



SOUTHERN CALIFORNIA  
ASSOCIATION OF GOVERNMENTS  
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Los Angeles, CA 90017  
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www.scag.ca.gov

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## REMOTE PARTICIPATION ONLY

# AUDIT COMMITTEE

*Wednesday, February 3, 2021*  
*10:30 a.m. – 12:00 p.m.*

**To Participate on Your Computer:**  
<https://scag.zoom.us/j/316673359>

**To Participate by Phone:**  
**Call-in Number: 1-669-900-6833**  
**Meeting ID: 316 673 359**

***Please see next page for detailed  
instructions on how to participate in the meeting.***

### **PUBLIC ADVISORY**

Given recent public health directives limiting public gatherings due to the threat of COVID-19 and in compliance with the Governor's recent Executive Order N-29-20, the meeting will be held telephonically and electronically.

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Peter Waggonner at (213) 630-1402 or via email at [waggonner@scag.ca.gov](mailto:waggonner@scag.ca.gov). Agendas & Minutes are also available at: [www.scag.ca.gov/committees](http://www.scag.ca.gov/committees).

SCAG, in accordance with the Americans with Disabilities Act (ADA), will accommodate persons who require a modification of accommodation in order to participate in this meeting. SCAG is also committed to helping people with limited proficiency in the English language access the agency's essential public information and services. You can request such assistance by calling (213) 630-1402. We request at least 72 hours (three days) notice to provide reasonable accommodations and will make every effort to arrange for assistance as soon as possible.



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## Instructions for Public Comments

*You may submit public comments in two (2) ways:*

1. **Submit written comments via email to: [ePublicComment@scag.ca.gov](mailto:ePublicComment@scag.ca.gov) by 5pm on Tuesday, February 2, 2021.**

All written comments received after 5pm on Tuesday, February 2, 2021 will be announced and included as part of the official record of the meeting.

2. **If participating via Zoom or phone, during the Public Comment Period, use the “raise hand” function on your computer or \*9 by phone and wait for SCAG staff to announce your name/phone number. SCAG staff will unmute your line when it is your turn to speak. Limit oral comments to 3 minutes, or as otherwise directed by the presiding officer.**

If unable to connect by Zoom or phone and you wish to make a comment, you may submit written comments via email to: [ePublicComment@scag.ca.gov](mailto:ePublicComment@scag.ca.gov).

***In accordance with SCAG’s Regional Council Policy, Article VI, Section H and California Government Code Section 54957.9, if a SCAG meeting is “willfully interrupted” and the “orderly conduct of the meeting” becomes unfeasible, the presiding officer or the Chair of the legislative body may order the removal of the individuals who are disrupting the meeting.***

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### OUR MISSION

*To foster innovative regional solutions that improve the lives of Southern Californians through inclusive collaboration, visionary planning, regional advocacy, information sharing, and promoting best practices.*

### OUR VISION

*Southern California’s Catalyst for a Brighter Future*

### OUR CORE VALUES

*Be Open | Lead by Example | Make an Impact | Be Courageous*



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## Instructions for Participating in the Meeting

SCAG is providing multiple options to view or participate in the meeting:

### To Participate and Provide Verbal Comments on Your Computer

1. Click the following link: <https://scag.zoom.us/j/316673359>
2. If Zoom is not already installed on your computer, click “Download & Run Zoom” on the launch page and press “Run” when prompted by your browser. If Zoom has previously been installed on your computer, please allow a few moments for the application to launch automatically.
3. Select “Join Audio via Computer.”
4. The virtual conference room will open. If you receive a message reading, “Please wait for the host to start this meeting,” simply remain in the room until the meeting begins.
5. During the Public Comment Period, use the “raise hand” function located in the participants’ window and wait for SCAG staff to announce your name. SCAG staff will unmute your line when it is your turn to speak. Limit oral comments to 3 minutes, or as otherwise directed by the presiding officer.

