



Board Report

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Agenda Number: 10.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 19, 2021**

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2021 THIRD QUARTER REPORT; AND FY 2022 AUDIT PLAN

ACTION: RECEIVE AND FILE

RECOMMENDATION

CONSIDER:

- A. RECEIVING AND FILING the Management Audit Services (MAS) quarterly report for the period ending March 31, 2021; and
- B. APPROVING the FY 2022 Audit Plan.

ISSUE

MAS is required to provide a quarterly activity report to Metro's Board of Directors (Board) that includes information on audits that have been completed or in progress including information related to audit follow-up activities.

In addition, MAS is required to complete an annual agency-wide risk assessment (AWRA) and submit an annual audit plan to the Board of Directors for approval.

BACKGROUND

It is customary practice for Management Audit Services to deliver the quarterly audit report. This report covers Q3 of FY 2021.

Additionally, in January 2018, the Board adopted modifications to the FY07 Financial Stability Policy. The Financial Stability Policy requires MAS to develop an annual risk assessment and audit plan, and present it to the Board. It also requires that the Finance, Budget and Audit Committee provide input and approval of the audit plan.

DISCUSSION

MAS provides audit services in support of Metro's ability to provide responsive, accountable and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency while external audits analyze contractors, cities and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups which are Performance Audit, Contract, Financial and Compliance Audit, and Audit Support. Performance Audit is mainly responsible for internal audits related to Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management including the Chief Executive Office and other internal areas. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning, Program Management and Vendor/Contract Management. MAS's functional units provide assurance to the public that internal processes and programs are being managed efficiently, effectively, economically, ethically, and equitably and that desired outcomes are being achieved. This assurance is provided by the MAS's functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Audit Support is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

A. THIRD QUARTER FY21 ACTIVITY

The summary of MAS activity for the quarter ending March 31, 2021 is as follows:

Performance Audits: One project was completed during the third quarter; and eight were in progress.

Contract, Financial and Compliance Audits: Three audits with a total value of \$10 million were completed during the third quarter; and 83 audits were in progress.

Financial and Compliance Audits of Metro: 132 financial and compliance audits were issued by external CPA firms.

Audit Follow-up and Resolution: Seven recommendations were closed during third quarter.

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG), which 12 OIG recommendations were closed during the reporting period.

The third quarter FY 2021 report is included as Attachment A.

B. FY 2022 AUDIT PLAN

In accordance to Metro's Financial Stability Policy and applicable audit statutes, MAS performs an agency-wide risk assessment (AWRA), which serves as the basis for the agency's annual audit plan. In 2020, MAS completed an extensive AWRA that lent to the development of the FY 2021 Audit Plan.

Recognizing the FY 2021 Audit Plan and the AWRA was sufficiently robust; and the FY 2021 Audit Plan has not been fulfilled, the determination has been made to carry forward the FY 2021 Audit Plan for which it will serve as the FY 2022 Audit Plan with a modification.

The FY 2022 Audit Plan has been developed with consideration to the current state of the agency as result of the impacts of the COVID-19 pandemic, and the results of the AWRA, including input from Metro's senior leadership. In addition, the audit plan includes financial and compliance audits which are completed annually.

In effort to ensure due diligence for FY 2022, MAS performed a review of agency governance documentation such as Board reports, committee agendas, minutes; and various Metro senior leadership team presentations. MAS also conducted targeted outreach to the designated departmental Audit Liaisons to obtain input in regard to newly presented risks, issues and matters. The additional input including the independent research is reflected in the FY 2022 Audit Plan.

The FY 2022 Audit Plan is flexible, relevant and risk based; and includes audit projects that will provide actionable information to support risk management efforts, add value to the agency and lend to the achievement of organizational goals in alignment to Metro's Vision 2028 Strategic Plan.

The FY 2022 Audit Plan is provided as Attachment B.

DETERMINATION OF SAFETY IMPACT

Approval of the FY 2022 Audit Plan will not impact the safety of Metro patrons or employees.

FINANCIAL IMPACT

Funding for the FY 2022 Audit Plan has been included Management Audit's FY 2022 budget and corresponding cost center.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Receive and file of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects included in the FY 2022 Audit Plan directly or indirectly support various goals outlined in Metro's Vision 2028 Strategic Plan.

ALTERNATIVES CONSIDERED

An alternative is not to approve the annual Audit Plan. This is not recommended since the Audit Plan is a management tool to systematically assign resources for the delivery of an agency-wide audit plan in accordance to the Financial Stability Policy. Additionally, the development of an annual internal audit plan is in accordance to MAS' Charter and the Generally Accepted Government Auditing Standards.

NEXT STEPS

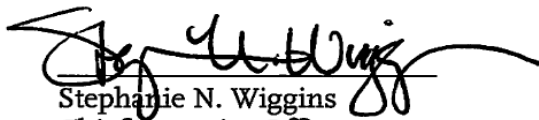
Upon Board approval, MAS will develop the Audit Plan schedule; and deliver quarterly status reports to the Board of Directors.

ATTACHMENT

- A. Management Audit Services Third Quarterly FY 2021 Report
- B. FY 2022 Audit Plan

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