



**BOARD OF DIRECTORS**

**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**

**AUDIT COMMITTEE**

**FRIDAY, NOVEMBER 17, 2023**

**ATLANTA, GEORGIA**

**MEETING MINUTES**

**1. CALL TO ORDER AND ROLL CALL**

Chair Roderick Frierson called the meeting to order at 10:00 A.M.

**Board Members**

**Present:**

William Floyd  
James Durrett  
Roderick Frierson  
Al Pond  
Rita Scott  
Thomas Worthy

**Board Members**

**Absent:**

Stacy Blakley  
Freda Hardage  
Russell McMurry  
Kathryn Powers  
Rod Mullice  
Valencia Williamson  
Jennifer Ide  
Jacob Tzegaegbe  
Jannine Miller

**Staff Members Present:**

Collie Greenwood  
Peter Andrews  
Ralph McKinney  
George Wright  
Carrie Rocha  
Melissa Mullinax

**Also in Attendance:** Justice Leah Ward Sears  
Emil Tzanov  
Brad Schelle  
Jacqueline Holland  
Tyrene Huff  
Kenya Hammond  
Phyllis Bryant  
Gloria Londono

**2. APPROVAL OF THE MINUTES**

**Approval of the July 20, 2023 Audit Committee Minutes.**

The approval of the July 20, 2023, meeting minutes was postponed due to a lack of quorum.

**3. BRIEFING**

**Presentation of the Fiscal Year 2023 Financial Audit Report by Crowe, LLP**

Brad Schelle from CROWE presented the MARTA FY23 Financial Audit Report.

**Internal Audit Q1/FY24**

Emil Tzanov, AGM Internal Audit, presented the July 1 – September 30, 2023 Audit activity.

**4. OTHER MATTERS**

**CROWE External Audit Documents (For Information Only)**

**5. ADJOURNMENT**

The Audit Committee meeting adjourned at 11:07 A.M.

Respectfully submitted,



Tyrene L. Huff  
Assistant Secretary to the Board

YouTube link: [https://youtube.com/live/z\\_TdAs-HR9o?feature=share](https://youtube.com/live/z_TdAs-HR9o?feature=share)



Smart decisions. Lasting value.™

# FY2023 Audit Results

Metropolitan Atlanta Rapid  
Transit Authority

November 17, 2023



# Objective, Scope of Work, New Accounting Standards



## Objective

- Express an opinion on the presentation of the financial statements that comprise the Authority's basic financial statements

## Scope of Work

- Obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

## New Accounting Standards

- GASB 94 – PPP's and APA's
- GASB 96 – Subscription Based Information Technology Arrangements

# Audit Approach and Plan



## Interim fieldwork: Early to mid May

Management interviews  
Planning and Risk Assessment  
Internal controls  
Single audit testing



## Year-end fieldwork: Mid August to late September

Audit procedures on year-end balances and fiscal year activity  
Single audit testing – completion  
NTD testing



## Reporting: October

Review financial statements prepared by management  
Preparation and review of compliance reports  
Reporting to the Audit Committee

# Fraud Considerations

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## General:

