



BOARD OF DIRECTORS

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

AUDIT COMMITTEE

FRIDAY, NOVEMBER 22, 2024

ATLANTA, GEORGIA

MEETING SUMMARY

1. CALL TO ORDER AND ROLL CALL

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

Board Members

Present:

James Durrett
Roderick Frierson
Freda Hardage
Al Pond
Rita Scott
Thomas Worthy
Valencia Williamson
Jennifer Ide
Sagirah Jones

Board Members

Absent:

Stacy Blakley
Russell McMurry
Kathryn Powers
Jacob Tzegaegbe
Jannine Miller

Staff Members Present:

Collie Greenwood
Steven Parker
Rhonda Allen
Ralph McKinney
LaShanda Dawkins

Also in Attendance: Justice Leah Ward Sears
Emil Tzanov
Brad Schelle - Crowe
Caitlin Messier - KPMG
Jonathan Hunt
Tyrene Huff
Kenya Hammond
Phyllis Bryand
Gloria Londono

2. APPROVAL OF THE MINUTES

Minutes from August 15, 2024

Approval of the Minutes from the August 15, 2024, Audit Committee meeting. On a motion by Board Member Hardage, seconded by Board Member Durrett, the motion passed by a vote of 6 to 0 with 6 members present.

3. BRIEFING

The KPMG 2024 MARTOC Management Audit – Presented by Caitlin Messier

Crowe with MARTA's Annual External Financial Audit FY24 for Audit Committee November 22, 2024 – Presented by Brad Schelle

Internal Audit Q1 / FY25 Activity Brief for Audit Committee November 22, 2024 – Presented by Emil Tzanov

4. OTHER MATTERS

Other Matters – Audit Documents (Informational Only)

5. ADJOURNMENT at 10:51 A.M.

The Audit Committee meeting adjourned at 10:51 a.m.

YouTube link: <https://www.youtube.com/live/cWXJsgCgrOA?feature=shared>



2024 MARTOC Management Audit

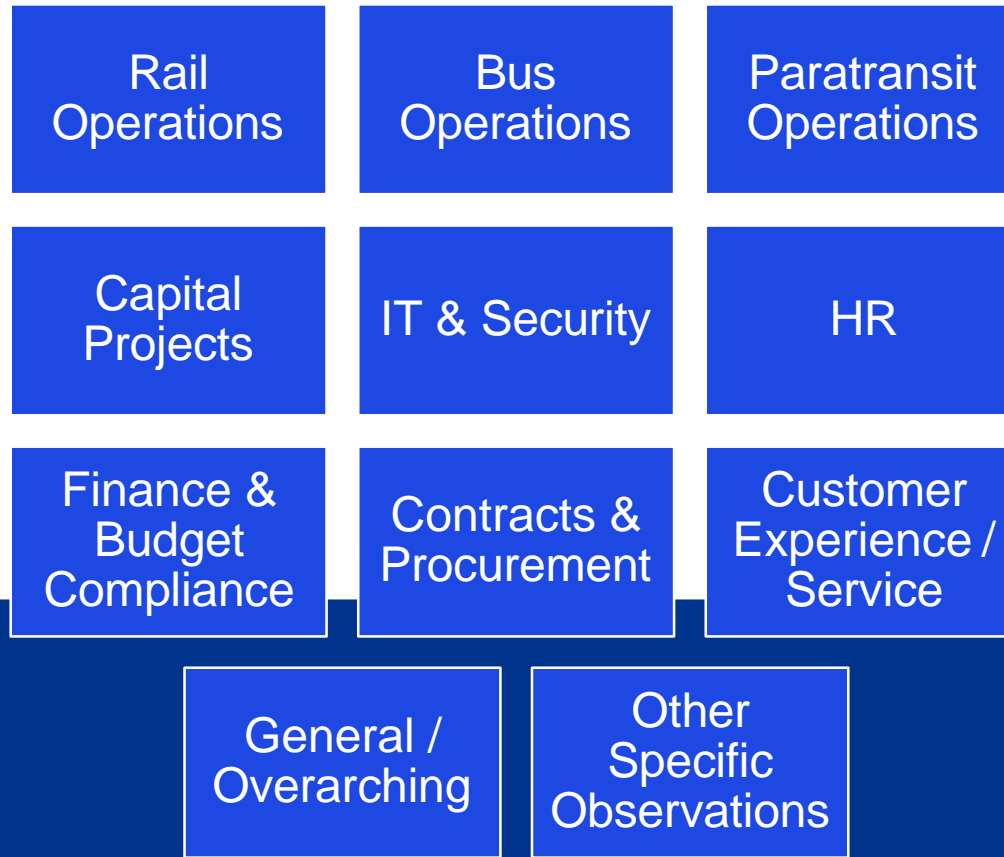
KPMG & Metropolitan Atlanta Rapid Transit Authority

