

## Minutes

### RTA Audit, Safety Compliance & Real Estate Committee Meeting

9:02 a.m., February 19, 2019

**Committee Members:** Moss (Chair), Lucas (Vice Chair), Joyce, Welo

**Other Board Members:** Clough, Elkins, Serrano (Bibb was present)

**Not present:** McCall

**Also Present:** Anderson, Becker, Benford, Bober, Brooks-Williams, Burney, Calabrese, Caver, Ciesla, Coppock, Cottrell, Cranford, Crosby, Czeck, Dangelo, Davis, Dietrich, Draper, Dzigiel, Faith, Feke, Feliciano, Fields, Flannery, Garofoli, Gautam, Gibbons, Gillan-Shafron, Goodwin, Gray, Houston, Jackson (J), Jackson (W) Jaszczak, Johnson, Jones, Kechtkaran, Kirkland, Laule, Lewis, Lively, Loh, McDonnell, McGrady, Penning, Pickett, Pinkney-Butts, Prendergast, Rodriguez (L), Rowe, Rusnov, Schipper, Shariff, Singh, Smith, Stocking, Stover, Sutula, Tarka, Tarter, Togher, Vukmanic, Weil, Winn, Young, Zeller, Zimmerman

Ms. Moss called the meeting to order at 9:02 a.m. The secretary called the roll and reported that four (4) committee members were present.

#### Executive Session Requested

Ms. Moss asked for a motion to go into executive session to discuss real estate updates.

9:02 a.m. - It was moved by Rev. Lucas, seconded by Mr. Joyce. There were four (4) ayes and none opposed.

9:36 a.m. – It was moved by Mr. Joyce, seconded by Mayor Welo to come out of executive session. There were four (4) ayes and none opposed.

#### Internal Audit 2018 4<sup>th</sup> Quarter Report

Tony Garofoli, Executive Director of Internal Audit, made the presentation. On pages 5-7 is the 2018 Audit Plan approved last March. In addition to the extra work they performed, 75% of the plan was accomplished. On pages 8-9 are projects completed in the 4<sup>th</sup> quarter. They are Employee Travel and Expense Account Reimbursement, Bus Purchase of 33 CNG Low Floor Buy America Reviews, Fare Media Inventory and Change Machine Cash Audit. Results are in the report. There are no red flags at this time.

On pages 10-11 is continuous auditing where computerized audit program scripts are used to audit transaction data. This includes every day customer fare collections. All moneys are received, deposited and posted to the General Ledger. There was a thorough review of the p-card transactions. They will meet with management on the results. The report will be shared at a later date. Pages 12-16 are 13 projects in progress in various stages of completion. Some of them are carryover from 2018. Pages 17-21 contain special request. The Board and management can make special request. They reserve 15-20% of their audit hours for these request. A special report on three claims filed will be presented to the Board soon. Page 22 includes external audit coordination. The State auditors are on site. They are conducting the fiscal year 2018 audit under the direction of Rajan Gautam, DGM of Finance and Administration. FTA will conduct a Triennial Review. It was scheduled for the first quarter, but was postponed due to weather and other issues to the 2<sup>nd</sup> or 3<sup>rd</sup> quarter. Pages 23-

24 includes status of outstanding findings. The remainder of the report is on other projects, staff training and IA staff profiles. Mayor Clough asked him to continue to look at areas subject to risk. Two key staff members in IA have moved on. One left the agency. The other will be working in another department.

### 2019 Audit Plan

The 2019 Audit Plan is on Pages 3-4. The Chief Audit Executive must establish risk based plans to determine the priorities of the Internal Audit activity consistent with the organizational goals. They took feedback from the Board, executive management team, management, employees, CAC and customers. This plan is a result of a five step process, which includes identifying audit areas, establishment of risk based audit priorities, allocation of audit resources and development of audit schedules and formulation of the annual plan. Each audit project is linked to one of nine Vital Few Objectives (VFOs) from the 2016-2018 RTA Strategic Plan.

