

MINUTES
MEETING OF THE BOARD OF DIRECTORS
AUDIT COMMITTEE
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

April 19, 2018

The Board of Directors Audit Committee held a meeting on April 19, 2018 at 10:02 a.m. in the Board Lounge on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Robert F. Dallas
Frederick L. Daniels, Jr.
William (Bill) Floyd
Jerry Griffin
Freda B. Hardage, Chair
J. Al Pond

MARTA officials in attendance were GM/CEO Jeffrey A. Parker, Deputy General Manager A. Robert Troup; C-Suite Team Members Chief Counsel Elizabeth M. O'Neill and Chief Marketing and Communications Officer Goldie Taylor; AGMs Torrey Kirby (Acting) and Emil Tzanov; Chief Information Security Officer Dean Mallis; Executive Director Shelton Goode; Senior Directors Walter Jones, Cynthia Moss-Beasley and George Wright; Director Angela Jackson-Summers; Managers Tiffney Jackson and Charles Middlebrooks. Others in attendance Sr. Executive Administrator to the Board Tonya Gantt (Contract).

Also in attendance were Scott Nickerson and Brad Shelly of Crowe Horwath LLP.

Minutes of the November 16, 2017 Audit Committee Meeting

On motion by Mr. Griffin seconded by Mr. Dallas, the minutes were unanimously approved by a vote of 6 to 0, with 6 members present.

Review of the Annual Financial Audit Program - Crowe Horwath LLP

Mr. Tzanov introduced Scott Nickerson and Brad Shelley from Crowe Horwath LLP.

Mr. Nickerson stated that he and Mr. Shelley would be MARTA's primary service providers.

Mr. Daniels asked where was their home office.

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Mr. Nickerson stated their national office is in Chicago; with a local office in the Atlanta area. He said Crowe Horwath specializes in connecting industry and specialized knowledge with innovative technology, integrity and objectivity.

Mr. Shelley named other transit agencies that Crowe Horwath works with - Chicago, Washington, DC, Miami, California, Texas, etc.

Mr. Nickerson said Crowe Horwath is hosting a transit event at GFOA in order to network and share ideas.

Mr. Daniels asked from a Best Practice perspective, how is the information disseminated, and whether or not it will be for management only or for Board members, as well.

Mr. Nickerson said the information would be passed along to management to see if the Best Practices may benefit the Authority or if they may cause issues. If beneficial, the information is then shared with the Board and/or the Audit Committee.

Mr. Daniels said in terms of the big picture, a management letter or recommendation is something that the Board would like to see come through the Committee.

Mr. Nickerson spoke on the services that would be provided to MARTA. These services include financial statement audits which will include independent auditor's reports, management letter and SAS 114 letter. Also, a compliance/uniform guidance audit which will include independent auditors report on internal control over financial reporting and on compliance and other matters. The Crowe Horwath team will also provide an agreed upon procedures report on National Transit Database federal funding allocation statistics as well as Crowe Horwath's electronic certification of the data collection form through federal clearinghouse.

Mr. Dallas asked how far back does Crowe Horwath review when assessing prior audits to consider what else should be done.

Mr. Shelley stated that they take the prior year statements under review.

Mr. Griffin asked about the referendums which are in place now and asked if Crowe Horwath looks at those referendums.

Mr. Nickerson stated that they review the referendums from an audit standpoint and will focus on some of the nuances of those referendums. He discussed the audit timeline

and said if any members needed to communicate directly with them, they could go through Mrs. Beasley.

Mr. Shelley discussed GASB Statement No. 75 and the NTD IAS-FD and what is involved in these reports.

Audit Activities

Operational Audit Group

Mr. Tzanov provided a brief review of the reports that were issued in the Operational Audit Group. There were three reports issued of which all three had an engagement rating of "Needs Attention", meaning that actions need to be taken to improve the operating environment and controls.

Mr. Daniels asked if the items under "needs attention" would be resolved by the next Committee meeting.

Mr. Tzanov confirmed they would be resolved by the next meeting of the Audit Committee. The Audit Department have a number of audits to perform through FY 19. He discussed the timeline.

Mr. Pond asked about the engagement rating.

Mr. Tzanov stated that the engagement rating section of the report will be filled out when the audit is completed (by the time the Committee meets in July).

Information Technology Audit Group

Mr. Tzanov discussed the Information Technology Audit Group. There were three reports issued within the same timeframe all of which "needs attention". There are management action items that need to take place before completion.

Mr. Dallas asked about controls in regard to the information technology audits.

Mr. Tzanov spoke on the controls that would deter the inappropriate use of data and other information. He gave an example of controls being passwords and being a specific length or the proper use of P-Cards.

Mr. Daniels asked about the budgeted hours.

