Metropolitan Council Audits

Matthew LaTour, Chief Audit Executive

April 2025

Today's Agenda

Objectives

- Increase Council Member Awareness of Internal Audit and related areas
- Discuss roles and responsibilities for Audit Committee/Council in key issues such as Enterprise Risk Management, Internal Control and Cybersecurity
- Identify key business items that will come before the full Council in coming months

Agenda

- Introduction to Internal Audit
- Audit Framework the Audit Committee
- Current Audit Activities and Audit Plan
- Audit Department and Committee Benchmarking
- Chief Audit Executive Goals for 2025
- Upcoming Council Agenda Items

Metropolitan Council
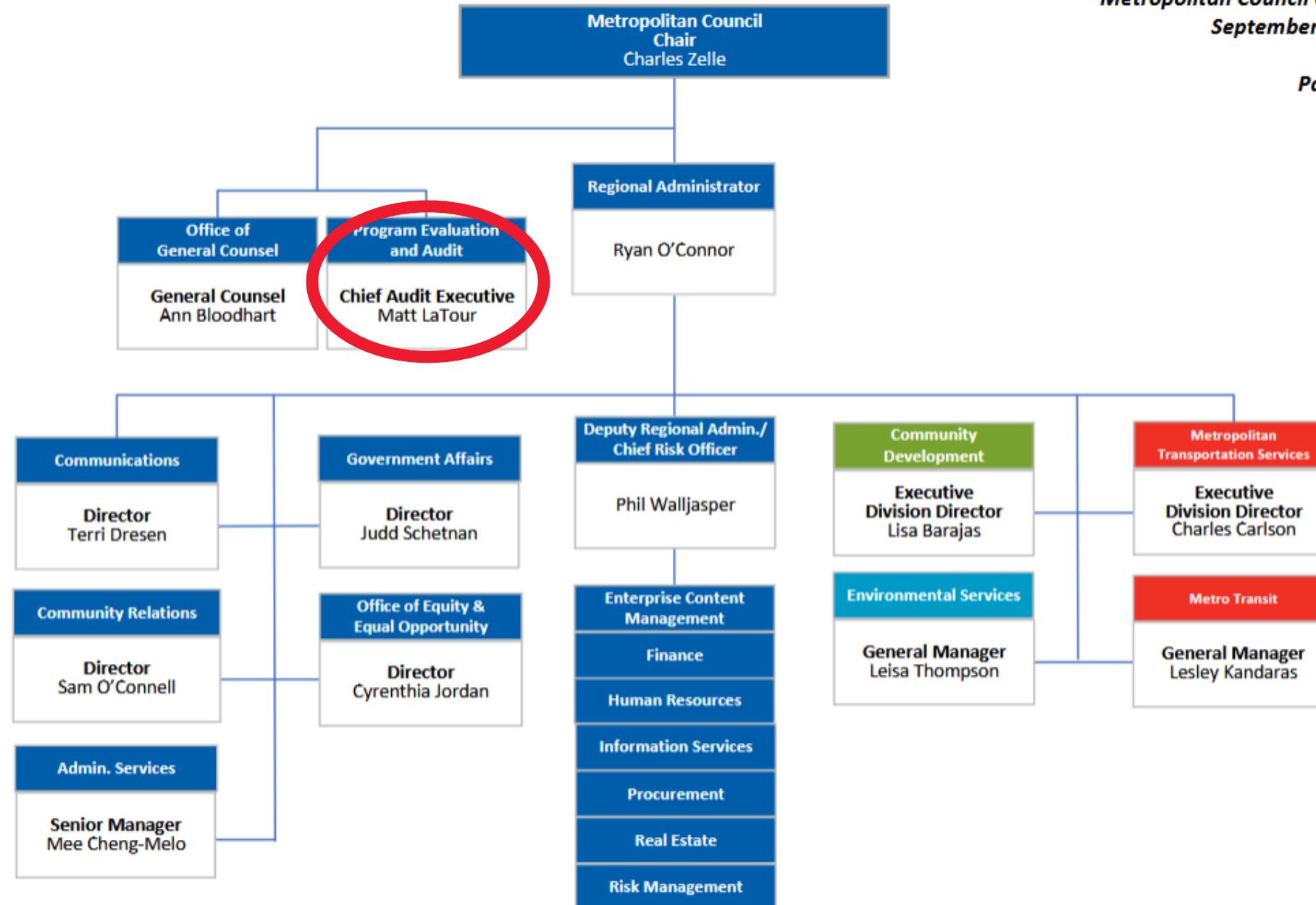
Auditors

- External Auditors
  - Office of State Auditor – Financial Reporting
  - Office of Legislative Auditor – Program Evaluations

- Compliance Reviews
  - Federal Transit Administration
  - Minnesota Pollution Control Agency
  - State Safety Oversight

- Internal Revenue Service

Internal Auditors

- Independent internally, but…..
- Paid by the same employer
- Share organizational goals and objectives
- Obligation to report internally and to the Board (Council)
- Considered as best practice for fraud prevention, good governance

What We Do

- ✓ Internal Audits

- ✓ Coordinate External Audits

- ✓ Investigations

- ✓ Procedures - Fraud, Code of Ethics, Conflict of Interest

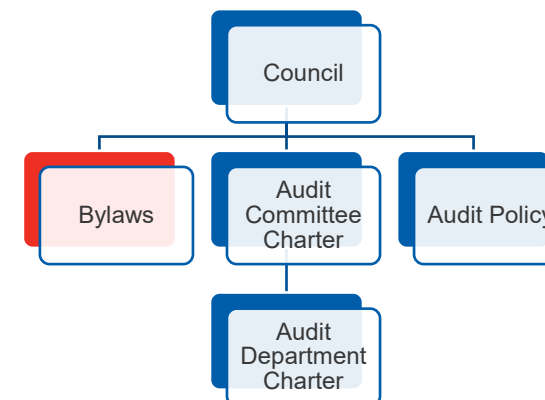- ✓ Special Projects, Inquiries, Advising

- ✓ Review Overhead Rates

Metropolitan Council

5
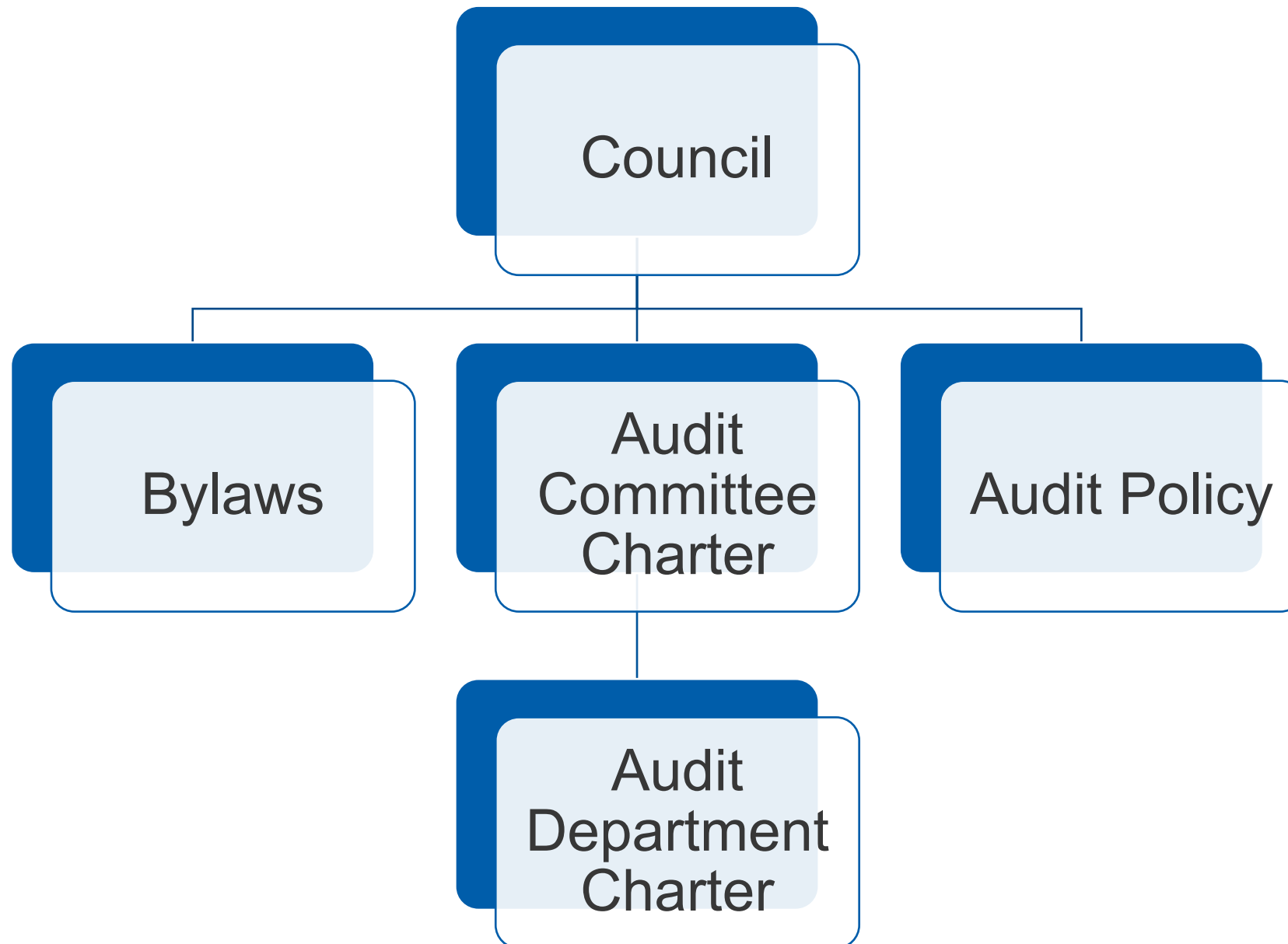
Audit Framework

Audit Framework

Council Bylaws – Audit Committee

- The Council shall establish an Audit Committee to oversee the Council's audit function. The Audit Committee shall establish and recommend a Charter and any ancillary audit policies to the Council for its consideration. The Regional Administrator shall establish all necessary procedures to implement such policies.

- Listed separately from standing, advisory or special committees.

