

MINUTES
MEETING OF THE BOARD OF DIRECTORS
AUDIT COMMITTEE
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
July 20, 2018

The Board of Directors Audit Committee held a meeting on July 20, 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
W. Thomas Worthy

MARTA officials in attendance were Chief Counsel Jonathan Hunt (Acting); AGMs Torrey Kirby (Acting), Benjamin Limmer, David Springstead, Emil Tzanov; Senior Director Cynthia Moss-Beasley; Chief Information Security Officer Dean Mallis; Directors Lisa DeGrace and Angela Jackson-Summers; Managers Niki Hester, Tiffney Jackson, Charles Middlebrooks and Jim Robinson; Sr. Executive Administrator to the MARTA Board Tonya Gantt.

Minutes of the April 19, 2018 Audit Committee Meeting

On motion by Mr. Griffin seconded by Mr. Floyd, the minutes were unanimously approved by a vote of 5 to 0, with 5 members present.

Audit Activities

Mr. Tzanov presented a summary of the annual audit activities. During FY 18, the Department of Internal Audit completed one hundred twenty-two (122) total projects. The Contract Audit group increased audit from seventy-seven (77) in FY 17 to one-hundred five (105) in FY 18. The Information Technology group increased audits from two to eight in FY 18. The Operational Audit group stayed the same at thirteen from year-to-year. The total identified potential savings was approximately \$1.1M.

Contract Audit Group

Mr. Tzanov discussed the audit issued by the Contract Audit group since the last Audit Committee meeting. Total audits issued were thirty-five (35) with twenty-four (24) being low risk and one 'Needs Attention'. Of the audits issued, there was approximately \$140K in identified unallowable cost for the period. At the end of June, the total contract audits still in progress are sixteen (16).

Operational Audit Group

Mr. Tzanov discussed the Operational audit group, which issued eight audit reports since the last Audit Committee meeting; five of which were rated low risk and three rated high risk.

Mr. Middlebrooks spoke on the audits that were rated high risk. He spoke about the Rail Incident Passenger Related Response Process and Procedures. The audit engagement identified four areas of improvement in the control environment. These areas include updating the Train Control room log book; train operator's communications with passengers during an emergency; enhancements to the Safety Department reports; and timely execution of post-accident interviews by the Safety Department. Mr. Middlebrooks stated that management concurred with all recommendations and indicated that they would implement those recommendations.

Mrs. Hardage asked if all the recommendations are in place as of today.

Mr. Springstead said that is correct.

Mr. Floyd asked about the circuit board being replaced or swapped out.

Mr. Springstead stated the circuit board was replaced but it failed.

Mr. Daniels asked if there could be some type of centralized, electronic way of documenting the log books.

Mr. Springstead agreed that there could be some way to automate the log book.

Mr. Daniels said if something happened to one of the log books, there would be no information at all. He asked about the status to ensure the intercoms are working on each rail car.

Mr. Springstead stated that they are running diagnostics on each rail car before they put the car into revenue service. The new technology will show what equipment is not working.

Mr. Griffin said many times the equipment (intercom system) does not work on the trains.

Mr. Springstead said it is going to be problematic, but the team will stay on top of it.

Mrs. Hardage asked when are the new cars expected.

Mr. Springstead said in approximately thirty-six (36) months.

Mr. Middlebrooks discussed the review of the FMLA administrative process. The purpose of the audit was to focus on determining if MARTA's FMLA process is operating effectively and if the company to which this process was outsourced – UPMC Work Partners – was operating in compliance with contract deliverables. Mr. Middlebrooks stated that recommendations included claim validation to prevent fraud as well as compliance with contract deliverables. Management concurred with the findings that were noted and agreed to implement the recommendations that were issued by Internal Audit.

Mr. Daniels stated that the FMLA policy has been a challenge for the agency in terms of employees utilizing it for "time off", causing operational issues for division heads. Mr. Daniels asked if the internal weaknesses are still causing issues to the point the Authority is unable to keep employees at work to get the job done.

Mr. Middlebrooks explained that the issue found is related to the time gap. They are currently working to eliminate that time gap.

Mr. Tzanov stated that the biggest issue is validation of the initial claim.

Mr. Middlebrooks spoke on the iSupplier Portal Process. This audit was requested by MARTA's Legal Department in response to a recent incident which involved the management of MARTA's Master Vendor Data file. The audit recognized five areas which required significant improvement. These areas included enhancements to existing controls; deployment of appropriate change control procedures; implementation of a review and approval process for changes requested outside of the iSupplier self-service portal; inclusion of a Terms and Conditions agreement for iSupplier users; and deployment of an audit log to track changes. Mr. Middlebrooks said that management has concurred with the findings that were noted and have implemented corrective actions to mitigate some control deficiencies prior to the issuance of this report.

Mr. Daniels asked about the deployment of the audit log.

Mr. Kirby said that the changes can be tracked.

Information Technology Audit Group

Mr. Tzanov stated that the Information Technology group issued three audits, in which one was rated high risk.

Ms. Jackson-Summers spoke on the high-risk audit – Enterprise Information & Data Security Review. MARTA's CISO has been working to address the company's security posture and operational readiness. Ms. Jackson-Summers also stated that other issues found were areas where the Authority needs to have more focus and effort. Those areas involve data protection, security incident, response and management, logical access as it relates to our systems and maintenance monitoring of logs. Ms. Jackson-Summers said that she has been working with Mr. Mallis and Mr. Kirby in a collaborative effort to address these issues.

Mrs. Hardage said that there will be a subcommittee to look further into this issue.

Mr. Floyd asked how equipped is the accounting/audit office to handle the auditing of cyber security issues.

Ms. Jackson-Summers stated that her background is cyber security.

Mr. Mallis said that this was a very comprehensive audit and it was great working with Mrs. Jackson-Summers due to her vast knowledge in the area of cyber security.

Fraud, Waste and Abuse

Mr. Tzanov addressed Fraud, Waste and Abuse. There were thirteen (13) calls received on the hotline from March 1 to June 29, 2018. Of those calls, twelve (12) were forwarded to Customer Service and one was forwarded to Bus Mobility because it did not pertain to Fraud, Waste and Abuse. Mr. Tzanov said that there was one allegation of fraud received and currently is under investigation.

Mrs. Hardage said regarding to this investigation, all hands are on deck.

Mr. Daniels said the Board and management want employees to know their complaints are indeed being addressed.

Mr. Tzanov said that Audit can indeed do a better job of getting back with employees if they leave their name.

Other Matters

Mr. Tzanov spoke on staffing updates in the Department of Audit. There are currently two positions available in the Contract Audit branch. Both IT Auditor positions were filled with start dates in late June and early August. Mr. Tzanov also stated the Department will be hosting a summer student intern. Mr. Tzanov went on to discuss the preliminary FY 19 Goals for the Department. These goals will be broken down into four categories. The categories include Customer Focused Goals, Employee Focused Goals, Fiscally Focused Goals and Operational Goals.

Adjournment

The Audit Committee meeting adjourned at 12:04 p.m.