



Consent

Agenda Item 4d

June 17, 2014

ITEM NAME: Quarterly Status Report - Office of Audit Services

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 March 31, 2014.

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

To date, this fiscal year, 27 public agency reviews have been completed, 16 of which were issued in draft as of June 30, 2013. In addition, 74 additional reviews are in progress for the current fiscal year. During the third quarter, Office of Audit Services completed 5 public agency reviews with a total of 11 findings. Of the 11 new findings, most related to non-compliant pay schedules and reporting of earnings and special compensation.

During the quarter, 63 findings were resolved, leaving 84 still open as of March 31, 2014. Detail on all public agency findings is available from the Office of Audit Services, upon request. Please see Attachment 1 for additional information on public agency findings. Table 1 shows the aging trend of all open public agency findings as of March 31, 2014. The trend toward prompt resolution of findings is overall positive.

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	145*	-	-	-	-

*At third quarter

Internal audits

As of March 31, 2014, 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, 14 findings were resolved, leaving 35 still open as of March 31, 2014. 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 third quarter, 4 internal audits were completed with a total of 13 findings in operational and compliance areas.

Status of Audit Plan

The fiscal year 2013-14 Approved Audit Plan is in progress. As part of our plan, to remain flexible and responsive to the fast-changing conditions in the current environment, and ensure the Office of Audit Services' support of key enterprise initiatives and management requests, we refreshed the audit plan by deferring *Cash Management* based on timing of internal initiatives for the program area. This review will be performed in FY 2015-16. 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 third quarter, 6 real estate reviews were completed which included a total of 41 findings. A majority of the issues were related to property management such as incomplete tenant lease files and incomplete vendor or contractor files.

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

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

The Board’s financial statement auditors, Macias Gini & O’Connell LLP, presented the Management Letter for the June 30, 2013 financial statement audit at the March 2014 Risk and Audit Committee. The auditor reported on one material weakness and one significant deficiency in internal controls over financial reporting, which require immediate corrective action, as well as two additional observations. The observations are summarized on Attachment 2. Summarized status of prior year findings is in Attachment 3. The full detail on all current and prior year findings, recommendations, and management’s responses are available on file in the Office of Audit Services, upon request.

All open findings will be reported to the Risk and Audit Committee until fully resolved and Macias Gini & O’Connell concurs that corrective action has been implemented, in accordance with the Board-approved Audit Resolution Policy.

BUDGET AND FISCAL IMPACTS

Not applicable.

ATTACHMENTS

- Attachment 1 – Status of Audit Findings Dashboard
- Attachment 2 – Status of Current Year Financial Statement Audit Management Letter Comments
- Attachment 3 – Status of Prior Year Financial Statement Audit Management Letter Comments

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