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                    Council
                       │
        ┌──────────────┼──────────────┐
     Bylaws    Audit Committee     Audit Policy
                   Charter
                       │
                     Audit
                  Department
                    Charter
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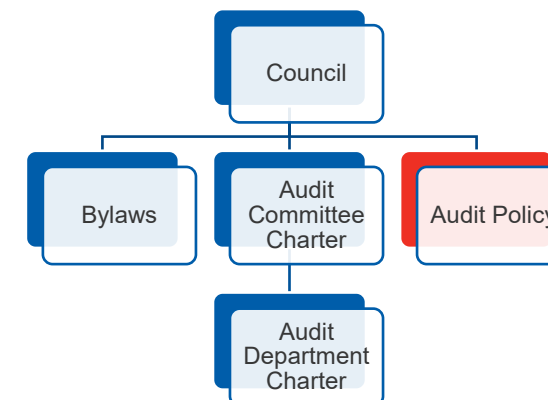
Audit Framework

Metropolitan Council Audit Policy

- …establish and maintain an independent internal audit program

Purpose

- Establish an Audit Committee
- Affirms Council support for an independent Audit Department, prescribes reporting relationships for Chief Audit Executive, and
- Affirms the right to access information required for the Department staff to discharge its duties.
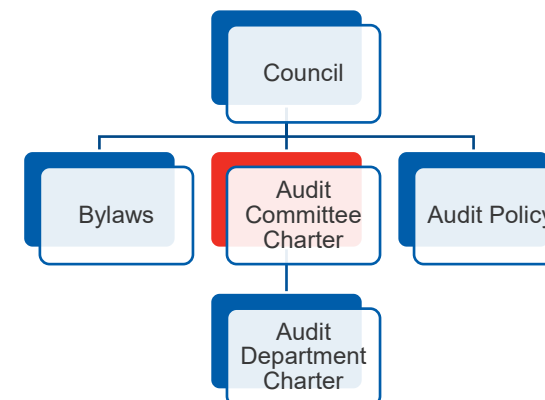
Council

Bylaws

Audit Committee Charter

Audit Policy

Audit Department Charter

Audit Framework

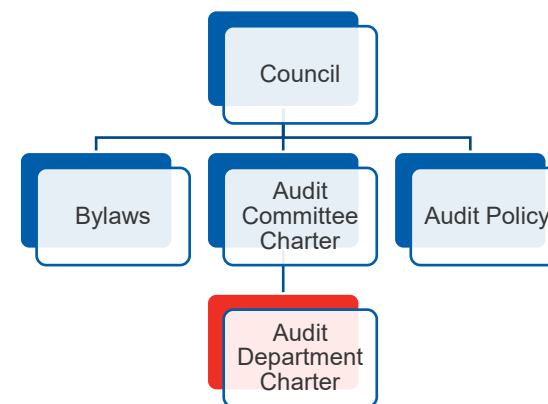## Metropolitan Council Audit Committee Charter

- Defines Purpose

- Provides for areas of Advice and guidance

- Defines authority, composition, terms, operational principles

- Financial Statements – Independent Audit (OSA)