### To Listen and Provide Verbal Comments by Phone

1. Call **(669) 900-6833** to access the conference room. Given high call volumes recently experienced by Zoom, please continue dialing until you connect successfully.
2. Enter the **Meeting ID: 316 673 359**, followed by #.
3. Indicate that you are a participant by pressing # to continue.
4. You will hear audio of the meeting in progress. Remain on the line if the meeting has not yet started.
6. During the Public Comment Period, press \*9 to add yourself to the queue and wait for SCAG staff to announce your name/phone number. SCAG staff will unmute your line when it is your turn to speak. Limit oral comments to 3 minutes, or as otherwise directed by the presiding officer.

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### AC - Audit Committee *Members – February 2021*

1. **Hon. Jan C. Harnik**  
Chair, RCTC
2. **Hon. Margaret Finlay**  
Vice Chair, Duarte, RC District 35
3. **Hon. Sean Ashton**  
Downey, RC District 25
4. **Hon. Michael Carroll**  
Irvine, RC District 14
5. **Hon. Margaret Clark**  
Rosemead, SGVCOG
6. **Hon. Clint Lorimore**  
Eastvale, RC District 4
7. **Hon. Steve Manos**  
Lake Elsinore, RC District 63
8. **Hon. Fred Minagar**  
Laguna Niguel, RC District 12
9. **Sup. Carmen Ramirez**  
Ventura County
10. **Hon. Ali Saleh**  
Bell, RC District 27
11. **Hon. Marty Simonoff**  
Brea, RC District 22
12. **Hon. Cheryl Viegas-Walker**  
El Centro, RC District 1
13. **Hon. Alan Wapner**  
SBCTA Representative
14. **Hon. Edward Wilson**  
Signal Hill, GCCOG

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## AUDIT COMMITTEE AGENDA

Southern California Association of Governments

Remote Participation Only

Wednesday, February 3, 2021

10:30 AM

The Audit Committee may consider and act upon any of the items listed on the agenda regardless of whether they are listed as Information or Action Items.

### CALL TO ORDER AND PLEDGE OF ALLEGIANCE

*(The Honorable Jan Harnik, Chair)*

### PUBLIC COMMENT PERIOD

Members of the public are encouraged to submit written comments by sending an email to: [ePublicComment@scag.ca.gov](mailto:ePublicComment@scag.ca.gov) by 5pm on Tuesday, February 2, 2021. Such comments will be transmitted to members of the legislative body and posted on SCAG's website prior to the meeting. Written comments received after 5pm on Tuesday, February 2, 2021 will be announced and included as part of the official record of the meeting. Members of the public wishing to verbally address the Audit Committee will be allowed up to 3 minutes to speak, with the presiding officer retaining discretion to adjust time limits as necessary to ensure efficient and orderly conduct of the meeting. The presiding officer has the discretion to reduce the time limit based upon the number of comments received and may limit the total time for all public comments to twenty (20) minutes.

### REVIEW AND PRIORITIZE AGENDA ITEMS

### CONSENT CALENDAR

#### Approval Item

1. Minutes of the October 6, 2020 Meeting

### INFORMATION ITEMS

2. Fiscal Year (FY) 2019-20 External Audit 15 Mins.  
*(Joshua Margraf, Internal Auditor)*
  3. Risk Assessment 10 Mins.  
*(Joshua Margraf, Internal Auditor)*
  4. Labor Charging Review 15 Mins.  
*(Joshua Margraf, Internal Auditor)*
  5. Project Management Process Improvement and Audit Status 15 Mins.  
*(Kome Ajise, Executive Director)*
  6. Internal Audit Status Report 10 Mins.  
*(Joshua Margraf, Internal Auditor)*
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**FUTURE AGENDA ITEM/S**

**ANNOUNCEMENT/S**

**ADJOURNMENT**



Southern California Association of Governments  
Remote Participation Only  
February 3, 2021

**AUDIT COMMITTEE (AC)  
MINUTES OF THE MEETING  
TUESDAY, OCTOBER 6, 2020**

THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE AUDIT COMMITTEE. A VIDEO RECORDING OF THE ACTUAL MEETING IS AVAILABLE AT: <http://scag.iqm2.com/Citizens/>

The Audit Committee held its regular meeting telephonically and electronically given public health directives limiting public gatherings due to the threat of COVID-19 and in compliance with the Governor’s recent Executive Order N-29-20. A quorum was present.

