

Minutes

Meeting of the Board of Directors

Audit Committee Meeting

Metropolitan Atlanta Rapid Transit Authority

November 28, 2011

The Board of Directors Audit Committee held a meeting on Monday, November 28, 2011 at 11:33 a.m. in the Board Lounge on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Harold Buckley, Sr., Chairman
Frederick Daniels, Jr.
Jim Durrett
Noni Ellison-Southhall
Barbara Babbit Kaufman

MARTA officials in attendance were General Manager/CEO Beverly A. Scott, Ph.D.; Deputy General Manager/COO Dwight Ferrell; AGMs Deborah Dawson, Wanda Dunham, Ben Graham, Georgetta Gregory, Mary Ann Jackson, Jonnie Keith, Rich Krisak, Ryland McClendon, Elizabeth O'Neill and Gary Pritchett; Directors Johnny Dunning, Jr., Lisa DeGrace, Barbara Kirkland and BK Trivedi; Managers K. C. Worku and Susan Elakatt; Executive Manager to Board of Directors Rebbie Ellisor-Taylor and Executive Administrator Renee Willis.

Also in attendance was Charles Pursley, Jr. of Pursley, Lowery & Meeks; Matt Pollack of MATC; Chris Valaer; Representative Lynne Riley.

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On motion by Mrs. Kaufman seconded by Mr. Daniels, the minutes were unanimously approved by a vote of 4 to 0, with 4 members present.

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Briefing on Internal Safety and Security Audit Programs

Mrs. Georgetta Gregory, AGM of Safety & QA, introduced Mr. Chris Valaer, the primary Safety and Security auditor.

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Mr. Valaer briefed the Audit Committee on the Internal Safety and Security Audit Programs. He stated that under the FTA administration, a program is administered, specifically, Title 49, CFR Part 659, Section 659.29, *Internal Safety and Security Audit Program*, requires that every state have a State Oversight Safety Program implemented. He stated that in Georgia, the Georgia Department of Transportation (GDOT) is required to administer the program to ensure compliance. MARTA reports to GDOT on a quarterly basis how the Authority meets the requirements.

He indicated there are 21 required safety audit elements and five required security audit elements that must be audited for compliance every three years; and a system security plan in the Department of Safety & QA that reports on an annual basis. The reporting requirements are to report all internal safety and security audits to GDOT as they become final audit reports. The audits from the State of Georgia, as well as the FTA, are performed every three years, while the FTA audits GDOT and MARTA simultaneously. FTA issues findings to GDOT and recommendations to MARTA.

Mr. Daniels asked if this information is normally brought to the Audit Committee, and if not, how it is communicated to the Board.

Mrs. Gregory indicated that up to this point, it has not been brought to the Audit Committee. The information is communicated to the Board by the General Manager signing the certification that goes along with the annual report that is filed with FTA.

Mr. Daniels noted there were 'lessons learned' when the American Public Transportation Association (APTA) reported on the June 2009 accident at Washington Metropolitan Area Transit Authority (WMATA) - specifically, how information was transmitted to the WMATA Board of Directors. He asked that MARTA staff get summaries and other information to the Board in a timely manner.

Dr. Scott noted that with the migration in change of the Committee structure, tracking on any material findings will remain with the Audit Committee and the report itself will come to the Business Management Committee.

Risk Analysis

Mr. Keith briefed the Audit Committee on the changes made to the Risk Assessment since the last Audit Committee meeting. He stated there were four audits added to the assessment; *Review of AT&T and Xerox Payments, Continuity of Operations Plan, Automated Dispatch System, and Automated Passenger Count*. He noted that the Risk Assessment is presented at each Audit Committee meeting to give the Board the opportunity to bring issues/concerns forward they would like addressed.

Audit Activities

Mr. Keith presented the Audit Activities Report to the Board covering audits issued since the last Audit Committee meeting. The report highlighted audit reports issued with significant findings, minor findings/suggestions and no findings. Mr. Keith indicated there were two audits with significant findings.

Significant Findings

The first significant finding was referenced on page 25. Mr. Keith gave a summary of the audit on Review of AT& T and Xerox Payments. He stated that management requested that Audit look into contracts that exceeded their authorized amounts. He indicated AT&T has a four-year contract and Audit reviewed 44 of the 48 months. Based on the findings, the invoices total exceeded the awarded amount by \$481,367. He also stated that Xerox has a five-year contract and Audit reviewed 49 of the 60 months. The findings concluded the invoices total exceeded the awarded amount by \$58,907.

Mr. Keith stated overages are due to the contracts not being effectively monitored. He noted that the AT&T contract was not accurately coded for payment to be input into Oracle properly, as well as, the Xerox contract was not properly set up in Oracle. He stated that Audit recommends putting in processes that ensure contracts are monitored and staff is adequately trained.

Dr. Scott stated that since the matter is a significant issue, she will allow a timeframe in which all reviews, by all departments, are done by a particular date and update the Board at the January meeting.

The second significant finding was referenced on page 33. Mr. Keith stated that an audit was performed on *Furnishing & Installing the AC Track Circuit Upgrade and Train Lights – Phase II*. He indicated that as part of the audit process, Audit verifies the amounts submitted by the Contractor, and in this case, the Contractor could not substantiate the costs. Therefore, the Contractor resubmitted their bid, which resulted in a savings of \$449,861 for the Authority.

Operational Audit Section

Operational Audit issued one audit with significant findings, one audit with no findings, two audits with minor findings, and has nine audits in-progress since the last meeting.

Information Technology Audit Section

Information Technology issued no audits with significant findings, four audits with no findings, two audits with minor findings, and has eight audits in-progress since the last meeting

Contract Audit Section

The Contract Audit Branch issued one audit with significant findings, 12 audits with no findings, eight audits with minor findings and has 32 audits in progress since the last meeting.

Other Matters

Update on Selection of New AGM of Internal Audit

Mr. Buckley stated that there was an extensive search for the new AGM of Audit and that there were some excellent candidates. He noted it was an extremely difficult decision because all candidates were well qualified, but after careful consideration, Mr. Robin Howard was chosen as the new AGM.

Mr. Buckley introduced Mr. Howard to the Audit Committee.

Mr. Howard stated that he was pleased and humbled to be selected for the position. He also stated that he was very excited to join MARTA and will bring a great work ethic to the Authority.

Mr. Keith extended his thanks to the MARTA team, Mr. Buckley, Dr. Scott, and EMT for their professionalism and guidance during his tenure. He stated that he has been with the Authority for 24 years and has enjoyed every minute. He noted that he is not retiring, but instead reloading.

Mr. Buckley stated that the Audit Committee has relied heavily on Mr. Keith's expertise and feels this is a better Authority after having him here. He wished Mr. Keith much success.

Next Audit Committee Meeting

Mr. Buckley announced that there will be a Special Audit Committee on December 15, 2011.

Adjournment

The Audit Committee meeting adjourned at 12:16 p.m.