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                    Council
         ┌─────────────┼─────────────┐
      Bylaws    Audit Committee   Audit Policy
                    Charter
                       │
                     Audit
                  Department
                    Charter
```

Audit Framework

Metropolitan Council Audit Department Charter

- Purpose, Mission of the Internal Audit Function

- Memorializes IIA Standards as guidance

- Authority – Unrestricted access to data

- Reporting Relationship
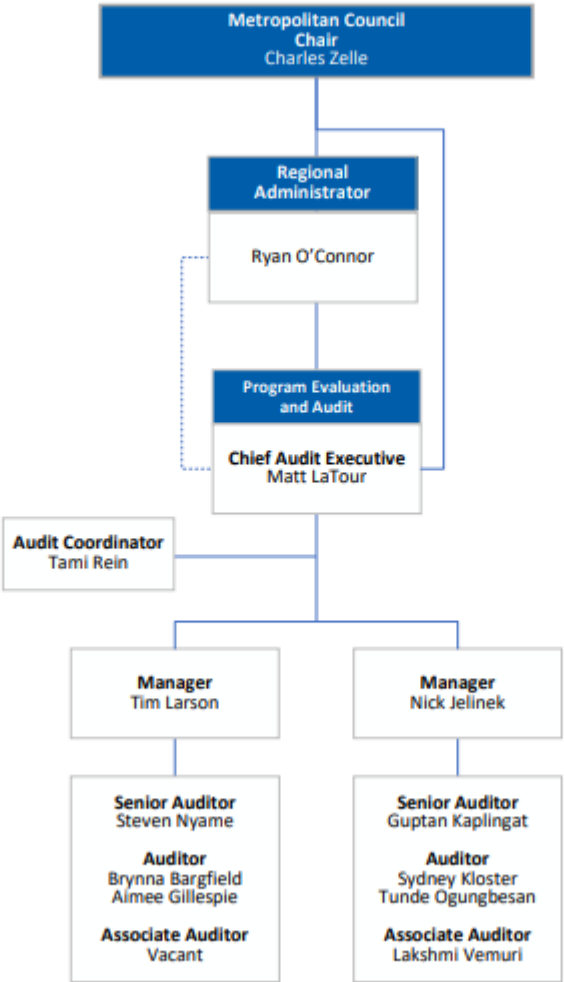
Audit Framework

Metropolitan Council Audit Department Charter

- Memorializes IIA Standards as guidance

- Authority – Unrestricted access to data

- Reporting Relationship

- Independence and Objectivity

- Scope of Internal Audit

- External Audits an Assurance

- Advisory Services/Engagements

- CAE Responsibilities

- Standards for Communication with Council/Audit Committee

Internal Audit — Who We Are

METROPOLITAN COUNCIL

Regional Administration
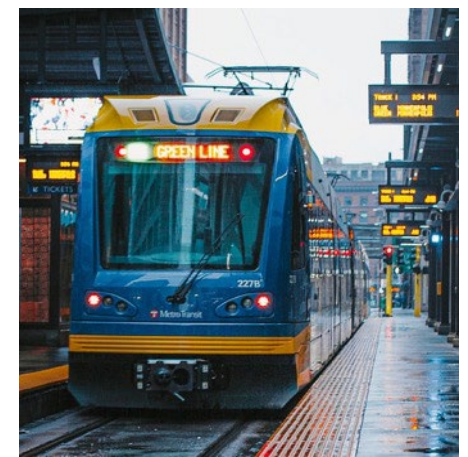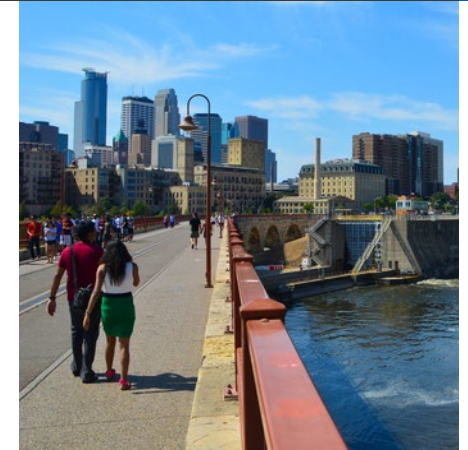Program Evaluation and Audit
May 16, 2025
Page 1 of 1

- Metropolitan Council Chair — Charles Zelle
- Regional Administrator — Ryan O'Connor
- Program Evaluation and Audit
- Chief Audit Executive — Matt LaTour
- Audit Coordinator — Tami Rein
- Manager — Tim Larson
- Manager — Nick Jelinek
- Senior Auditor — Steven Nyame
- Auditor — Brynna Bargfield, Aimee Gillespie
- Associate Auditor — Vacant
- Senior Auditor — Guptan Kaplingat
- Auditor — Sydney Kloster, Tunde Ogungbesan
- Associate Auditor — Lakshmi Vemuri

Chief Audit Executive
Audit Coordinator
Audit Managers (2)
Senior Auditor (2)
Auditor (4)
Associate Auditor (1)
Vacancies (AA & Interns)

Metropolitan Council

12

Our Qualifications

- Average tenure with Met Council Internal Audit – 5 Years

- 4 Staff with Certifications, several others with progress made or actively studying.

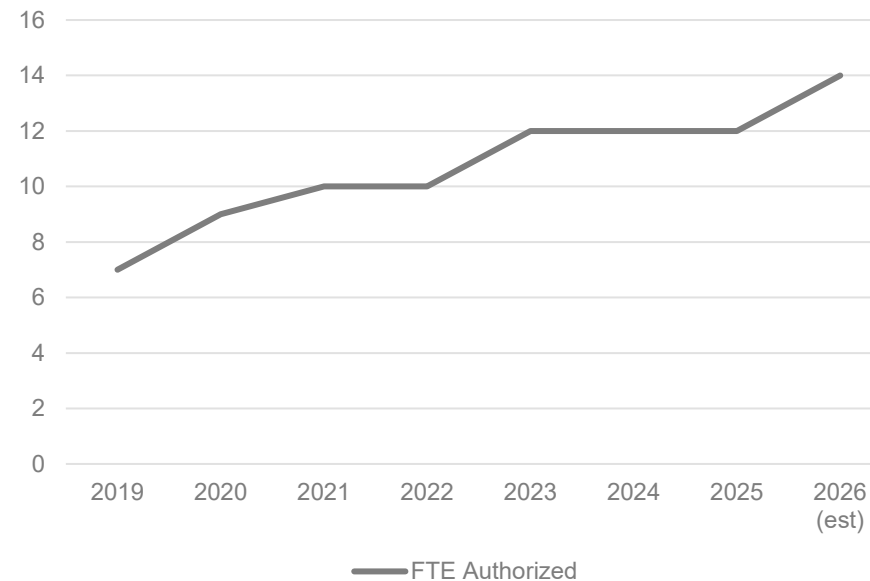- All staff have at least 1 of the 4 qualifications.
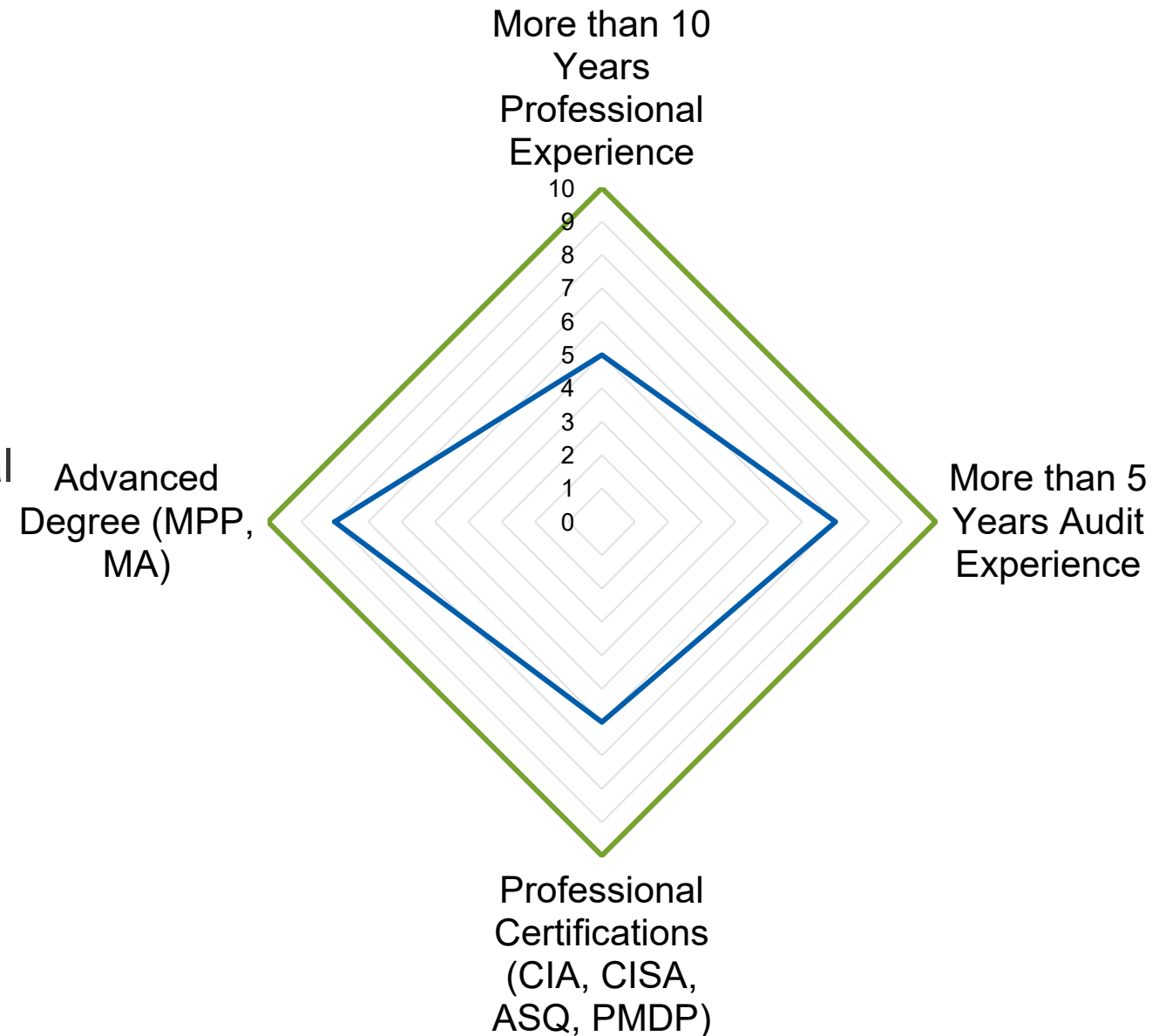
Audit Budget

Audit Actual Spend – Staff Allocation

- FTEs have grown from 7 in 2019 to proposed 14 in 2026.

- Overall Department Budget has grown from about $900,000 in 2019 to an approved budget of about $2.44 million in 2025.

- Drivers include increased headcount, training, and co-sourcing needs.

- Investigations charging out of Audit, not HR. Tech Governance.

- 2023-2025 Construction Auditing, Accounting, IT, Investigations.
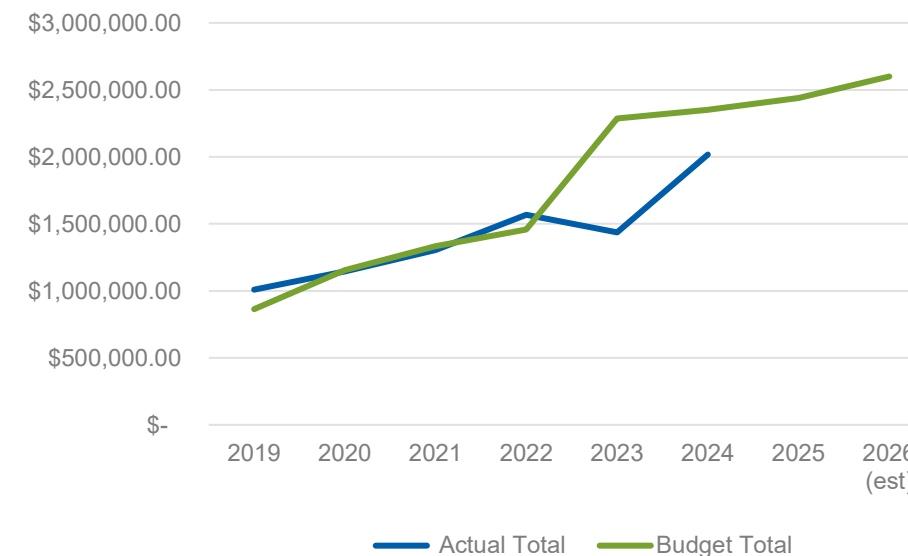
Authorized Staff (FTE) – 2019 to 2026

— FTE Authorized

Audit Budget – 2019 to 2026

■ Budget Salaries ■ Budget Contracts ■ Budget Other
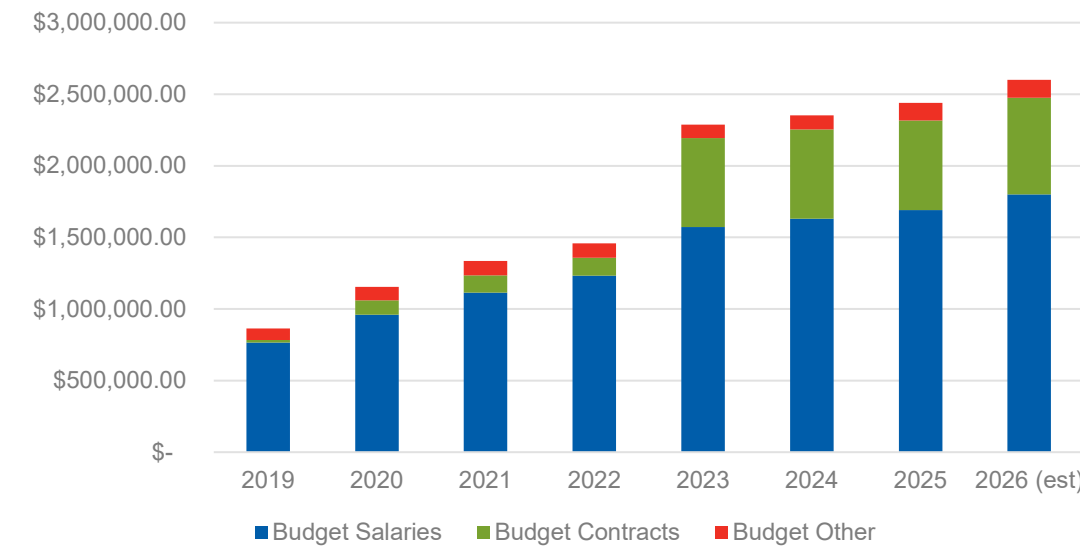
Audit Budget to Actual Expenses – 2019 to 2026

— Actual Total — Budget Total

2025 Current Audits

Body Worn Cameras

IT Facility Security

Cloud Computing

Metro Transit Customer Comments and Complaints Process

Contract Administration - GLE Change Orders

Stockroom/Supply Management Monitoring

ES Incinerator*