**Members Present**

Hon. Jan Harnik, <b>Chair</b>		<b>RCTC</b>
Hon. Sean Ashton,	<i>Downey</i>	District 25
Hon. Margaret Clark	<i>Rosemead</i>	District 32
Hon. Margaret Finlay, <b>Vice Chair</b>	<i>City of Duarte</i>	District 35
Hon. Clint Lorimore	<i>City of Eastvale</i>	District 4
Hon. Steve Manos	<i>Lake Elsinore</i>	District 63
Hon. Fred Minagar	<i>Laguna Niguel</i>	District 12
Hon. Carmen Ramirez	<i>Oxnard</i>	District 45
Hon. Ali Saleh	<i>Bell</i>	District 27
Hon. Marty Simonoff	<i>Brea</i>	District 22
Hon. Cheryl Viegas-Walker	<i>El Centro</i>	District 1
Hon. Alan D. Wapner	<i>Ontario</i>	SBCTA

**Members Not Present**

Hon. Michael Carroll	<i>Irvine</i>	District 14
Supv. Linda Parks		Ventura County
Hon. Edward Wilson	<i>Signal Hill</i>	District 11

**CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

The Honorable Jan Harnik called the meeting to order at 1:00 p.m., and asked Councilmember Marty Simonoff, City of Brea, District 22, to lead the Pledge of Allegiance.

**PUBLIC COMMENT PERIOD**

There were no public comments.

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**REVIEW AND PRIORITIZE AGENDA ITEM**

There were no reprioritizations made.

**SELECTION OF VICE CHAIR**

A MOTION was made (Ashton) and SECONDED (Simonoff) to nominate and select Hon. Margaret Finlay, City of Duarte, as the Vice Chair. The motion was passed by the following roll call vote:

FOR: Ashton, Clark, Finlay, Harnik, Lorimore, Manos, Minagar, Ramirez, Saleh, Simonoff, Viegas-Walker and Wapner (12).

AGAINST: None (0).

ABSTAIN: None (0).

**CONSENT CALENDAR****Approval Items**

1. Minutes of the April 29, 2020 Meeting
2. Proposed Meeting Schedule
3. Internal Audit Charter

A MOTION was made (Finlay) and SECONDED (Ashton) to approve the Consent Calendar. The motion was passed by the following roll call vote:

FOR: Ashton, Clark, Finlay, Harnik, Lorimore, Manos, Minagar, Ramirez, Saleh, Simonoff, Viegas-Walker and Wapner (12).

AGAINST: None (0).

ABSTAIN: None (0).

**ACTION ITEMS**

4. Annual Audit Plan



Joshua Margraf, Internal Auditor, provided a brief overview of the annual audit plan and provided highlights on the plan's priorities for this fiscal year, which are based on the annual risk assessment process and include information on reviews related to the agency's IT and Operations. Mr. Margraf noted that Internal Audit hopes to perform all the reviews listed in the plan, but that the plan is subject to change, and Internal Audit's time can be impacted by the number of pre-award reviews or other non-audit it is requested to perform. Mr. Margraf requested that the Committee approve the plan.

A MOTION was made (Finlay) and SECONDED (Simonoff) to approve staff's recommendation. The motion was passed by the following roll call vote:

FOR: Ashton, Clark, Finlay, Harnik, Lorimore, Manos, Ramirez, Saleh, Simonoff, Viegas-Walker and Wapner (11).

AGAINST: None (0).

ABSTAIN: None (0).

#### **INFORMATION ITEMS**

##### **5. Project Management Process Improvement and Audit Status**

Kome Ajise, Executive Director, provided updates on agency project management improvements as well as the Caltrans audit status since the last Audit Committee meeting, which was held on April 29, 2020. He reported that SCAG has complied with all 39 Corrective Action Plans (CAPs) requirements, and all have now been completed. However, Caltrans has not yet officially certified that SCAG has met all CAP requirements. Additionally, as part of the audit and feedback from Caltrans, SCAG staff have developed training to help further improve agency project management and procurement processes. He noted that most staff have completed mandatory project management training, and that training will continue monthly until all employees have completed it.

