



Board Report

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Agenda Number: 6.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 17, 2016

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2016 YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the year-end report of **Management Audit Services** for the period ending June 30, 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 Services (MAS) 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 fourth quarter of FY 2016.

DISCUSSION

Management Audit Services (MAS) provides audit support to the Chief Executive Officer (CEO) and his executive management. 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 MAS: 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 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 MAS activity for the fourth quarter and for the fiscal year ending June 30, 2016 is as follows:

Internal Audits: 2 internal audits were completed for the fourth quarter; 8 reports were completed for the year. As of June 30, 2016, 15 internal audits were in process.

External Audits: 9 contract audits with a total value of \$26 million and 12 incurred cost audits with a total value of \$111 million were completed during fourth quarter. Forty-four contract pre-award audits with a total value of \$302 million and 35 incurred cost audits with a total value of \$232 million were completed for the year. Three contract pre-award audits and 35 incurred cost audits were in process.

Other Audits: 124 financial and compliance audits were completed by external certified public accountants (CPAs) during the year. MAS coordinated and managed the completion of these audits.

Audit Follow-up and Resolution: 27 recommendations were added and 9 recommendations were closed during the fourth quarter. Seventy-three recommendations were added and 32 recommendations were closed during the year. As of June 30, 2016, there were 87 open audit recommendations.

MAS' FY 2016 year-end report is included as Attachment A.

NEXT STEPS

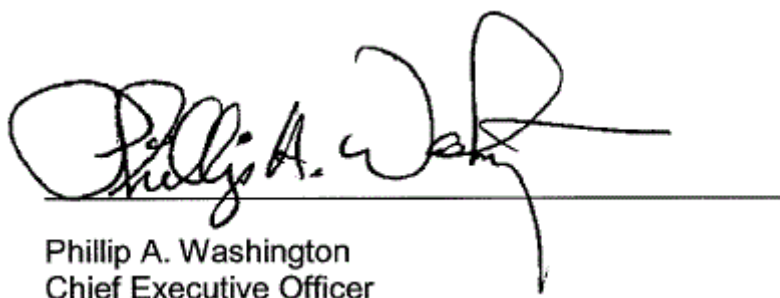
MAS will provide the first quarter summary of FY 2017 audit activity to the Board at the November 2016 Finance, Budget and Audit Committee meeting.

ATTACHMENTS

Attachment A - Management Audit Services Year-End Report to the Board for the fiscal year ending June 30, 2016.

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Phillip A. Washington
Chief Executive Officer