Recruitment and Selection

Small Purchasing

TMO

NorthStar - Annual Reportable Accident Review

HRA Consultation

Benefits Eligibility

Gold Line: Closeout*

Audits – Next 6 to 12 Months

RA Accounts Payable	MT Facilities - Asset Managment	Occupational Health - Disability Management	State Contract Purchasing	E-Builder System	Metro Transit Discipline Reporting
Payroll Process Review	HRA Payments Review	DHS Waiver Program Controls	Data Classification & Protection	Cybersecurity	Farebox Variance Validation
Internal Cost Allocation	Budget Forecasting	Investments Program	Overhead Rate Reconciliation	Administrative Citations	SharePoint User Administration
	BLE Readiness: Design Processes*	Solid Waste: Initial*	GLE Readiness: Completion to SIT*		

Audits – Next 12 to 18 Months

ES Stockroom Budgeting Process	Artificial Intelligence	Crisis Intervention Protocol/Use of Force Procedures	Internal Communications
Paid Family Leave and ESST	EEO Measurements	Lactation and Prayer Room Accommodations	Continuity of Operations Planning
	BLE: Pre-Construction/Initial*	Solid Waste Incinerator: Interim*	

Other Projects

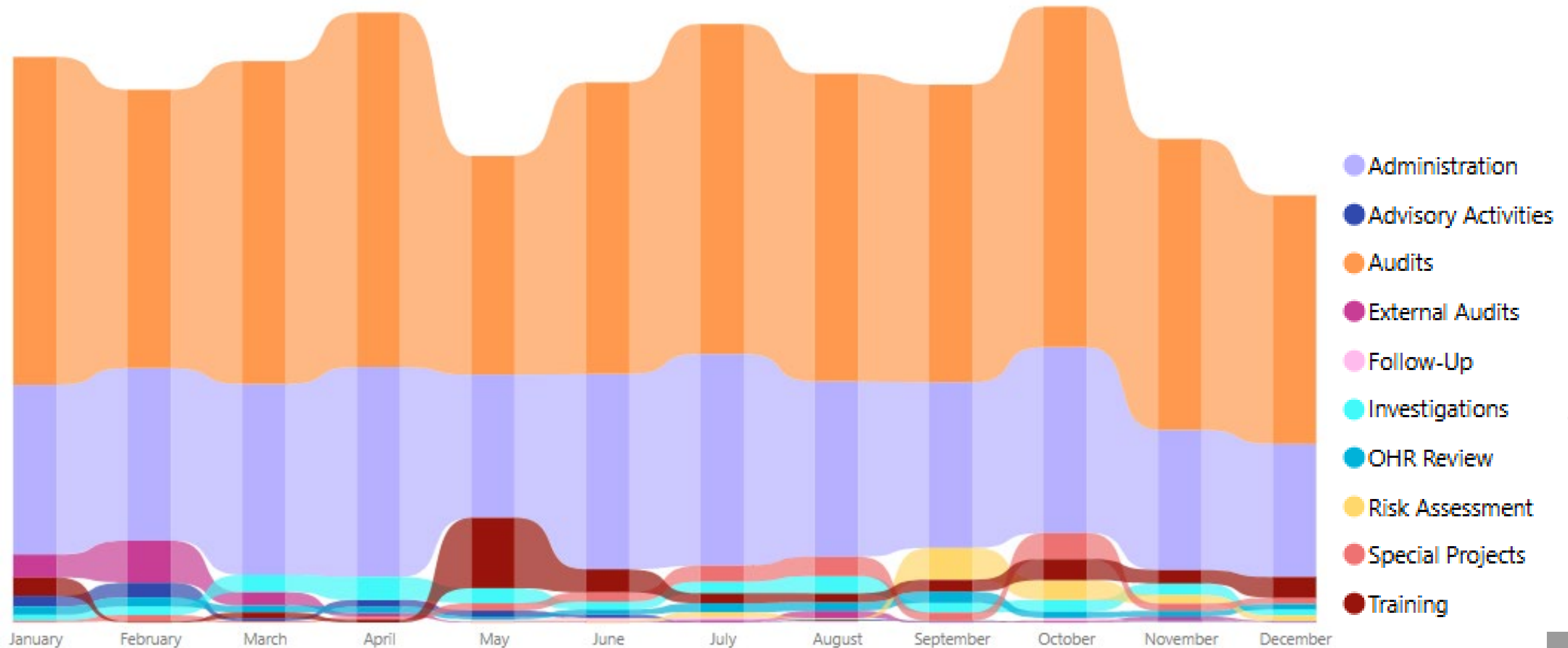|			
Audit Follow Up	Ethics and Compliance Improvement	Enterprise Risk Implementation	External Audit Coordination
Audit Continuous Improvment	Investigative Work	Overhead Rate Approvals	EQA Follow-Up
	Strategic Plan Update	Audit Software Implementation	

How We Spend Our Time: More Than *Just* Audits!

Recommendations: Reports Issued 2021 – 2023

2021
- Payroll
- Regional Parks Grants
- Technology Asset Management
- Contract Negotiation & Non-Standard Agreements
- C-Line Electric Bus Pilot Project
- Metro Transit Systems Safety
- Closed Session Item(s)

2022
- Paper Check Processing
- MTPD Local Agency Security Officer (MTPD LASO)
- Vendor File Management
- User Administration

2023
- Job Classification
- NorthStar Accident-Incident Reporting
- MTPD Property Room
- IT Change Management
- Contract Administration
- IS Contract Administration
- Agreements with MnDOT
- Gold Line A&E Contract
- Unemployment Insurance
- Technology Lifecycle Management

2024
- AV Contract Review
- Bank Reconciliation Analysis
- ES Incident Management Governance
- Fuel Management
- iDash System
- Materials Management Stockroom Inventory
- MCUB
- Risk Assessment Capital Projects

Metropolitan Council

Recommendations: Recommendation Status

Legend: ● Implemented ● Not Due ● Not Implemented ● Partially Implemented
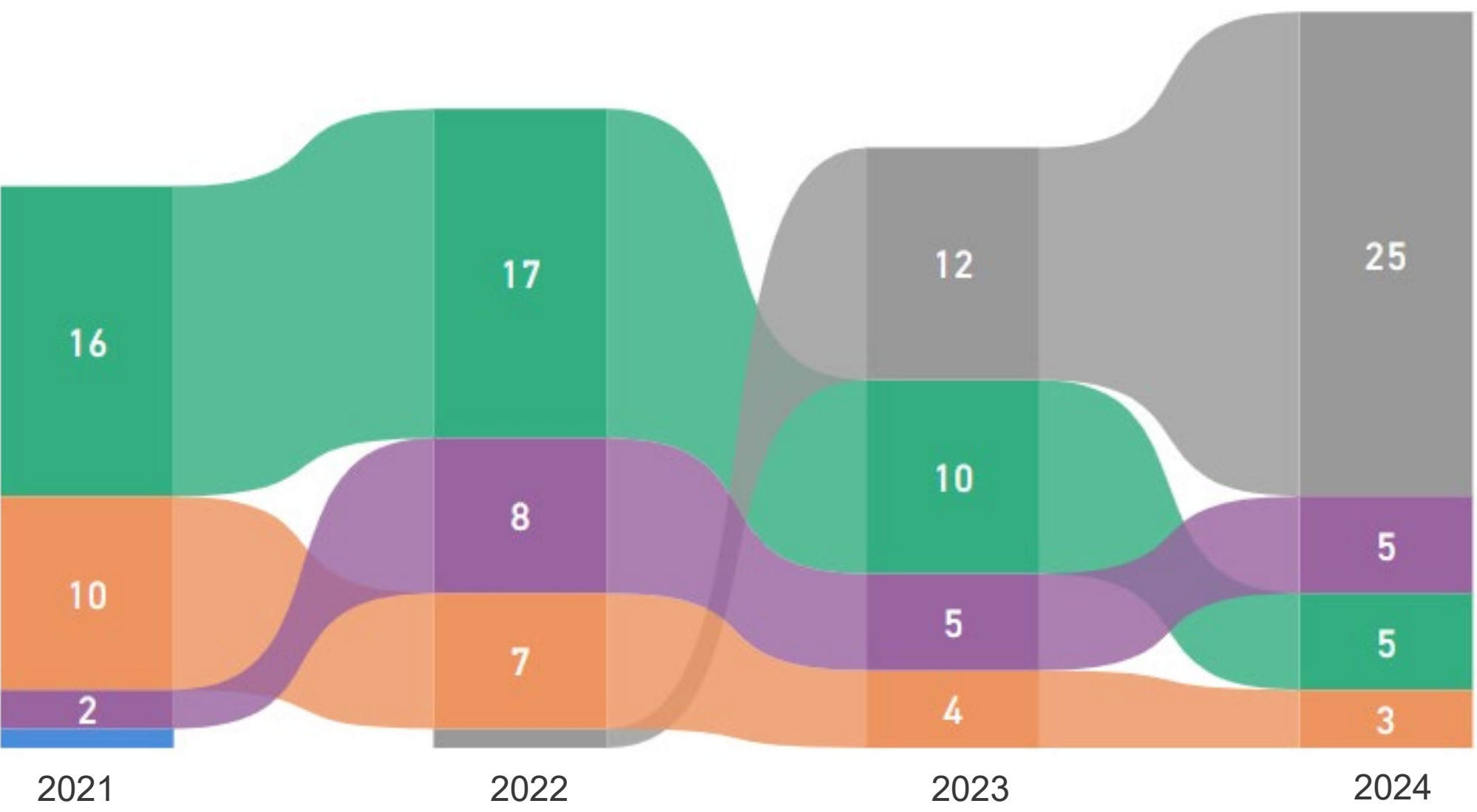
Recommendation Status	2021	2022	2023	2024	Total
Open - Partially Implemented		7	4	4	15
Open - Not Implemented	10	6	4	3	23
Open - Not Due		1	12	25	38
Closed - Partially Implemented	2	1	1	1	5
Closed - Not Implemented		1			1
Closed - No Longer Applicable	1				1
Closed - Implemented	16	17	10	5	48
Total	**29**	**33**	**31**	**38**	**131**

Metropolitan Council

2021   2022   2023   2024

21

# Recommendations: Examples of Closed Items

Contract Negotiation

- Observation: Establishing key performance indicators and addressing backlog may improve negotiator workload.
