



BOARD OF DIRECTORS
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
AUDIT COMMITTEE
FRIDAY, NOVEMBER 19, 2021
ATLANTA, GEORGIA
MEETING MINUTES

Committee Chair Freda Hardage called the meeting to order at 10:22 a.m.

Board Members Present	Staff Members Present
Roberta Abdul-Salaam	Jeffrey A. Parker
William Floyd	Raj Srinath
Roderick Frierson	Elizabeth O'Neill
Freda Hardage, Chair	Ralph McKinney
Al Pond	Luz Borrero
Rita Scott	Manjeet Ranu
	Michael Kreher

Also in attendance: Board General Counsel, Justice Leah Ward Sears of Smith, Gambrell & Russell, LLP. Other MARTA staff: Paula Nash, Emil Tzanov, Dean Mallis, Keri Lee, Kenya Hammond and Tyrene Huff.

Approval of the July 22, 2021 Audit Committee Meeting Minutes

Committee Vice Chair Hardage called for a motion to approve the July 22, 2021 meeting minutes. Board Member Pond made a motion to approve, seconded by Board Member Floyd. The minutes were approved unanimously by a vote of 6 to 0.

Briefing – MARTA Annual External Financial Audit for FY21 *[Presentation attached]*

External Auditors Brad Schelle and Katherine Rushing from Crowe presented a briefing on the MARTA Annual External Financial Audit for FY21.

Briefing – Internal Audit Activity *[Presentation attached]*

Emil Tzanov, AGM Internal Audit, presented a briefing on Internal Audit Activity.

Adjournment

The Committee meeting adjourned at 11:10 a.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Suzanne L. Huff". The signature is written in a cursive style with a large initial 'S'.

Assistant Secretary to the Board

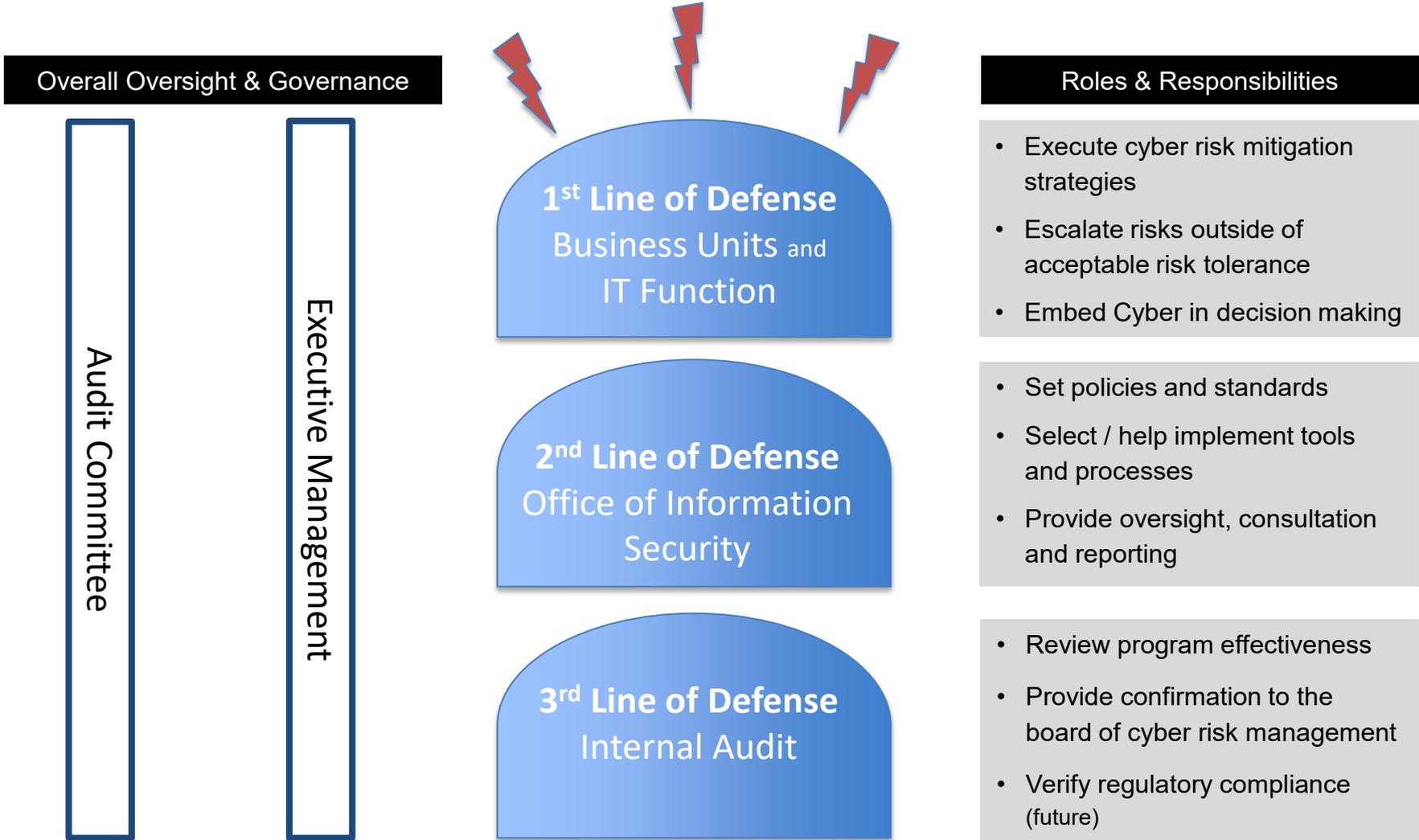
YouTube link: https://youtu.be/-_yZZKXXJ7Q