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Mr. Tzanov explained that the hours were budgeted in FY17 but completed in FY18. He then explained when an audit report is cited in the media, it is requested from the media.

Mr. Daniels suggested that Audit place in parenthesis what open records request was requested.

Mr. Parker asked for clarification on the open records process.

Mr. Tzanov explained how an open records request is generally obtained. The Audit Department does not release the information to the media directly. The request is fulfilled by MARTA's Chief Communications Officer.

Mrs. O'Neill explained what information can be released to the media.

Fraud, Waste and Abuse

Mr. Tzanov spoke on the 14 calls received on the hotline from November 1, 2017 to February 28, 2018. There is a section on the website where people can call with any information on fraud, waste, and abuse. He stated that there were 6 calls forwarded to the Customer Service department because they were not related to fraud, waste, or abuse. There were 4 calls forwarded to Human Resources for resolution because they were not related to fraud, waste, or abuse. There was 1 call forwarded to Laredo Bus Garage management and the issue was resolved before investigation started. One call was retained by Internal Audit for investigation and one call didn't provide enough information for internal Audit to investigate.

Mr. Parker said it is fair to say that the majority of the calls were not related to fraud, waste, and abuse.

The Audit Plan

Mr. Tzanov discussed the FY19 Audit Plan and stated that the Plan is not intended to be a comprehensive, detailed Audit Work Program. Mr. Tzanov explained that the Plan is not intended to be set-in stone, but rather, specific Audit Work Programs will be developed for each individual audit project. It will be the same process that was used last year from a risk assessment perspective. The January - February timeframe will be used to identify and evaluate, the March timeframe will be used to prioritize audit areas and create a draft Audit Plan. Approval for the following year's Audit Plan will be requested at the April Audit Committee. He further noted that risk will be categorized for different categories: strategic risks, operational risks, financial risks and compliance risks.

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Mr. Griffin asked about regulatory compliance and what the external auditors are monitoring.

Mr. Tzanov explained that some of the risk will be covered by the external auditors and some will be covered by MARTA's Audit Department.

Mr. Dallas asked if the Audit Department will take a "deeper dive" into things that the external auditors may not.

Mr. Tzanov said they would take a deeper dive into issues more from an operational process perspective. He summarized what audits are expected to be done in FY19.

Mr. Daniels asked about audits' involvement in the procurement timeframe.

Mr. Tzanov said they will incorporate the process into their audit work. Future audits will involve IT Operational and Contract audits.

Mr. Daniels asked about the Finance/SSAE16 process. He stated that many of the breaches were not internal but external through vendors.

Mr. Mallis said you want to look at what the vendor is providing for us and whether or not they are connecting to our network.

Mr. Tzanov discussed the allocation of annual audit hours.

Mr. Pond asked when Audit comes across a problem, is it identified as an action item.

Mr. Tzanov said high-risk items are brought to the attention of the Audit Committee.

Mr. Tzanov requested approval of the Audit Plan.

On motion by Mr. Daniels seconded by Mr. Pond, the Audit Plan was unanimously approved by a vote of 6 to 0, with 6 members present.

Other Matters

Mr. Tzanov spoke on the budget for next year as well as the staffing needs in the Office of Audit.

Budget

- Submitted FY19 Budget - \$1.556 million.
- Flat headcount (15 FTEs* + 1 Contractor).

Staffing

- Three positions (20%) of 15 total FTEs are vacant:
 - One in the Contract Audit Branch.
 - Two in IT Audit Branch (100% of the IT staff auditors). The IT auditors resigned in January and February 2018 to pursue higher paid positions with global corporations.
- Replacement hiring is in progress. However, labor market dynamics are not favorable.
- All employees, except one, maintain one or more professional certifications.
- Professional development - employees achieved on average 63 CPE** credits in FY16 and 50 CPE credits in FY17. (*minimum of 40 CPEs annually required*)

Mr. Mallis presented an CISO Organizational Structure. He explained that he commissioned for a Risk Assessment and a Penetration Test. Due to unfavorable results, Mr. Mallis' recommendation is to bring in a security service provider who would monitor the system 24/7 in an effort to get alerts that can be responded to as soon as the alerts come in. Mr. Mallis said that he is working with Mr. Kirby's group to obtain the software needed to improve password policies.

Mr. Daniels expressed that patch management is critical.

Mr. Kirby confirmed that patch management is a focal point at MARTA.

Mr. Dallas asked about a schedule.

Mr. Mallis said that they are looking at some time in January/February.

Mr. Dallas asked if the IT department had the necessary resources needed to implement the standards.

Mr. Mallis stated they are working on filling the needed positions.

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Adjournment

The meeting of the Audit Committee meeting adjourned at 11:58 a.m.