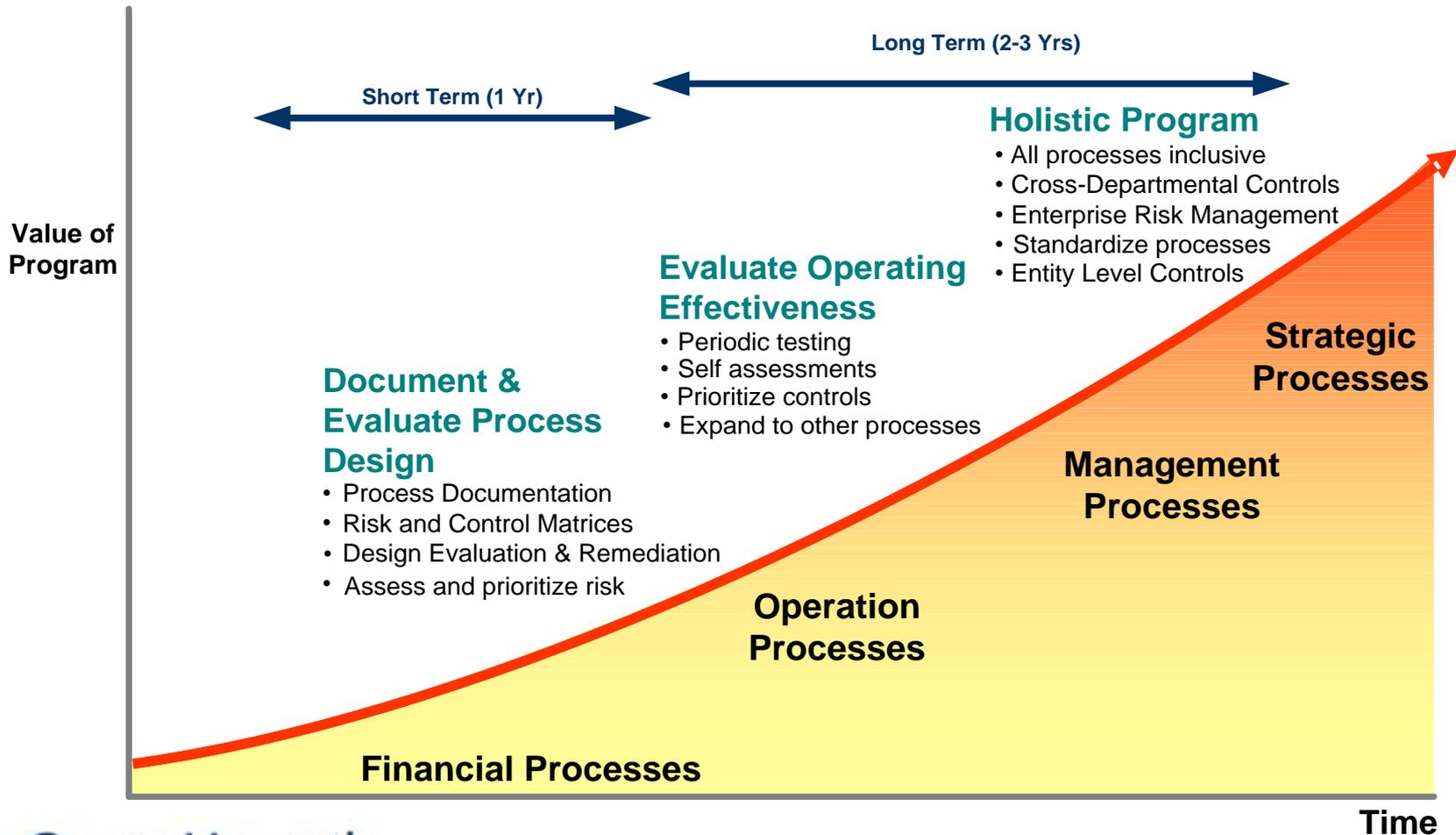
# Key Issues Identified

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- **Inventory**
- **Planning**
- **Workforce Management and Timekeeping**
- **Marketing**
- **Credit Card Processing**
- **Real Estate**
- **Service Planning and Scheduling**
- **Maintenance Management Information Systems**
- **Technology**



# CTA Practical Control Environment Plan





# CTA Key Take-Aways

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- **Inherent weaknesses at the CTA were identified.**
- **Strengthened internal control structure.**
- **Internal control annual revalidation by the departments are in place.**
- **Increased internal control awareness throughout the organization.**



# Crowe Summary

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- **Foundation for internal controls has been set.**
- **Tone-at-the-Top is important toward moving up the curve.**
- **CTA's control structure maturity mirrored that of other large complex organizations.**
  - CTA is ahead of the curve compared to other governmental organizations, but there is considerable room for improvement compared to public companies.
  - Inherent silo mentality poses a challenge to strengthening overall control environment.
- **Process owners in took the opportunity to address existing issues and change post inherited practices.**
- **A formal process has been set up for each department to monitor and update their process controls annually.**
- **OIG and Finance will continue monitoring the remediation of internal control weaknesses.**
- **Recommendation by CTA Sponsors to continue with Phase II – Expanding departments covered and testing of controls.**