November 22, 2024

Presented by: Caitlin Messier

Scope of KPMG's FY24 MARTOC Management Audit

The Authority engaged KPMG to perform the FY24 MARTA Oversight Committee (MARTOC) Management Audit and assess the following key functions:



This report satisfies the requirement in MARTA's enabling legislation, the MARTA Act, to conduct a quadrennial management audit and deliver the report to MARTOC, the Board, the State Auditor of Georgia, and the Governor of Georgia by CYE 2024.



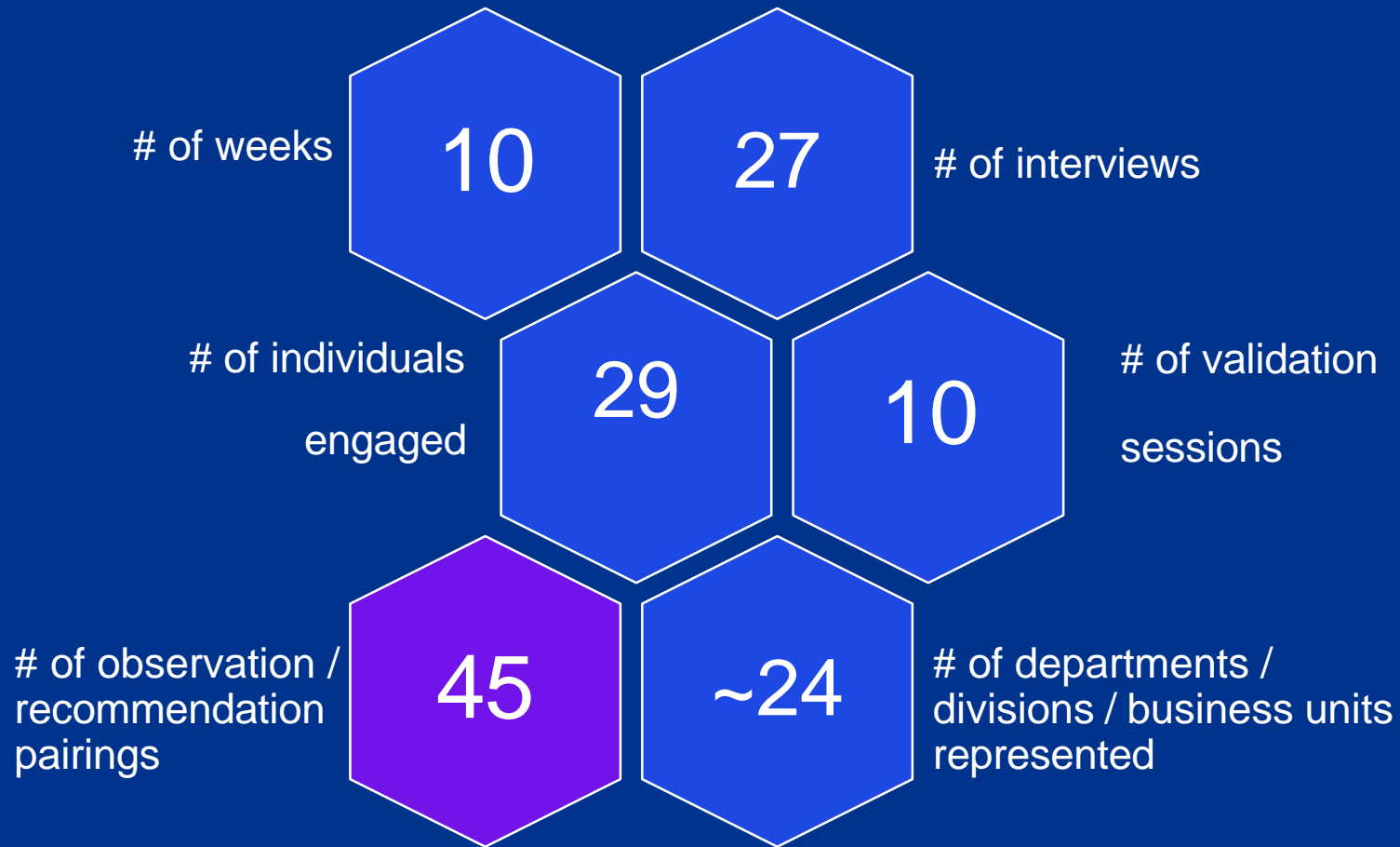
Engagement Approach

KPMG’s approach consisted of three phases and was based on the 2020 MARTOC Management Audit as well as our public sector transit/transportation experience.

	Project Planning & Kickoff	Information Gathering & Analysis	Reporting & Recommendations
	1 Week	7 Weeks	2 Weeks
Activities	<ul style="list-style-type: none"> Conduct project kickoff meeting Identify MARTA project manager Determine data needs, interview list, project schedule, and roles and responsibilities Meet with key project stakeholders to reaffirm project goals, milestones, and objectives Request and review existing documentation 	<ul style="list-style-type: none"> Conduct interviews of MARTA personnel responsible for key functions Assess business processes for efficiency, effectiveness, duplication of efforts, compliance, controls weaknesses and