



**BOARD OF DIRECTORS**

**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**

**AUDIT COMMITTEE**

**FRIDAY, NOVEMBER 20, 2020**

**ATLANTA, GEORGIA**

**Via WebEx**

**MEETING MINUTES**

Board of Directors Audit Committee meeting was called to order at 10:00 a.m. on Friday, November 20, 2020, via WebEx, Atlanta, Georgia

**Board Members Present**

Roberta Abdul-Salaam  
William Floyd  
Freda Hardage  
Al Pond, **Chair**  
Rita Scott  
Christopher Tomlinson<sup>1</sup>

**Staff Members Present**

Jeffrey Parker  
Elizabeth O'Neill  
Kevin Hurley  
Frank Rucker  
Emil Tzanov  
Dean Mallis  
David Petrisky  
Cynthia Beasley  
Santiago Osorio  
David Springstead  
Kirk Talbot  
Cynthia Beasley  
Collie Greenwood  
Tiffney Jackson  
Charles Middlebrooks  
Marie Peters  
Jaquata Jordan

Other attendees: (State Rep.) Debra Silcox; Scott Nickerson, Brad Schelle (Crowe .L.P.) (KPMG) Matt Berry, Tony Hernandez, (KPMG) and Jignesh Patel(Niti Systems Consultants)

<sup>1</sup>Christopher Tomlinson is the Executive Director of Georgia Regional Transportation Authority (GRTA) and is therefore, a non-voting member of the MARTA Board of Directors.

**Minutes of the July 17, 2020, Audit Committee Meeting**

On a motion by Mr. Floyd, seconded by Mrs. Hardage, the minutes were unanimously approved by a vote of 5 to 0, with 6<sup>1</sup> members present.

**MARTA Annual External Financial Audit FY20**

The Board received a briefing from Brad Schelle of Crowe L.L.P. on the status of the external financial audit:

Audit Process and Scope of Work  
Audit Methodology and Approach

Audit Approach and Plan  
Interim fieldwork: Early to mid-May

Year-end fieldwork: Mid-August to late September

Reporting: Late September through October

Audit Deliverables

- Independent Auditor's Report (Will be finalized after today's meeting)
- 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

Required Communications

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

- One corrected misstatement related to a capital lease transaction
- One uncorrected misstatement related to sales tax received late from the Department of Revenue
  
- Management Recommendations
  - We recommend that all significant financial transactions be communicated, and all supporting documentation be provided to the Director of Accounting. We also recommend that all bank or investment statements initially received by employees of MARTA be routed immediately to the Director of Accounting to determine the proper ownership of the account and to record all applicable financial transactions into the accounting system of record.

### Emerging Issues

- Implementation 6/30/2021
  - GASB 84, Fiduciary Activities
  - GASB 90, Accounting and Financial Reporting for Majority Equity Interests
  - IG 2019-2, Fiduciary Activities
- Implementation 6/30/2022
  - GASB 87, Leases
  - GASB 89, Accounting for Interest Cost Incurred Before the End of a Construction Period

### MARTOC Management Audit

The Board received a briefing from Matt Berry of KPMG

### Background and Scope

#### **Functional Areas included:**

Rail Operations, Rail Car Maintenance, Maintenance of Way, Vertical Transportation, Facilities Management

#### **Task:**

- Determine the existence and effectiveness of policies and procedures to help ensure MARTA's compliance with the MARTA Act and applicable Federal Transit Administration (FTA) and GDOT regulations and requirements, and the achievement of MARTA's organizational objectives.
- Evaluate how the Rail Operations Department monitors its performance and effectiveness.

**Functional Areas included:**

Bus Operations, Bus Maintenance

**Task:**

- Determine the existence and effectiveness of policies and procedures to help ensure MARTA's compliance with the MARTA Act and applicable FTA and GDOT regulations and requirements, and the achievement of MARTA's organizational objectives.
- Evaluate how the Bus Operations Department monitors its performance and effectiveness.

**Functional Areas included:**

Mobility Operations, Operational Performance

**Task:**

- Determine the existence and effectiveness of policies and procedures to help ensure MARTA's compliance with the MARTA Act and applicable FTA and GDOT regulations and requirements, and the achievement of MARTA's organizational objectives.
- Evaluate how the Mobility Department monitors its performance and effectiveness.

**Functional Areas included:**

Capital Projects, Planning and Budgeting, Funding and Financing, Capital Procurement

**Task:**

- Review relevant policies and procedures for existence and quality and determine if adequate internal controls are in place for the effective and efficient planning, budgeting and procurement of capital projects.
- Assess how the performance of capital projects is monitored and evaluated background and Scope:

**Functional Areas included:**

Information Technology and Information Security, Oracle Utilization, Information Security Policy & Procedures

**Task:**

- Assess the extent of Oracle utilization within MARTA.
- Review policies and procedures related to information security within the IT Department and the Information Security Department for existence and quality and determine if adequate internal controls over information security are in place within the IT Department and the Information Security Department.

