

## Minutes of the Audit and Compliance Committee



Date: March 13, 2019                      Place: Nashville International Airport Board Room  
Nashville, Tennessee

Time: 10:30 a.m.

Committee Members Present: Amanda Farnsworth, Chair; Christy Smith, Vice Chair; and  
Bill Freeman

Committee Members Absent: Jimmy Granbery

Others Present: Doug Kreulen; Cindy Barnett; and Angela Edwards

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### I. Call to Order

Chair Farnsworth called the meeting of the MNA Audit Committee to order at 10:51 a.m. pursuant to Public Notice dated March 8, 2019.

### II. Approval of Minutes

Chair Farnsworth called for a motion to approve the minutes of the November 7, 2018 Audit Committee Meeting. A motion was made by Commissioner Freeman and seconded by Vice Chair Smith. The motion carried by vote of 3 to 0.

### III. Chair's Report

Chair Farnsworth reported there was no Chair's Report.

### IV. Items for Approval

None

### V. Information Items

#### A. Follow-up Assessment of External Audit Corrective Actions

Mark Nicolas of Dixon Hughes Goodman (DHG) presented this item to the Committee. DHG conducted an Anti-Fraud Controls review back in the summer of 2017 and finished the review in September 2018.

Recommendations for eleven control improvements were made ranging from minor to a little more significant. There were findings in last year's financial audit related to the disposal of capital assets and capitalized interest. At the request of Chair Farnsworth, in March 2019, DHG performed a follow-up review on the status of the improvement including discussions with management and supervisors to see how far Management had come. DHG grouped the improvements based on completed, in-progress, not initiated and challenges. Mr. Nicolas presented some of the items that had been completed:

- Tone at the Top (i.e., what is the process of training management and supervisors). There was great improvement in that area.
- Fraud Reporting and Related Governance. There is now a fraud hotline in place and that topic is presented to the Audit Committee on a quarterly basis.
- Conflict of Interest. There has been training and new forms implemented. There was much improvement there.
- Vendor List. This includes purchasing controls and looking for anything unusual. MNAA has is in process and completed improvements on analyzing the existing vendor database and making sure there are no unusual items or vendors.

DHG suggested there could be a potential time theft, although none was found, as the airport is growing and hiring more people. MNAA has purchased a sophisticated time clock system with fingerprint IDs. This is still in process and should be ready to implement by the end of March. This will help in tracking overtime and higher charges in the different departments.

Mr. Nicolas reported that MNAA is in process of re-writing the p-card policy and will be receiving reports by the Bank as to any unusual charges.

DHG suggested an implementation of a three way match. There were a couple of frauds in the past related to invoices being paid but the work not being performed. A policy has been drafted and is expected to be implemented this month. Mr. Nicolas commented that MNAA has done a good job of writing the policy and establishing different procedures for each department. Once the policy is in place, DHG recommended training employees on the new policy.

Mr. Nicolas reported that DHG had suggested implementing new cybersecurity control and that should be in place by July 2019.

MNAA is currently re-writing their travel policy which goes along with the p-card monitoring. The goal is to have a good travel policy in place so that cash advances are no longer necessary.

DHG recommended a fraud risk assessment and to determine which departments/categories pose the most risk. Mr. Nicolas then discussed three challenges MNAA has encountered:

- Completion dates are being pushed out due to conflicting priorities;
- There are limited resources to dedicate to the projects; and
- Plans and resources for proper follow-up.

He encouraged MNAA to keep these challenges as agenda items and hold the teams accountable. There should be proper training and good follow up to make sure the policies are working.

There were two findings in the financial statement audit. One was a disposal of capital assets. A couple of the larger capital assets were disposed of incorrectly. This has since been corrected. The reconciliation process is being improved and there are plans to draft a disposal policy. Mr. Nicolas stated that Kristen and her team have done a great job of reconciling in a more timely manner and providing more details. Capitalized interest was another finding which will be corrected with new accounting guidelines. The reconciliation process will take care of that as well. Mr. Nicolas was happy to report that things are moving in a positive direction although some items remain in process. Chair Farnsworth thanked Mr. Nicolas for his work, guidance and diligence.