Internal Audit Activity Briefing

(04/01/2021 – 06/30/2021)

The Role of Internal Audit in Cybersecurity Assurance



Internal Audit Cyber Assurance Strategy

the 3 Cs Approach



Victor Alade, CISA, CDPSE, CICA, GRCA, Certificate in Cybersecurity Fundamentals



Michael Oriade, CISA, CDPSE, Ph.D., Certificate in Cybersecurity Fundamentals



- Anchor the Internal audit plan for cybersecurity on CIS (18) and NIST 800-53 frameworks
- Cover both the enterprise and the industrial control systems (train control and SCADA) environments
- Shift emphasis to “deep level” auditing (“the devil is in the details”)



- Continue collaboration and transparent communication with the Office of Information Security and the IT function
- Rigorously follow up on remediation of audit findings and other corrective action plans to help achieve improvement
- Benchmark and adopt best practices from other organizations

FY22 Information Technology Audit Plan *

Audit Name	Objective	MARTA Domain
Cybersecurity Insurance	Assess compliance with insurance policy requirements	Enterprise and Train Control/SCADA
Oracle Security	Evaluate application security and access to Oracle	Enterprise (Oracle only)
Password management	Assess password policies, controls, and configuration management	Enterprise (excl. Oracle)
Enterprise Pen-Test Remediation Follow-up	Review remediation of pen-test deficiencies	Enterprise
Train Controls System Pen-Test Remediation Follow-up	Review remediation of pen-test deficiencies	Train Control / SCADA
3rd Party Risk	Evaluate controls related to 3 rd party IT risk	Enterprise

* The audits above are not listed in chronological order

Operational Audit Group *(current period)*

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
SOC1 Audit *	6/7/21	Low Risk	Completed	-	-	-	-	-	-	-	-
Property and Evidence Audit	6/7/21	Low Risk	Completed	-	-	-	-	-	-	-	-
Sales / Use Tax Financial Reporting Requirements (advisory)	6/7/21	Low Risk	Completed	-	-	-	-	-	-	-	-
Covid-19 Expenditures	6/30/21	Needs Attention	Completed	-	-	-	-	1	-	1	-
Total Significant & Moderate Findings:								1		1	

* "SOC" - System and Organization Controls Report

Operational Audit Group – Prior Audits with Open 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
Cubic-Automated Fare Collection System * - Insufficient Monitoring of the Automated Fare Collection (AFC) System (6/30/2021)	04/01/2021	Needs Attention	Completed	1	1	-	-	5	1	4	-
Direct Pay Process - Enhance and automate the External Training Request Form through Oracle. (7/1/19)	10/31/2018	High Risk	Completed	3	2	-	1	-	-	-	-
Capital Improvement Program – Follow-Up - Expected implementation date extended to 8/3/21	1/15/21	Low	Completed	28	18	10	-	-	-	-	-
Total Significant & Moderate Findings:				32	21	10	1	5	1	4	-

* Integrated audit with the IT Audit Branch

Information Technology Audit Group (current period)

