

BOARD OF DIRECTORS MEETING
Audit Committee
Jacksonville Port Authority
March 24, 2017

A meeting of the Jacksonville Port Authority Audit Committee was held on Friday, March 24, 2017 at the Port Central Office Building, 2831 Talleyrand Avenue, Jacksonville, Florida. Vice Chairman Fleming called the meeting to order at 3:30 p.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. Jim Citrano, Chairman

Other Attendees:

Mr. Eric Green, Interim CEO
Mr. Mike Poole, CFO
Mr. Vincent Mokwenye, Internal Auditor
Ms. Linda Williams, Sr. Director, Corporate Administration
Mr. Chris Kauffmann, COO
Mr. Steve Johnstone, Director, IT
Ms. Becky Dicks, Board Liaison

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 January 30, 2017 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 Mr. Vincent Mokwenye to discuss the Internal Auditor's Report.

Mr. Mokwenye stated that he conducted an Information Technology Audit because it was part of the 2017 Information Technology Audit listed on the approved annual audit plan. He stated the audit objectives were to determine if JAXPORT has appropriate and effective controls in place to manage IT assets and infrastructure, monitor IT operations through proper policies, procedures, and processes, determine that access to assets and facilities are limited only to authorized persons, determine that information and records are managed consistent with JAXPORT's risk strategy, and determine that information systems and assets are monitored at discrete intervals to identify cybersecurity events. Mr. Mokwenye is happy to report that all 5 of the objectives have been successfully met. He stated that the scope of the audit covered only the general controls designed to ensure the achievement of the 5 objectives. He conducted

interviews with management and personnel in the Information Technology Department and the Public Safety Access Control Center, reviewed documents, did a walk-through to test the policies and practices to determine if they were in compliance, and reviewed the logs kept by the Cybersecurity Administrator in the IT Department for monitoring assets at discrete intervals to identify cybersecurity events. Mr. Mokwenye stated that the only area identified that needed management's attention was the central automated database for tracking IT assets.

Mr. Mokwenye's only recommendation is that management needs to prioritize the activation and implementation of the IT Assets Management module in MAXIMO Accounting Software. IT Management concurs with the audit recommendation.

Mr. Mokwenye then updated the Committee on the status of implementation on prior Audit recommendations. (Report attached).

Mr. Poole gave an update on the February FY2017 Financials. He stated that the Treasurer, John Falconetti asked him to explain why container revenue is 5% below budget. Mr. Poole explained that the primary reason for the budgetary shortfall is due to the delay of Crowley's first LNG vessel not arriving here until October. He stated that we anticipated Crowley's first LNG vessel to be here in April, but it has been delayed now until October. As of February, this means Crowley accounts for \$400,000 of the \$600,000 shortfall to date. The other \$200,000 budgetary impact is from TOTE. TOTE is \$160,000 below budget due to the missed vessel call due to Hurricane Matthew.

The Audit Committee members expressed their concern that for the first time in 16 years, the port would not be able to exceed prior year revenues. Mr. York recommended that Interim CEO Eric Green and staff meet with each board member with an updated budget and strategic plan on how we get to October.

Mr. Poole did inform the Audit Committee that due to the Crowley ship delay and revenue concerns, JAXPORT met with Crowley and that both parties have signed off on an agreement that from January to September, Crowley will bring in \$700,000 in revenue. We told them that if they allow us to use some of their empty space during this time and we collect any revenues from it, we will credit that against the \$700,000. If the ship is still not in by the end of September, Crowley will pay us an extra \$70,000 per month.

Interim CEO Eric Green assured the Audit Committee members that he will get with staff and put together an updated budget and strategic plan to show the Board members on this singular subject.

Vice Chairman Fleming made a request to the Internal Auditor, Mr. Mokwenye, that he would like an update on Public Safety statistics at the next Audit Committee meeting.

There being no further business of the Audit Committee, the meeting was adjourned at 4:31 p.m.



Status of Implementation on Prior Audit Recommendations

Intermodal Container Transfer Facility (ICTF) Audit: Issued 9.14.16

1. Internal Audit **recommends** that an interface be built to link the E-Builder (Project Management software) with Great Plains (Accounting Software).

Status: As of Wednesday March 15, 2017

The e-builder interface has been scheduled as a project and is in the pipeline to begin once the MAXIMO implementation goes live at the end of March. I anticipate we can begin the e-builder project in the month of May. Limited resources prevent me from moving up the timeline.
(Steve Johnstone, Director Information Technology)

SSA Revenue Collection Audit: Issued 1.24.17

1. On the issue of use of manual logs, Internal Audit **recommends** that management use an electronic device to streamline the manual logs, backups and recording of equipment rental and labor hours; whereby data could be uploaded into the VSAB upon capture. This way, the information is immediately available for billing and other management information needs.

Status: As of Wednesday March 15, 2017

JAXPORT's management reissued an RFP March 13, 2017, to acquire a new Billing (VSAB) system. It is believed JAXPORT will be able to significantly mitigate the necessity to maintain many of the mentioned forms outside of the selected VSAB system. Based on the current schedule JAXPORT should have a new VSAB system selected and implemented by calendar yearend.

2. On the issue of production of management reports outside of VSAB, Internal Audit **recommends** that the reporting capacity of VSAB be either enhanced, upgraded or re-engineered to enable responsible users prepare and run relevant management reports inside the system.

Status: As of Wednesday March 15, 2017

As indicated above in response to question one, management believes the new VSAB system will also rectify the reporting inefficiencies indicated.
(Aaron Kendrick, Senior Director Finance)