- Recommendation: Implement a method for reviewing old and current assignments… to determine which could be closed.

Regional Parks

- Observation: Without a detailed guide, Parks Implementing Agencies may not know what documentation to submit to confirm compliance.
- Recommendation: Ensure the Subrecipient Administrative Guide is reviewed, approved, and published by [date].
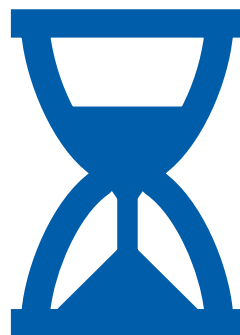
Fuel Management

- Observation: Former Council employee credentials used to purchase fuel with WEX Cards.
- Recommendation: Metro Transit should work with HR to develop and document a process to ensure that WEX is periodically notified when employees leave the Council. Metro Transit and Environmental Services should verify WEX has a current list of employee IDs.

2024 Accomplishments

- External Audit Coordination
  - Legislative Auditor (Met Mo, GLE)
  - State Auditor
  - FTA Triennial
- Ethics and Compliance
  - Support Ethics point
  - Processed/Touched ~ 31 complaints
  - 17 significant investigations
  - Support 3 investigations
  - 2 spin off audits or consultations

2024 Accomplishments

- Cybersecurity / Breach Support
- Strategic Plan Implementation
- Continued involvement in Council Initiatives:
  - Support for RA Strategic Planning
  - Incident Command
  - Policies and Procedures Committee
  - Culture Ambassador
- Overhead Rate Approvals

Audit Committee

The Audit Committee consists of eight voting members. Four are Council members and four are external members with expertise in such areas as finance, accounting, auditing, information systems, management, operations or program performance.

Quarterly Meetings

- Approves Annual Risk Based Audit Plan
- Office of State Auditor – Entrance and Exit Conferences
- Approves Audit Department Charter, Strategic Plan

CMs – Chair Lee, Vice Chair Vento, Barber, Dolkar
External – U of M CAE Gaalswyk, Hennepin County CAE Roethler,
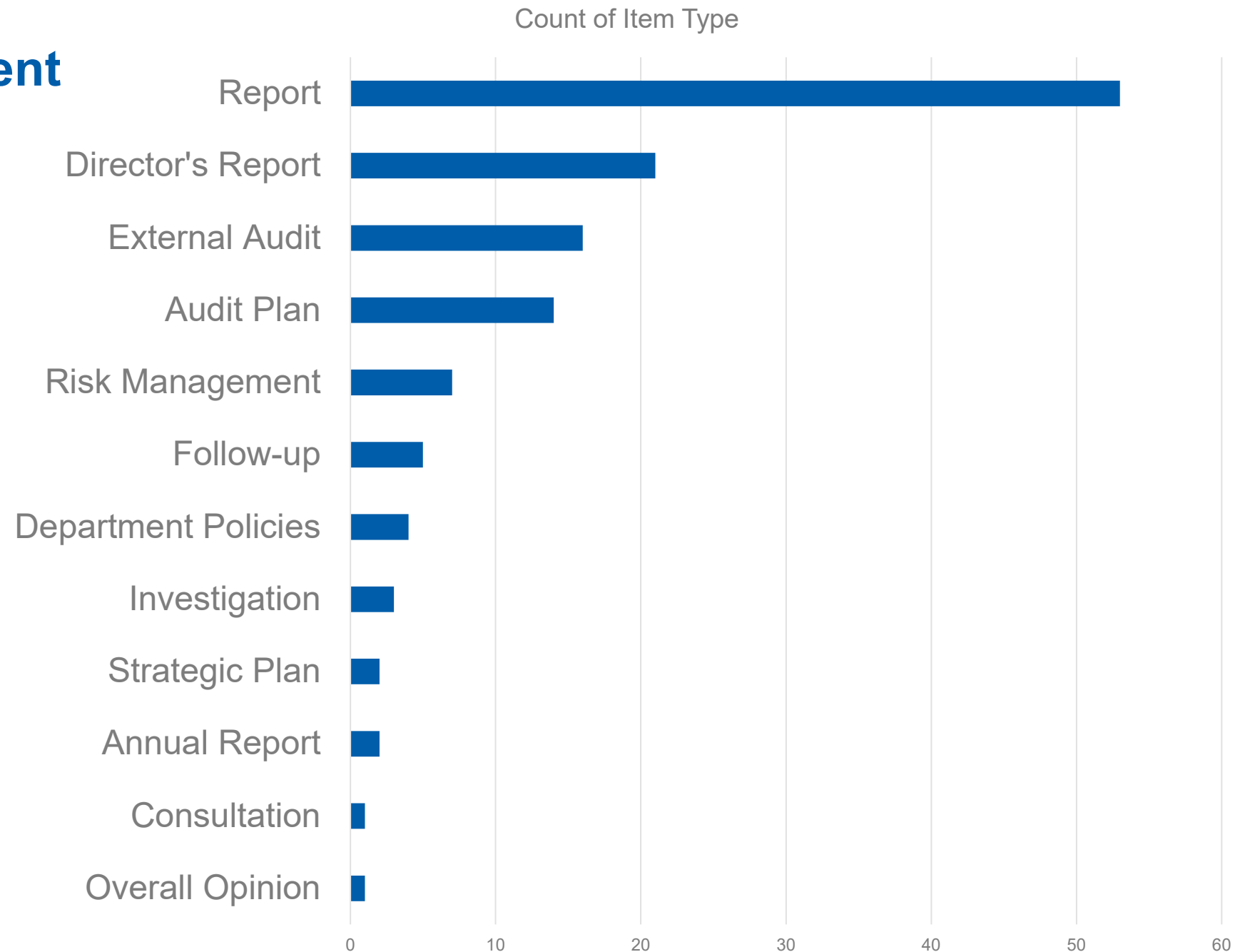MnState CAE Jorgenson; Protiviti - George

Audit Committee

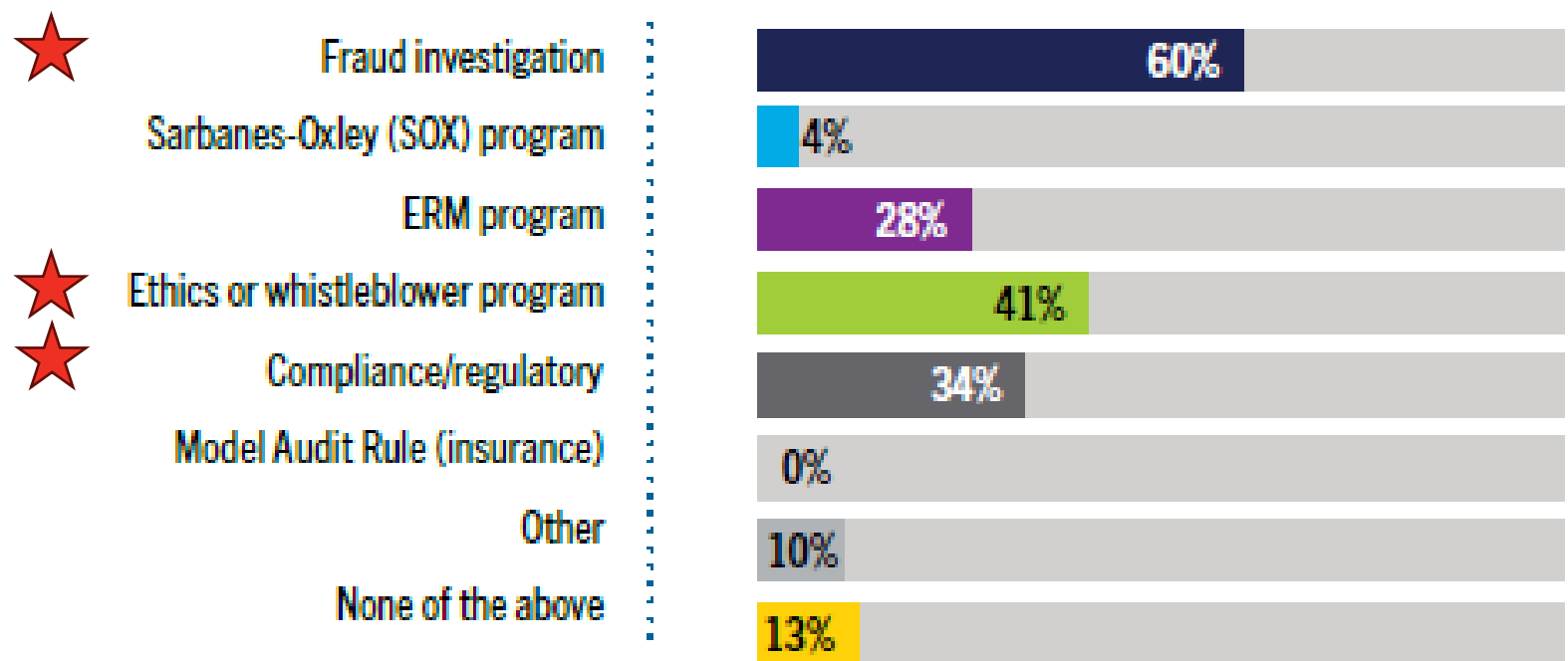| Membership	Existing	Future
Council Member (Chair)	Chai Lee	Chai Lee
Council Member (Vice Chair)	Susan Vento	Vacancy
Council Member	Deb Barber	Deb Barber
Council Member	Tenzin Dolkar	Vacancy
Community Member	Quinn Gaalswyk (Chief Auditor, Univ. of MN)	Scott Zaczkowski (Chief Auditor, MAC)
Community Member	Amy Jorgenson (Chief Auditor, MNSCU)	Deanna Pesik (Chief Ethics and Compliance Officer, Ramsey County)
Community Member	Andra Roethler (Chief Auditor, Hennepin County)	Andra Roethler (Chief Auditor, Hennepin County)
Community Member	Gracie George (Protiviti)	Gracie George (Protiviti)

Audit Committee Activities

Audit Reports Most Frequent

- Since June of 2019, AC has assembled for 22 meetings

- 129 items have been presented.

- 57 of 129 (44%) have been internal audit reports.
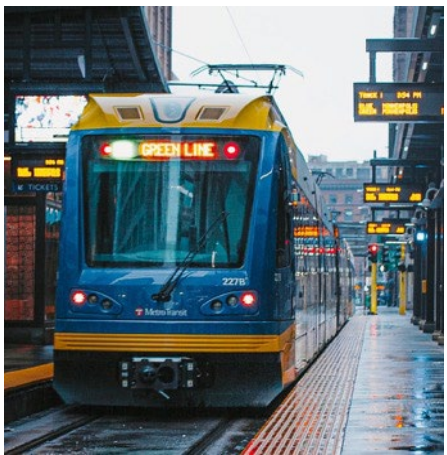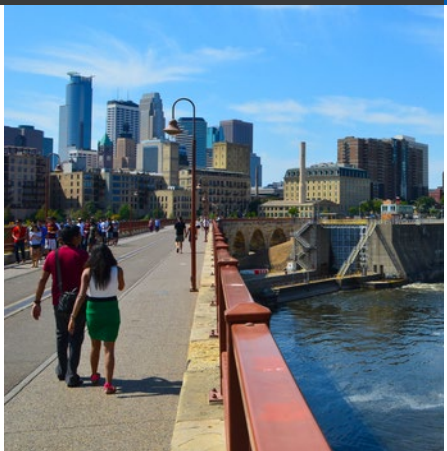
- We've included 7 presentations on risk management.

Count of Item Type

Metropolitan Council

Audit Benchmarking

Other Audit Department Responsibilities