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
Cubic-Automated Fare Collection System *	04/01/21	Needs Attention	Completed	1	1	-	-	5	1	4	-
- Insufficient Monitoring of the Automated Fare Collection (AFC) System (6/30/2021)											
Software Patch Management	06/30/21	TBD	Draft Report	-	-	-	-	-	-	-	-
CCTV Storage Capacity – Advisory	Q4	TBD	Draft Report	-	-	-	-	-	-	-	-
Total Significant & Moderate Findings:				1	1	-	-	5	1	4	-

* Integrated audit with the Operational Audit Branch

IT Audit Group – Prior Audits with Open 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
TCS & SCADA – Cybersecurity	3/09/20	High Risk	Completed	6	2	4	-	1	-	1	-
<ul style="list-style-type: none"> - Proactive detection of technical vulnerabilities was not adequately managed. (09/01/21) - User access management controls were not designed or implemented effectively. (05/31/21) - Cybersecurity monitoring controls were not implemented. (09/01/21) - Training per the contract was not developed or delivered, impairing MARTA personnel’s ability to administer the system. (06/30/21) 											
Cybersecurity – PCs, Email and Internet	6/24/19	High Risk	Completed	5	3	-	2	3	1	-	2
<ul style="list-style-type: none"> - Not all end user devices on the MARTA network were centrally managed. (1/31/20) – Internal Audit confirming completion - Devices were running unsupported legacy software, which increases the risk of vulnerabilities being exploited. (5/31/20) 											
Total Significant & Moderate Findings:				11	5	4	2	4	1	1	2

Contracts Audit Group

Audits Completed This Period (04/1/2021 – 6/30/2021)

<u>Audit Opinions</u>	<u>Audits Issued</u>
Low Risk	13
Needs Attention	1
Total Audits Issued	14
Identified Unallowable Cost in Overhead Rate Reviews per Federal Acquisition Regulation (“FAR”)	\$357,416
Identified Potential Cost Savings in Cost/Price and Change Order Reviews	\$69,039

Audits In Progress

<u>Audit Types</u>	
Interim/Close Out	-
Rate Reviews	10
Cost/Price Analysis	2
Change Orders Special Audit (Incurred Cost, Special Request, Buy America & Claims)	3
Total Contract Audits in Progress	<u>15</u>

FY21 Audit Summary

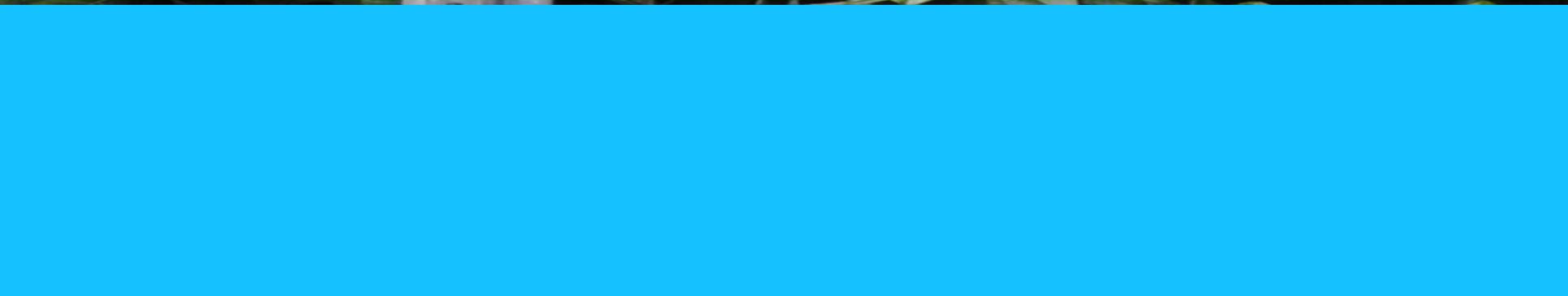
Audits Completed in FY21	
<u>Audit Branch / Type</u>	<u>Audits Issued</u>
Contract audits	53
<i>Identified Unallowable Cost in Overhead Rate Reviews per Federal Acquisition Regulation ("FAR")</i>	\$1.6M
<i>Identified Potential Cost Savings in Cost/Price and Change Order Reviews</i>	\$3.8M
Performance Audit Engagements	7
Advisory Audit Engagements	10
Other (MARTOC)	1

Fraud, Waste, & Abuse (“FWA”) Summary

Eight calls received on the FWA hotline from April 1, 2021, to June 30, 2021

- 1 call alleging that a supervisor was sleeping on the job was referred to parking services. Internal Audit will perform a follow-up review.
- 1 call alleging that a customer was allowing a friend to use their Half-Fare Card was referred to Reduced Fare Eligibility Department. Internal Audit will perform a follow-up review.
- 1 call alleging that an employee was leaving the job early to go to their second job (outside of MARTA) was referred to Rail Car Maintenance. Internal Audit will perform a follow-up review.
- 1 call alleging that an employee was abusing FMLA by working a second job was referred to Human Recourses. Internal Audit will perform a follow-up review.
- 4 calls were forwarded to customer service for resolution.







