

BOARD OF DIRECTORS MEETING
Audit Committee
Jacksonville Port Authority
October 7, 2019

A meeting of the Jacksonville Port Authority Audit Committee was held on Monday, October 7, 2019 at the Port Central Office Building, 2831 Talleyrand Avenue, Jacksonville, Florida. Chairman John Baker called the meeting to order at 8:00 a.m. and welcomed all attendees.

Audit Committee/Board Members Attending:

Mr. John Baker, Chairman of Audit Committee
Mr. Jamie Shelton, Member
Dr. John A. Newman, Member

Other Board Members Attending:

Mr. John Falconetti, Chairman
Ms. Wendy Hamilton, Secretary
Mr. Ed Fleming, Member
Mr. Palmer Clarkson, Member

Other Attendees:

Mr. Eric Green, CEO
Ms. Beth McCague, CFO
Ms. Linda Williams, Chief, Adm. & Corporate Performance
Mr. Mike McClung, Director of Finance
Mr. Gil Feltel, Chief Legal Counsel
Ms. Rebecca Dicks, Board Liaison

Chairman Baker called for approval of the June 18, 2019 Audit Committee meeting minutes. After a motion to approve the minutes by Mr. Shelton and a second by Dr. Newman, the Committee unanimously approved the minutes as submitted.

Mr. Baker then turned the meeting over to the Internal Auditors. Ms. Jennifer Murtha of RSM stated they were issuing two reports today. The first one for discussion was the Contract Compliance for Security Vendor Contracts.

RSM looked through all the terms and conditions of the contract, but at time of this audit, the port was not fully implemented with some of the technology and performance indicators along with other items listed in the contract. RSM recommended that they come back and perform a six-month review to see how the implementation process is going. During this review, they will also check to see if the utilization of the system is being done in a consistent manner and check on monitoring procedures, which are contracted to vendors that the port has outsourced.

RSM stated that two of their security experts helped with this audit and they were impressed with the contracts themselves and the level of employee competencies who are running security at the port.

RSM identified two observations, which they rated as moderate risks: (1) the underutilization of the G4S Insight; and (2) the need to perform a six-month follow-up since at the time of the audit, G4S was in phase 1 of their implementation.

Ms. Murtha stated that from what they observed during this audit, the implementation of G4S went smoothly and they were very impressed, however, due to the complexity and risk associated with the security function and a recent turnover within upper level security management, a future follow-up review of the security vendor contract is necessary.

Next, Mr. Joe Nash of RSM discussed the Internal Audit Report regarding the Preventative and Corrective Equipment Maintenance on Large Equipment and Cranes. The objective was to review the controls over the maintenance program. The audit involved reviewing the new Maximo system, which underwent a significant upgrade in 2016. RSM came up with three moderate observations and one low observation. The first observation was the supervisory review of preventative maintenance work orders. Through RSM's detailed testing and review of the system, they noted that a supervisory level approval is not required for preventative maintenance work orders to be closed within Maximo. Additionally, supervisory review is not required for the hours submitted by technicians performing preventative maintenance.

The second observation is utilization of Maximo and monitoring of performance indicators. Through RSM's discussion with management and asset managers, and review of select historical work order data provided, RSM noted that various key functions within the Maximo system are not being utilized, and that maintenance processes are manually performed, outside of the Maximo system. Through RSM's detailed testing of work orders, and discussions with management and the key process owner, they noted that asset managers are able to generate reports, but they are not able to share those reports to other users within Maximo. RSM also noted that while there is a current Maximo dashboard when users log in, the dashboards are not customized for specific user roles.

The third observation RSM noted was the preventative maintenance frequencies. Through their detailed testing of work orders and discussion with management and key process owners, they noted that there were inconsistencies in the frequencies of the crane preventative maintenance schedules.

RSM noted one low observation of policies and procedures. Through their inspection of the current policies and procedures in regards to the Equipment Maintenance Department, they noted that the policies have not been updated since the Maximo upgrade in 2016. Although RSM's testing did not identify that processes were not in place, there was no evidence that a policy review had been completed.

Mike McClung gave an update on Revenue recognition regarding GAAP and Budgetary Basis Reporting.

Ms. Linda Williams presented the CEO Annual Review and Evaluation. She stated that the CEO's review encompassed established goals and accomplishments from FY18/19. Ms. Williams stated that the CEO not only achieved his targeted FY18/19 goals, but he had exceeded the goals that were established for him last year. She also presented the CEO's smart goals and the targeted results for FY19/20. Ms. Williams presented a comparative wage analysis showing what other port leaders are currently making. Ms. Williams then turned the meeting back over to the Audit Committee.

After much discussion, the Audit Committee unanimously agreed that Mr. Green's performance was exceptional. Mr. Shelton made a motion to increase CEO Eric Green's pay by 10% effective October 1, 2019 and set his bonus for FY18/19 at 15% of his pay, and to establish his FY19/20 goals for a target percentage of 25%. Dr. Newman seconded this motion and the Audit Committee all approved it. The committee also approved the CEO's smart goals for FY19/20.

The Audit Committee asked the Chairman to review the CEO contract and they will discuss it at the next meeting.

Mr. Baker asked if there were any more questions or discussion. There being none, the meeting adjourned at 8:55 a.m.