



## **Internal Audit Report for October 2020**

### **Summary**

---

Two reports were issued during the month:

- 1. Talent Development**
- 2. Audit Research Project – Construction In-Process**

### **Discussion Section**

This report highlights the significant activities of the Internal Audit Department during October 2020. In addition to presenting background information and the opinion expressed in the audit report, a discussion of findings noted during the examination is also provided.

---

### **Talent Development**

The year began with recognizable goals and objectives. These included collaborating with the Board and management to build an Annual Audit Plan. However, this audit centric dynamic changed in March 2020 when the COVID-19 pandemic struck. These events challenged audit management to find connections through our separation and unity amid our divisions.

In response, we suspended audit fieldwork, so that audit inquiries did not burden critical and essential functions. Instead, we shifted our energy and direction into talent development.

Audit management's challenge has always been to build an agile and resilient organization with an adaptive workforce skills strategy. What this meant to us was that we needed to assess staff skills and develop training to build a workforce that can adapt to changing business models while creating a culture of continuous learning. We believe that this is an ongoing process that fosters staff confidence and promotes professional growth.

We started with the employee evaluation process, where we identified the skills that were currently in the department. We established this as our baseline and searched for training that drives engagement and encourages staff ownership. We aligned training programs with the Institute of Internal Auditors (IIA) professional standards that stimulate employees and helps them adapt to the demands of a virtual workplace. We believe that these training programs increase productivity, create uniformity of work processes, reduce supervision, and support the promotional opportunities for staff. Moreover, department policies require auditors to obtain a minimum of 40 hours of continuing education units per year on topics including audit, accounting, fraud, and ethics. From March through October, staff completed over 400 hours of training. These efforts satisfied our minimal training requirements.

Topics covered:

- High Rise Fire Life Safety – MWD required
- California Workplace Harassment - MWD required
- P-Card Training & Certification – MWD required
- COVID 19 – MWD required
- Ethics Training - MWD Ethics Office
- Telework Fundamentals – Employee & Manager
- Stop Auditing Useless Controls – Audit fieldwork refresher course.
- Ethics – Mandated by the Audit Department Charter. IIA training of ethical principles and expectations governing the conduct of internal auditing.
- The Internal Controls Toolkit. Detailed in-service training addressing the risks associated with critical business processes and discusses the controls that mitigate risk.
- Cybersecurity Emerging Issues – Professional Certification Required
- Fraud Awareness – Professional Certification Required
- GASB/FASB Accounting Standards update – Professional Certification Required

The staff that holds professional certifications, such as Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), and the Certified Information System Auditor (CISA), enrolled in training to satisfy specific certification requirements.

---

## **Audit Research Project – Construction In-Process**

A critical component of Internal Audit's ongoing effort to provide independent, objective assurance and consulting services to Metropolitan involves assessing risk. Essential to that process is developing a thorough understanding of the risk universe and its principal components. One critical element of the Metropolitan's risk universe is its Capital Investment Plan (CIP).

Our April 2020 Monthly Report discussed a limited scope, a non-audit research project that we completed. This comprehensive study confirmed our understanding of the statutory requirements, Administrative Code, policies, procedures, and internal controls governing CIP. In doing so, we worked with management and staff from Engineering Services, Ethics, and the Controller's Office. We developed detailed flowcharts for each phase of the CIP process, including project initiation, planning, design, bidding and awarding contracts, project management, close-out, contractor billing, payment, recording, and reporting.

With the coronavirus pandemic and the move to teleworking, operating practices were modified to accommodate a virtual work environment. Collaborating with Engineering, we updated our documentation to reflect these changes. The primary changes involved manual activities, moving to automated applications, and in-person meetings changing to virtual or socially distanced events. We collaborated with Engineering personnel to update our records and to understand changes in the control structure. We will leverage this work in our upcoming CIP audits.