

# Audit Committee

Meeting date: January 13, 2010

## ADVISORY INFORMATION

<b>Date:</b>	January 13, 2010
<b>Subject:</b>	Performance Information for 2009
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Audit Committee Charter, IIA Standard 1300 Quality Assurance and Improvement Program
<b>Staff Prepared/Presented:</b>	Kathleen Shea, Director
<b>Division/Department:</b>	Program Evaluation and Audit

### Proposed Action

None, information only

### Background

The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (1300) require that the chief audit executive/Director develop and maintain a quality assurance and improvement program for the internal audit activity. The program includes both internal and external components. Each year, I report to the Committee on the internal components of our quality assurance and review program.

There are several ways we collect information to evaluate our performance in Program Evaluation and Audit to try to get a complete picture of our operation, what we do well and where we can improve.

- Projects planned versus those completed for the year, based on last year's plan approved by the Audit Committee help to assess our productivity, when tempered by the number of requests or staffing fluctuations.
- Status of recommendations made – the percentage of those that we implemented versus any that may have been disregarded or have been delayed or set aside can help to show how relevant our recommendations were to our clients and how clearly we demonstrated their benefits.
- Client satisfaction with individual projects completed provides feedback on performance for specific work on specific audits by specific staff members. This is often the most direct input we get from clients about our work, and is very valuable to us in assessing ourselves and our performance.
- Overall client satisfaction surveys taken organization-wide tell us about our reputation around the organization and how we are perceived by our clients and potential clients around the Council.

### 2009 Projects

Originally, 15 projects were selected for 2009, assuming 70% of staff time was committed to planned projects and 30% was left open for requested work, which is generally high priority, but unplanned, work. Of the 15 original projects, 11 were completed by year's end. Three more are in progress and will be reported at the next

Audit Committee Meeting. Some of the delay was due to a staff departure that occurred in late summer where the position was not filled for about 10-12 weeks, slowing workload progress.

One project that was not completed, on Grants and Subrecipient Agreements, was discussed in detail during the Federal Transit Administration's Triennial Review of the Council, so it was deferred for a later date. The planned projects included 2 FTA reviews, the Triennial Review, a comprehensive review of all Council transportation programs conducted once every three years, and a review of the Disadvantaged Business Enterprise Consolidated Certification Program. There were also two reviews conducted at the Central Corridor Project Office in 2009.

In addition to the planned projects, our assistance was requested with seven additional projects that were unplanned but needed in a brief timeframe. The projects included a review of the new UPA program, which awarded money for projects with a very brief time allowed for completion and reporting, as well as consultation on federal compliance of a capital project constructed by a suburban transit provider. Audit also conducted 17 investigations during 2009. So, the total number of completed projects for 2009 was 37.

### **Recommendations Made**

During the course of the year, Program Evaluation and Audit made 35 recommendations to clients in its reports. As of year-end, all of those recommendations have either been implemented or are on track towards implementation. None have been rejected or are lapsing behind the initial timeline.

Also, Program Evaluation and Audit findings netted \$106,850 in savings for the Council in 2009, most in direct cost overcharges identified in an audit of contractors on the Central Corridor Project.

For external reviews during this time, three FTA reports were issued containing a total of 21 recommendations. All of the corrective actions for the recommendations have been made with information submitted to FTA by November 30, 2009.

As has been our practice, we also monitor the database of recommendations for any recommendations left open from prior years, and any which are incomplete or off track are reported to the Regional Administrator and the Audit Committee. The Property Management Review from 2008 made several recommendations related to developing a policy and procedures for property management throughout the Council. Those recommendations have not yet been implemented. However, the Office of the General Counsel has been without leadership for a lengthy period of time and current General Counsel Don Muetting and Deputy Chief Financial Officer Mary Bogie have reaffirmed that they are moving ahead in this key area. Although this resolution is behind schedule, it is moving forward again and seems likely to reach a final resolution within the year. Therefore, we do not view it as a problem at this time. I am not aware of any other past-due or unaddressed findings from prior years.

### **Customer Satisfaction**

After a Program Evaluation and Audit project, the client receives a simple survey that asks about how well we did our work. Among the key issues addressed, survey questions ask about the performance of staff, quality of communication and the outcome of the audit.

As in prior years, the return rate for the surveys was quite high, 92%. The scores reflect high rates of client satisfaction with the work of the audit staff.

- 100% found the auditor to be objective in reviewing their program.
- 100% felt the report was clearly written.
- 92% understood the basis for recommendations. The remaining 8% was actually a single individual who reported that the basis was explained better at the exit conference.
- 100% of clients reported that they would be implementing the recommendations made.

Some examples of comments made by audit clients on surveys included:

- "It is a pleasure for me to work with Audit. I know that is contra to the idea of an "audit," but I look to them for an opportunity to enhance what I do, to have a "fresh set of eyes" on our processes."
- "Audit provides a perspective to the FTA that the departments don't have an opportunity to show them."
- "The auditor was very communicative. Though the entire length of the audit ended up being quite some time (because of other priorities for the auditor), I felt she kept me informed very well."
- "We have been using the Audit Department as a resource for fraud throughout the year. They have been of great assistance to us in resolving fraud issues."

The Division also participates in the annual Regional Administration Customer Satisfaction Survey, where all of the central service departments survey managers and supervisors throughout the Council about satisfaction with their services. As a relatively small division, our response numbers are somewhat smaller than most. 28 respondents indicated that they used our services. 90 reported that they had some contact with us in the last year.

1. The customer satisfaction rates are up for all types of audits performed by Program Evaluation and Audit.
2. Satisfaction is also up for characteristics like objectivity, listening, clear recommendations, and listening to clients.
3. We received positive comments about facilitating the FTA's triennial review, timeliness and approachability. "Quick to respond to issues. Always willing to help." "Good at communicating."
4. On the more negative side, we got comments about being too strict or being around a little too much. "Be more flexible on rules. They are too literal." "Spread out the audits more. We were overwhelmed with audits this year."

Overall, 2009 was a good year for the Program Evaluation and Audit Division. We look forward to new challenges and opportunities in 2010.