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This item was presented for information purposes only with no action required.

#### B. Audit Update

Ms. Julie Zwicknagel, Senior Internal Auditor, briefed the Committee on this item. She reported that internal audit has completed six audits this year. There are four currently in process and five are scheduled for the fourth quarter. At the end of the first quarter there were 312 open findings and two were added for a total of 314. 87 findings were closed during the second quarter leaving 227 open findings. Ms. Zwicknagel congratulated her team on closing 82 findings last quarter. A breakdown of open findings by department was presented.

This item was presented for information purposes only with no action required.

C. Fraud Reporting Update

Ms. Zwicknagel stated there were zero red flag reportings since the last meeting of the Committee in November.

This item was presented for information purposes only with no action required.

D. Payment Card Industry (PCI) Compliance Update

Vanessa Hickman, AVP, Information Technology, introduced Mr. David Greenwell, Director of Remediation Services at CompliancePoint. Ms. Hickman thanked the executive team, CEO and CFO for their guidance, support and patience.

Mr. Greenwall gave an update on the PCI project, which was driven by the previous PCI audit showing significant gaps. PCI is all about different controls that needed to be validated, security procedures, technical controls and policies that all apply to these controls. When the PCI assessment was done, 35% of the controls were in compliance and 65% were not compliant. As of December, remediation had been started and overall compliance was at 51%. As of March, there had been very good improvements and overall compliance was 85%. The policies and procedures are almost finished and there are some technical controls still being reviewed. PCI has twelve different domain standpoints dealing with network security. In December there were a number of controls in compliance, some in progress and some that had not been started. As of March, there had been significant improvements in each of the different areas.

Commissioner Joslin inquired as to security testing. Mr. Greenwell explained that is the vulnerability testing which still needs to be completed. Another area being worked on is the system hardening area. PCI compliance is getting procedures and processes in place for vulnerability management and making sure everything is secure. Everything else is in good shape.

Some of the things implemented in the project are a number of technical solutions focused on PCI but also for cybersecurity for the entire environment. The Alien Vault (Unified Security Management) tool does a number of different things. It maintains a log of things that are going on in the environment, it looks at traffic going in and out of the system to the internet and various attacks that happen and it correlates that activity that alerts staff so it can be acted upon. CyberArk (Privileged Account Security) is another tool that is very widely used, and it allows the management of passwords. Procedure documentation is a process for making sure things are followed with PCI and cybersecurity. This biggest

project was network segmentation to segment how things work in the environment. There is a Compliance Portal being implemented to ensure compliance.

Mr. Greenwall presented a number of procedures that need to happen on a regular and methodical basis and reported that network segmentation had been put in separate zones to reduce scope. He then discussed next steps. By the end of March, implementation of tools should be complete along with procedure documentation. In April, deployment of a staffing model to support the on-going program should be put in place including two new resources being added to support staff and a dedicated network security program. Penetration testing needs to be done and once that is performed and comes back clean, a reassessment will be done of the environment. Mr. Greenwall presented a projected timeline of tasks that have been completed and tasks that are scheduled to happen in the next couple of months.

Vice Chair Smith asked how often reassessment will take place. Mr. Greenwell replied that reassessment is performed once a year. Vice Chair Smith asked if MNAA had a staff person for primary contact to make sure everything is being followed up on. Ms. Hickman stated that she will be responsible for this. President Kreulen stated that the tools that Mr. Greenwall and Ms. Hickman have bought will help MNAA monitor compliance remotely. The next commitment to the audit committee is network security and a long range plan. Ms. Hickman needs support for either the outsourcing of IT or in-sourcing. The decision has not been made yet. The first concern was to get compliant with the credit card industry. Mr. Greenwall stated that a lot of the work done with PCI will apply to the rest of the environment very easily. Commissioner Farnsworth stated this was huge progress.