He ask that the chair consider this plan for approval. In the past, the Committee of the Whole approved the plan. Under the new structure, this is being presented to the Audit committee. Ms. Moss asked if the committee reviewed the plan and can it be moved to the full board. This will be the first time the plan is moved to the full board. Ms. Moss said the plan can be amended at the Board's discretion.

It was moved by Mayor Welo, seconded by Mr. Joyce and approved by majority vote to move to the full Board.

### Internal Audit Bylaws Section

Tony Garofoli, Executive Director of Internal Audit (IA), made the presentation. The next two agenda items will bring IA into compliance with professional standards. The full Board heard the full presentation last September, but with new Board members, the presentation will be made again.

Ms. Moss summarized what brought us to this presentation. This was first presented last August to the Ad Hoc Bylaws Review Committee. The Bylaws committee requested the changes go through the audit committee. At the September committee meetings, Tony gave a presentation that he is giving again today. The full Board was given the same standards. There is information from the Institute of Internal Audit on standards for IA in the packet. This is what the draft changes were based on. At the September meeting, Mayor Welo and Ms. McCall requested these items be tabled. At the November meeting during Tony's quarterly report, he requested the Board adopt these changes to put RTA into compliance. The Bylaws committee discussed the changes again in January. At that meeting there was a consensus to bring this to the full Board again. At the February committee meeting, Tony was ready to present again, but due to the length of the meeting and many Board members having to leave, that meeting was postponed for today.

The proposed changes are in draft Reso. No. 2019-24 amending Article VIII Section 5 and 6 of the bylaws. Internal Auditing Standards states that organizational independence is achieved when the Chief Auditing Executive (CAE) reports functionally to the Board. Functional oversight requires the Board to create the right working conditions to permit the operations of an independent and effective Internal Audit activity. As noted, the Board assumes responsibilities for approving the IA charter, IA plan, the budget and resource plan, the evaluation and compensation of the Chief Auditing Executive and the appointment and removal of the Chief Auditing Executive. Further the Board monitors the ability of Internal Audit to operate independently. It does so by asking the CAE and members of management questions regarding IA scope, resource limitations and other pressures or hindrances on IA."

In Section 5, the change is that the Board shall review and approve the IA charter and plan. In Section 6, there is a title change from Director of Internal Audit to Executive Director of Internal Audit. Items added include the evaluation of the ED, the removal of the GM only after consultation with and approval of the Board. The Board per the standards will complete the elements as identified in those standards. Karen said that if there are no specific questions regarding this topic, she will entertain questions at the end of all of the presentations.

### Internal Audit Charter

Tony Garofoli, Executive Director of Internal Audit (IA), made the presentation. The proposed changes to the IA Charter or the Board Code is repealing Chapters 262 of the Codified Rules and Regulations of the GCRTA and enacting a new IA charter. The current charter was developed in response to a structured oversight of the procurement process and now represents an outdated risk universe, business practices and audit techniques. It was written in response to when the Authority was under FTA procurement sanctions. The majority of RTA's work was steered to audit contracts. It was also during a time when the first word processing system was purchased. The charter includes prescriptive and inflexible audits and procedures and does not reflect current best practices for IA. The Institute of Internal Audit provides IA professionals worldwide with authoritative guidance and best practices through published standards. The proposed amended IA charter properly aligns these standards for the profession of IA. In both the existing and proposed charter, the IA department is established as an independent, objective, insurance function for the Authority as well as the inspector general.

The charter continues to require an annual IA plan, but the proposed amendment focuses on risk based planning and alignment with the Authority's strategic objectives. The ED of IA continues to report functionally to the Board and administratively to the GM/CEO. Quarterly reports to the Board remain. Additions to the proposed charter includes the ED's unrestricted access to the Board, review and study of the charter amendments by the Audit Committee before recommendations to the Board, a Quality and Assurance Improvement program for the IA department and greatly expanded requirements for the department's objective and independence. It also includes the mission and responsibilities of the department as the Inspector General for the Authority and defines the Authority in responsibility of the Board regarding the IA department. In line with the standards, the charter enables the IA department to perform consulting engagements for the organization.