Information Security Update July 2021

Audit Committee Meeting



Information Security Update

Upcoming procurement initiates

Malicious Domain Blocking paid version

- Malicious Domain Blocking and Reporting, or MDBR, service works by preventing IT devices from connecting to web domains known to be affiliated with ransomware, other forms of malware, phishing campaigns and other threats.

CrowdStrike

- Advanced endpoint protection
- Threat hunting
- Proof of value completed.
- 85% of authority covered
- ~100% after the procurement

24/7 monitoring/vulnerability scanning vendor

Vendor will monitor network 24/7

Conduct vulnerability scanning

Save on FTE

Save on vulnerability scanner

Deployments

Multifactor Authentication (MFA) 99% complete.

- Forthcoming Requiring MFA for administrative role functions across the environment.

Antivirus replacement 85% complete

- CrowdStrike
- Windows Defender
- Layered Defense



Smart decisions. Lasting value™

FY2021 Audit Results

Metropolitan Atlanta Rapid Transit
Authority

November 19, 2021



Audit Process and Scope of Work

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

Financial Statement and Compliance Audits

- Audit Highlights
- Management’s Discussion and Analysis
- Comprehensive Annual Financial Report

New Accounting Standards

- GASB 84 – Fiduciary Activities



Audit Approach and Plan



Interim fieldwork: Early to mid May

- Management interviews
- Planning and Risk Assessment
- Internal controls
 - Entity-wide
 - Account-level
 - Financial reporting
- 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: Late September through October

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

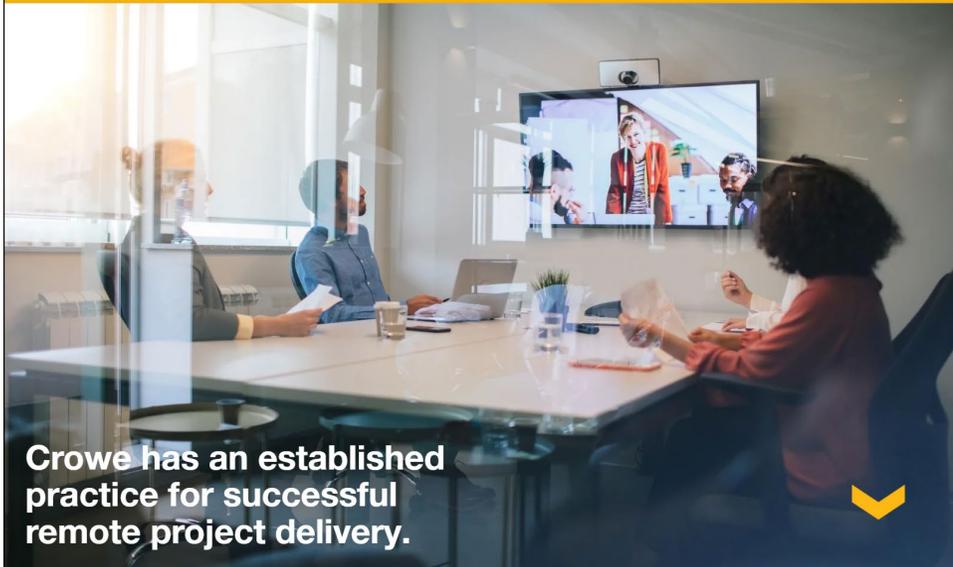
Remote Delivery and Collaboration

People need to work differently right now. And that's okay.

We can all rise to the occasion and get better at virtual collaboration. It's important that we continue to see, hear, and engage with each other in the best ways possible – that we continue connecting.

By utilizing existing tools, modern technologies, and good old-fashioned work ethic – we will continue to thrive.

Travel bans and social distancing don't mean your projects have to be disrupted. We have the tools. And we've done this before. We're helping all our clients do virtual well.



Let's share.