Commissioner Smith stated she would like to see MNAA's timeline for support in helping Ms. Hickman and any extra staff or services that might need to be added. President Kreulen stated that the next step is to test the PCI and get another audit to make sure everything works independently. Next, MNAA will work strategically with Ms. Hickman and her team to assess what might be needed. MNAA should be able to identify what is needed to support IT by Christmas of 2019. MNAA has the resources identified to solve the problem. Chair Farnsworth stated that MNAA has been so far behind and has had to play catch up but believes everything is now defined. Mr. Greenwell stated that the airport is basically being re-configured.

President Kreulen stated that Ms. Hickman and her team have not been given the support needed but now believes MNAA has the best in the industry to get things to this point and is now committing the resources needed to go from here. Chair Farnsworth stated that she and Ms. Hickman had worked together previously at IBM and she knows how smart Ms. Hickman is. She stated that MNAA has been behind resource wise.

This item was presented for information purposes only with no action required.

E. Public Safety Update

Christopher Shuff, Captain, Department of Public Safety, gave an update on public safety statistics at MNAA comparing 2014 through 2018. A detailed report was made accessible to the Board on their iPads. Captain Shuff stated that the total number of reports in 2014 was 2,689. In 2018 there were 5,314 reports, an almost 3,000 report increase in those five years. He then presented a chart of arrests including felony, misdemeanors and misdemeanor citations.

Felonious activities include stolen vehicles, large amounts of marijuana, stolen rental cars with fraudulent driver's license, and criminal simulation which is buying a fake credit card off the dark web and fake credit card numbers to purchase rental cars. Each individual card is a separate a felony. Misdemeanors are custodial and include DUI, public intoxication, assault and disorderly conduct. These offenders are taken to jail. Misdemeanor citations include simple possession, drug paraphernalia, weapons at the check point and revoked driver's license. These offenders are given a ticket and book themselves within two weeks of the ticket. President Kreulen stated that the chart also represents the rise in the number of enplanements. Captain Shuff stated that the rental car felonies he referred to earlier are not just a Nashville problem, it is a national problem. Cars are being stolen, driven to other airports and shipped overseas.

Captain Shuff then presented a chart regarding admin/patrol activity. Administrative activities are such things as going to court, conducting background checks and not part of a regular shift duties. Checks are patrol units, K9s, baggage checks, terminal checks and doors around the airport. Traffic numbers include accidents, with or without injuries, and traffic stops. MNAA now has a license plate recognition system which helps with the stolen car issue.

The next chart presented related to calls of service. Aircraft issues include hydraulic issues, flap issues, oil pressure, loss of flight management system in the cockpit, engine loss and bird strikes. Those

numbers have increased since 2014 from 91 to 179 in 2018 with the number of flights increasing. These numbers apply to John C. Tune as well, as BNA police get called there for aircraft issues. Airport incidents include fuel spills, hazmat issues, trespassing, etc. Alarms have increased with the number of employees and the number of passengers and flights. Criminal calls include weapons at checkpoint. There were 102 total last year, 76 were released because they had a gun permit and those persons either took the weapon back to their vehicle or handed it off to a family member for safekeeping. Those that did not have a permit got arrested for a misdemeanor citation. Customer service calls include irate passengers, suspicious activities and people needing assistance with different things.

Vice Chair Smith asked if there were any areas of major concern. Captain Shuff stated that the threat of an active shooter situation is a big concern because it's happening all over the country. He reported that on a quarterly basis, the police conduct active shooter tabletops and active shooter drills in preparation.

This item was presented for information purposes only with no action required.

VI. Adjourn

There being no further business brought before the Audit Committee, Chair Farnsworth adjourned the meeting at 11:28 a.m.



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Amanda C. Farnsworth, Board Secretary