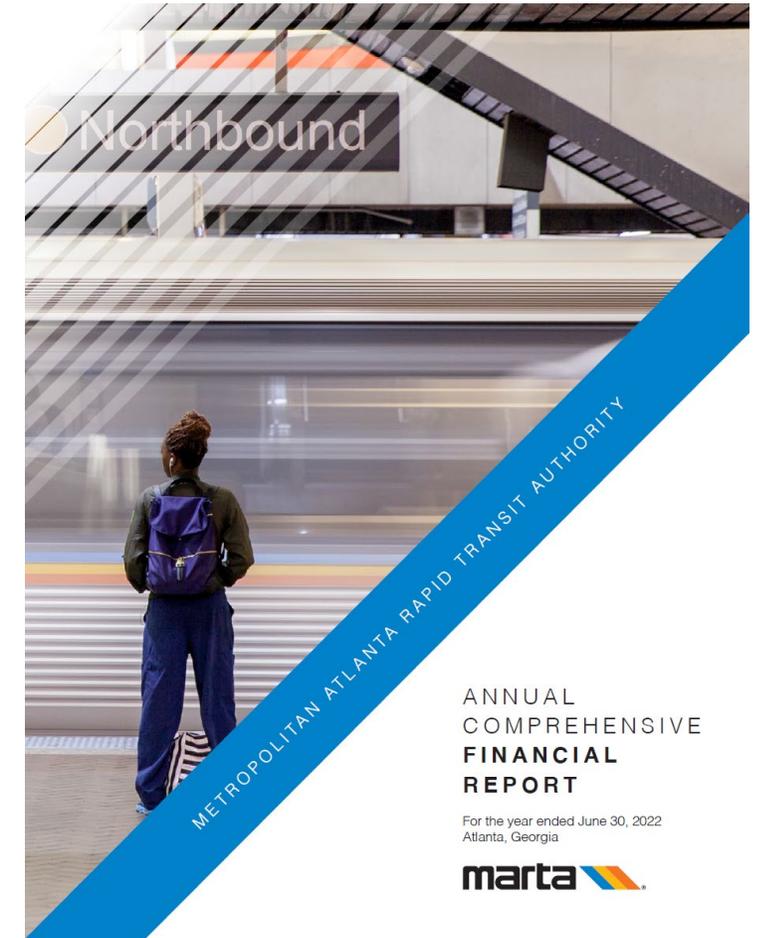
- Inquiry of management, employees, and Board about risks of fraud - none noted
- Consideration of unusual or unexpected relationships that have been identified in performing analytical procedures in planning the audit - none noted
- Consideration of whether fraud risk factors exist - none noted
- Consideration of other information gathered throughout the audit - none noted

## Fraudulent Financial Reporting Procedures:

- Examination of journal entries and other adjustments for evidence of possible material misstatement due to fraud – no issues noted
- Review of accounting estimates for biases that could result in material misstatement due to fraud, including a retrospective review of significant prior year estimates – no issues noted
- Evaluation of the business rationale of significant unusual transactions – no issues noted
- Testing of revenue for proper cut-off – no issues noted