If you don't have what you need, we'll get you set up. If you do have what you need, even better.

But let's figure out together what tools would be best for our meetings and collaborations.

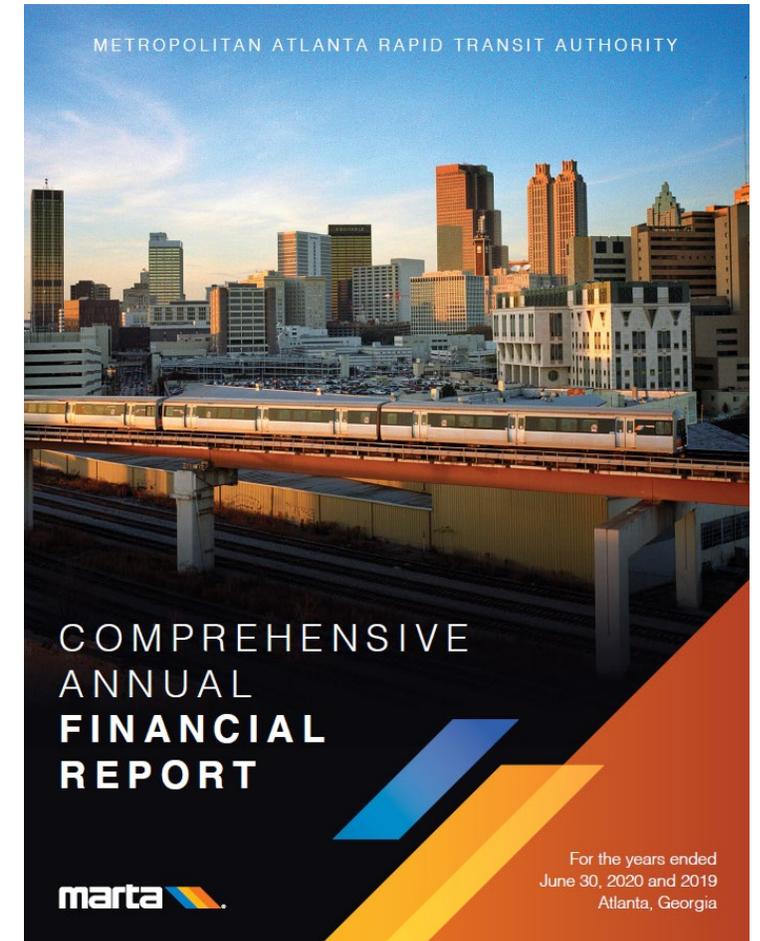
Crowe already has resources and experience providing collaboration tools and delivering projects remotely.

Audit Deliverables

- Independent Auditor's Report
- Management Letter
- SAS 114 Letter

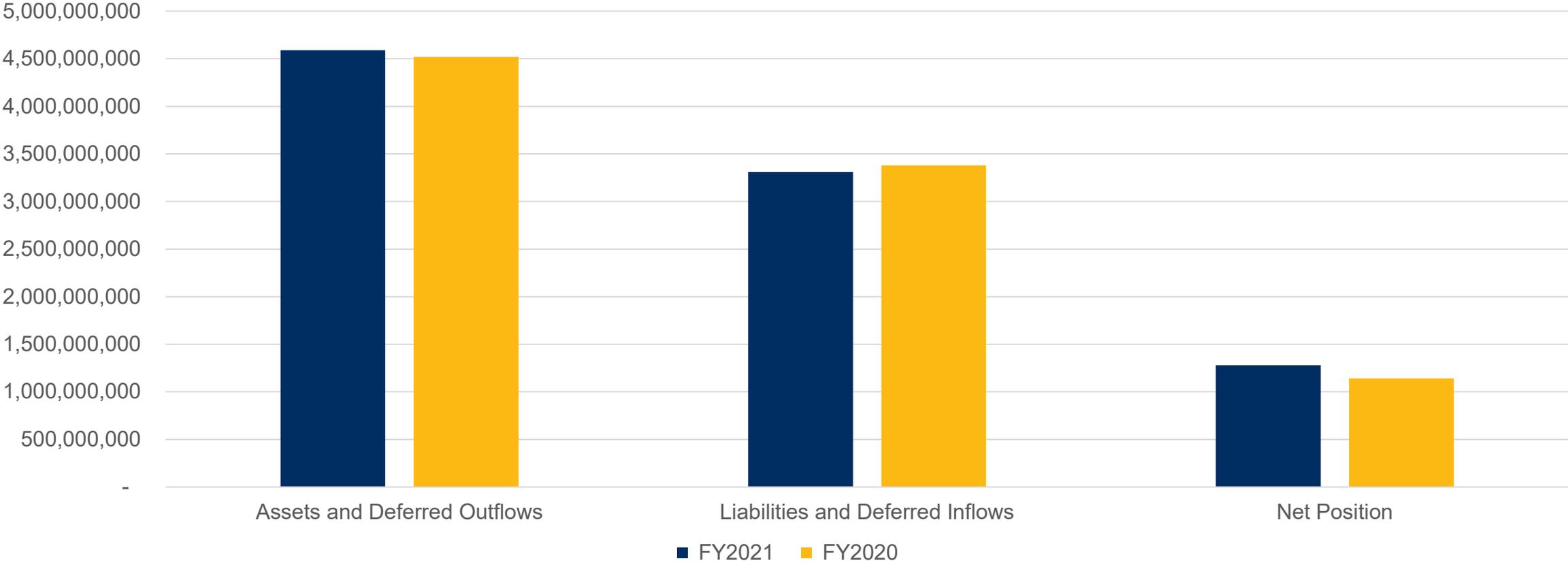
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal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



