



BOARD OF DIRECTORS

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

AUDIT COMMITTEE

THURSDAY, MAY 18, 2023

ATLANTA, GEORGIA

MEETING MINUTES

1. CALL TO ORDER AND ROLL CALL

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

Board Members

Present:

William Floyd
Roderick Frierson
Freda Hardage
Al Pond
Kathryn Powers
Rita Scott

Board Members

Absent:

Stacy Blakley
Jim Durrett
Russell McMurry
Thomas Worthy
Rod Mullice
Valencia Williamson
Jennifer Ide
Jacob Tzegaegbe
Jannine Miller

Staff Members Present:

Collie Greenwood
Raj Srinath
Peter Andrews
Luz Borrero
Ralph McKinney

Also in Attendance:

Justice Leah Ward Sears
Emil Tzanov
Paula Nash

Jacqueline Holland
Kenya Hammond
Tyrene Huff
Gloria Londono

2. APPROVAL OF THE MINUTES

Minutes from March 23, 2023

Approval of Minutes from March 23, 2023. On a motion by Board Member Powers, seconded by Board Member Floyd, the motion passed by a vote of 5 to 0 with 5 members present.

3. BRIEFING

INTERNAL AUDIT ACTIVITY BRIEFING Q3/FY23

MARTA FY23 EXTERNAL AUDIT ENGAGEMENT BY CROWE LLP

4. OTHER MATTERS

None

5. ADJOURNMENT

The Committee meeting adjourned at 10:52 A.M.

Respectfully submitted,



Tyrene L. Huff
Assistant Secretary to the Board



Internal Audit Activity Briefing

Q3 / FY23 ~ Jan. 1 – Mar. 31, 2023

International Internal Audit Awareness Month



Operational Group Audits

Q3 / FY23

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
Direct Pay Process	2/21/23	High Risk	Completed	5	-	5	-	1	-	1	-
				<ul style="list-style-type: none"> - No Officially Documented Policies and Procedures - Committing of Authority Funds - Frequently used Direct Pay Vendors Circumvent Procurement Process - No Oversight for Rejected Direct Payment Request - Improper Oracle Workflow 							
Non-Revenue Vehicle Fuel Use	3/20/23	High Risk	Completed	3	-	3	-	1	-	1	-
				<ul style="list-style-type: none"> - No Formalized Process for Reviewing Non-Police Vehicles - Inadequate Monitoring of Off-Site Fuel Process - WEX Cards and PINs are Not Adequately Monitored - Odometer Reading are Being Entered Inaccurately 							
Significant & Moderate Findings:				8	-	8	-	2	-	2	-

Operational Group Audits

Q3 / FY23

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
P-Card Audit	TBD	TBD	Report Writing	-	-	-	-	-	-	-	-
TOD Process	TBD	TBD	Report Writing	-	-	-	-	-	-	-	-
Homeless Outreach Audit	TBD	TBD	Report Writing	-	-	-	-	-	-	-	-
Attracting & Retaining Employees	TBD	TBD	Report Writing	-	-	-	-	-	-	-	-
Total Significant & Moderate Findings:				-	-	-	-	-	-	-	-

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
Excessive Absenteeism Investigation and Bus Operator Availability Analysis (Interim Report)	1/19/23	High	Completed	3	-	3	-	-	-	-	-
		<ul style="list-style-type: none"> - Absence of written policies and procedures to specifically address excessive absenteeism by represented employees. (9/30/23) - HRIS and Bus Operations bus operator availability reports do not reconcile (9/30/23) - No documented definition exists for "bus operator availability" and how it should be calculated (9/30/23) 									
Capital Improvement Program Follow-up	1/15/21	Needs Attention	Completed	28	19	9	-	-	-	-	-
Capital Projects – Soft Cost	9/30/22	Needs Attention	Completed	-	-	-	-	2	-	2	-
On-Line Invoice System 'OLIS'	9/30/22	Needs Attention	Completed	-	-	-	-	2	-	2	-
Total Significant & Moderate Findings:				31	19	12	-	4	-	4	-

IT Group Audits

Q3 / FY23

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
Identity and Access Management Audit	TBD	TBD	Reporting	-	-	-	-	-	-	-	-
IT Support of Critical Enterprise Applications and Systems Audit	TBD	TBD	Fieldwork	-	-	-	-	-	-	-	-
Total Significant & Moderate Findings:				-	-	-	-	-	-	-	-

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
3rd Party IT Risk Management	12/06/22	High Risk	Completed	4	-	4	-	3	-	3	-
Oracle Disaster Recovery	09/29/22	High Risk	Completed	3	2	-	1	2	-	-	2
TCSN Pen-Test Findings Remediation Review	06/30/22	High Risk	Completed	10	5	-	5	6	1	-	5
Enterprise Pen-Test Findings Remediation Review	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	3	-	1
Total Significant & Moderate Findings:				27	15	4	8	20	8	3	9

Contract Group Audits

Q3 / FY23

Contract Audits Completed

Audit Ratings	No. of Audits Issued
Low Risk	23
Needs Attention	3
High Risk	0
Total Audits Issued	26

Contract Audits In Progress

Audit Types	
Interim / Close Out	1
Rate Reviews	4
Buy America / Special Request	1
Cost / Price Analysis	1
Change Orders	1
Total Contract Audits in Progress	8

- ✓ 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 **\$5,684,405**

Fraud, Waste & Abuse (“FWA”) Summary

Newly Reported Allegations

Investigation # 23-02-I-9

In March 2023 a Hotline report was received from a MARTA employee requesting an audit of the MARTA Employee Charity Club due to information received from a charity organization that it does not receive the funds designated by the MARTA donors.



