



INTERNAL AUDIT

Audit Report of Transit Oriented Development

R-20-02

June 5, 2023

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Rating Matrix

Descriptor	Guide
High	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
Medium	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
Low	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

Distribution List

Title	For Action ¹	For Information	Reviewed prior to release
Executive Director		*	*
Director of Real Estate and Transit Oriented Development	*		
Records Manager			*
Chief Service Development Officer		*	

¹For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding

Executive Summary

Introduction

As part of the 2020 audit plan, Internal Audit (IA) was directed by the Board of Trustees to perform an audit to determine if controls over the Transit-Oriented Development (TOD) process are designed adequately and operating effectively to ensure compliance with federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives. The preliminary stage of the audit was concluded in June 2020. Due to scheduling challenges and other changes to IA the audit phase of this audit was scheduled to be performed during the 2022 Audit Plan which was approved by the Audit Committee January 31, 2022.

The audit phase was concluded on January 17, 2023 and was conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

Background and Functional Overview

To encourage transit ridership, improve air quality, and promote sustainable economic development within our communities, the State of Utah has given UTA authorization to participate in real estate development projects that support transit. As of 2021 UTA owns 828 properties comprising 2,527 total acres, of which 153 acres have been identified as suitable for Transit Oriented Development uses. The Transit-Oriented Development (TOD) division is within the Real Estate Department (RED) and administers all TOD efforts including planning, implementation, and management of TOD projects. The TOD division works with local municipalities to prepare station areas for TOD by tracking and reporting station readiness and defining a shared vision of areas roughly one-half mile around each transit station. These Station Area Plans (SAP) are reviewed and approved by the local municipality, UTA's Local Advisory Council, and UTA's Board of Trustees (the "Board"). The TOD team then pursues development of sites approved by the Board by working alongside UTA's publicly procured development partners, local elected officials and staff, as well as other UTA departments to plan, design, finance, construct, and manage TOD projects. Revenues generated from TOD efforts are reinvested into the transit system.

Objectives and Scope

The primary areas of focus for the Transit-Oriented Development audit were to determine if the TOD policies and procedures followed State law. To accomplish this IA reviewed 2019 Board of Trustees policy 5.1 and broke the audit down by the following areas contained within that policy.

- Governance
- System Analysis Tool (SAT)
- Site & Financial Management¹
- Conflict of Interest Oversight²

¹ No current TOD projects have expenditures. While this area was considered, no significant audit activity was necessary.

² Conflict of Interest Oversight is accomplished through the UTA Financial Disclosure process. Because IA oversees and manages this process an external auditor from the Utah Department of Transportation has been asked to review the Financial Disclosure process. Their audit will be reported separate from this report.

IA reviewed internal policies and procedures, legal and regulatory requirements, interviewed personnel, department leadership, and evaluated control documents to complete this audit.

Summary

When the Preliminary Assessment (PA) was completed in 2020 the recommendations consisted of primarily creating standard operating procedures (“SOP”) and policy to guide the TOD process. Since that PA was completed, TOD has had significant changes to governing laws and how processes are conceptualized. This audit is best understood as a new project based on current conditions and not a continuation of the preliminary assessment.

During the initial audit meetings with the director of Real Estate and Transit Oriented Development (TOD), it was requested that IA perform an independent analysis and comparison of recent state law, the current TOD Policy and an updated policy that was proposed on August 26, 2022. The Utah State Legislature passed Utah Housing Affordability Amendments (HB462) during the 2022 legislative session. Among other things, this bill requires municipalities to create a General Plan that addresses the major transit investment corridors and any “fixed guideway public transit stations” (“stations”) within their boundaries. Municipalities with any stations located in their boundaries must also develop a separate SAP for the properties falling within a ¼ mile radius of any bus station and properties within ½ mile radius of any train station. The deadline to develop and adopt the SAP(s) varies depending on how many stations are within the municipality’ boundaries, but all municipalities with 4 or fewer stations are required to create and adopt the SAP(s) by the year end of 2025.

Under current policy UTA’s TOD department uses an internally developed software application called the System Analysis Tool (SAT) to identify and prioritize which stations to focus their efforts on. The use of the SAT was previously the primary driver in developing SAP and pursuing the next steps of developing transit-oriented projects. Because the SAT was a tool designed by UTA’s TOD department for our own use the current policy places much of the responsibility for TOD development on UTA, however the most recent Utah State statute shifts much of the initial responsibility for creating SAPs and identifying properties ready for TOD use onto the local governments and municipalities. UTA’s TOD department may continue to assist the municipalities in creating the SAPs, but overall, these statute changes make the SAT unnecessary.

TOD is working to update Board of Trustees policy 5.1 to conform to current Utah statute. Once this policy is adopted, IA will review it for compliance with Utah statute.

Overall, IA found that TOD takes a responsible and compliant approach to TOD development through the drafting and adoption of governance policies. We have no recommendations in the areas reviewed.