

## **Minutes**

### **Meeting of the Board of Directors**

### **Special Audit Committee Meeting**

### **Metropolitan Atlanta Rapid Transit Authority**

**December 15, 2011**

The Board of Directors Audit Committee held a meeting on Thursday, December 15, 2011 at 2:00 p.m. in the Board Lounge on the 6<sup>th</sup> Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

#### **Board Members Present**

Harold Buckley, Sr., Chairman  
Robert Ashe III  
Frederick Daniels, Jr.  
Jim Durrett  
Barbara Babbitt Kaufman

MARTA officials in attendance were General Manager/CEO Beverly A. Scott, Ph.D.; Deputy General Manager/COO Dwight Ferrell; AGMs Davis Allen, Deborah Dawson, Wanda Dunham, Ben Graham, Mary Ann Jackson, Jonnie Keith, Cheryl King, Rich Krisak, Ryland McClendon, Elizabeth O'Neill and Gary Pritchett; Directors Cynthia Moss-Beasley and BK Trivedi; Manager Rod Hembree; 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; Joel Black, Dorian DeBarr of Mauldin & Jenkins; Matthew Berry, Anne Clifford, David Dennis, Chris Gamble, Cathryn van Namen, Gordon Postle, David Roberts of KPMG; and Roger House of Axiom Corp.

#### **Presentation of External Auditors Annual Financial and Single Audit Report for Fiscal Year 2011 by Mauldin & Jenkins**

Mr. Joel Black of Mauldin & Jenkins (M&J) gave an update on the status of the financial reports. He informed the Audit Committee that the financial and single audit reports were not ready to be presented. There is still work to be done on the compliance audit side. He stated that the financial statement opinion is unqualified and there are no major concerns. He indicated that the delay is due in part to the coordination of fieldwork planning. The fieldwork process took longer than normal and had to be revisited on different occasions.

Mr. Black also noted that there will be no additional fees charged because of the delay. They will be ready to present by the end of year or whenever the Committee schedules for them to return.

Dr. Scott stated that she attended a Governor's Task Force meeting and MARTA was slammed during the meeting due to the financials not being available on the Authority's website. She requested that M&J write a letter to the Audit Committee Chair explaining the delay and ensuring there is nothing material in the report to be provided to MARTOC.

**Presentation of External Auditors Annual Management Audit for Fiscal Year 2011  
by KPMG**

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Mr. Dennis of KPMG introduced the key team members of KPMG and gave a short overview of the Management Audit for FY'11. He noted that there were 73 observations, which include leading practices of the organization and areas where there were issues that MARTA was either working on at the start and throughout the engagement. He indicated there was a draft report issued a couple weeks prior to the Audit Committee meeting. Discussions were held and feedback was given. KPMG incorporated the comments, made edits to the draft and produced a second draft. The final report was submitted to the Audit Committee on Monday, December 12, 2011.

Mr. Dennis introduced David Roberts of KPMG.

Mr. Roberts gave an overview of the three-year Management Audit to include the key objectives and notification of three different Phases, divided into six tasks. Phase I involves Task 1 - performance assessment and benchmarking; Phase II includes majority of the work - Task 2-5; and Phase III consists of Task 6, which will be an update from Phase I and allows for any special projects. He indicated the areas of focus for Phase I and the steps conducted to complete the audit with regards to audit procedures.

Mr. Roberts briefed the Audit Committee on MARTA's history and impact on the current environment. He discussed MARTA's funding, financial positions, and limitations. He noted that funding restrictions impacts MARTA's ability to be flexible on how to respond to ridership, economy and marketplace. The Authority has been further impacted by these measures which resulted in reduced services, furloughs, salary freezes, staff morale and reduced size of capital projects.

Mr. Roberts indicated that looking ahead strategically, MARTA should broaden its customer base by working with other government and legislative bodies to focus on customer service; encourage more people to use transit; enhance transit service accessibility and convenience; and possible coordination with other transit organizations. He summarized the key observations of the report and indicated one observation relates to non-utilization of all modules available in IT, including Oracle.

Mr. House of Axiom elaborated on the recommendations. He referenced chapter 8 of the report. He stated that all planned Oracle implementations have been delayed due to financial constraints. Of the 29 modules purchased, only 25 have been implemented and 18 are currently being used. He noted that users should be accountable for using the implemented modules and personnel should receive proper training.

Mr. Dennis spoke about the procurement process as it relates to technology. He stated that utilization of an automated procurement process of smaller contracts could have significant savings. He noted that additional efficiencies can be gained by considering increasing the Board's approval threshold and delegating some procurement functions for contracts that do not pose significant risk, to speed along the process. KPMG also encourages MARTA to utilize technology by incorporating an electronic reviewing and signature process.

Mr. Dennis summarized the remaining observations and pointed out areas MARTA should continue to focus on. They include, but are not limited to, safety, getting full benefits of Oracle and updating an aging system to include electrical systems and ventilation. He also encouraged staff to do research in the marketplace and come up with programs to help change the perception of MARTA.

Mr. Buckley stated that he would like to see more of the criteria identifying some of the factors of MARTA's peers that have impact on the deliverables in Phase II of the Management Audit and requested an accelerated workflow.

Mr. Dennis stated they will begin at staffs' direction and can have the deliverables done by November, 2012.

Mr. Keith indicated a meeting will take place in the following week to start discussions for Phase II.

Mr. Ashe referenced page 10, bullet three of the presentation handout. He stated that as it reads, the recommendation is that as the service area expands, MARTA should expand the Board. He indicated he did not want the recommendation misused and would like KPMG to take another look and revise accordingly.

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Mr. Keith requested permission from the MARTA Board to forward the Management Audit Report to MARTOC after revisions are made.

**Special Audit Committee**  
**12/15/11**  
**Page 4**

On motion by Mr. Ashe seconded by Mr. Daniels, the submittal of the Management Audit Report to MARTOC after revisions are made was unanimously approved by a vote of 5 to 0, with 5 members present.

**Adjournment**

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The Audit Committee meeting adjourned at 3:48 p.m.