



Board Report

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Agenda Number: 19.

FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 20, 2019

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2020 FIRST QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the first quarter report of Management Audit Services (Management Audit) for the period ending September 30, 2019.

ISSUE

Management Audit must provide a quarterly activity report to the Finance, Budget and Audit Committee which includes information on: completed audits, audits that are in progress, our follow-up activities and any other pertinent matters.

BACKGROUND

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 first quarter of FY 2020.

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 September 30, 2019 is as follows:

Internal Audits: Four internal audits were completed during the first quarter. As of September 30, 2019, 15 internal audits were in process.

External Audits: Four contract pre-award audits with a total value of \$28 million and six incurred cost audits with a total value of \$9.7 million were completed during the first quarter. As of September 30, 2019, 53 incurred cost audits were in process.

Audit Follow-up and Resolution: Nine recommendations were closed during first quarter. In addition, 16 recommendations for the OIG were closed during first quarter. Details of all open, extended, and closed recommendations can be found in the First Quarter Board Box titled "Status of Audit Recommendations".

Other Activities: Management Audit Services, in coordination with Vendor / Contract Management developed the Transitional Indirect Cost Rate (TICR) program policy and application process. This program allows firms the use of a conditional indirect cost rate for a period of 12 months from the initial contract award. As of July 2019, one firm has been approved to use a TICR.

Management Audit's FY 2020 first quarter report is included as Attachment A.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. However, the projects completed directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

NEXT STEPS

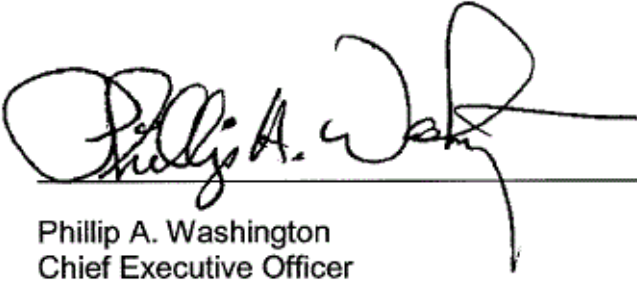
Management Audit will provide the second quarter summary of FY 2020 audit activity to the Board at the February 2020 Finance, Budget and Audit Committee meeting.

ATTACHMENT

Attachment A - FY20 Q1 Report

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