Mr. Ajise commented that the establishment of an Enterprise-Wide Project Management Office (EPMO), which is a major industry standard, will be an important addition to the agency to help bring best practices to the agency's project management activities and make them available to staff. He asked Debbie Dillon, Chief Strategy Officer, to provide additional highlights of the EPMO program.

Ms. Dillon provided background information regarding the creation of the EPMO, which is intended to ensure best practices related to project management will be embedded into agency procedures and consistently followed. She noted that as part of SCAG's employee development program, a qualified SCAG staff member was hired into the EPMO for a one-year rotational assignment. Ms. Dillon

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commented that the position would initially report to the Chief Strategy Officer and then transition to continuing the remaining work and process improvements established by the 4P's staff committee (4P's).

Ms. Dillon concluded that staff would continue to provide updates to the Committee.

#### 6. Internal Audit Status Report

Joshua Margraf, Internal Auditor, presented the Internal Audit Status Report, which lists work performed since the last Committee meeting. Mr. Margraf provided highlights of reports included from previous agenda items in this packet: risk assessment results, lessons-learned from performing pre-award reviews, and assistance in SCAG's process improvement efforts with project management training. Regarding the agency's Ethics Hotline monitoring, he noted that no new reports had been received since the last AC meeting in January, and that SCAG is in the process of completing an open case.

AC members had questions regarding Caltrans audit findings and whether SCAG had addressed all the corrective action plan (CAP) requirements. Mr. Margraf directed the questions to Mr. Ajise, as he indicated that Internal Audit has not been primarily involved in responding to the findings. Mr. Ajise, Executive Director, responded that SCAG has complied with all 39 CAP requirements, which the agency deems completed, but that Caltrans has not yet made a final determination related to all CAP findings, and that periodic reviews by Caltrans auditors may continue in order to certify and reassess SCAG actions in response to the CAPs as well as whether improvements had been made. Mr. Ajise also responded to questions regarding staff reimbursements and expenses incurred relating to staff working remotely.

#### ADJOURNMENT

There being no further business, Chair Harnik adjourned the Audit Committee meeting at 1:37 p.m.

Respectfully submitted by:  
Carmen Summers  
Audit Committee Clerk

[MINUTES ARE UNOFFICIAL UNTIL APPROVED BY THE AUDIT COMMITTEE]

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Southern California Association of Governments  
Remote Participation Only  
February 3, 2021

**To:** Audit Committee (AC)  
**From:** Joshua Margraf, Internal Auditor,  
(213) 236-1890, margraf@scag.ca.gov  
**Subject:** Fiscal Year (FY) 2019-20 External Audit

EXECUTIVE DIRECTOR'S  
APPROVAL

**RECOMMENDED ACTION:**  
Information Only – No Action Required

**STRATEGIC PLAN:**  
This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

**EXECUTIVE SUMMARY:**  
*SCAG's external independent auditor will present the preliminary FY 2019-20 audit report.*

**BACKGROUND:**  
SCAG's external independent auditors, Eide Bailly, LLP, have completed their audit of SCAG's FY 2019-20 financial statements.<sup>1</sup> They will present the results to the Audit Committee.

**FISCAL IMPACT:**  
None

**ATTACHMENT(S):**  
1. PowerPoint Presentation - FY 2019-20 External Financial Audit Briefing

<sup>1</sup>A copy of the Comprehensive Annual Financial Report (CAFR) is located at <https://scag.ca.gov/financial-reports>.



## SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Communication With Those Charged With Governance



## AUDIT SERVICES

- Audit of the Comprehensive Annual Financial Report (CAFR)
- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*
- Audit report on compliance over major federal programs, schedule of expenditures of federal awards and internal control in accordance with 2 CFR 200 (Single Audit)

# OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with U.S. GAAP.
- Express an opinion as to whether SCAG complied with direct and material compliance requirements described in the OMB Compliance Supplement for major federal programs.
- Our responsibility is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- We considered internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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## SUMMARY OF AUDIT RESULTS

Financial Statements	<ul style="list-style-type: none"><li>• Unmodified opinion on the CAFR</li></ul>
Government Auditing Standards	<ul style="list-style-type: none"><li>• No material weaknesses reported</li><li>• No instances of noncompliance reported</li></ul>
Single Audit	<ul style="list-style-type: none"><li>• Major Programs<ul style="list-style-type: none"><li>• 20.205: <i>Highway Planning and Construction Cluster</i></li></ul></li><li>• Unmodified opinion on compliance</li><li>• No material weaknesses reported</li></ul>

# AUDITOR COMMUNICATIONS

## Ethics and Independence

- We have complied with all relevant ethical requirements regarding independence.