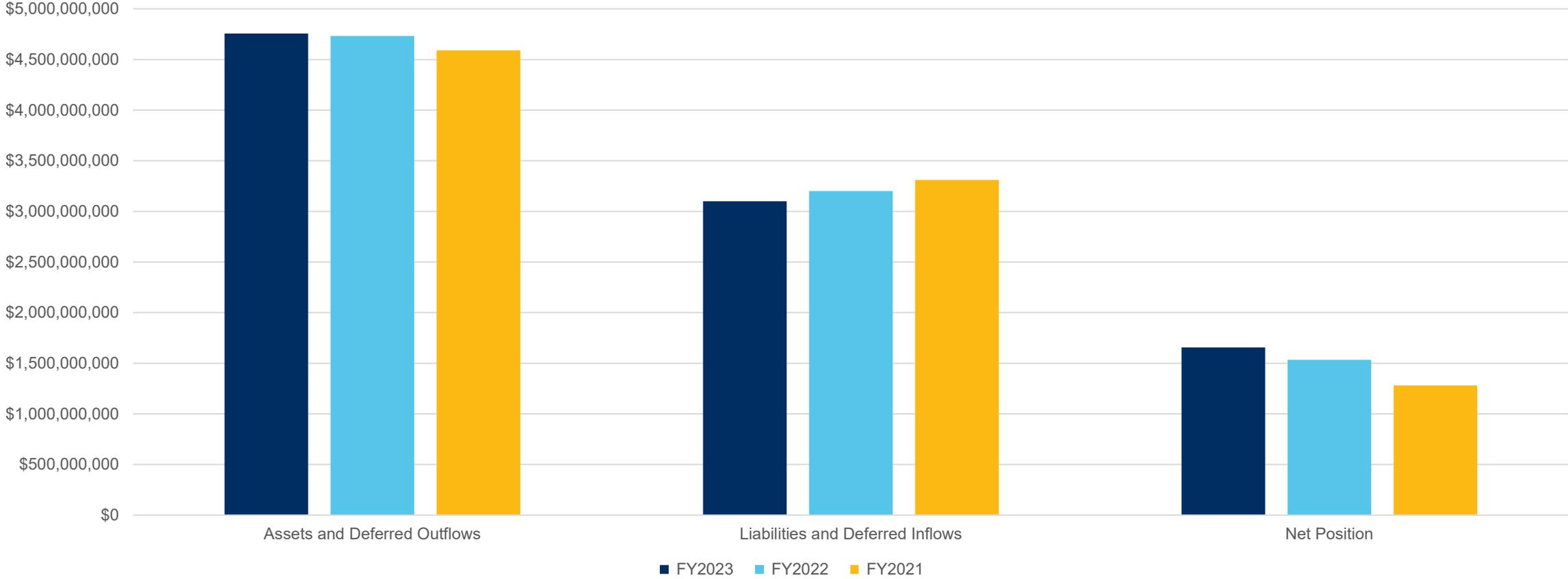
# Audit Deliverables

- Independent Auditor's Report
- Management Letter
- SAS 114 Letter
  
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance
- "In relation to" opinion on the Schedule of Expenditures of Federal Awards
  
- Agreed Upon Procedures report on National Transit Database Federal Funding Allocation Statistics Form
- Crowe's electronic certification of the Data Collection Form through Federal Clearinghouse