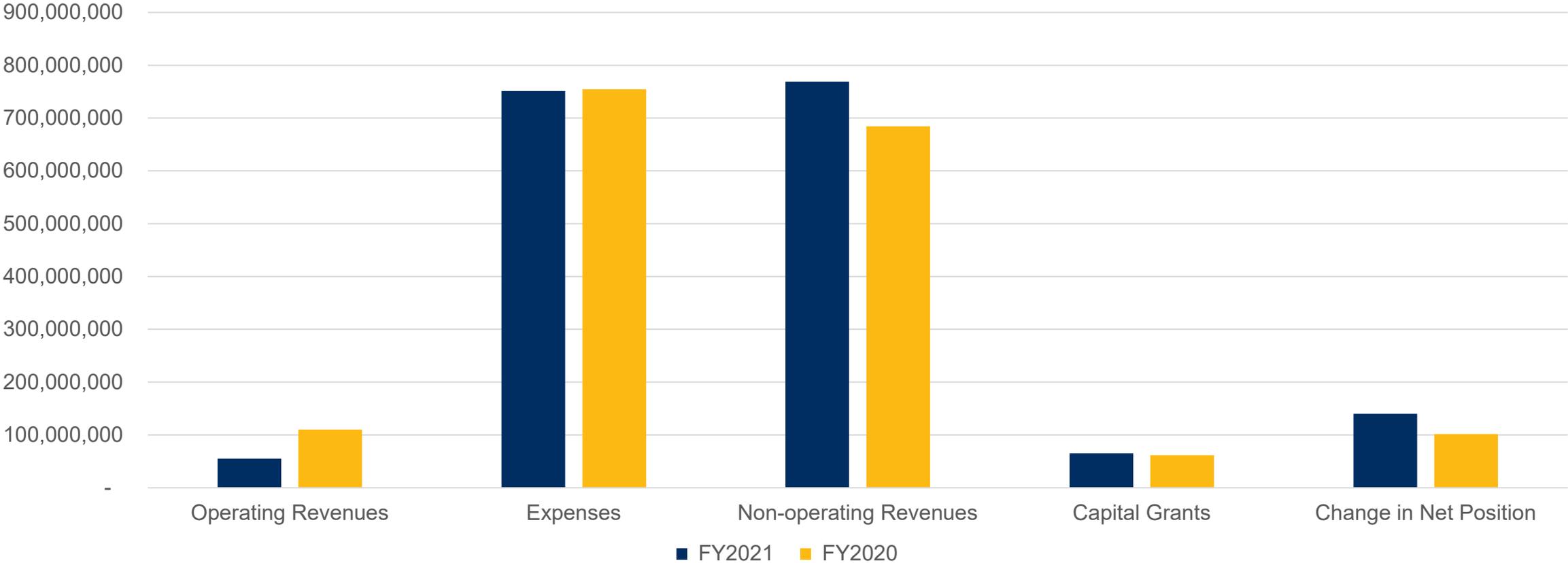
Financial Highlights

Statement of Net Position



Financial Highlights

Statement of Revenues, Expenses and Changes in Net Position



Required Communications

- Auditor's Responsibility
- Significant Accounting Policies
- Management Judgments and Accounting Estimates
- Auditor's Judgments
- Corrected and Uncorrected Misstatements
- Management Recommendations
- Other Communications