## Significant Accounting Policies

- Adopted GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

## Significant Estimates

- Net Pension Liability
- Net Other Postemployment Benefits (OPEB) Liability

## Sensitive Disclosures

- Pensions and OPEB (Notes 12 and 14, respectively)
- Recovery of Disallowed Grant Costs (Note 15)

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# AUDITOR COMMUNICATIONS

## Misstatements

- No uncorrected or corrected misstatements were reported.

## Consultations with Other Accountants

- Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## Significant Difficulties

- We encountered no significant difficulties in dealing with management.

## Disagreements with Management

- No disagreements arose during the course of the audit.

# SERVING LOCAL GOVERNMENT

## Audit & Assurance

- Financial Audit
- Review
- Compilation
- Agreed-Upon Procedures
- Single Audit
- Internal Audit
- Internal Control Review
- Annual Training on Government Accounting Standards

## Forensic & Valuation

- Fraud Prevention
- Fraud Detection
- Fraud Investigation
- Employee Background Checks
- Employee Hotline
- Business Valuation

## Consulting Services

- Cash Flow Management
- Budgeting Process and Planning
- Documentation of Financial Policies and Procedures
- Operational and Process Improvement
- Strategic Planning
- Human Resources Consulting

## Technology Consulting

- Business Applications
- Consulting and Advisory Services
- Information Technology Outsourcing

## Accounting Services

- Outsourced Accounting and Bookkeeping Services
- Financial Statement Preparation
- Capital Asset Tracking and Depreciation Calculation

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# THANK YOU

Roger Alfaro

Partner

[ralfaro@eidebailly.com](mailto:ralfaro@eidebailly.com)

909.466.4410



CPAs & BUSINESS ADVISORS

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.



Southern California Association of Governments  
Remote Participation Only  
February 3, 2021

**To:** Audit Committee (AC)  
**From:** Joshua Margraf, Internal Auditor,  
(213) 236-1890, margraf@scag.ca.gov  
**Subject:** Risk Assessment Report

EXECUTIVE DIRECTOR'S  
APPROVAL

**RECOMMENDED ACTION:**  
Information Only – No Action Required

**STRATEGIC PLAN:**  
This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

**EXECUTIVE SUMMARY:**  
*Internal Audit will perform a risk assessment that includes input from the Audit Committee and management.*

**BACKGROUND:**  
Internal Audit performs an annual risk assessment per audit standards to help determine audit priorities and maximize use of department resources.<sup>1</sup> Risk assessment results inform annual audit planning. The process includes sending the Audit Committee and members of management a risk assessment input form that lists various risk areas, and requesting they rate the level of risk for each risk area (low, moderate, or high). Risk areas are based on prior and current audit work as well as past assessments. In addition, respondents can identify any concerns they may have and/or specify issues they would like to see addressed. See Attachment 1 for a copy of the risk assessment input form, and Attachment 2 for brief descriptions of the risk areas listed on the form.

Following today’s meeting, Internal Audit will send Committee members and management a copy of the risk input form and request that they return the completed form to Internal Audit by a specific date. Internal Audit will report on the results of this process at a later Committee meeting.

<sup>1</sup>Institute of Internal Auditors (IIA), *International Standards for the Professional Practice of Internal Auditing (Standards)*, (Jan. 2017).





