



Board Report

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Agenda Number: 10.

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 20, 2019

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2019 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, 2018.

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 second quarter of FY 2019.

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, 2018 is as follows:

Internal Audits: Two internal audits were completed during the second quarter. As of December 31, 2018, 13 internal audits were in process.

External Audits: Two contract pre-award audits with a total value of \$36.5 million and fifteen incurred cost audits with a total value of \$100 million were completed during the second quarter. As of December 31, 2018, 61 incurred cost audits were in process.

Other Audits: Nine other audits were issued by external CPA firms.

Audit Follow-up and Resolution: Six recommendations were closed during second quarter. In addition, 36 recommendations for the OIG were closed during second quarter. 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 2019 second quarter report is included as Attachment A.

NEXT STEPS

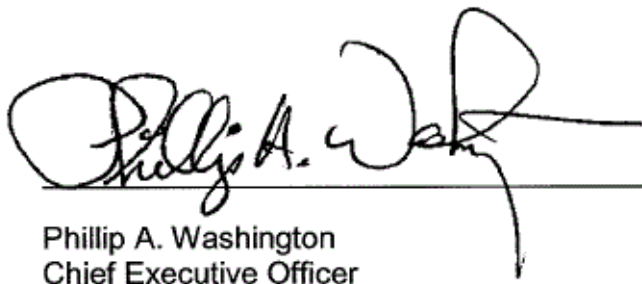
Management Audit will provide the FY 2019 Third Quarter report of audit activity to the Board at the May 2019 Finance, Budget and Audit Committee meeting.

ATTACHMENT

- A. Management Audit Services Quarterly Report to the Board for the period ending December 31, 2018

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