

Metropolitan Council Audit Report 2019



**Matt LaTour, Director
Program Evaluation & Audit**

Audit Committee

The purpose of the Audit Committee is to provide structured systematic oversight of the organization's governance, risk management, and internal control practices.

Council Members:

Chair Judy Johnson, District 1

Vice Chair Chai Lee, District 13

Deb Barber, District 4

Susan Vento, District 11

Community Members:

Amy Jorgenson (Minnesota Management & Budget)

Andra Roethler (Hennepin County)

Quinn Gaalswyk (University of Minnesota)

Gracie George (US Bank)

Internal Audit



Chief Audit Executive (Director), Auditors(7),
Interns(3), Audit Coordinator

Chief Audit Executive

Matt LaTour

Audit Coordinator

Tamara Rein

Auditors

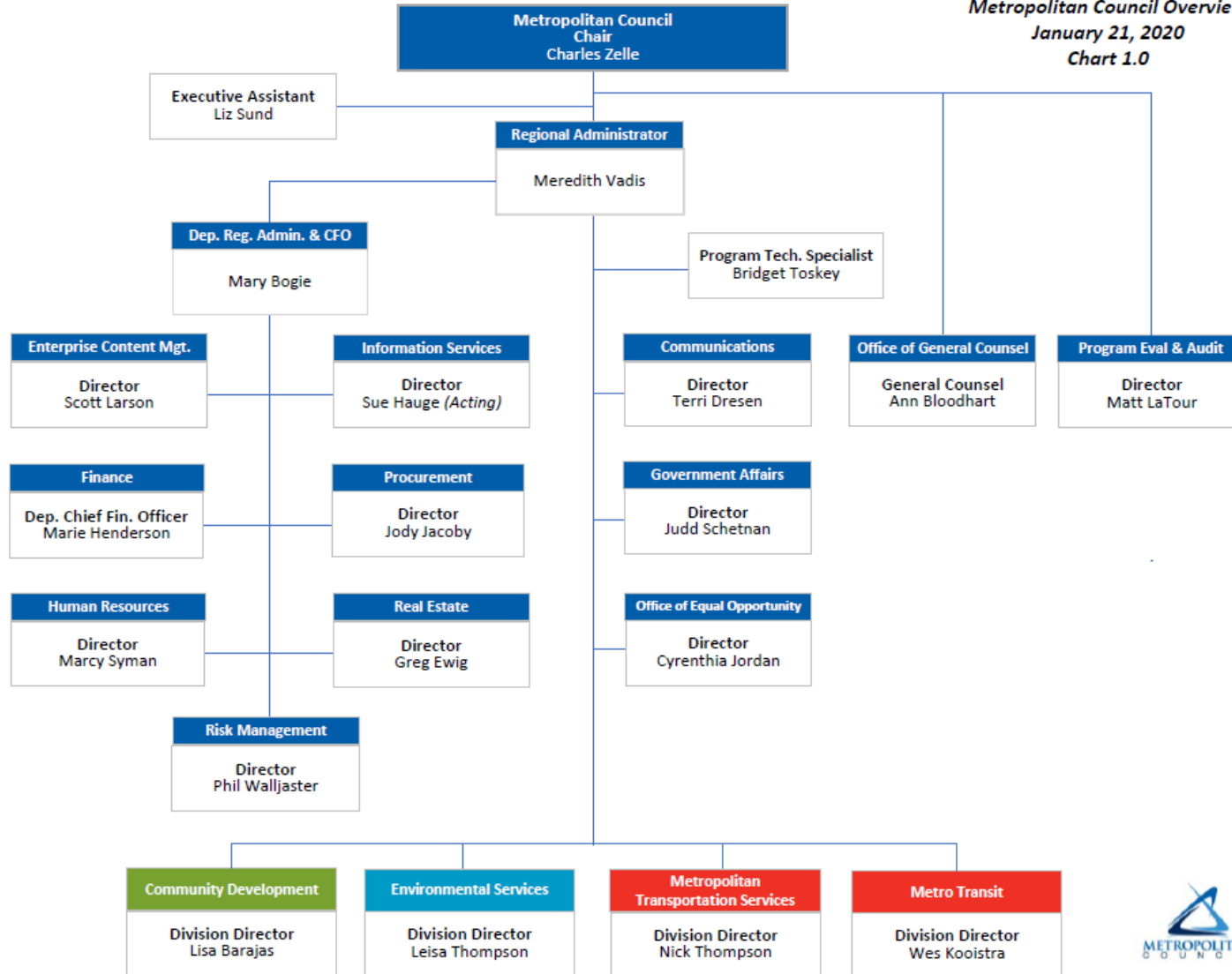
Akua Asare, Kevin Ely, Nicholas Jelinek, Guptan Kaplingat, Timothy Larson, Tunde Ogungbesan, Julia Quehl

Interns

Aaron Boaitey, Drew Garner, Kaitlyn Schmaltz

Internal Audit Reporting

Metropolitan Council Overview
January 21, 2020
Chart 1.0



Audit Framework

- Audit Policy (3-5) – Approved by Council
- Audit Committee Charter – Approved by Council
- Audit Department Charter – Approved by Audit Committee

Mission Statement

The mission of Program Evaluation and Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Audit Committee Purpose

- Structured systematic oversight of the organization's governance, risk management, and internal control practices.
 - Governance structure
 - Risk management
 - Values and ethics
 - Internal control framework
 - Oversight of internal and external audit
 - Financial statements and public accountability reporting

Internal Audit Purpose

- What do we do?
 - Conduct Audits and Consultations to provide reasonable assurance that internal controls are in place and functioning as intended.
 - Coordinate and track external audits or oversight reviews (State Auditor, Federal Transit Administration)
 - Evaluate Governance, Risk Management, and Control Processes.
 - Coordinate and Conduct investigations related to fraud, data practices violations, etc.

