

DATE: May 19, 2020
TO: Metropolitan Council Audit Committee
FROM: Matt LaTour, Director, Program Evaluation and Audit
SUBJECT: Departmental Performance in 2020

Department Update

- This is the last Audit Committee meeting for our group of 3 interns. Drew Garner, Kaitlyn Schmaltz and Aaron Boaithey. They have served us extremely well this year completing the FTA Compliance Reviews and assisting with other audit work including liquid waste haulers, p-cards, payroll, Southwest Light Rail work, fare enforcement and many other projects. We wish them well in future endeavors.
- We welcome 3 new interns on June 6. We have high expectations for our next group and will plan to introduce them at our next meeting.

COVID-19 Update

- The Audit team, like the rest of the Met Council, and much of the professional office world, moved to 100% telework starting the week of May 16. In general, telework is working well and our work continues to progress. Our whole team was equipped with laptops in the last few years, so we were able to transition quickly and efficiently. We've been meeting virtually through Microsoft Teams and WebEx with each other and our other audit stakeholders. We miss each other, and certainly some aspects of the work are more challenging and slower; however, the work continues.
- For this COVID Incident, the Met Council has implemented an Incident Command Structure (ICS) that complies with the National Incident Management System. I was asked to play the role of Planning Chief for 390 Robert St./Regional Administration/Community Development. I was asked to be in this role in the generic ICS planning about a year ago and was activated in March. The primary role of the Planning Chiefs (there are five primary and five alternates) in this incident is to track and help resolve issues related to the incident. There have been more than 50 issues tracked and resolved so far, most related to adjustments to work situations, policies and procedures, technology and contracts. We are also currently working on a Workplace Reset strategy for how to continue to work with employees both continuing to telework and back in the office when State restrictions are lifted. In general, I don't think my role is generating any concerns with IIA Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing, except with regard to auditing COOP planning or completing after action reviews of our pandemic response from an independent perspective. Safeguards or alternative (3rd Party) direction would likely be needed if there is a need for an independent view of these topics.

- Risk Assessment Updates — The team put reviewed our risk register and compiled a memo that highlighted potential impacts of the current pandemic on Council operations and internal controls. Impacts to Council operations vary widely. Obviously, our public facing operations have been most severely impacted. For example, bus, rail and metro mobility ridership and operations has dropped significantly, very little cash is being collected, and significant precautions are being taken to protect our employees and the public. Several Council departments have needed to shift focus to Pandemic related activities. IS has spent a significant amount of time deploying new technology and responding to service requests; Human Resources has invested significant time in developing and updating new or existing policies and procedures related to the Pandemic and Procurement has focusing on purchasing vital supplies such as masks, cleaning supplies, thermometers and other equipment. From a financial perspective, we expect impacts to our funding sources. For example, the Motor Vehicle Sales Tax that partially funds transit activities will likely be impacted significantly, however we also have more than \$200 million in federal CARES act funding to help off-set this loss. Virtually every Council department has been impacted in some way. We will continue to monitor and update our risk register and audit plan accordingly.
- Control Environment Assessment — A resilient organization is one that establishes and maintains a strong internal control environment. To evaluate the control environment at the Council, Audit used the State of Minnesota's Control Environment Self-Assessment Tool (CESAT) to assess the Council's control environment and inform the risk assessment. We based this evaluation on our own knowledge of the Council, our risk assessment meetings, and feedback from key senior managers. The CESAT consists of 18 goals and approximately 90 questions on a range of topics from financial controls, procedural controls, hiring practices, and the culture of the organization. Due to the coronavirus pandemic, we reviewed the internal control environment self-assessment. Audit identified several areas the Council should consider in addition to the ones mentioned during the February audit committee to become more resilient in the face of internal and external pressures as a result of the pandemic:

 1. Continue to review budgets, spending plans and revenue estimates as needed.
 2. Safeguarding of assets, maintenance of inventory supplies, and compliant procurements.
 3. Maintaining a trained, competent workforce. This includes reviewing hiring procedures for Priority 1 and 2 positions and providing remote training opportunities to new hires.
- Audit Response — As discussed earlier in this meeting, we are updating our audit plan to include some new audits. Our Emergency Purchasing Audit is in direct response to this pandemic. We also plan to use some of our existing audit work to focus on how changes to our work environment and operations affect business units and internal control. For example, we have on-going work on payroll, technology asset management, and Southwest Light Rail oversight that will consider pandemic-related impacts in the audit work. For at least two projects, we are planning to either defer work or remove scope because it does not seem like the most effective time to audit. We had planned on conducting a fare evasion analysis as part of our fare enforcement audit but are planning to remove that scope and complete our work to date and solicit management feedback. In addition, our work related to bus operator hiring is better deferred until there is a more normal hiring environment. We plan to discuss both topics and our work to date at a

future Audit Committee meeting. We will continue to evaluate pandemic related impacts and adjust accordingly.

- External Audits — The Office of the State Auditor continues their annual work remotely. Generally, this work is on schedule and we expect to invite State Audit staff to our next meeting to discuss their work. FTA Triennial reviews have been postponed this year. Although we are not scheduled until next year, we are monitoring guidance from FTA to anticipate changes that may affect our next Triennial scheduling.

Audit Plan Completion

- Provide update in Annual Audit Report

On-going Activity

- Audits
 - Fare Compliance
 - SWLRT - Civil Contract
 - SWLRT - Quality Management Services Contract
 - Technology Asset Management
 - Bus and Rail Operator Onboarding and Retention
 - Emergency Purchasing Audit
- Consultations
 - Cybersecurity
 - Technology Governance
 - Continue in coordination and monitoring role through 2019
 - Managing contract for Technology Strategic Plan
- Other Activities
 - Navex Global Fraud and Ethics Hotline and Case Management System
- Audit Department Continuous Improvement
 - Currently working on updated Audit Database that will improve records, facilitate reporting, and provide an enhanced tool to ensure audit follow up.
 - Started Strategic Planning Activities using a SWOT tool.