

BOARD OF DIRECTORS MEETING
Audit Committee
Jacksonville Port Authority
January 30, 2017

A meeting of the Jacksonville Port Authority Audit Committee was held on Monday, January 30, 2017 at the Port Central Office Building, 2831 Talleyrand Avenue, Jacksonville, Florida. Vice Chairman Fleming called the meeting to order at 9:31 a.m. He welcomed all attendees and led the audience in the Pledge of Allegiance.

Committee/Board Members Attending:

Mr. Ed Fleming, Vice Chairman
Mr., John Falconetti, Treasurer
Mr. Joe York, Member
Mr. John Baker, Secretary
Dr. John Newman, Member

Other Attendees:

Mr. Brian Taylor, CEO
Mr. Mike Poole, CFO
Mr. Mike McClung, Controller
Mr. Vincent Mokwenye, Internal Auditor
Ms. Linda Williams, Sr. Director, Corporate Administration
Ms. Nancy Rubin, Sr. Director, Communications
Mr. Jeff Zeichner, RSM
Ms. Andrea Kirkland, RSM
Mr. Gayle Petrie, COJ, Office of General Counsel
Ms. Becky Dicks, Board Secretary

Vice Chairman Fleming called for comments from the public. There being none, he moved on to Approval of the Minutes.

Approval of Minutes

Vice Chairman Fleming called for approval of the September 30, 2016 Audit Committee Meeting Minutes, and after a motion by Mr. York and a second by Mr. Falconetti, the committee unanimously approved the minutes as submitted.

Vice Chairman Fleming then turned the meeting over to Mike Poole to discuss the External Auditor's Report. Mr. Poole stated that he wanted to present the preliminary draft of the annual financial report for the year ending September 30, 2016 to the Audit Committee and then after their approval, take it to the full Board at the February Board meeting. Some of the highlights of this report are 16 years of consecutive revenue growth, a record volume of 968,279 TEUs, the Asian trade lane, which accounts for 34% of our business, and strong auto numbers. After discussing more of the major highlights of the report, Mr. Poole turned over the discussion to Mr. Jeff Zeichner of RSM.

Mr. Zeichner stated that he is the engagement leader on the audit report of JAXPORT, and he also brought Ms. Andrea Kirkland, the engagement manager, with him to present the draft results of their audit. He stated that they have completed almost all of their audit procedures, reviewed the financial statements, with the exception of FRS disclosures, and that he is really here today to present what RSM believes will be their final opinions of the audit report. He expects this report to be final, and if there are any material changes he will inform the committee. Mr. Zeichner stated that RSM has had a good, strong, long lasting relationship with the port which helps them understand how the port works.

Ms. Andrea Kirkland presented the draft audit report results on the financial statements and federal awards. She stated there were no findings and that RSM is ready to issue an unmodified opinion.

Mr. Zeichner stated that is a really good audit report. The port received an unmodified opinion on the financial statements and that is the highest level of assurance a CPA can lend. It means that the port's bond holders, investors and grantors can rely on this opinion to accurately reflect the financial position and the results of the port's operations. Mr. Zeichner stated that the port also received an unmodified opinion on compliance for major projects which is about as good as it gets.

The Audit Committee congratulated Mr. Poole and his staff for a clean audit report.

Mr. Vincent Mokwenye presented an internal audit report on SSA Cooper, LLC. The scope of the engagement involved a review of all container activities conducted by SSA at the Blount Island Marine Terminal between October 1, 2015-September 30, 2016. He stated that three issues were identified in the billing process that need management action: (1) the inability to identify the responsible party to bill for some services provided on vessel activities; (2) the use of manual logs as a backup for the recording of vessel arrivals and departures, and recording equipment rental and labor hours by the Operations Department and crane technicians, and (3) the production of management reports using manual forms, excel, and pivot tables outside of VSAB.

Mr. Mokwenye recommended that management use an electronic device to streamline the manual logs, backups and recording of equipment rental and labor hours whereby data could be loaded into the VSAB upon capture. This way, the information is immediately available for billing and other management information needs. On the issue of production of management reports outside of VSAB, he recommended that the reporting capacity of VSAB either be enhanced, upgraded or re-engineered to enable responsible users to prepare and run relevant management reports. Further, Mr. Mokwenye noted that subsequent to September 30, 2016, Management had already developed a form for identifying the appropriate billing party.

Vice Chairman Fleming requested that in addition to Mr. Mokwenye's regular report, he would like for him to also provide a status report of previous audit recommendations that have been made, which recommendations have been completed, which

recommendations have not been completed; and if not completed, an explanation as to why, and to present this report at the next Audit Committee meeting.

Mr. Mokwenye then asked the Audit Committee to approve his Proposed 2017 Audit Work Plan. The committee inquired as to who participated in determining the list of assignments. Mr. Mokwenye stated that the CEO and Executive Management Team were involved in creating the work plan. Ms. Linda Williams stated that the prior Audit Committee also approved the risk assessment plan with the list of items that should be audited, and that he is just following this same process. After a motion by Mr. Falconetti, and a second by Mr. York, the Audit Committee unanimously approved the Proposed 2017 Audit Work Plan.

Mr. Poole gave an update on the FY2017 Financials for the three months ending 12/31/2016.

There being no further business of the Audit Committee, the meeting was adjourned at 10:30 a.m.