



Consent

Agenda Item 5g

March 18, 2014

ITEM NAME: Office of Audit Services Quarterly Status Report

PROGRAM: Audit Services

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

In accordance with the International Standards for the Professional Practice of Internal Auditing, the Office of Audit Services presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of December 31, 2013.

STRATEGIC PLAN

This item is not a specific product of the Strategic Plan, but is required by the Board approved Audit Resolution Policy and the Office of Audit Services Charter.

BACKGROUND

On a quarterly basis, the Office of Audit Services updates the Risk and Audit Committee on audit activity and audit resolution.

ANALYSIS

Public agency reviews

During the second quarter, 6 public agency reviews were completed with a total of 29 findings. Of the 29 new findings, 45 percent were compensation findings, such as members' regular earnings and special compensation not being correctly reported. To date, this fiscal year, 22 public agency reviews have been completed with a total of 134 findings. In addition, 72 reviews are in progress for the current fiscal year, 70 full audits and another 2 reviews focused on single in-depth issues.

During the quarter, 53 findings were resolved, leaving 136 still open as of December 31, 2013. Detail on all public agency findings is available on file in the Office of Audit Services, upon request. Please see Attachment 1 for additional information on public agency findings. The table on the next page shows the aging trend of all open public agency findings as of December 31, 2013.

Table 1 – Percentage trend of unresolved findings – Public Agency Reviews

Fiscal Year	Total Findings	At the End of the 1 st FY (Yr Report was Issued)	At the End of the 2 nd FY	At the End of the 3 rd FY	At the End of the 4 th FY
2007-08	328	41%	9%	1%	0%
2008-09	457	28%	8%	1%	0%
2009-10	455	40%	14%	4%	0%
2010-11	457	41%	19%	0.4%	-
2011-12	304	67%	11%	-	-
2012-13	151	50%	-	-	-
2013-14	134*	-	-	-	-

*At second quarter

Internal audits

As of December 31, 2013, there are no unresolved internal findings over one year old, continuing the enterprise's compliance with the Board approved Audit Resolution Policy. During the quarter, 18 findings were resolved, leaving 36 still open as of December 31, 2013. Overall, we have noted a significant trend toward more timely resolution of internal findings over the past several years. Please see Attachment 1 for additional information on internal audit findings.

During the second quarter, 6 internal audits were completed with a total of 21 findings. Of the 21 findings, 52 percent were operational findings, 38 percent were compliance findings, 5 percent were strategic findings, and 5 percent were financial findings.

Status of Audit Plan

The fiscal year 2013-14 Approved Audit Plan is in progress. The Office of Audit Services will continue to monitor and recommend any additional modifications of the audit plan to respond to changing conditions.

Real estate reviews

During the second quarter, 5 real estate reviews were completed which included a total of 37 findings. A majority of the issues were related to property management such as incomplete tenant lease files, incomplete vendor or contractor files, and cost allocation.

Fifteen reviews are in progress and we anticipate six reports will be issued in the third quarter of fiscal year 2013-2014.

Financial statement audit management letter – Macias Gini & O’Connell LLP

The draft management letter as prepared by Macias Gini & O’Connell for fiscal year ended June 30, 2013, as well as the status of prior years’ observations, will be presented in Agenda Item 7a. Observations in the 2013 management letter, as well as any remaining from prior years, will be reported to the Risk and Audit Committee until each is fully resolved and Macias Gini & O’Connell concurs that corrective action has been implemented.

BUDGET AND FISCAL IMPACTS

Not applicable.

ATTACHMENTS

Attachment 1 – Status of Audit Findings Dashboard

MARGARET JUNKER, Chief
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GINA M. RATTO
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