FY24 AUDIT PLAN DEVELOPMENT

The FY24 audit plan was developed to guide Internal Audit's ("IA") activities regarding testing internal controls, safeguarding of assets, and process, cost and revenue improvements. The purpose of this plan is to:

- Communicate the priorities and general approach of IA's activities and reporting
- Ensure that key risks and controls related to the achievement of MARTA's organizational objectives are reviewed
- Provide a record of the internal audit plan

This plan is not intended to be a comprehensive, detailed audit work program; specific audit work programs will be developed for each audit project.

The Internal Audit plan is not static or unchangeable. Changes in risk profile, organizational conditions, or special requests may require updates to the plan. Any significant changes to the plan will be communicated to the Audit Committee and the CEO.

The plan was developed based on evaluation of strategic, operational, financial, and compliance risks, as well as a fraud risk assessment.

PROPOSED FY24 INTERNAL AUDIT PROJECTS SUMMARY

AUDIT AREA	Number of Audits
Information Technology	6
Operational	12
Contracts	Ongoing pipeline
Fraud Investigations	As needed

INFORMATION TECHNOLOGY AUDIT PLAN *

Audit Name	Description	MARTA Priority
Access Controls to Vital Train Control Technology	Examine physical and logical access to vital train control technology	Cybersecurity / All four priorities
IT Change Management	Evaluate change controls for enterprise IT	Cybersecurity / All four priorities
Security Incident Response	Assess the Information Security incident response process.	Cybersecurity / All four priorities
Oracle Upgrade	Assess foundational controls related Oracle upgrade project	Cybersecurity / All four priorities
Cloud Penetration Test Remediation	Review remediation status of Pen Test vulnerabilities	Cybersecurity / All four priorities
Previous / Open Findings Remediation	Review the remediation status of findings identified in prior audits	Cybersecurity / All four priorities

* The audits are not listed in chronological order

OPERATIONS AUDIT PLAN *

Audit Name	Description	MARTA Priority
Summerhill Project	Review project current status and project management controls	Demonstrate Fiscal Responsibility / Deliver the Capital Program with Speed & Efficiency
Bus Shelter Project	Review project current status and project management controls	Demonstrate Fiscal Responsibility / Deliver the Capital Program with Speed & Efficiency
Rail Car Maintenance	Assess the maintenance of railcar wheels, axels, trucks and other components	Consistently Provide Excellence in Customer Service
Street Car Maintenance	Assess the maintenance of street car rails, overhead powerlines, wheels, axels, trucks and other components	Consistently Provide Excellence in Customer Service
Rail Track Maintenance	Review the maintenance of heavy rail tracks, switches, crossovers, and other components	Consistently Provide Excellence in Customer Service
Wayside access and safety	Assess compliance with wayside safety policies and procedures	All four priorities

* The audits are not listed in chronological order

OPERATIONAL AUDIT PLAN (cont.)

Audit Name	Description	MARTA Priority
MARTA Mobility Service	Assess the performance and contractual compliance of MARTA Mobility service providers	All four priorities
Drug / Alcohol Testing Process	Assess compliance with relevant regulations and internal policies and procedures	All four priorities
Police Property & Evidence	Evaluate the controls over high-risk property & evidence items in the MARTA Police evidence storage facility.	Compliance / Strengthen the MARTA Brand
SOC1 Reports Review *	Review of critical third-party providers' SOC1 reports	Compliance
2024 MARTOC Management Audit – Readiness Assessment	Review the status of prior MARTOC Audit Management Actions	Compliance / Strengthen the MARTA Brand
Prior Audits Follow up	Evaluate the remediation of various prior audit findings.	All four priorities

* "SOC" – Systems and Organization Controls





Audit Planning Meeting

Metropolitan Atlanta Rapid Transit Authority

May 18, 2023

Smart decisions. Lasting value.™



Agenda

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Introductions

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Audit Deliverables

3

Audit Approach

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Timeline

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Audit Committee
Planning Inquiries

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Emerging Issues

Introductions – Key Engagement Team Members

Crowe Team

- Brad Schelle – Partner
- Katherine Brothers – Manager
- Stacy Curnow – Senior Staff
- Ciara Hall – Staff

Subcontractors (Benford Brown & Associates)

