



Board Report

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Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 20, 2017

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2017 YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the year-end report of Management Audit Services (Management Audit) for the period ending June 30, 2017.

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 fourth 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 fourth quarter and for the fiscal year ending June 30, 2017 is as follows:

Internal Audits: one internal audit was completed for the fourth quarter; five reports were completed for the year. As of June 30, 2017, 15 internal audits were in process.

External Audits: five contract pre-award audits with a total value of \$10.7 million and 23 incurred cost audits with a total value of \$161.3 million were completed during the fourth quarter. Twenty-four contract pre-award audits with a total value of \$22 million and 57 incurred cost audits with a total value of \$410.7 million were completed for the year. Fifty-five incurred cost audits were in process.

Other Audits: Details of additional audits completed by external certified public accountants (CPAs) during the year are included starting on page 4 of Attachment A.

Audit Follow-up and Resolution: nine recommendations were added and 33 recommendations were closed during fourth quarter. As of June 30, 2017, there were 58 open audit recommendations. In addition, seven recommendations for the OIG were closed. Details of all open, extended, and closed recommendations can be found in the Fourth Quarter Board Box titled "Status of Audit Recommendations".

Management Audit's FY 2017 year-end report is included as Attachment A.

NEXT STEPS

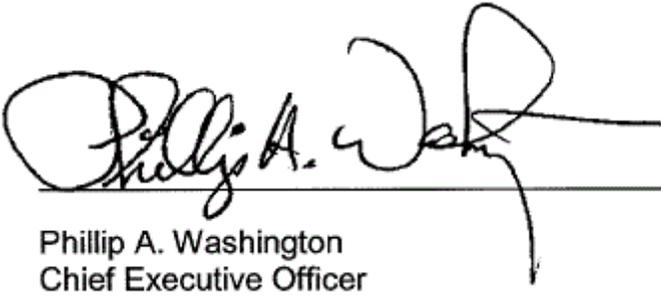
Management Audit will provide the first quarter summary of FY 2018 audit activity to the Board at the January 2018 Finance, Budget and Audit Committee meeting.

ATTACHMENT

- A. Management Audit Services Quarterly Report to the Board for the period ending June 30, 2017

Prepared by: Monica Del Toro, Audit Support
(213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor
(213) 922-2161



Phillip A. Washington
Chief Executive Officer