gaps, and inputs and outputs Determine the existence and effectiveness of current policies and procedures Evaluate how each Department monitors performance and effectiveness Develop observations and recommendations 	<ul style="list-style-type: none"> Draft recommendations to enhance operations, performance, and mitigation of current and future risks Validate observations and recommendations with MARTA personnel Incorporate feedback from MARTA into the final report Align on next steps Return in late CY2024 to present to MARTOC
Outputs	<ul style="list-style-type: none"> Agreed upon project management schedule Initial document and interview request lists 	<ul style="list-style-type: none"> Summary of observations and high-level recommendations 	<ul style="list-style-type: none"> Draft 2024 MARTOC Management Audit Report Final 2024 MARTOC Management Audit Report EOY presentation

By the Numbers

Between June 17 and August 23, 2024, KPMG performed the following activities:



Observations by Priority

Function	High	Medium	Low	Total
General	1	2	0	3
Rail Operations	1	1	1	3
Bus Operations	1	3	1	5
Paratransit Operations	2	1	1	4
Capital Projects	1	3	1	5
IT & Security	2	4	0	6
Human Resources	3	1	1	5
Finance & Budget Compliance	0	3	1	4
Contracts & Procurement	3	0	0	3
Customer Experience / Service	2	2	1	5
Other Specific Observations	1	1	0	2
Total	17	21	7	45