Public Sector

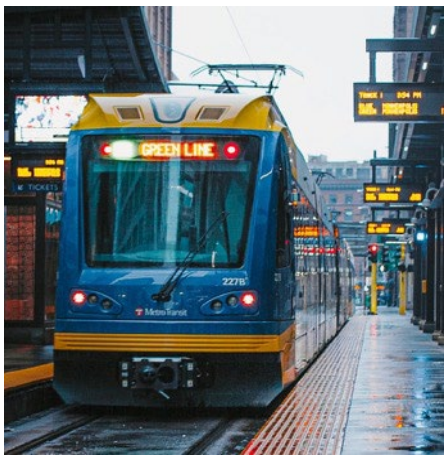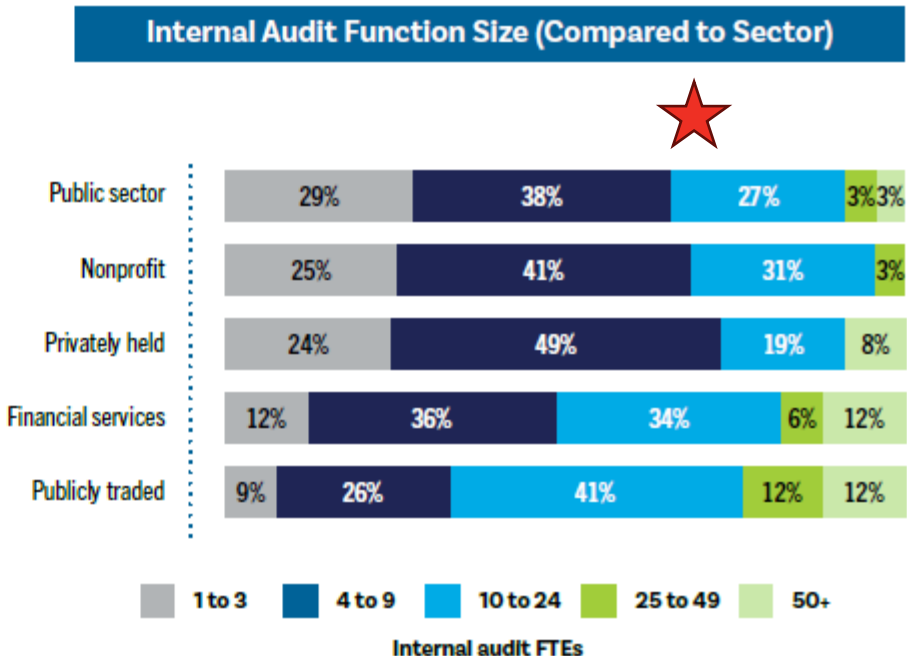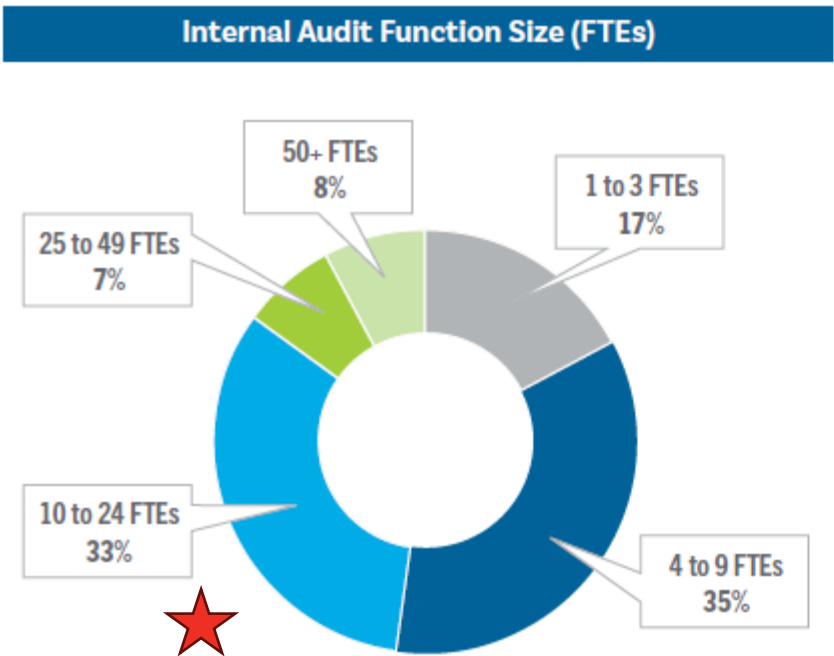| Responsibility	Percentage
★ Fraud investigation	60%
Sarbanes-Oxley (SOX) program	4%
ERM program	28%
★ Ethics or whistleblower program	41%
★ Compliance/regulatory	34%
Model Audit Rule (insurance)	0%
Other	10%
None of the above	13%

Note: The IIA's North American Pulse of Internal Audit Survey, Nov. 3 to Dec. 5, 2023. Q5: In addition to your role as head of internal audit, for which areas are you responsible? (Choose all that apply.) *n* = 127 for publicly traded. *n* = 141 for financial services. *n* = 93 for public sector. *n* = 36 for privately held. *n* = 32 for nonprofit. *n* = 429 for all respondents (including those with organization types categorized as "other."

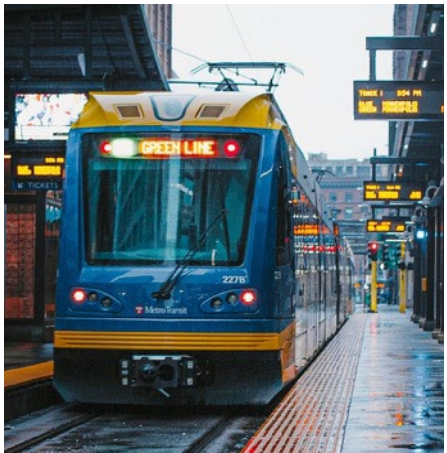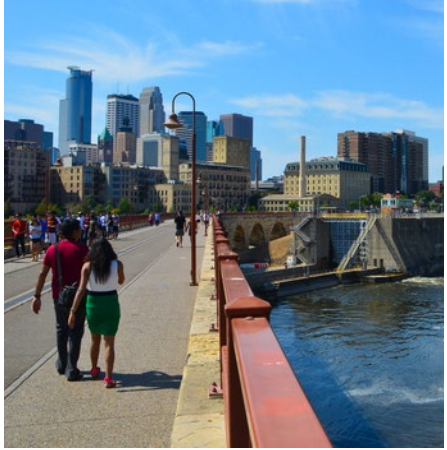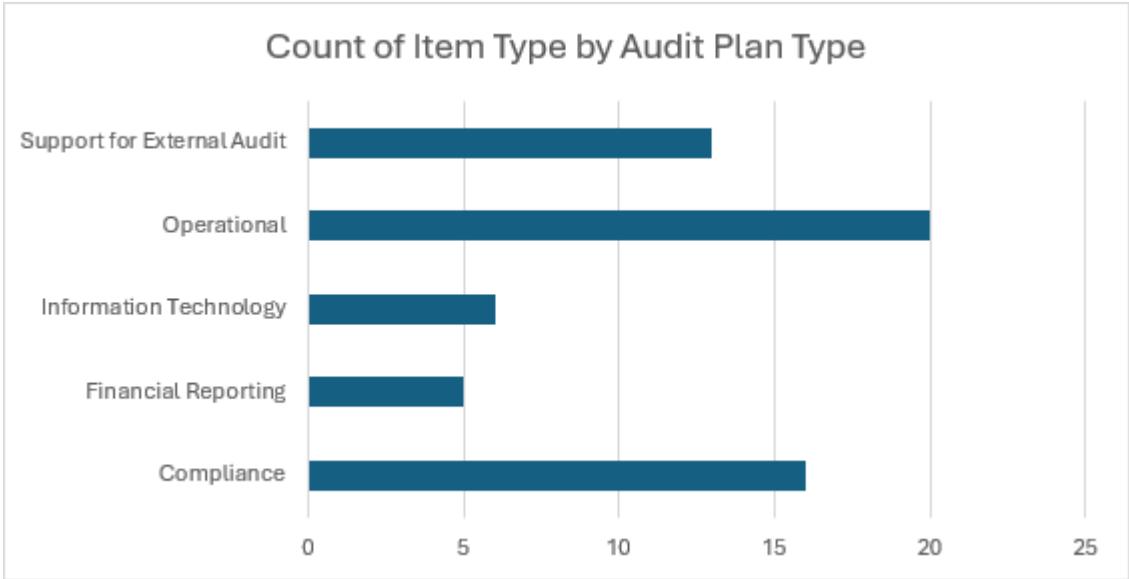Source: 2024 North American Pulse of Internal Audit, Benchmarks for Internal Audit Leaders, Internal Audit Foundation

Metropolitan Council

Audit Benchmarking

Internal Audit Function Size

Internal Audit Function Size (FTEs)

- 1 to 3 FTEs: 17%
- 4 to 9 FTEs: 35%
- 10 to 24 FTEs: 33%
- 25 to 49 FTEs: 7%
- 50+ FTEs: 8%

Internal Audit Function Size (Compared to Sector)

Sector	1 to 3	4 to 9	10 to 24	25 to 49	50+
Public sector	29%	38%	27%	3%	3%
Nonprofit	25%	41%	31%		3%
Privately held	24%	49%	19%		8%
Financial services	12%	36%	34%	6%	12%
Publicly traded	9%	26%	41%	12%	12%

Internal audit FTEs

Source: 2024 North American Pulse of Internal Audit, Benchmarks for Internal Audit Leaders, Internal Audit Foundation
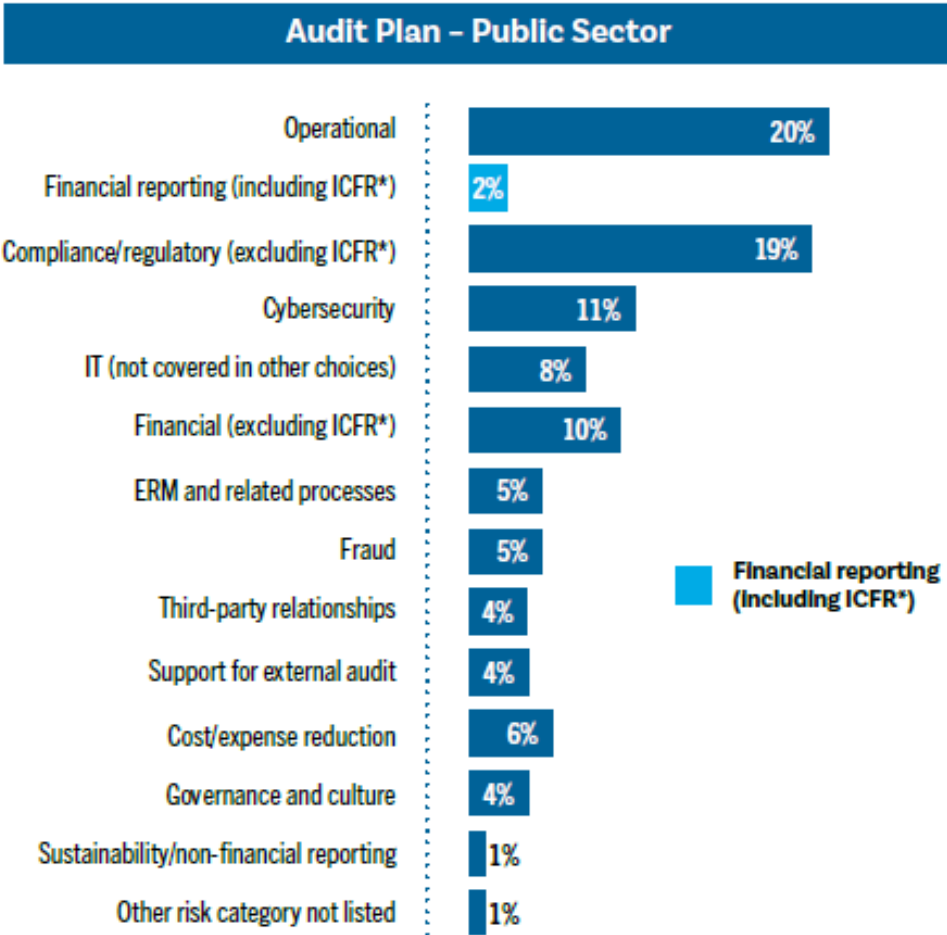
Metropolitan Council

Audit Benchmarking

Audit Plan

Audit Plan – Public Sector

Category	Percentage
Operational	20%
Financial reporting (including ICFR*)	2%
Compliance/regulatory (excluding ICFR*)	19%
Cybersecurity	11%
IT (not covered in other choices)	8%
Financial (excluding ICFR*)	10%
ERM and related processes	5%
Fraud	5%
Third-party relationships	4%
Support for external audit	4%
Cost/expense reduction	6%
Governance and culture	4%
Sustainability/non-financial reporting	1%
Other risk category not listed	1%

Financial reporting (including ICFR*)

Count of Item Type by Audit Plan Type

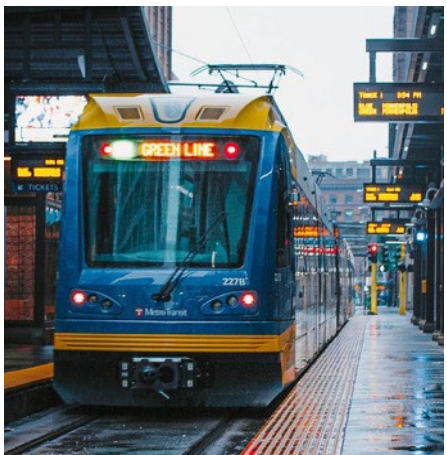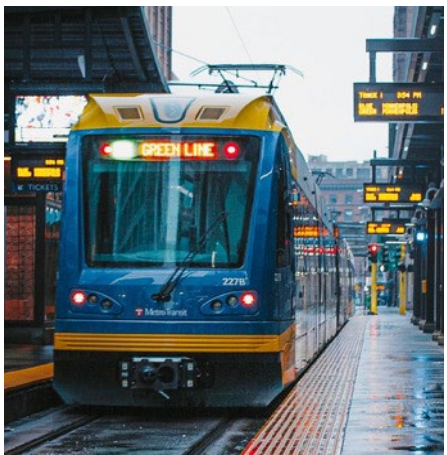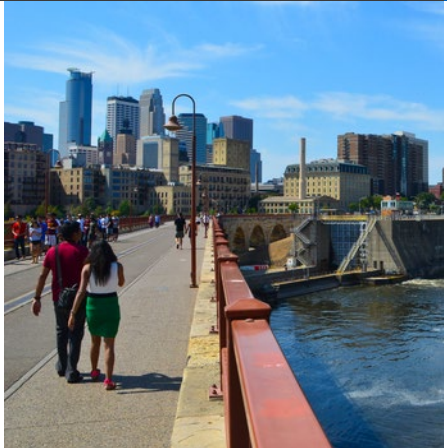| Item Type	Count
Support for External Audit	13
Operational	20
Information Technology	6
Financial Reporting	5
Compliance	16

Source: 2024 North American Pulse of Internal Audit, Benchmarks for Internal Audit Leaders, Internal Audit Foundation

Metropolitan Council
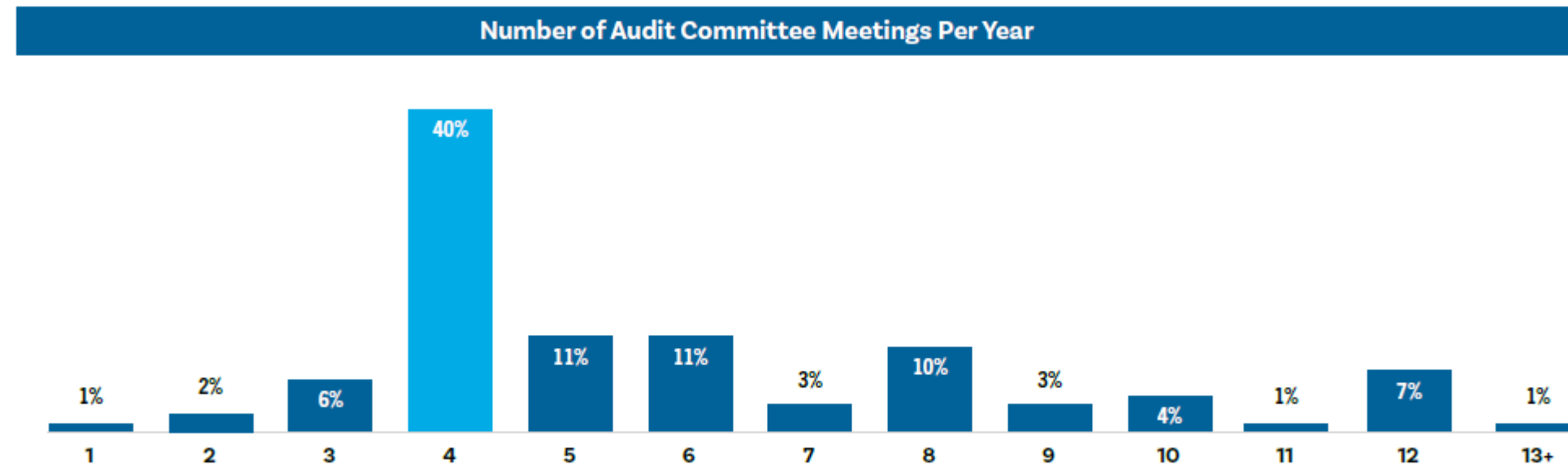
31

Audit Benchmarking

Risk Areas

Risk Levels - Public Sector

Risk Area	High/very high risk	Moderate risk	Low/very low risk
Cybersecurity	77%	21%	2%
IT (not covered in other choices)	56%	39%	5%
Third-party relationships	50%	36%	14%
Compliance/regulatory (excluding ICFR*)	37%	45%	18%
Operational	25%	67%	8%
ERM and related processes	32%	59%	9%
Cost/expense reduction	27%	49%	24%
