

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

10:27 a.m., December 3, 2019

Committee: Moss (Chair), Lucas (Vice Chair), Joyce, McCall, Welo

Other Board members: Bibb, Byrne

Not present: Clough, Serrano

Also Present: Anderson, Astolfi, Becker, Beveridge, Birdsong, Bitto, Brooks-Williams, Burney, Caver, Cottrell, Cranford, Dangelo, Davidson, Davis, Feliciano, Fields, Freilich, Garofoli, Gautam, Gibbons, Halverson, Jones, Kirkland, Laule, Lewis, Lincoln, Loh, Martin, McGervey, Ponder, Schipper, Schnear, Scott, Shareef, Shariff, Singh, Stocking, Sutula, Tarka, Togher, Ulrich, Vukmanic, Wiehe, Wilson, Winn, Woodford, Young, Zeller

Ms. Moss called the meeting to order at 10:27 a.m. The secretary called the roll and reported that five (5) committee members were present.

Property Insurance Renewal Program

Judy Lincoln, director of risk management, made the presentation. The program expires January 1, 2020. It's an all risk property program that includes perils such as wind, fire, flood and collapse. It is replacement cost coverage. It protects real and personal property such as the bus garages, rail complex and its content, rail stations, rail cars and bus fleet for non-collision perils. RTA's current insurance carrier is FM Global. They carry an A.M. Best rating of A+15, which is the highest rating possible. We have a blanket limit of \$500 million per occurrence and a deductible of \$250,000 per occurrence. The total insured value is \$1.7 billion, which includes buildings, machinery, equipment, stock, supplies, computers and the rolling stock. They are one of the premier property insurers in the world. They provided invaluable design review and loss control services to GCRTA for many years; utilized heavily by both the Safety and Engineering departments.

Due to a hardening market. They were told to expect significant rate increases this year, which they concluded competing the account this renewal deemed a necessity. A broker was obtained this October. FM Global is one of the few direct markets that will work directly with the client without using an insurance broker. We've been utilizing the property insurance broker since 2011, which has saved a lot of money. An insurance broker was needed to get competitive quotes. She can't approach the carriers. We've worked directly with FM Global from 2012 to 2019. The broker is Aon. They worked closely with them to put together an underwriting submission that was sent to property insurance markets. We have an expiring premium of \$634,000. The 2020 requested budgeted amount is \$894,000. This is a 30% rate increase and a 3% increase in total insured values. Renewal negotiations are still underway. Proposals were due Dec. 2. Because information was still being provided to carriers, all the final proposals are not in yet. Evaluation and recommendations are expected by December 11. Final results will be submitted via a memo to Board accompanied by a resolution containing recommendations to be brought to the Board at December 17, 2019 meeting.

Ms. Moss asked how this can move forward without a recommendation. Judy explained that periodically this has occurred with the insurance programs. When the numbers come in, the Board is informed prior to the meeting date so they can make an informed decision. Judy met with the several competitive markets so the vendors can't be named. Ms. Birdsong suggested a committee meeting

prior to the Dec. 17 Board meeting. Ms. Moss asked if in the future this could be brought to committee sooner than the expiration date. Judy said we are using one of the best brokers in the world and they have met with them extensively and they have spoken to many insurance markets. The amount of effort to market this has been a high quality effort. The underwriters control the situation. There are more accounts like RTA going out to market this year and requesting quotes than there are carriers willing to write their accounts. Chief McCall recommended another committee prior to the Board meeting so the Board can be informed.

Melinda Dangelo clarified that the marketing for the premium for the property insurance is not handled through the procurement process, but through the broker. RTA has been fortunate enough and experienced good rates over the years that a property insurance broker hasn't been needed. Judy has been able to get good pricing. Currently the market has been volatile due to catastrophic issues in 2017. Staff knew they would have to go out a market with a broker. The broker reached out to everyone possible and was selected because of their experience in transit. They work with a lot of premier insurance carriers. Aon is pushing RTA ahead of similar clients to get the numbers. Normally when staff goes before the Board, the information is available. The final numbers are not due until today. The total dollars should be available by Thursday. This is done in August for the casualty insurance too. It is similar in process for the same reasons.

Chief McCall made a motion to table the vote until Dec. 17, seconded by Ms. Moss. The roll was called. There were five (5) to table and none opposed.

Internal Audit Quarterly Report – 3rd Quarter

Tony Garofoli, executive director of Internal Audit, made the presentation. Pages 3-4 has the IA plan passed by the Board in February. As of September, they are 70% through the plan. The completed projects are on pages 5-7. They have completed employee travel and expense account reimbursement, bus contract audit of nine commuter replacement Park-N-Ride coaches. The buses are on property and on a post-delivery implementation of fare boxes, radios, etc. The contract audit for Buy America review will be done at the end of December with the expectation that the vehicles will be in service January 2020. They completed a fare media inventory audit. They do unannounced audits of the vaults to determine that the prepaid fare media is secured and in the vaults. They completed a nepotism audit at the request of Mayor Clough. The results were shared with HR and they are in the process of implementing the recommendations. They will repeat this audit quarterly going forward. Lastly, they completed an audit of the elevator/escalator maintenance contract. They shared the results with management.

Pages 8-9 are continued auditing efforts. This is the use of technology and programmed audit scripts to evaluate 100% of the electronic transactions on a near real time bases in their computer systems. In place they have two programs, the revenue collection review completed through December. All money collected from the fare boxes was deposited and posted to the general ledger. The other program is the procurement card transactions. They have shared procedural issues with management. They will add accounts receivable and accounts payable in 2020. Pages 10-13 are projects in progress in various stages of completion. They will meet with management first and share responses with the Board.

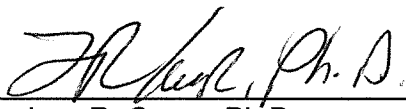
Under special request and emerging issues on pages 15-20, a request for an audit for an operator under payment was requested by the Interim Deputy General Manager of Human Resources. The operator will be paid what is due. They continue to work with the insurance company on adjudication support for three remaining crime insurance claims. They continue to work with them to complete that work. There are six other investigations in process. Once shared with management, they will be reported to the Board. The Board received a final report on the Triennial Review from the Federal Transit Administration. They will work with management to implement any corrective actions. The

State Auditor's Office will begin their 2019 fiscal year work. The 2018 fiscal year single audit was release July 9 and was shared with the Board at the June meeting.

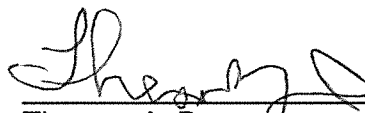
Rev. Lucas mentioned that the elevator/escalator contractor promised a response time of 45 minutes. He got stuck in the elevator and they arrived in 37 minutes.

They still have two vacant positions in the IA department. The Board was given an annual solicitation for the 2020 audit plan. They are doing a risk assessment of the Authority. They will meet with senior management. The approval of the plan will be requested in February 2020.

Ms. Moss adjourned the meeting at 11:50 a.m.



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



Theresa A. Burrage
Executive Secretary