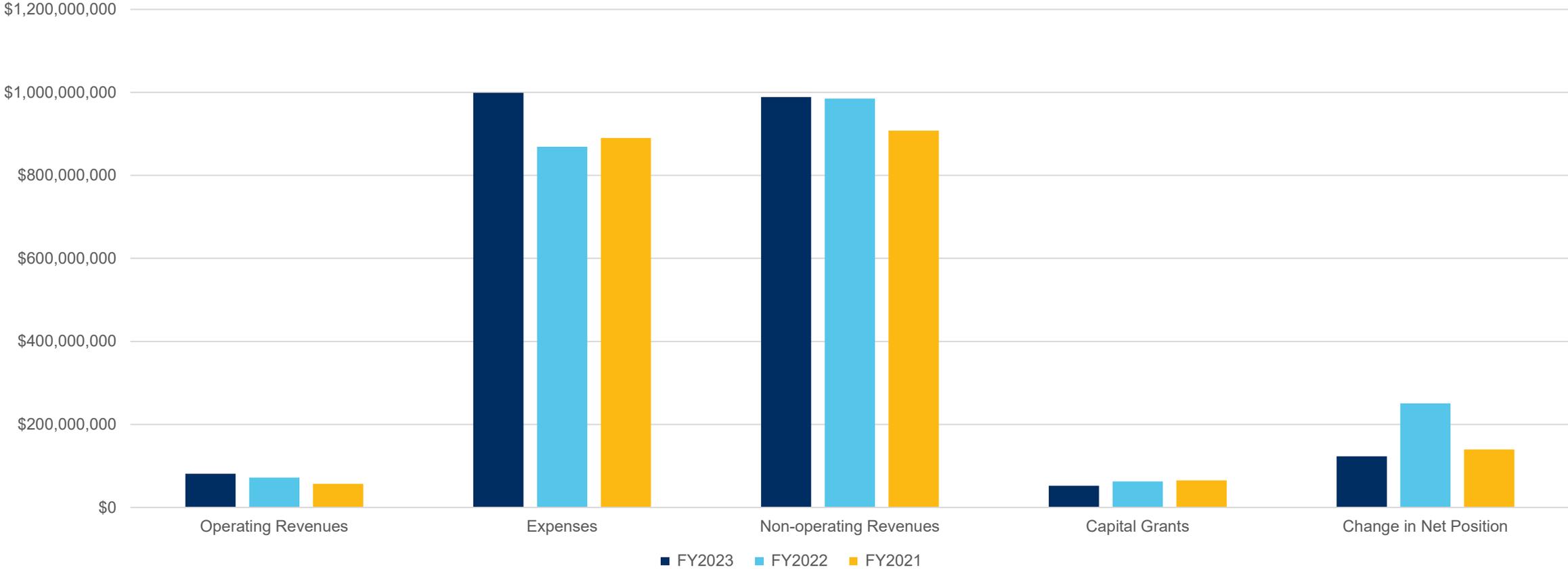
# Financial Highlights

Statement of Net Position



# Financial Highlights

Statement of Revenues, Expenses, and Changes in Net Position



# Required Communications

Topic	Comment
Independence Communication	<ul style="list-style-type: none"><li>• We are not aware of any relationship between Crowe LLP and the Authority that, in our professional judgment, may reasonably be thought to impair our independence</li></ul>
Significant Accounting Policies	<ul style="list-style-type: none"><li>• Implementation of GASB 96</li></ul>
Management's Judgments and Accounting Estimates	<ul style="list-style-type: none"><li>• Fair value of investments</li><li>• Estimated useful lives of capital assets</li><li>• Loss contingencies</li><li>• Actuarial assumptions used in net pension and OPEB liability calculations</li><li>• Self-insurance claims</li><li>• Change in estimated – Calculation of accrued interest related to leases</li></ul>
Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices	<ul style="list-style-type: none"><li>• Appropriateness of accounting policies</li><li>• Adequacy of financial statement disclosures</li><li>• Timing of transactions</li><li>• Significant risks, exposures and unusual transactions - None</li><li>• Selective correction of misstatements – None</li></ul>

# Required Communications

Topic	Comment
Corrected and Uncorrected Misstatements	<ul style="list-style-type: none"><li>• One corrected misstatement related to a lease agreement that was recorded but should not have been as the lease hadn't commenced. \$1.6m increase to the change in net position as a result.</li><li>• No uncorrected misstatements</li></ul>
Significant Deficiencies and Material Weaknesses	None noted
Other Communications: <ul style="list-style-type: none"><li>• Other Information in Documents Containing Audited Financial Statements</li><li>• Significant Difficulties Encountered During The Audit</li><li>• Disagreements With Management</li><li>• Consultations With Other Accountants</li><li>• Representations The Auditor Is Requesting From Management</li><li>• Significant Issues Discussed, Or Subject To Correspondence, With Management</li><li>• Significant Related Party Findings and Issues</li><li>• Other Finding or Issues We Find Relevant or Significant</li></ul>	No matters noted

# Emerging Issues

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- Implementation 6/30/2024
  - GASB 99, Omnibus 2022 (Financial guarantees and derivatives)
  - GASB 100, Accounting Changes and Error Corrections
- Implementation 6/30/2025
  - GASB 101, Compensated Absences



# Thank you

Brad Schelle

Partner

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Katherine Brothers

Manager

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# Internal Audit Activity Briefing

Q1 / FY24 ~ Jul. 1 – Sep. 30, 2023

# Operational Group Audits

Q1 / FY24

Audit Title	Audit Report Issue Date	Audit Engagement Rating	Audit Project Status	Significant Findings				Moderate Findings			
				Total	Closed	In Process	Past Due	Total	Closed	In Process	Past Due
<b>DOT Physical and Drug Testing Process Audit</b>	9/30/23	Needs Attention	Completed	-	-	-	-	1	-	1	-
<b>MARTA Employee Charity Club Audit</b>	TBD	TBD	Report Writing	-	-	-	-	-	-	-	-
<b>Total Significant &amp; Moderate Findings:</b>				-	-	-	-	1	-	1	-