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**FISCAL IMPACT:**

None

**ATTACHMENT(S):**

1. Risk Assessment Input Form
2. Definitions of Risk Areas



**RISK ASSESSMENT INPUT FORM**  
**FISCAL YEAR 2021-22**

<b>Name:</b>	
<b>Date:</b>	

RISK AREAS	DEGREE OF RISK		
	High	Moderate	Low
Business Continuity / Recovery Planning			
Cash Management			
Contract / Vendor Monitoring			
Ethics			
Financial Reporting			
Form 700			
Human Resources			
Information Services / Technology			
Procurement / Contracts			
Project Management			
Strategic Plan			
Sub-recipient Monitoring			
Other (please indicate risk in comments section)			

<b>COMMENTS:</b>          
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PLEASE SAVE COMPLETED FORM and E-MAIL AS AN ATTACHMENT TO: [margraf@scag.ca.gov](mailto:margraf@scag.ca.gov).

Josh Margraf, Internal Auditor  
 Tel: 213.236.1890

Attachment: Risk Assessment Input Form (Risk Assessment Report)

The following list contains a brief description of each risk area that is listed on the *Risk Assessment Input Form*.

#### **BUSINESS CONTINUITY PLANNING/RECOVERY PLANNING**

Plans for business continuity and/or recovery planning in the event of a disruption or disaster should exist, and be reviewed for adequacy, and tested.

#### **CASH MANAGEMENT**

Practices, processes and procedures used in the collection, handling, disbursing, investing, and usage of cash.

#### **CONTRACT/VENDOR MONITORING**

Practices, processes and procedures used to ensure invoices are legitimate, allowable, and in accordance with contract terms. In addition, practices, processes and procedures used by SCAG to track and monitor consultant/vendor performance.

#### **ETHICS**

All SCAG employees must comply—at all times—with SCAG’s Ethics Policy. All employees must read and obtain an understanding of the policy.

#### **FINANCIAL REPORTING**

Periodic, monthly, and/or annual reporting of activities of an entity according to Generally Accepted Accounting Principles (GAAP). SCAG typically has an independent CPA firm review its financial statements as part of the Comprehensive Annual Financial Report (CAFR).

#### **FORM 700**

Every elected official and public employee who makes or influences governmental decisions must submit a Statement of Economic Interest, also known as Form 700, which helps provide transparency and accountability by: (1) providing information on officials’ personal financial interests to show officials’ decisions are in the public’s best interest, and (2) serving as a reminder to officials of potential conflicts of interest so they can abstain from making or participating governmental decisions deemed conflicts of interest.

#### **HUMAN RESOURCES**

Practices, processes, and procedures used by human resources to help ensure SCAG follows applicable legal requirements, including equal opportunity practices, including hiring practices as well as privacy and security practices.

#### **INFORMATION SERVICES/TECHNOLOGY**

Practices, processes, and procedures related to management of IT services and equipment as well as security in the IT area. Also, includes practices, processes, and procedures used to help ensure that SCAG receives the services it is paying for and that SCAG data are secure.

#### **PROCUREMENT/CONTRACTS**

Practices, processes and procedures SCAG uses to acquire goods and/or services from an external source. SCAG’s procurement process must follow federal and state guidelines while also being fair and transparent.

**PROJECT MANAGEMENT**

Practices, processes, and procedures used by SCAG to manage projects, from inception to completion. SCAG projects can include staff effort, consultant effort, or a combination of both.

**STRATEGIC PLAN**

A Strategic Plan should exist. It should be current, and staff should follow its provisions in carrying out agency objectives.

**SUBRECIPIENT MONITORING**

Practices, processes, and procedures used by SCAG to monitor any subrecipients that received federal funding via SCAG to ensure SCAG and any subrecipients are in compliance with applicable federal regulations.