Closing Remarks

- Willingness of MARTA staff to collaborate and make themselves available to KPMG via interviews, sharing data and documentation, validation of observation / recommendation pairings, and providing MARTA responses to observations / recommendations
- Noticeable and continuous improvement between the 2020 and 2024 MARTOC Management Audit, including the adoption of KPMG recommendations provided in the 2020 audit
- Diligence to quality and adherence to policies and procedures during the interim period between legacy and future state while undergoing system transformations
- Regular adjustments and advancements to better align work processes, systems, and organizational structures that enable the Authority to drive efficiencies and execute on their growth strategies and goals.
- Dedication to continuous improvement, return on investment, greater efficiency, and long-term sustainability as a “best in class” transit system





Contact Information:

 A professional headshot of Caitlin Messier, a woman with long dark hair, wearing a dark blazer over a light-colored top.	<p>Caitlin Messier cmessier@kpmg.com</p>
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FY2024 Audit Results

Metropolitan Atlanta Rapid
Transit Authority

November 22, 2024

Smart decisions. Lasting value.™



Objective and Scope of Work

Objective

- Express an opinion on the presentation of the financial statements that comprise the Authority's basic financial statements

Scope of Work

- Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

New Accounting Standards

- GASB 99 – Omnibus 2022
- GASB 100 – Accounting Changes and Error Corrections

Other Items of Note

- Two major Federal programs
- Additional testing performed related to Rowan civil case – No issues identified based on testing

Audit Approach and Plan



**Interim fieldwork:
Early to mid May**

- Management interviews
- Planning and Risk Assessment
- Internal controls
- Single audit testing



Year-end fieldwork: Mid August to mid-October

- Audit procedures on year-end balances and fiscal year activity
- Single audit testing – completion
- NTD testing



Reporting: Late October to November

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

Fraud Considerations

General:

- Inquiry of management, employees, and Board about risks of fraud - none noted
- Consideration of unusual or unexpected relationships that have been identified in performing analytical procedures in planning the audit - none noted
- Consideration of whether fraud risk factors exist - none noted
- Consideration of other information gathered throughout the audit - none noted
- Procurement procedures and conflicts of interest – no issues noted

Fraudulent Financial Reporting Procedures:

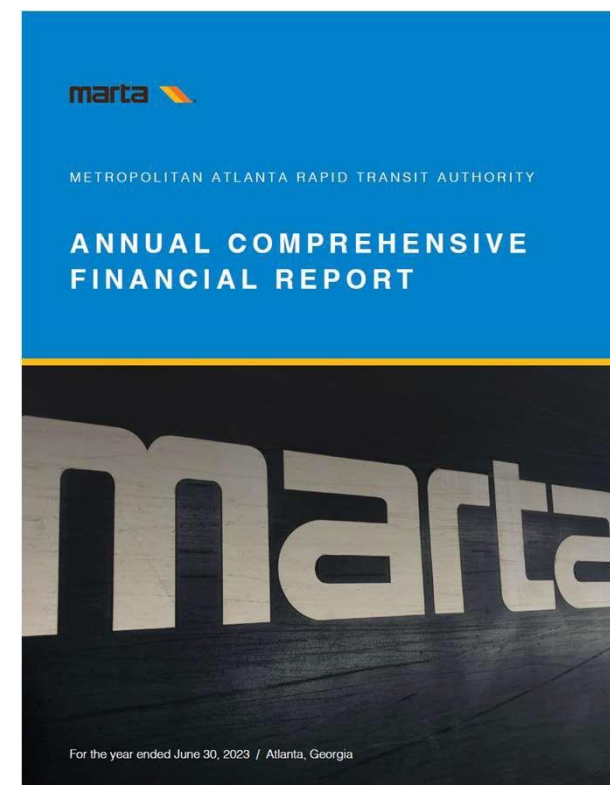
- Examination of journal entries and other adjustments for evidence of possible material misstatement due to fraud – no issues noted
- Review of accounting estimates for biases that could result in material misstatement due to fraud, including a retrospective review of significant prior year estimates – no issues noted
- Evaluation of the business rationale of significant unusual transactions – no issues noted
- Testing of revenue for proper cut-off – no issues noted