# Prior Operational Audits with Open Significant Findings

Audit Title	Audit Report Issue Date	Audit Engagement Rating	Audit Project Status	Significant Findings				Moderate Findings			
				Total	Closed	In Process	Past Due	Total	Closed	In Process	Past Due
<b>Capital Improvement Program Follow-up</b>	1/15/21	Needs Attention	Completed	28	21	7	-	-	-	-	-
<b>Capital Projects – Soft Cost</b>	9/30/22	Needs Attention	Completed	-	-	-	-	2	-	2	-
<b>On-Line Invoice System 'OLIS'</b>	9/30/22	Needs Attention	Completed	-	-	-	-	2	1	1	-
<b>Excessive Absenteeism Investigation and Bus Operator Availability Analysis (Interim Report)</b>	1/19/23	High Risk	Completed	3	3	-	-	-	-	-	-
				<ul style="list-style-type: none"> <li>- Absence of written policies and procedures to specifically address excessive absenteeism by represented employees. (Completed)</li> <li>- HRIS and Bus Operations bus operator availability reports do not reconcile (Completed)</li> <li>- No written definition exists for "Bus Operator Availability" and how it should be calculated. (Completed)</li> </ul>							
<b>Non-Revenue Vehicle Fuel Use</b>	3/20/23	High Risk	Completed	3	3	-	-	1	1	-	-
				<ul style="list-style-type: none"> <li>- No Formalized Process for Reviewing Non-Police Vehicles (Completed)</li> <li>- Inadequate Monitoring of Off-Site Fuel Process (Completed)</li> <li>- WEX Cards and PINs are Not Adequately Monitored (Completed)</li> <li>- Odometer Reading are Being Entered Inaccurately (Completed)</li> </ul>							

# Prior Operational Audits with Open Significant Findings

Audit Title	Audit Issue Date	Audit Engagement Rating	Audit Project Status	Significant Findings				Moderate Findings			
				Total	Closed	In Process	Past Due	Total	Closed	In Process	Past Due
Review of Transit Oriented Development	5/15/23	Needs Attention	Completed	3	2	1	-	1	-	1	-
				<ul style="list-style-type: none"> <li>- Ground Lease Payments timeliness and late fees (Completed).</li> <li>- Verification of Ground Lease Payments was not properly done (Completed).</li> <li>- The Office of Real Estate does not have a document management System (3/31/2024).</li> </ul>							
Purchasing Cards (P-Cards)	5/19/23	High Risk	Completed	3	2	1	-	3	-	3	-
				<ul style="list-style-type: none"> <li>- Purchase Card procedures are out of date and need more clear and direct language (Completed).</li> <li>- Purchases inconsistent with P-card procedures (11/30/2023)</li> <li>- Purchases of supplies or services available under an existing Authority contract (Complete)</li> </ul>							
Attracting & Retaining Employees	6/28/23	High Risk	Completed	4	1	3	-	4	-	4	-
				<ul style="list-style-type: none"> <li>- No broad-based retention strategy. (Due date to be established)</li> <li>- Career development &amp; advancement opportunities need to be expanded (6/3/2024).</li> <li>- Employee Handbook needs to be developed (3/31/2024)</li> <li>- No formal or defined succession planning process (Completed)</li> </ul>							
CIP – Indian Creek Station (interim audit)	6/29/23	High Risk	Completed	3	2	1	-	-	-	-	-
				<ul style="list-style-type: none"> <li>- Absence of governance mechanisms (Completed).</li> <li>- Insufficient project change documentation / change management governance (4/30/2024).</li> <li>- Contractor oversight needs to be enhanced (Completed)</li> </ul>							
<b>Total Significant &amp; Moderate Findings:</b>				<b>47</b>	<b>34</b>	<b>13</b>	<b>-</b>	<b>13</b>	<b>2</b>	<b>11</b>	<b>-</b>

