

**MINUTES**

**MEETING OF THE BOARD OF DIRECTORS**

**AUDIT COMMITTEE**

**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**

**November 16, 2018**

Board of Directors Audit Committee held a meeting on November 16, 2018 at 10:00 a.m. in the Board Lounge on the 6<sup>th</sup> Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

**The Board Members Present**

Robert F. Dallas  
Frederick L. Daniels, Jr.  
Jim Durrett  
William Floyd  
Jerry Griffin  
Freda B. Hardage  
John "Al" Pond  
W. Thomas Worthy

MARTA officials in attendance were GM/CEO Jeffrey Parker; CFO Gordon Hutchinson; Chief Counsel Elizabeth O'Neill; Chief Information Security Officer Dean Mallis; AGM's Emil Tzanov, David Springstead, Kirk Talbott, and Elayne Berry; Senior Director Cynthia Moss-Beasley; Director Thomas Young; Managers Tiffney Jackson, Charles Middlebrooks, Antoine Smith; Executive Manager to the Board Rebbie Ellisor-Taylor; Senior Executive Administrator Tonya Gantt; Department Administrator Jaquata Jordan.

Also in attendance Scott Nickerson and Brad Shelly OF Crowe Horwath L.L.P.

**Minutes of the July 20, 2018 Audit Committee Meeting**

On motion by Mr. Griffin seconded by Mr. Pond, the minutes were unanimously approved by a vote of 7 to 0, with 7 members present.

**Results of MARTA's Annual External Audit**

Crowe Horwath L.L.P spoke on the results of MARTA's Annual External Audit. Mr. Shelly began with an overview explaining how they like to approach an audit, by not only looking at the numbers but also the business processes involved in the audit as well as succession planning. Mr. Shelly spoke on MARTA's financial statements and the financial position of MARTA, as of June 30, 2018, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting

principles generally accepted in the United States of America. MARTA adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Mr. Shelly stated that some of the big impacts they are seeing now is from technology changes. He continued by saying that pages 1-3 of the presentation were the independent auditors report. The basic financial statements are shown on pages 12-14 of the report.

Mr. Shelly went on to discuss the Single Audit Report. On the first report it was determined that there was significant deficiency. During the current year audit, there was an internal control item identified related to the financial reporting process. Auditor feedback was required to correct the classification of net position balances. The effect of the adjustment was an increase in unrestricted net position and a decrease in restricted net position of approximately \$138 million. The recommendation was that management update and automate the review and financial statement preparation process.

Mr. Daniels asked about the previous auditor's interpretation. Mrs. Hardage asked was this missed on the audit last year. Mr. Parker said that there should be more transparency on how restricted funds are being spent. Mr. Parker asked the Board members if at the next Committee meeting they could come back with a recommendation as to what the oversight process should be. Mrs. Hardage put a motion on the floor and Mr. Griffin 2<sup>nd</sup> the motion, all agreed.

### **Review of Audit Activity**

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Mr. Tzanov speaks on the Contract Audit group. The group finished 22 audits. 20 were low risk and 2 needed attention.

The Operational Audit group completed 3 projects. One of the projects dealt with Human Resources/ Talent Acquisition process and HR General Controls. Another project dealt with Finance/ Corporate credit cards and Finance/Direct Pay Process which was rated as high risk. Manager Charles Middlebrooks spoke on the direct payment process audit. The scope of the audit covered exempt and non-exempt direct payments made from January 1, 2018 through September 1, 2018. The purpose of the audit was to assess the effectiveness and efficiency of exempt and non-exempt payment controls. Mr. Middlebrooks stated that the audit identified three findings that require significant improvement in the control environment. Those findings being non-exempt pay procurements are not conducted in accordance with procurement procedures, risk for fraudulent activities exists in the ratification process, and direct pay process controls with regards to training need to be enhanced. Mr. Tzanov recommended graduating to a more automated process as oppose to the manual process. Mr. Daniels asked about the needs attention rating regarding corporate credit cards. Mr. Tzanov stated that it is in the process of being completed at this time. Mr. Tzanov stated that the Drug & alcohol policy will also be assessed based on its design and effectiveness of select controls related to the Drug & Alcohol policy and its enforcement. Mr. Parker gave an explanation of what the Drug & Alcohol policy entails.

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Mr. Tzanov spoke on the Information Technology Audit group. An audit on the Network Device Secure configuration and change control management and patching is currently

in the report writing phase. An audit of the Advisory- Pre-Implementation review of the mobile ticketing system is also currently on hold.

Mr. Tzanov spoke on Fraud, Waste, and Abuse. He explained that there have been 29 calls received on the hotline from July 1, 2018 to September 30, 2018. Of those calls, 26 were forwarded to Customer Service for resolution because they were not related to fraud, waste, or abuse. 2 calls were forwarded to Human Resources for resolution because they were not related to fraud, waste, or abuse. 1 call was forwarded to Risk Management for resolution because it was not related to fraud, waste, or abuse. Mr. Tzanov stated that there was 1 allegation of fraud and 1 allegation of waste & abuse received directly by Internal Audit, and the investigations have been completed and closed.

### **Other Matters**

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Mr. Tzanov discussed the Audit committee calendar and standing agenda for the upcoming year. Mrs. Hardage agreed that the 3 meetings this past year seemed to work best for the committee. Mr. Tzanov also spoke on the staffing update for the Internal Audit office. The Director of IT Audit position filled in under 90 days and the Senior IT auditor and Auditor I are still vacant.

### **IT & Cybersecurity Briefing**

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Mr. Talbott introduced himself as the new AGM/CIO of Technology. He gave a brief summary of his background in the field. Mr. Talbott spoke on the Fiber renewal and expansion project. This allows for more resiliency in the network. The contract has been finalized with AT&T. AT&T will be used as a secondary path with Fiber being the primary. Mr. Daniels asked who owns the Fiber. Mr. Talbott stated that MARTA own the Fiber. Mr. Daniels also asked if there was any way to find usage for the fiber optic cable while it was not being utilized. Mr. Talbott said that we can potentially. Mr. Talbott went on to discuss the storing of data and the equipment that has been purchased and will be installed at the necessary locations. Mr. Daniels asked about the systems that still have vulnerability and how are we securing ourselves. Dean said that one of the things they are doing is enhancing DHS. Mr. Pond asked about an email that was sent to Mrs. Hardage. Mr. Talbott discussed the contract with DC Block.

Mr. Daniels asked about training and education. Mr. Talbott spoke on the mandatory training and cybersecurity training that took place. Mr. Talbott ended by saying if anyone had any questions please feel free to give him a call.

### **Adjournment**

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The Audit Committee meeting adjourned at 12:13pm.