- Evaluate how the IT and Information Security Departments monitor their performance and effectiveness.

**Functional Areas included:**

Human Resources, Employee Administration

**Task:**

- Review policies and procedures related to employee administration for existence and quality.
- Evaluate the effective use of information technology in the employee administration process.

**Functional Areas included:**

Finance, Payroll

**Task:**

- Review policies and procedures related to employee payroll for existence and quality.
- Assess the efficiency and accuracy of the payroll process.

**Functional Areas included:**

Procurement, Lifecycle, Inventory

**Task:**

- Evaluate the efficiency of the procurement process lifecycle.
- Assess the effectiveness and efficiency of the inventory asset management process.

**Summary of Observations: High Priority Recommendations**

The following table provides a succinct summary High Priority observations and recommendations contained in the full report. KPMG has provided recommend priorities for each recommendation based on assessing a number of factors, including degree of impact, return on investment, and the risk/opportunity presented by the observation, and timeframe required to implement the recommendation. MARTA responses for each observation can be found in the full report.

### Observation 1.A: Insufficient Enterprise-Wide Policy and Procedure Review and Approval Processes

**Observation:** MARTA lacks a structured and effective method to update and approve policies and procedures in a timely manner and review on a regular basis. This increases the risk that as processes and/or regulations change, policies and procedures are not reviewed, updated and approved to reflect those changes. As a result, employees may not have access to or knowledge of updated processes, posing the risk that employees will not perform required functions properly.

**Recommendation:** MARTA should develop a structured process to review and update policies and procedures, including a defined approval matrix and a timely cadence (i.e. annually). In addition, MARTA should hold individuals accountable for not updating or approving procedures in accordance with the developed policy.

### Observation 1.B: Opportunity for Performance Management Strategy

**Observation:** MARTA leverages various tools for its enterprise data management platform. The Oracle ERP is bundled with Oracle Business Intelligent Enterprise Edition (OBIEE), which is a powerful data management and analytics tool. However, MARTA utilizes OBIEE in a limited capacity. Microsoft PowerBI appears to be MARTA's preferred data management platform – which is used for KPI reporting and various report generation. Inconsistent utilization and lack of integration across critical data sources limits the effectiveness and value of the information presented in reports and dashboards.

**Recommendation:** MARTA should perform an assessment of the feasibility and potential benefits of a single fully integrated data management and analytics platform to avoid wasteful duplication of effort in two systems and allow access to reporting information from critical systems in a single source. MARTA should develop a formal data management strategy based on the outputs of the assessment.

### Observation 1.C: Lack of Data Integration Strategy

**Observation:** MARTA's current data processing and management efforts are fragmented. The IT team has developed useful dashboards and KPI reporting tools for various departments. However, these efforts are siloed and tailored for the individual departments and their functional needs.

**Recommendation:** MARTA should formulate an enterprise-wide data integration, management and processing strategy to integrate data from multiple disparate systems. This Enterprise Data Warehousing (EDW) solution can provide MARTA with better insight into their integrated data as well as better analytics.

### Observation 5.A: Lack of Consistent Capital Program Procedures

**Observation:** A 2017 internal review identified gaps in capital program management structures and processes, including a lack of documented SOPs to support effective and consistent project/program management across the Authority. Capital program SOPs have not yet been developed. MARTA is in progress on an initiative to deploy procedures for a centralized program management office by the end of Calendar Year 2020.

**Recommendation:** MARTA should continue to prioritize the development, approval, and deployment of procedures to support effective and consistent planning, budgeting, monitoring, and procurement of capital projects.

#### **Observation 5.B: Lack of Capital Project Reporting Integration**

**Observation:** Capital project data management has historically been decentralized and compiled by project portfolio managers across the Authority. Critical cost, schedule, and milestone data is manually tracked and reported for compilation by the Department of Capital Programs, Expansion, and Innovation. MARTA is in the process of rolling out Oracle Unifier functionality which will help integrate this critical data.

**Recommendation:** MARTA should continue to prioritize the Unifier implementation and develop robust processes and training materials to help enable consistent capital program data integration for monitoring and reporting.

#### **Observation 6.A: Oracle Process Improvement Opportunity**

**Observation:** MARTA is working with Oracle to upgrade the software to version 19g, which is scheduled to finish by January 2021. This upgrade provides an opportunity for MARTA to perform a comprehensive review of the processes and explore opportunities to automate many manual processes. The IT team has been working with various functional groups to review and update processes, workflows and functionality of Oracle systems to fix known issues and improve system effectiveness.

**Recommendation:** As MARTA completes its planned Oracle upgrade, MARTA should undertake a comprehensive exercise to review, update and document business processes associated with the upgraded Oracle ERP for all MARTA user departments and business units. This comprehensive review should emphasize identifying, designing and implementing process enhancements/automation and system configurations to process efficiency and promoting greater enterprise-wide adoption of available Oracle technology.

