



Board Report

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Agenda Number: 14.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 18, 2019

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2019 YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE year-end report of Management Audit Services (Management Audit) for the period ending June 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 fourth 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's activities for the fourth quarter and for the fiscal year ending June 30, 2019 are as follows:

Internal Audits: three internal audits were completed during the fourth quarter; total of nine reports were completed for the year. As of June 30, 2019, twelve internal audits were in process.

External Audits: 14 incurred cost audits with a total value of \$64 million were completed during the fourth quarter; total of 48 incurred cost audits with a total value of \$1.2 billion were completed for the year. Additionally, eight contract pre-award audits with a total value of \$69.2 million were completed for the year. As of June 30, 2019, forty-eight incurred cost audits were in process.

Other Audits: 154 financial and compliance audits were issued during the fiscal year. Details of other audits completed by external certified public accountants (CPAs) during the year are included starting on page 7 of Attachment A.

Audit Follow-up and Resolution: eleven recommendations were closed during fourth quarter; total of 51 were closed for the year. In addition, 64 recommendations for the OIG were closed during fourth quarter; total of 213 were closed for the year. Details of all open, extended, and closed recommendations can be found in the Fourth Quarter Board Box titled "Status of Audit Recommendations".

Other Activities: Management Audit Services partnered with Vendor/Contract Management to put together a series of educational training programs for Small Business Enterprise (SBE) and Disadvantaged Business Enterprise (DBE). The trainings were in support of the SBEs and DBEs in their compliance efforts with the Federal Acquisition Regulations (FAR) Cost Principles and Procedures which are included in all Metro contracts. Approximately 80 attendees participated in these trainings.

Management Audit's FY 2019 year-end 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

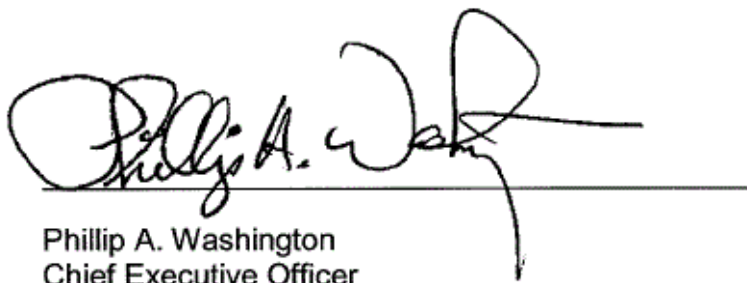
Management Audit will provide the first quarter summary of FY 2020 audit activity to the Board at the November 2019 Finance, Budget and Audit Committee meeting.

ATTACHMENT

Attachment A - Management Audit Services Quarterly Report to the Board for the period ending June 30, 2019.

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