Internal Audit — Risk

- Annual Risk Assessment
- Control Environment Assessment - State of Minnesota's Control Environment Self-Assessment Tool (CESAT)
- Semi-structured interviews with Directors and Managers across all Divisions
- Risk Register – Matrix to assess potential business objectives, financial impacts, external factors, IT, Recent Changes, and time since last audit coverage
- Consider External Audit Coverage (State Audits, Financial or Compliance Reviews)

Risk-Based Annual Audit Plan

- List of Internal Audits and Consultation Activities for Current Year
- External Audits Scheduled
- Other Activities (Peer Reviews, Strategic Plan, Trainings)
- Approved by Audit Committee at least annually

Internal Audit Process

- Engagement-level Risk Assessment
- Review business process internal controls in place – Process Map
- Assess Key Risks
- Identify and Execute Testing Plan
- If Controls are ineffective or inefficient, recommend improvements to management

Follow Up

- Track Internal Audit Recommendations, Assess Corrective Actions, Retest if Needed
- Track Recommendation Status and Periodically Report Results to Audit Committee (Developing new Audit Database)
- Track External Audit Findings and Corrective Actions

Other Audit / Risk Management Activities

- **Fraud** – Coordinate/Conduct Investigations into potential cases of fraud at the Council
- **Ethics Reporting** – Implementing a new Hotline/Online Reporting System for Fraud and Ethics Complaints
- **Training** – Coordinated training for Cybersecurity, Risk Assessment in 2019, regularly train New Managers of Fraud Risk
- **Governance** – Monitor Governance as part of Risk Assessment, Technology Governance in 2018.

Audit Accomplishments

	Complete	Moved to 2020	Ongoing	Grand Total
Audits	10	5	3	18
Consultations	4	1	2	7
External Audits	6	1	0	7
Grand Total	20	7	5	32

Overall, The Audit Department completed 20 out of 32 total projects on the 2019 Audit Plan (62%). Five projects including work related fare enforcement, bus operators, Southwest Light Rail construction and technology assets are on-going and will be presented in 2020. An unexpected FTA audit and involvement in about a dozen investigations affected our ability to complete the Audit Plan as expected.

Peer Review

- In 2019, the Audit Department completed a peer review in accordance with IIA requirement – every five years
- Self-assessment with independent validation
- Audit staff completed a full self-assessment using an external assessment manual, and those results were reviewed and validated by two audit staff from HealthPartners.
- Audit generally conforms with the vast majority of IIA standards.
- Identified actions we could take to improve in areas where we partially conformed.

Audit Process Improvement

Among accomplishments in 2019

- we developed an audit checklist for staff to better comply with IIA guidance
- continued to improve and better document audit risk assessment and audit planning process
- improved our internal documentation of approved contractor overhead rates; and develop new or improved work instructions

We plan to continue to refine these and other tools in 2020

- development of a new and improved audit database
- review of our product line
- improvements to our workflow for handling complaints and investigations

Key Accomplishments

Purchasing Cards

Made several recommendations to improve internal control and oversight over the use of purchasing cards by Council Staff.

Liquid Waste Haulers

Recommended improvements to procedures to help improve accountability of Council oversight of dumping activities at Council Facilities.

FTA Compliance

Made a series of recommendations to a half dozen transportation providers to help ensure compliance with applicable FTA regulations requirements including vehicle maintenance, drug and alcohol testing, and equal employment opportunity. In addition, Audit coordinated efforts to respond to an FTA Financial Management Oversight Review.

Key Accomplishments Cont.

Cybersecurity

On-going consultation including coordinating a post-incident investigation, providing insight and oversight of Cyber-related controls, monitoring of technology governance activities and consultation and advice related to improvement of the Council's Cybersecurity Program.

Consulting Activity

Offered advice on a wide range of topics including contract and grant management, prevailing wage requirements, and subrecipient internal controls.

Special Projects

Cyber Threats in the Public Sector

Coordinated a training with the US Attorney's Office for about 100 Council and other public sector employees. Cyber security experts from the United States Attorney's Office, the FBI, the Department of Homeland Security and the private sector discussed the current threat landscape for the public sector, data security, costs, preventive measures, and how to work with law enforcement.

Looking Ahead

Highlights for 2020 Audit Plan

Fare Enforcement
Southwest Light Rail Oversight
Technology Asset Inventory
Payroll — Timekeeping
Non-Standard Agreements

2020 Special Projects

Development of Internal Audit Strategic Plan
Deployment of EthicsPoint Solution Council-wide
Preparing for 2021 FTA Triennial Review



Questions?