# IT Group Audits

## Q1 / FY24

Audit Title	Audit Report Issue Date	Audit Engagement Rating	Audit Project Status	Significant Findings				Moderate Findings			
				Total	Closed	In Process	Past Due	Total	Closed	In Process	Past Due
<b>IT Support of Critical Enterprise Applications and Systems Audit</b>	TBD	TBD	Reporting	-	-	-	-	-	-	-	-
<b>IT Hardware Asset Management Audit</b>	9/29/23	High Risk	Completed	1	-	1	-	4	-	4	-
<b>MARTA Enterprise Penetration Test Findings Remediation Review</b>	6/20/23	High Risk	Completed	3	1	2	-	3	-	3	-
<b>Total Significant &amp; Moderate Findings:</b>				<b>4</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>7</b>	<b>-</b>

# Prior IT Audits with Open Findings

Audit Title	Report Issue Date	Audit Engagement Rating	Audit Project Status	Significant Findings				Moderate Findings			
				Total	Closed	In Process	Past Due	Total	Closed	In Process	Past Due
Identity and Access Management Audit	5/4/23	High Risk	Completed	3	-	-	3	1	-	-	1
3 <sup>rd</sup> Party IT Risk Management	12/06/22	High Risk	Completed	4	2	-	2	3	2	-	1
Oracle Disaster Recovery	09/29/22	High Risk	Completed	3	3	-	-	2	1	-	1
TCSN Pen-Test Findings Remediation	06/30/22	High Risk	Completed	10	4	-	6	6	2	-	4
Enterprise Pen-Test Findings Remediation	04/15/22	High Risk	Completed	5	4	-	1	5	4	-	1
Cybersecurity – PCs, Email and Internet	06/24/19	High Risk	Completed	5	4	-	1	4	4	-	-
<b>Total Significant &amp; Moderate Findings:</b>				<b>30</b>	<b>17</b>	<b>-</b>	<b>13</b>	<b>21</b>	<b>13</b>	<b>-</b>	<b>8</b>

# Contract Group Audits

Q1 / FY24

## Contract Audits Completed

Audit Ratings	No. of Audits Issued
Low Risk	22
Needs Attention	1
High Risk	0
<b>Total Audits Issued</b>	<b>23</b>

## Contract Audits In Progress

Audit Types	
Interim / Close Out	2
Rate Reviews	13
Buy America / Special Request	
Cost / Price Analysis	2
Change Orders	3
<b>Total Contract Audits in Progress</b>	<b>20</b>

- ✓ Identified Unallowable Cost in Overhead Rate Reviews as per Federal Acquisition Regulation (FAR) **None this period**
- ✓ Identified Unsupported in Cost/Price and Change Order Reviews **\$31,573**

# Fraud, Waste & Abuse Summary

## Newly Reported Allegations

No reported allegations during this quarter



## Previously Reported Allegations

### **Investigation 23-02-I-9**

Allegation related to the MARTA Employee Charity Club is currently in the report writing phase.

### **Investigation 23-03-I-9**

Train Operator claimed unfair treatment related to scheduling of work. Allegation was referred to Operations and Labor Relations.

### **Investigation 23-04-I-9**

An employee who moved out of state is alleged to have been allowed to work remotely by MARTA Management. The allegation was referred to Legal and HR. The allegation was determined to be without merit and was closed.

### **Investigation 23-05-I-9**

An employee is alleged to be working a second job during the same hours he is working full time for MARTA. The allegation could not be substantiated.

# Other Internal Audit Updates

## MARTOC Management Audit

- Required under the MARTA Act. Must be performed at the direction of MARTOC and at the expense of the Authority every 4 years.
- Deadline 12/31/2024
- Letter outlining proposed scope and engagement process for the 2024 Management Audit sent to MARTOC Chair
- Significant progress made in addressing the recommendations from the 2020 Management Audit

## Internal Audit Organizational Update

- Added an audit of the MARTA Employee Charity Club to the FY24 Internal Audit Plan
- Preparing a board resolution to authorize an increase in the total contract amount for the audit software used by the department and extend the contract for an additional 3 years.