- Tim Watson - Partner

Audit Deliverables

- Independent Auditor's Report
- Management Letter (Communication of internal control deficiencies under SAS 115)
- SAS 114 Letter (Required communications with Those Charged With Governance)

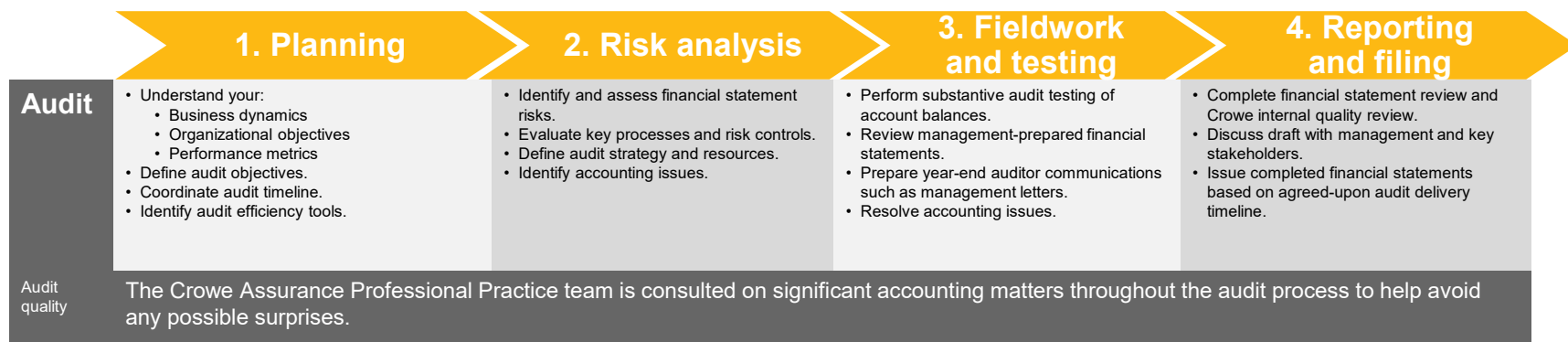
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal 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

Audit Approach

Audit Methodology and Approach

- Purpose of Financial Statement and Compliance Audit
- Audit Committee Role– Quality, Internal controls, Compliance
- Concepts of Audit Risk and Materiality
- Role of Internal Controls and Tone at the Top
- Role of Monthly Financial Reporting



Audit Approach

- Internal Controls
- Implementation of New Standards
 - GASB 91, Conduit Debt Obligations
 - GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
 - GASB 96, Subscription-Based Information Technology Agreements
 - GASB 99, Omnibus 2022 (Leases and SBITAs)
 - IG 2021-1, Implementation Guidance Update
- CRRSAA and ARPA funding
- Traditional Risk Areas (cash, capital assets, debt, pension, revenue, etc.)

Timeline

Date	Event
April 24	Interim fieldwork to begin
July 17	IT audit procedures to begin
August 21	Year-end fieldwork to begin
October 13	MARTA to provide FS draft
October 20	Crowe to provide initial FS comments
October 24	Crowe to receive NTD report
October 27	Crowe to provide final FS review comments
October 31	Deliver final NTD report
November 1	Deliver final FS reports
November 17	MARTA Audit Committee meeting
December 8	MARTA to provide draft Annual Comprehensive Financial Report
December 13	Crowe to provide Annual Comprehensive Financial Report comments

Audit Committee Planning Inquiries

- Fraud inquiries required by SAS 99

- a. Management understands that it is their responsibility to prevent and detect fraud.
- b. Management's views on the risks of material misstatement due to fraud, including the following:
 - Does management have knowledge of any fraud or suspected fraud affecting the entity?
 - Is management aware of any allegations of fraud or suspected fraud affecting the entity?
 - What is management's understanding about the risk of fraud in the entity, including any specific fraud risks the entity has identified or account balances or classes of transactions for which a risk of fraud may be likely to exist?
 - What programs or controls are established to reduce specific fraud risks that have been identified and how are these monitored?
 - How does management communicate to employees its views on business practices and ethical behavior?
 - Has management reported to the Committee (or others with equivalent authority and responsibility) how the entity's internal control services to prevent, deter or detect material misstatement due to fraud?

- Committee feedback and planning input

- Desired method for communicating management recommendations

- Communication and status updates

Audit Committee Planning Inquiries

In an effort to assist the Audit Committee in its oversight role, the following fraud risks have been identified for discussion:

1. Misappropriation of assets
2. Undisclosed related party relationships
3. Unauthorized or improperly applied employee compensation and benefits
4. Loss of funds due to improper/unauthorized access to financial assets (i.e. hacking or phishing)
5. Loss of personal or sensitive information due to data breach
6. Misapplication or misuse of restricted funds

Emerging Issues

- Implementation 6/30/2024
 - GASB 100, Accounting Changes and Error Corrections
- Implementation 6/30/2025
 - GASB 101, Compensated Absences





Thank you

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