Elements of the existing charter that are not included in the amended charter include audit procedure steps, list of audits to be performed, and the methods for implementation follow-up. These elements are more appropriate for a procedure manual than the audit charter. Additionally, the authority to the GM/CEO is amended in the proposed charter, removing the requirement for the GM/CEO to review all draft and final audit reports and removing the GM/CEO authority to direct IA activity and scope. In the proposed charter under 262.07 Responsibility, all assurance, investigative and consultant reports will be provided to the GM/CEO and appropriate management for review and response. To maintain independence and objectivity, the activities and scope of the IA department must be risk based and free of bias. The existing charter designates IA as a managerial control, but they are not. IA performs assurance and consulting activities to review management controls. Management is responsible for controls.

Mr. Bibb asked how the International standards compare to the Governmental Accounting Standards and why was the International standards chosen. Other transit authorizes us the government standards. Tony said the governmental standards are applicable to IA, but are written for the financial statement audit. IA has a broad focus on IT, revenue collection and contracts. The external auditors perform the financial audit. Mr. Bibb asked how RTA's transit peers manage the auditor's authority in conjunction with the GM. Systems in LA, Atlanta and D.C. have engagement between the auditor, GM and Board and the Board is at the hierarchy of the organizational chart. He is concerned that this

move is excessive. This move may make the relationships adversarial. Tony said his peers are subject to the Red Book standards, subject to quality assurance reviews and external reviews, which those will be reported to the Board. He's always had a partnership with the GM, where the objective is to help management achieve their goals in the strategic plan. Mr. Bibb urged that there be remedies in place for adversarial relationships that could form in the future. Ms. Moss said this can go both ways. She prefers the auditor be separate from the GM. She believes the bylaws can be reviewed more often.

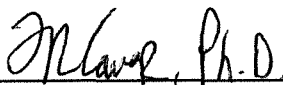
Mayor Elkins asked if Mr. Bibb could provide a scenario. Mr. Bibb said with the change, the GM has no authority to define any scope of any audit. If the auditor and GM has an adversary relationship and the GM has no authority to complain of excessive review of issues that aren't merit worthy, it creates a challenge in operational flow of the organization. Other transit authority charters have their auditor report to the GM and the Board and in some cases the CFO, however the Board has the authority to ensure there is a third party review in place. Mayor Elkins believes the proposed changes is a result of the past Board issues. There is a value in the internal auditor having independence because some items may have not come to light had they not had an Internal Auditor that was able to extend beyond the initial issue. Mr. Bibb would like to see what is best in class from other agencies.

Mayor Clough said they can ensure a good relationship between the GM and Internal Auditor by evaluating both positions them annually. The Board hires both positions. Issues would come to light during the evaluation. Mr. Serrano asked what is the difference between the Internal Audit Department and the Inspector General and what is the responsibility of the IG. Tony read the responsibilities of the IG in Section 262.01(b). He clarified that there is no change in this section. Mr. Bibb asked if the GM wants to identify fraud, waste or abuse and their authority is being moved to do anything about it, how that would be fixed. Tony said that 20% of the Audit Plan is reserved for special request. There is a fraud hotline for internal staff and external customers. Mayor Elkins said the Auditor of State has a fraud hotline too. The GM can also speak to the president of the Board.

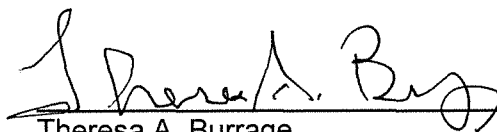
Ms. Moss asked for a motion to **amend the bylaws**. It was moved by Mayor Welo, seconded by Mr. Joyce and approved by unanimous vote.

Ms. Moss asked for a motion to **amend the charter**. It was moved by Mayor Welo, seconded by Mr. Joyce and approved by unanimous vote.

Ms. Moss adjourned the meeting at 10:11 a.m.



Floun'say R. Caver, Ph.D., Interim CEO  
General Manager/Secretary/Treasurer



Theresa A. Burrage  
Executive Secretary