

Minutes

Meeting of the Board of Directors

Special Audit Committee Meeting

Metropolitan Atlanta Rapid Transit Authority

April 19, 2011

The Board of Directors Audit Committee held a Special meeting on Tuesday, April 19, 2011 at 12:05 p.m. in the Board Lounge on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Juanita Jones Abernathy
Harold Buckley, Sr., Chairman
Jim Durrett
Barbara Babbitt Kaufman
Jannine Miller

MARTA officials in attendance were General Manager/CEO Beverly A. Scott, Ph.D.; Deputy General Manager/COO Dwight Ferrell; Chief of Business Support Services Ted Basta; AGMs Deborah Dawson, Georgetta Gregory, Jonnie Keith, Rich Krisak, Elizabeth O'Neill and Gary Pritchett; Sr. Director David Springstead; Director BK Trivedi; Managers Susan Elakatt and K. C. Worku; Executive Manager to Board of Directors Rebbie Ellisor-Taylor.

Also in attendance were Matt Hill, Douglas Moses and Dorian Debarr of Mauldin & Jenkins.

Presentation of External Auditors' Audit Plan for FY'11

Mr. Buckley introduced and welcomed the new External Auditors, Mauldin & Jenkins.

Mr. Keith introduced Mr. Doug Moses of Mauldin & Jenkins. Mr. Moses presented a brief background of his experience. Mr. Matt Hill and Mr. Dorian Debarr also presented a brief background of their experience.

Mr. Moses spoke from the presentation distributed to the Committee. The presentation covered information about Mauldin & Jenkins - learning MARTA's business, audit risks, the audit timing and questions and comments.

In light of the fact that the AGM's of Audit and Finance will both retire in the next two years, Dr. Scott asked Mauldin & Jenkins about their experience in auditing an entity like MARTA.

Mr. Moses said they have audited many governmental entities and while they have never audited MARTA, there are two persons on the team that were part of an audit firm that performed financial audits of MARTA in the past.

Mr. Keith announced that the Mauldin & Jenkins contract begins July 1, 2011.

Presentation of Internal Auditors' Risk Assessment & FY12 Audit Work Plans

Mr. Keith explained the risk assessment process. The risk assessment is done by the Operational and IT Branches. He noted that the risk assessment was based on five criteria: (1) safety/financial, (2) internal control, (3) prior audit results/process changes, (4) management experience and (5) management concerns/others. The Managers identify the audit universe and rank each potential audit from 0 to 25. Those ranked between 25-18 are considered high risk; those ranked between 17-10 are considered medium risk and those between 9-1 are considered low.

Mr. Keith stated for the Operational Branch, there were 10 audits considered high risk, 35 considered medium risk and 8 considered low risk. Based on audit staffing, an estimated 19 audits will be done, 18 of which are high risk.

Mr. Keith also stated that he plans to review the Board's current Travel and Expense Policy and propose any new revisions at the next Committee meeting.

Mr. Keith stated for the IT Audit Branch, there were 25 audits considered high risk, 30 considered medium risk and 14 considered low risk. He indicated there are 15 audits scheduled for this branch.

Ms. Miller asked questions related to the three Breeze audits listed in the matrix. She asked if the audits listed were in totality of Breeze-related activities or were there other audits related outside of the three listed.

Mr. Trivedi, the Director of IT Audit Branch, explained that there are many activities within the Breeze process and audit dissects them into small projects to perform the audits. He stated that the audits listed are in high risk areas, but do not include all Breeze related activities in totality.

Mr. Keith also explained how the Contract Branch risk assessment is computed. He indicated that this Branch is a demand-based audit area. Requests are received and based on the information given, a total of 95 audits are estimated for FY 12. Based on audit resources, staff expects to do about 80%. The other 20% will probably come as a result of some auditors being re-assigned, the use of outside sources, some of the audits may be deferred or a combination of those.

Status of P-Card Audit Report – PricewaterhouseCooper, LLC

Mr. Basta, Chief of Business Support Services, stated that during the November Board meeting, the responses to the P-Card audit were presented to the Board with the final implementation comments listed in red. He indicated each of the 15 items was addressed and internal controls have been established and tightened.

Mr. Basta briefed the Committee on the responses. He noted that the number of P-Card holders was reviewed and reduced. He noted that there is zero (0) tolerance for violation of procedures in the new P-Card policy. He indicated that there are only two credit cards in the Authority, one for the GM/CEO, whose credit limit was reduced to \$15,000 and the other for the Board's Executive Manager. He and the AGM of Audit will each review and concur for the accuracy and completeness of transactions submitted by the GM/CEO.

Mr. Pritchett indicated that some additional training sessions have been held and each P-Card holder is required to recertify annually.

Resolution Authorizing the Solicitation of Proposals for RFP P22915 for Annual Management Audits for Fiscal Years 2011, 2012, and 2013

Mr. Keith informed the Audit Committee that Section 17E of the MARTA Act requires the Authority to have an annual Management Audit performed. He noted that Attachment A reflects an extensive proposed scope of work for the audit. He also noted that the budget for the Management Audit is approximately \$1,000,000 for a three (3) year period.

Dr. Scott noted in the third phase of the audit, there will be an option for assistance with implementation and built-in cost for recovery.

Mr. Keith indicated that the Authority is on a tight time line because the MARTA Act requires Phase I be implemented before December 31, 2011.

Mr. Keith requested approval from the Board for authorizing the solicitation of proposals for the management audit for fiscal years 2011, 2012, and 2013.

On motion by Mr. Durrett seconded by Ms. Abernathy, the Resolution Authorizing the Solicitation of Proposals for RFP P22915 for Annual Management Audits for Fiscal Years 2011, 2012, and 2013 was unanimously approved by a vote of 4 to 0, with 4 members present.

Resolution Authorizing an Increase in Contract Funds for RFP P5103 – External Audit Services

Mr. Keith briefed the Committee on the history of the external audit contract of Cherry, Bekaert & Holland (CB&H). The contract began five years ago. In the third year, the Government Accounting Standards changed requiring CB&H to perform extra work. This resulted in an additional cost of \$46,300 for the last three years. The amount was covered by the 5% GM contingency. By the fourth year, CB&H was required to perform additional work due to the LILO/SILO transactions. CB&H absorbed the costs in the fourth year, but in the fifth year, MARTA was billed.

Mr. Keith requested an increase in the contract for \$35,000 due to the extra LILO/SILO work performed. Mr. Keith and Mr. Allen agreed that the work was performed and the increase is justified.

On motion by Ms. Abernathy seconded by Mr. Durrett, the Resolution Authorizing an Increase in Contract Funds for RFP P5103 – External Audit Services was unanimously approved by a vote of 4 to 0, with 4 members present.

Other Matters

Next Audit Committee Meeting

Mr. Buckley announced that the next regular Audit Committee Meeting will be July 21, 2011.

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Mr. Buckley noted that the Committee should begin looking for a replacement for Mr. Keith because he will retire at the end of December 2011. He asked for common consent of the Committee to start the process before the next Board meeting. All members present agreed.

Adjournment

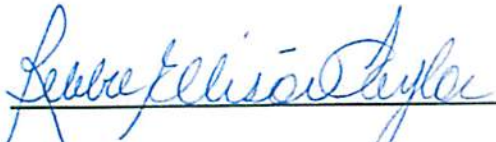
The Audit Committee meeting adjourned at 1:22 p.m.

Respectfully submitted:



Shamara White
Audit Coordinator

Approved as to Form:



Rebbie Ellisor-Taylor
Assistant Secretary to the MARTA Board