Audit Deliverables

- Independent Auditor's Report – Unmodified Opinion
- Management Letter
- SAS 114 Letter

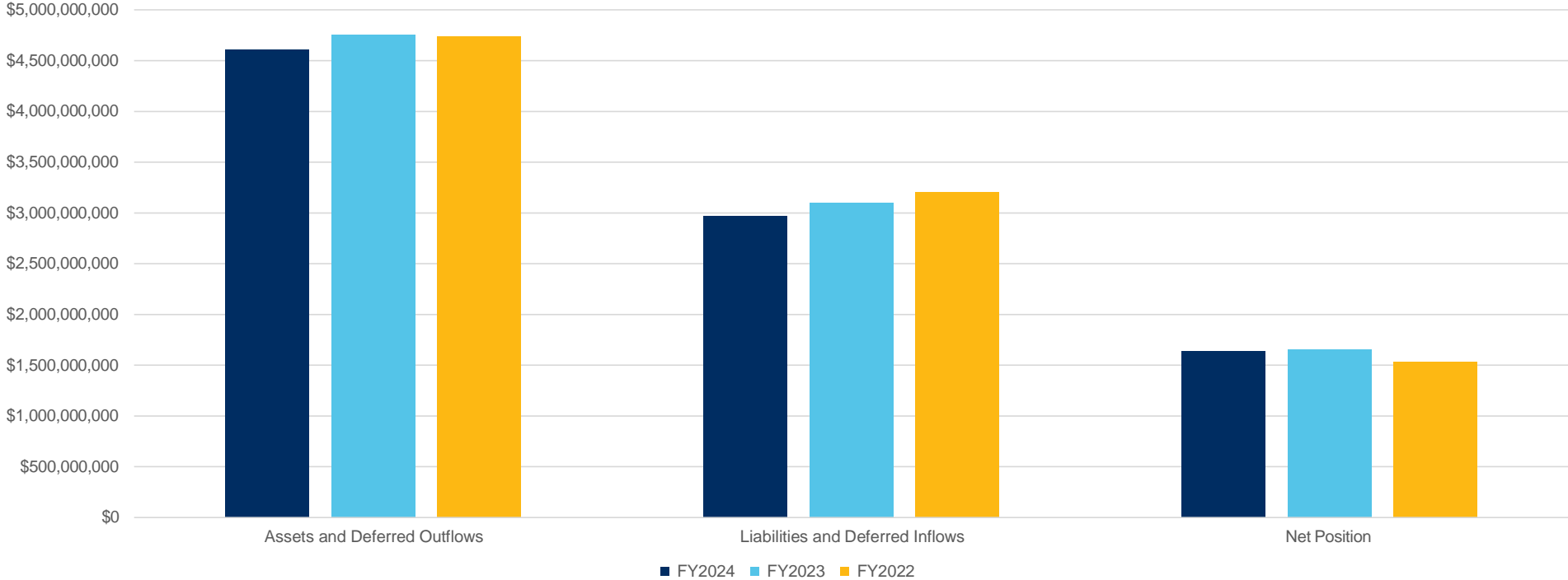
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal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