Governance and culture	27%	52%	21%
Fraud	20%	59%	21%
Financial areas (excluding ICFR*)	17%	53%	30%
Sustainability/non-financial reporting	10%	32%	58%
Financial reporting (including ICFR*)	5%	36%	59%
Support for external audit	2%	24%	74%

Source: 2024 North American Pulse of Internal Audit, Benchmarks for Internal Audit Leaders, Internal Audit Foundation

Metropolitan Council

Audit Benchmarking

Other Audit Department Reporting Relationships

⭐ **Audit Committee Exists**

Public sector — 80% (CEO, president, political entity)

⭐ **Administrative Reporting Relationship**

Public sector — 55% | 25% | 15% | 5%

- ■ CEO, president, political entity
- ■ Chief financial officer (CFO) or similar
- ■ Other executive leadership
- ■ Audit committee, board, or similar

⭐ **Functional Reporting Relationship**

Public sector — 67% | 25% | 7%

- ■ Audit committee, board, or similar
- ■ CEO, president, political entity
- ■ Chief financial officer (CFO) or similar
- ■ Other executive leadership

Source: 2024 North American Pulse of Internal Audit, Benchmarks for Internal Audit Leaders, Internal Audit Foundation

Metropolitan Council

Audit Benchmarking

Audit Committee Meetings

Number of Audit Committee Meetings Per Year

Meetings	1	2	3	4	5	6	7	8	9	10	11	12	13+
Percent	1%	2%	6%	40%	11%	11%	3%	10%	3%	4%	1%	7%	1%

Note: The IIA's North American Pulse of Internal Audit Survey, Nov. 3 to Dec. 5, 2023. Q36: In the past 12 months, approximately how many times did your organization's audit committee (or equivalent) meet? Q37: In the past 12 months, approximately how many audit committee meetings (or equivalent) were attended by internal audit? *n* = 448.

Source: 2024 North American Pulse of Internal Audit, Benchmarks for Internal Audit Leaders, Internal Audit Foundation
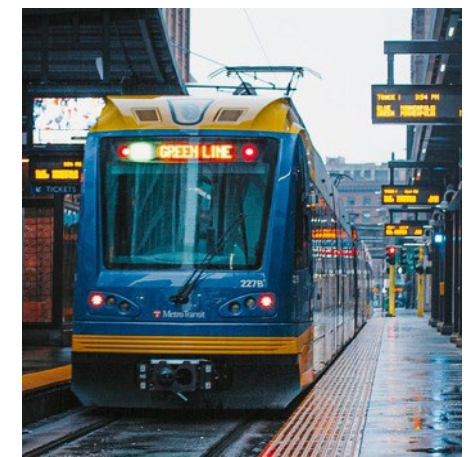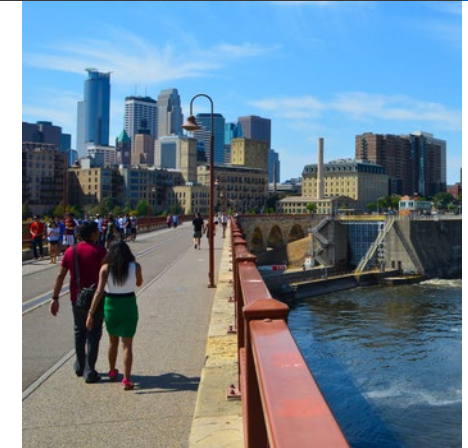
Audit Committee Benchmarking

Audit Committee Responsibilities

In addition to financial reporting and related control risks, for which risks does your audit committee have significant oversight responsibilities.

Source: KPMG 2023 Audit Committee Survey Insights

Audit Committee Responsibilities

Data Governance (e.g. privacy, protection, ethics, AI, algorithm bias)

Legal/Regulatory Compliance

Cybersecurity and IT

Management's Enterprise Risk Management

0% 10% 20% 30% 40% 50% 60% 70% 80%

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35
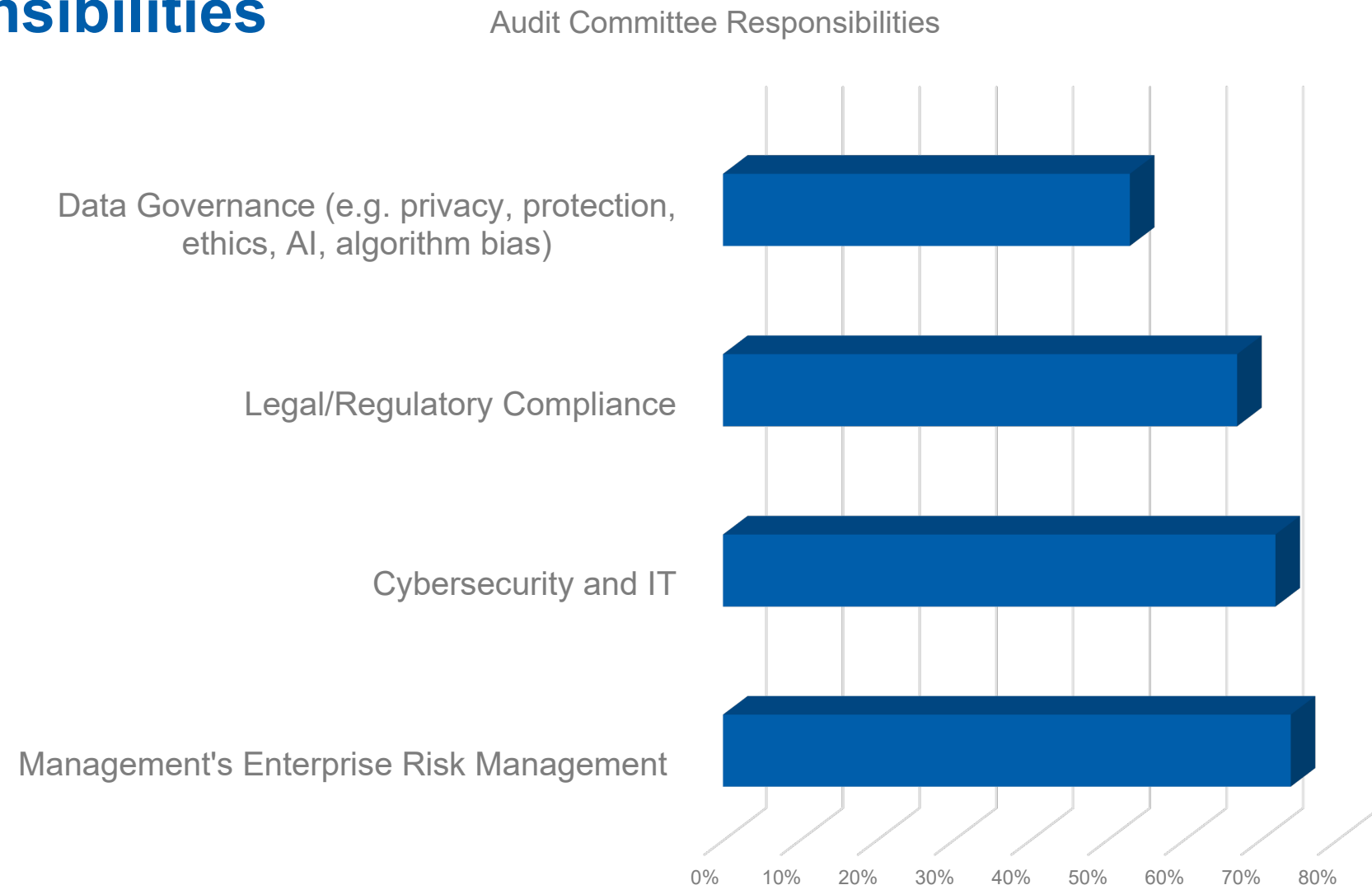
CAE Action Items for 2025

Revise/Seek Approval of Audit Framework

Internal Audit Policy (RF 5-1) – Establishes an Audit Committee and Audit Department for the Metropolitan Council

- Review and Revise to ensure compliance with new Global Auditing Standards

- Other Relevant Updates

CAE Revisions → Senior Management Review → Audit Committee Review → Council Approval
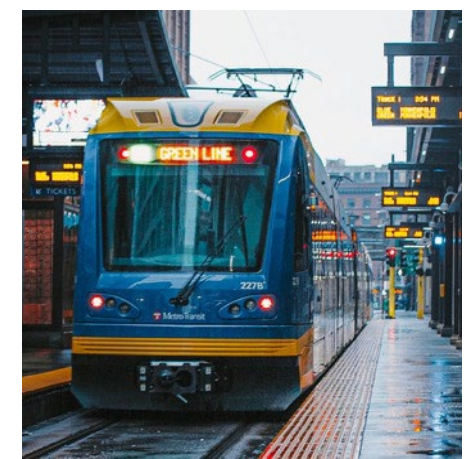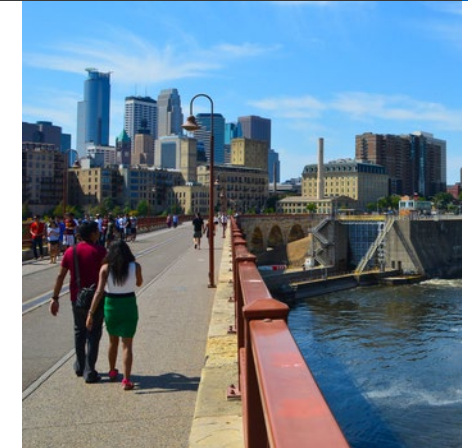
CAE Action Items for 2025

Revise/Seek Approval of Audit Framework

Audit Committee Charter –

Defines the purpose, Mandate, Authority of the AC.