Southern California Association of Governments  
Remote Participation Only  
February 3, 2021

**To:** Audit Committee (AC)  
**From:** Joshua Margraf, Internal Auditor,  
(213) 236-1890, margraf@scag.ca.gov  
**Subject:** Labor Charging Review

EXECUTIVE DIRECTOR'S  
APPROVAL

**RECOMMENDED ACTION:**  
Information Only – No Action Required

**STRATEGIC PLAN:**  
This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

**EXECUTIVE SUMMARY:**  
*Internal Audit reviewed SCAG's labor/time charging and found that without a formal written policy it is challenging to effectively and efficiently measure the accuracy and reasonableness of labor/time charging.*

**INTRODUCTION:**  
Project management, including managing staff effort, has been identified as a risk area during the annual risk assessment process. Part of managing staff effort includes helping ensure labor charged to projects and tasks is accurate, allowable, and reasonable. Per state and federal requirements, employee compensation must be reasonable and conform to SCAG's established written time charging policy.<sup>1</sup> Last summer, Internal Audit was notified that a staff member charged time to a task they did not directly work on because that staff's assigned tasks ran out of funding.<sup>2</sup> Internal

<sup>1</sup>2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, states that compensation costs are allowable to the extent they meet certain requirements, including that compensation is reasonable for services rendered and conforms to the established written policy of the non-federal entity, which is consistently applied to both federal and non-federal activities (section 430). SCAG's Master Fund Transfer Agreement (MFTA) with Caltrans states that SCAG will agree to comply with 2 CFR 200 (Article III, section 1A). In addition, corrective actions from the Caltrans Incurred Cost and Indirect Cost Allocation Plan audits require SCAG to develop and implement written policies and procedures for proper and consistent labor charging practices.

<sup>2</sup>Internal Audit was notified in July 2020 that staff had charged time on a project they did not directly work on during the last part of fiscal year (FY) 2020. Given that the charging happened for one task, it is unclear how prevalent this occurs (i.e. staff charging time to tasks they did not directly work on).

Audit confirmed this with the staff's manager, who approves timesheets.<sup>3</sup> To see how SCAG's control activities related to labor charging address instances such as this as well as to identify what formal control activities are in place related to labor charging, I sought a copy of the agency's official labor/time charging policy. However, I was told the policy as well as related procedures are not complete and are being finalized.<sup>4</sup> Without a written policy document that clearly outlines consistent labor charging procedures, identifies control activities and defines accountability, it is difficult to effectively and efficiently measure the accuracy and reasonableness of labor charging and the extent to which it conforms to the agency's established written labor/time charging policy.

**BACKGROUND:**

As a sub-recipient of federal funds, SCAG's employee compensation must be reasonable and conform to an established written policy. Supervisors determine which projects are assigned to staff during a fiscal year. SCAG tracks projects at the task level. Both staff labor and consultant work are charged to and tracked by task numbers—tasks are identified in project codes on both timesheets and in invoice packages. SCAG is developing a policy as well as procedures related to employee time charging with the aim to finalize them in February 2021. SCAG has provided informal guidance to staff, which includes e-mails from the Finance Division and trainings related to labor/time charging.

**SCOPE AND METHODOLOGY:**

To gain an understating of SCAG's policy and procedures for labor/time charging as well as determine the extent to which labor/time charging is accurate, allowable, and reasonable, I requested a copy of SCAG's official labor/time charging policy and procedures. Since they are being finalized, I was not provided with a copy (draft or otherwise). Therefore, I: (1) reviewed guidance available to staff; (2) reviewed recorded labor costs for a sample of employees; and (3) sent questions to managers since they review and approve employee timesheets.<sup>5</sup> Regarding labor/time charging, I compared tasks listed in SCAG's Agencywide Labor Budget Report at the beginning of fiscal year (FY) 2020 for each employee in the sample with their recorded labor costs for FY2020.<sup>6</sup> In

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<sup>3</sup>The manager noted that having staff charge to tasks that they do not directly work on tends to happen towards the end of a fiscal year. They added that the preferred method to mitigate lack of funding is to process a budget amendment to add more funds to a task. In this instance, there did not seem to be enough time to process an amendment, so the manager looked for broad work elements that seemed applicable for the staff to charge. The manager added that specific agency guidance on how to charge time as well as what to do if funding runs out would be helpful.

<sup>4</sup>I initially requested a copy of SCAG's official written labor/time charging policy in July 2020. I was told SCAG is working on budget policies and procedures that will cover labor/time charging, and a draft would be made available by July 31, 2020. When following up on the initial request, I was informed that SCAG hopes to complete the budget policies and procedures by August 31, 2020. I did not receive draft copies. According to the Budget and Grants manager, the current time frame for completion and implementation is February 15, 2021.