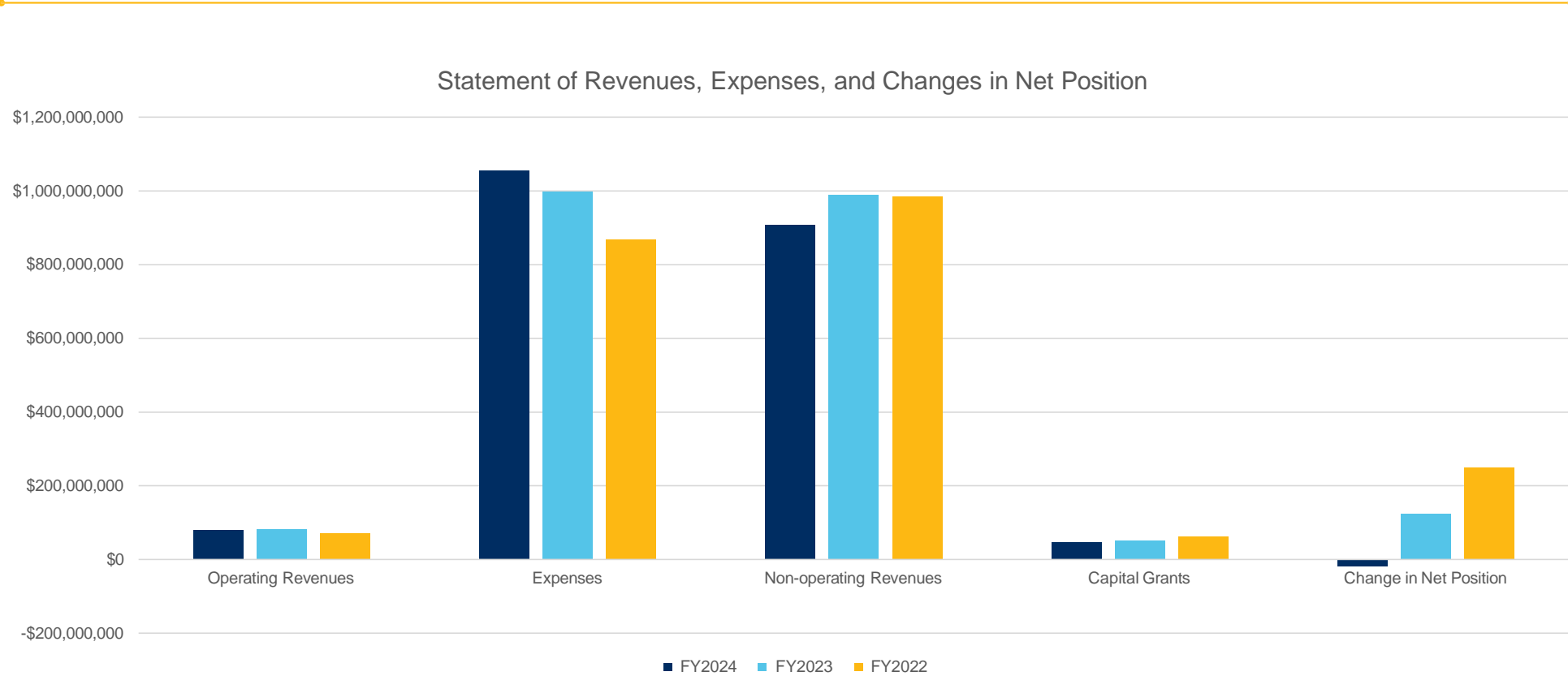


Financial Highlights

Statement of Net Position



Financial Highlights



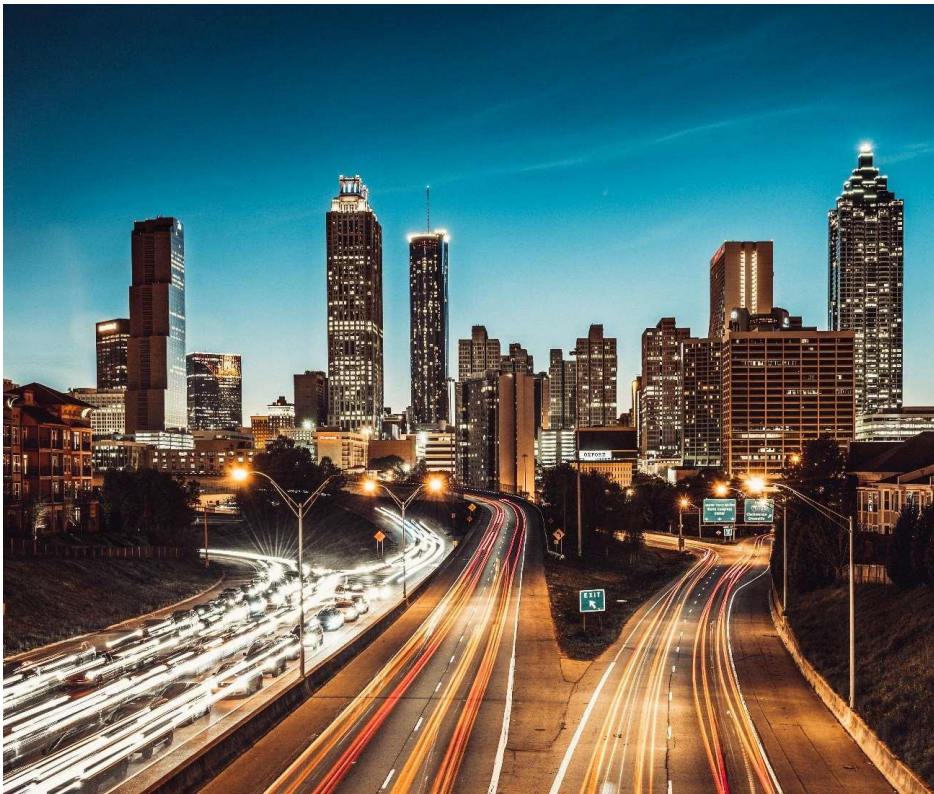
Required Communications

Topic	Comment
Independence Communication	<ul style="list-style-type: none"> We are not aware of any relationship between Crowe LLP and the Authority that, in our professional judgment, may reasonably be thought to impair our independence
New Significant Accounting Policies	<ul style="list-style-type: none"> None
Management’s Judgments and Accounting Estimates	<ul style="list-style-type: none"> Fair value of investments Estimated useful lives of capital assets Loss contingencies Actuarial assumptions used in net pension and OPEB liability calculations Self-insurance claims Discount rates related to leases
Auditor’s Judgments About Qualitative Aspects of Significant Accounting Practices	<ul style="list-style-type: none"> Appropriateness of accounting policies Adequacy of financial statement disclosures Timing of transactions Significant risks, exposures and unusual transactions - None Selective correction of misstatements – None

Required Communications

Topic	Comment
Corrected and Uncorrected Misstatements	<ul style="list-style-type: none"> No corrected misstatements One uncorrected misstatement to accrue to approximately \$12.1m in lawsuits that were settled subsequent to year-end.
