



## Board Report

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### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 15, 2017

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2017 SECOND QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

#### RECOMMENDATION

RECEIVE AND FILE the **second quarter report of Management Audit Services (Management Audit) for the period ending December 31, 2016.**

#### ISSUE

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the second quarter of FY 2017.

#### DISCUSSION

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management team. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in Management Audit: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

The summary of Management Audit activity for the quarter ending December 31, 2016 is as follows:

Internal Audits: 2 internal audits were completed; 11 internal audits were in process.

External Audits: 2 contract pre-award audits and 14 incurred cost audits with a total value of \$123 million were completed; 6 contract audits and 64 incurred cost audits were in process.

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Audit Follow-up and Resolution: 18 recommendations were closed and 24 recommendations were added during the second quarter. At the end of the quarter, there were 98 open audit recommendations. Details of all open, extended, and closed recommendations can be found in the Second Quarter Board Box titled "Status of Audit Recommendations".

Management Audit's FY 2017 second quarter report is included as Attachment A.

**NEXT STEPS**

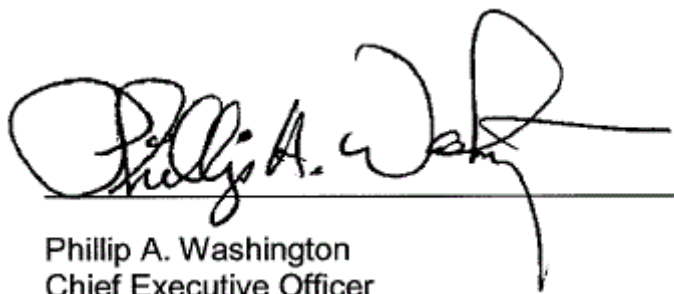
Management Audit will provide the third quarter FY 2017 summary of audit activity to the Board at the May 2017 Finance, Budget and Audit Committee meeting.

**ATTACHMENT**

A. Management Audit Services Quarterly Report to the Board for the period ending December 31, 2016

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