Details the Composition and makeup of the Committee.

Details the Scope and Responsibilities of the Audit Committee

- Review and Revise to ensure compliance with new Global Auditing Standards

- Review and Discuss details of the AC Committee.

- Revise and detail AC Committee Reporting to Full Council (frequency and content).
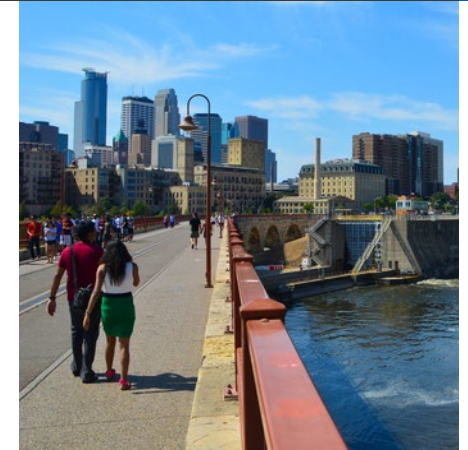
CAE Revisions → Senior Management Review → Audit Committee Review → Council Approval
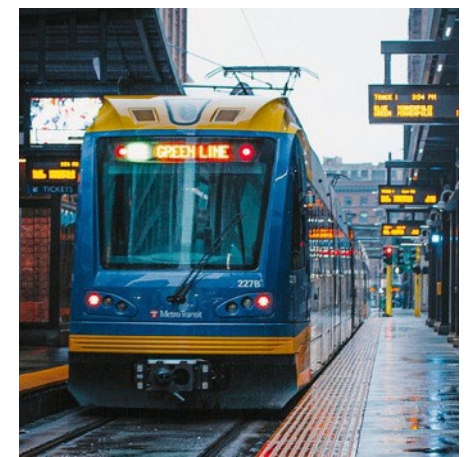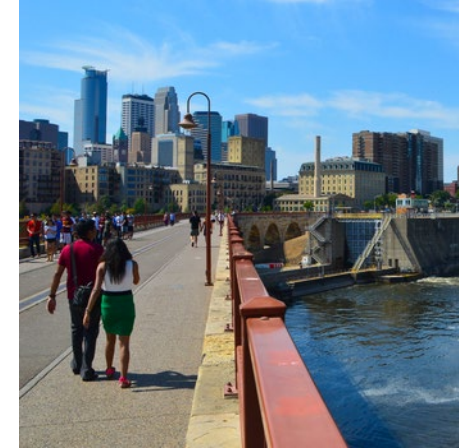
CAE Action Items for 2025

Revise/Seek Approval of Audit Framework

Audit Department Charter

Reference to Global Audit Standards.

Authority of CAE.

Details the Scope and Responsibilities of the Audit Department.

Reporting and QAIP.

- Review and Revise to ensure compliance with new Global Auditing Standards
- Review and Discuss details of the AC Committee.
- Revise and detail AC Committee Reporting to Full Council (frequency and content).

CAE Revisions → Senior Management Review → Audit Committee Review
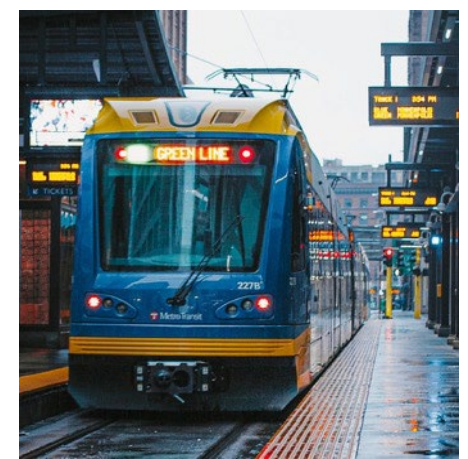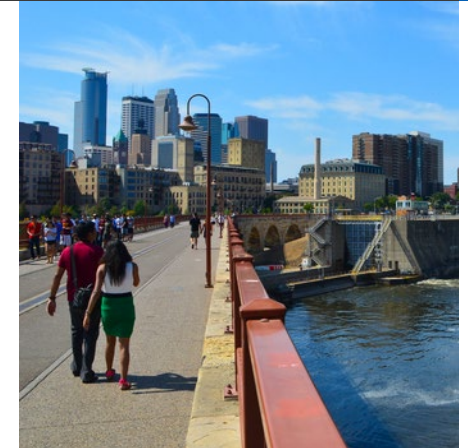
CAE Action Items for 2025

Implement a Governance, Risk, and Compliance (GRC) Software Tool

- Audit Department moving to a GRC tool

- Vendor has been selected

- Stages:
  - Configuration & Testing
  - Documentation
  - Staff Training
  - Begin Using Starting 2026

CAE Action Items for 2025

External Quality Assessment – APTA Peer Review (2024)

- **Conformance Gaps**
  - Internal Audit Staff Development & Resourcing Capacity Strategy
  - Update Audit Charter, Policy, & Manual
  - Address CAE Roles Outside of Internal Audit
  - Internal Audit Data Access
  - Develop & Implement a QAIP
  - Audit Reporting Requirements – auditor's opinion & reporting unacceptable risk
  - Monitoring and Follow-up Processes
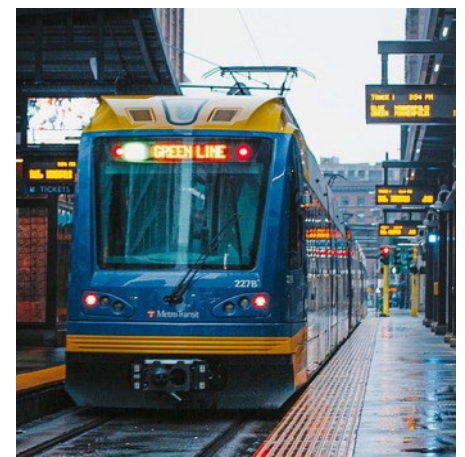
CAE Action Items for 2025
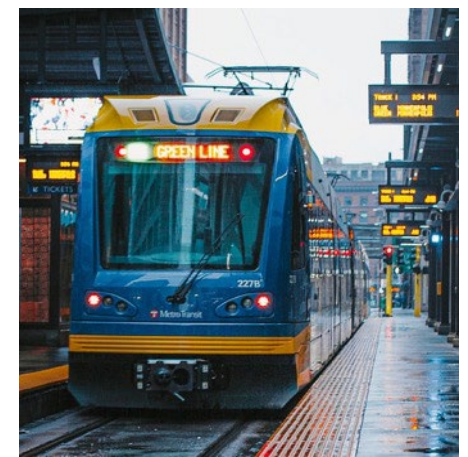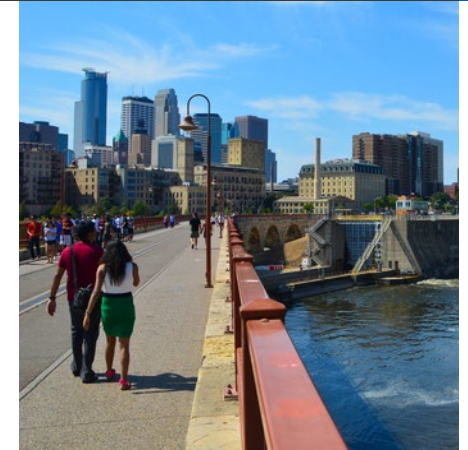
EQA Follow-up (cont'd)

- **Improvement Opportunities**
  - Improve Evidence Supervision
  - Engagement Process Checklist Usage – will be addressed by GRC tool
  - Lack of Audit Management Software – will be addressed by GRC tool
  - Lack of Guidance on How to Consider External Risk Factors
  - Better Monitoring of Audit Completion Rate
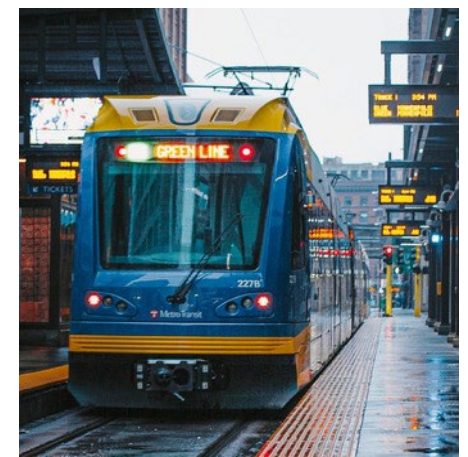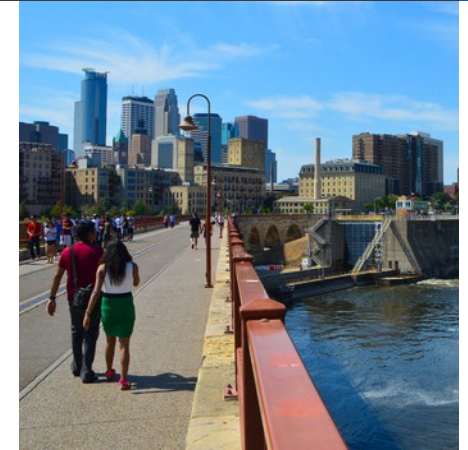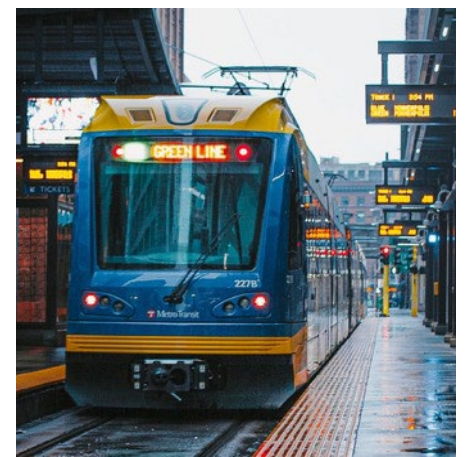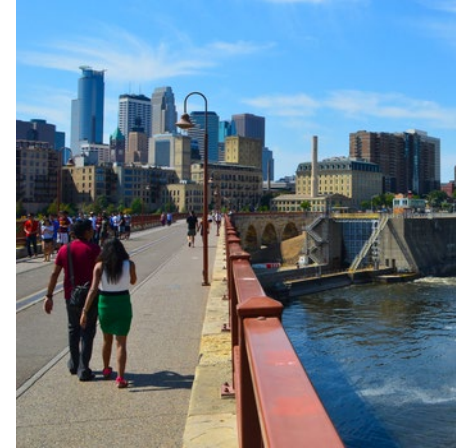
CAE Action Items for 2025

Other Tasks

- Complete Gap Analysis with existing practice/framework and new Global Auditing Standards (Done)
  - Currently Implementing Changes – End 2025
- Complete Analysis of Progress toward IA Strategic Plan

- Develop proposed reporting content and schedule for Audit Committee

Upcoming Council Agenda Items

- Appointment to Audit Committee of External Audit Committee Members (May 28)

- Appointment to Audit Committee of Council Members

- Internal Audit Policy Approval

- Audit Committee Charter Approval

- Governance, Risk, Compliance Tool Approval

Questions?