Significant Deficiencies and Material Weaknesses	None noted
Other Communications: <ul style="list-style-type: none"> Other Information in Documents Containing Audited Financial Statements Significant Difficulties Encountered During The Audit Disagreements With Management Consultations With Other Accountants Representations The Auditor Is Requesting From Management Significant Issues Discussed, Or Subject To Correspondence, With Management Significant Related Party Findings and Issues Other Finding or Issues We Find Relevant or Significant 	No matters noted

Emerging Issues



- Implementation 6/30/2025
 - GASB 101, Compensated Absences
 - GASB 102, Certain Risk Disclosures
- Implementation 6/30/2026
 - GASB 103, Financial Reporting Model
 - GASB 104, Disclosure of Certain Capital Assets
- Inflation Reduction Act Tax Credits



Thank you

Brad Schelle

Partner

Brad.Schelle@crowe.com

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Internal Audit Activity Briefing

Q1 / FY25 ~ July 1 – Sept. 30, 2024

Operational Group Audits

Q1 / FY25

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
Clayton Co Ops & Maintenance Facility	TBD	TBD	Reporting	-	-	-	-	-	-	-	-
Employee Timekeeping	TBD	TBD	Reporting	-	-	-	-	-	-	-	-
Indian Creek Station	TBD	TBD	Testing	-	-	-	-	-	-	-	-
Bus Operations – CDL & Medical Cards Mgmt.	TBD	TBD	Testing	-	-	-	-	-	-	-	-
Total Significant & Moderate Findings:				-	-	-	-	-	-	-	-