#### **Observation 6.B: Oracle Integration with other Enterprise Systems**

**Observation:** Oracle provides a robust set of Application Programming Interfaces (APIs) for most common integration needs. MARTA has invested significantly into various standalone systems that provide better functional values for MARTA specific needs, such as Hyperion for budgeting, Saba for training management, Clearwater for Investment Accounting and others.

While MARTA has largely integrated Oracle with many systems for various functionality, some enterprise systems such as Clearwater, Unifier, OLIS, Hyperion, P6 are not fully integrated with Oracle. This lack of integration contributes to cumbersome manual processes that are more at risk for errors.

**Recommendation:** As part of the comprehensive review recommended above, MARTA should review the integration need for Oracle ERP with various in-house enterprise systems. Some of the existing integration processes are rudimentary (data dump, FTP, Excel etc.), which needs to be automated with the use of APIs.

### Observation 9.A: Manual Procurement and Contract Management Processes

**Observation:** MARTA uses a combination of automated and manual processes to execute key procurement and contract management processes. These processes contribute to extended procurement lifecycle times and may not represent an efficient deployment of procurement resources.

**Recommendation:** MARTA should conduct an in-depth analysis into its procurement and contract management processes to identify and implement opportunities to streamline and automate these processes. Emphasis should be given to opportunities to optimize MARTA's utilization of existing, enhanced, or new Oracle solutions.

### Observation 9.B: Lack of Oracle Contract Management Functionality

**Observation:** MARTA does not leverage Oracle functionality to effectively manage contracts. CPM uses "shadow" Excel spreadsheets to manually enter spend data from Oracle and track contract balance information, increasing process time throughout the procurement and contract administration lifecycles, increasing the risk of errors through manual tracking, and reducing visibility into critical procurement and contract management data.

**Recommendation:** MARTA should evaluate deploying Oracle contract management functionality and developing processes to effectively leverage this functionality.

### Internal Audit Activity

The Board received an update on the following briefing from Emil Tzanov

#### Operational Audit Group – Q1FY21 Audit Engagement

- Cubic Automated Fare Collection System- In Fieldwork status
- Capital Improvement Program- In Fieldwork status
  
- Employee Time Reporting Controls- Low Risk
- Vertical Transportation Contract Management
- Physical security of Bus & Rail Facilities
- Vendor Electronic Invoicing- Needs Attention- Completed
- I-Supplier and Direct Pay-High-Completed
- Marketing/ Advertising Revenue- Need Attention- Completed
- Drug and Alcohol Policy Enforcement- Needs Attention- Completed
- Direct Pay Process-High Risk-Completed
- HR Resources/ Talent Acquisition Process and HR General Controls- Needs Attention- Completed.

### **Information Technology Audit Group- Q1FY21 Audits**

- Cubic Automated Fare Collection System- In Fieldwork status
- Software Patch Management-Planning status
- AVIS Controller Software- High Risk- Completed
- Mobile Ticketing-High Risk- Completed
- TCS & SCADA- Cybersecurity- High Risk-Completed
- Cybersecurity- PCs Email and Internet- High Risk- Completed

### **Contracts Audit Group**

- Issued 15 low risk audits with 1 audit that Needs Attention for a total of 16 audits.
- Identified Unallowable Cost in Overhead Rate reviews per Federal Acquisition Regulation- \$148k.
- Total Contract Audits in Progress= 13.

### **Fraud, Waste, and Abuse**

- 3 calls received on the FWA hotline from July 1, 2020 to September 30, 2020.
- 1 call (33%) was received stating that a follow-up call would be placed, but no call has been received to date.
- 2 calls (67%) related to the same issue were referred to Rail Operations Executive Management.

### **Information Security Update - November 2020 briefing from Dean Mallis**

- Train Control Penetration Testing – Completed June 2020
- Malicious Domain Blocking and Reporting Deployed – October 2020
- Cyber Security Awareness Month – Lunch and Learns for security
- Phishing Campaign – commenced October
- awareness Security Awareness Training – Commenced Nov 1, 2020
- PCI 2020 – Compliant
- Multifactor Authentication (MFA) - November 16<sup>th</sup>, 2020
- Train control cyber security monitoring – Fiscal Q3
- Anti-virus replacement – Fiscal Q3
- Vulnerability Scanner replacement
- Microsoft Cloud App Security - Fiscal Q3, 2021
- Data Loss Protection (DLP) - Fiscal Q4, 2021
- Advanced Threat Analytics (ATA) - TBD 2021
- Azure Advanced Threat Protection (ATP) – TBD 2021

**Adjournment**

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The Audit Committee meeting adjourned at 11:22 a.m.

Respectfully submitted,

*Jaquata Jordan*

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Jaquata Jordan  
Audit Department Administrator