Emerging Issues



- Implementation 6/30/2022
 - GASB 87, Leases
 - GASB 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
 - GASB 98, The Annual Comprehensive Financial Report
- Implementation 6/30/2023
 - GASB 96, Subscription-Based Technology Agreements



Thank you

Brad Schelle

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Manager

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Internal Audit Activity Briefing

(07/01/2021 – 09/30/2021)

Operational Audit Group *(current period)*

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
Bus Maintenance - Predictive maintenance inspections not always completed on-time (02/01/2022)	9/30/21	Needs Attention	Completed	1	-	1	-	1	-	1	-
Contingencies Review and Reporting Process	TBD	TBD	Reporting	-	-	-	-	-	-	-	-
Alertness Assurance Policy Compliance Audit	9/30/21	Needs Attention	Completed	-	-	-	-	2	-	2	-
Total Significant & Moderate Findings:				1	-	1		3	-	3	

Operational Audit Group – Prior Audits with Open 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
Direct Pay Process	10/31/2018	High Risk	Completed	3	2	-	1	-	-	-	-
- Enhance and automate the External Training Request Form through Oracle. (7/1/19)											
Capital Improvement Program – Follow-Up	1/15/21	Low	Completed	28	18	0	10	-	-	-	-
- Expected implementation date extended to 9/15/21.											
Total Significant & Moderate Findings:				31	20	0	11	-	-	-	-

Information Technology Audit Group (current period)

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
Password Management Audit	TBD	TBD	Ongoing	-	-	-	-	-	-	-	-
Cybersecurity Insurance Review	TBD	TBD	Ongoing	-	-	-	-	-	-	-	-
Patch Management <ul style="list-style-type: none"> - Formal process to ensure that patch procedures meeting requirements (12/31/2021) - All critical systems may not be covered by the patch management process (12/31/2021) - Vulnerability scans do not cover applications (12/31/2021) 	07/29/21	High Risk	Completed	3	-	3	-	1	-	1	-
Total Significant & Moderate Findings:				3	-	3	-	1	-	1	-

IT Audit Group – Prior Audits with Open 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
TCS & SCADA – Cybersecurity	3/09/20	High Risk	Completed	6	2	4	-	1	-	1	-
<ul style="list-style-type: none"> - Proactive detection of technical vulnerabilities was not adequately managed. (12/31/21) - User access management controls were not designed or implemented effectively. (11/30/21) - Cybersecurity monitoring controls were not implemented. (11/30/21) - Training per the contract was not developed or delivered, impairing MARTA personnel’s ability to administer the system. (03/31/22) 											
Cybersecurity – PCs,	6/24/19	High Risk	Completed	5	4	-	1	4	2	-	2
<ul style="list-style-type: none"> - Not all end user devices on the MARTA network were centrally managed. (1/31/20) 											
Total Significant & Moderate Findings:				1	6	4	1	5	2	1	2

Contracts Audit Group

Audits Completed This Period (07/1/2021 – 9/30/2021)

<u>Audit Opinions</u>	<u>Audits Issued</u>
Low Risk	34
Needs Attention	2
Total Audits Issued	36
Identified Potential Cost Savings in Cost/Price and Change Order Reviews	\$195,336

Audits In Progress

<u>Audit Types</u>	
Interim/Close Out	-
Rate Reviews	15
Cost/Price Analysis	2
Change Orders Special Audit (Incurred Cost, Special Request, Buy America & Claims)	3
Total Contract Audits in Progress	<u>20</u>

Fraud, Waste, & Abuse (“FWA”) Summary

Nine calls received on the FWA hotline from July 1, 2021, to September 30, 2021

- 2 calls alleging that a bus operator assigned light duty work was stealing time by not working the hours that they should have. This issue was referred to bus operations. Internal Audit will perform a follow-up review.
- 2 calls alleging a vendor was receiving two checks for performing the same type of service. This issue was referred to Contract and Procurement. Internal Audit will perform a follow-up review.
- 2 calls alleging that an employee was abusing FMLA by working a second job was referred to Human Resources. The allegation was determined to be unsubstantiated.
- 2 calls were forwarded to customer service for resolution.
- 1 call requesting that a bus stop be moved was referred to the Planning Department.