Prior Operational Audits with Open Findings

Audit Title	Audit Issue Date	Audit Engagement Rating	Audit Project Status	Significant Findings				Moderate Findings			
				Total	Closed	In Process	Past Due	Total	Closed	In Process	Past Due
Mobility Service	6/26/24	High Risk	Completed	3	-	3	-	-	-	-	-
		<ul style="list-style-type: none"> - Unauthorized commitments bypassing the contract modification process. (12/1/24) - Contract modifications without updated Independent Cost Estimates (ICEs) (12/1/24) - Ineffective contract oversight related to various contract language clauses (12/1/24) 									
Streetcar Maintenance	6/18/24	Needs Attention	Completed	1	1	-	-	-	-	-	-
Wayside Access & Safety	3/19/24	Needs Attention	Completed	1	1	-	-	1	1	1	-
Attracting & Retaining Employees	6/28/23	High Risk	Completed	4	3	1	-	4	4	-	-
		<ul style="list-style-type: none"> - Employee Handbook needs to be developed (11/26/20 24) 									

Prior Operational Audits with Open Findings

Audit Title	Audit Issue Date	Audit Engagement Rating	Audit Project Status	Significant Findings				Moderate Findings			
				Total	Closed	In Process	Past Due	Total	Closed	In Process	Past Due
Review of Transit Oriented Development	5/15/23	Needs Attention	Completed	3	2	1	-	1	-	1	-
				- The Office of Real Estate does not have a document management System (12/31/2024).							
Capital Projects – Soft Cost	9/30/22	Needs Attention	Completed	-	-	-	-	2	1	1	-
Capital Improvement Program Follow-up	1/15/21	Needs Attention	Completed	28	21	7	-	-	-	-	-
Total Significant & Moderate Findings:				40	28	12	-	9	6	3	-

IT Group Audits

Q1 / FY25

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
Windows 10 Enterprise End Of Life Plan Review	TBD	TBD	Planning	-	-	-	-	-	-	-	-
Software Maintenance	TBD	TBD	Fieldwork	-	-	-	-	-	-	-	-
IT Software Asset Management	7/29/24	High Risk	Completed	4	-	4	-	-	-	-	-
Total Significant & Moderate Findings:				4	-	4	-	-	-	-	-

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
Elements of IT Operations	04/12/24	High Risk	Completed	5	-	-	5	2	-	-	2
IT Support of Critical Enterprise Applications and Systems	11/08/23	High Risk	Completed	1	1	-	-	3	1	-	2
IT Hardware Asset Management Audit	9/29/23	High Risk	Completed	1	-	-	1	4	2	1	1
Identity and Access Management Audit	5/4/23	High Risk	Completed	3	2	-	1	1	1	-	-
Cybersecurity – PCs, Email and Internet	06/24/19	High Risk	Completed	5	4	-	1	4	4	-	-
Total Significant & Moderate Findings:				15	7	-	8	14	8	1	5

Contract Group Audits

Q 1/ FY25

Contract Audits Completed

Audit Ratings	No. of Audits Issued
Low Risk	29
Needs Attention	1
High Risk	0
Total Audits Issued	30

Contract Audits In Progress

Audit Types	
Interim / Close Out	0
Rate Reviews	22
Forward Pricing	1
Buy America / Special Request	0
Cost / Price Analysis	4
Change Orders	3

- ✓ Identified Unallowable Cost in Overhead Rate Reviews as per Federal Acquisition Regulation (FAR) - \$38,045
- ✓ Identified Unsupported Costs in Cost/Price and Change Order Reviews \$3,417,476.65

Fraud, Waste & Abuse Summary



Newly Reported Allegations

- Timesheet fraud by an employee – under investigation.