<sup>5</sup>I randomly selected a sample of 16 employees (or ten percent of employees) at the time of sample selection (August 2020).

<sup>6</sup>SCAG's Agency-wide Labor Budget Report is an Excel file available on the agency's intranet. It lists task numbers assigned to staff during a fiscal year, and the Budget and Grants Department maintains and regularly updates the report. These task numbers are used to record labor charges in the accounting system. I compared tasks listed in the report at the beginning of FY2020 with FY2020 recorded labor costs for employees in the sample. For recorded labor costs, I extracted data from SCAG's accounting system.

addition, I compared dates staff reviewed/approved invoices with how their labor was recorded on the dates the invoices were approved to see if the task numbers charged corresponded to the task numbers listed in the invoice packages.<sup>7</sup> I did this initially for FY2020, and then for the first two quarters of FY2021.<sup>8</sup> I also sent questions and tried to meet with pertinent staff. This work was performed between July 2020 and January 2021.

#### RESULTS:

SCAG is currently finalizing and plans to implement an official labor/time charging policy and procedures. In lieu of a formal policy or procedures, SCAG has provided interim guidance to staff. For instance, SCAG discussed the importance of labor/time charging at a staff meeting on April 10, 2019, including the need to contact the Accounting Department to obtain task numbers for timesheets. On September 19, 2019, SCAG's Chief Financial Officer (CFO) sent an e-mail to staff that contained a memo titled "Interim Written Guidance for Project Management & Related Financial/Procurement Practices/Policies/Procedures." This memo discussed which staff can charge certain task numbers as well as when to charge administrative time, but lacked specific information including how to develop and budget hours for tasks, which staff can charge task numbers and procedures for what to do if funding runs out, among other things. Additionally, SCAG held a training on November 13, 2019 that stressed the importance of not charging to a task simply because it has available budget, and that staff should use the Agency-wide Labor Budget Report to track task budgets. It also noted that supervisors must review timesheets before approving them, and that a personnel activity report is the most reliable way to track hours.<sup>9</sup> More recently, in September 2020, the Accounting Department started listing labor charging and labor monitoring practices in bi-weekly timesheet reminder e-mails. Also, the Budget and Grants manager uploaded a presentation to the agency's intranet during this time frame (the document is dated September 23, 2020) that lists the same labor charging and labor monitoring practices as those in the timesheet reminder e-mail. This list is not comprehensive and lacks details (such as how to implement/carry-out the practices), and the practices do not appear to be implemented through an official policy. However, the presentation did note that a next step for the agency is to develop written policies and procedures for consistent labor charging practices.

Without an official written policy that clearly outlines consistent labor charging procedures as well as defined accountability, it is challenging to evaluate the agency's effectiveness in ensuring proper labor/time charging. I attempted to gauge the accuracy and reasonableness of labor/time charging

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<sup>7</sup>The comparison was at the task level because the Agencywide Labor Budget Report lists the task number, and that number is used to record labor costs in the accounting system as well track consultant expenditures in consultant invoice packages.

<sup>8</sup>SCAG's FMS database listed 14 employees in the sample as project managers for consultant contracts during FY2020. I used this information from FMS to identify and review consultant invoice packages. I compared approval dates and task numbers listed in the invoice packages with how staff labor was recorded in the accounting system on the date the invoice was approved. SCAG's fiscal year has four quarters: the first quarter is from July to September; the second from October to December; the third from January to March; and the fourth from April to June.

<sup>9</sup>There does not appear to be a standardized personnel activity report.

by using a random sample of employees (the sample included 16 individuals) to review how their labor was recorded, which entailed two comparisons. The results of these comparisons are below.

- (1) First, I compared task allocations listed in SCAG's Agencywide Labor Budget Report from the start of FY2020 with labor charges recorded in FY2020.<sup>10</sup> Labor charges were incurred on tasks not initially listed in the Agencywide Labor Budget Report for seven staff members. Charges to these tasks occurred throughout the fiscal year. The dollar amounts were relatively small (less than \$4,300). I sought out documentation that authorized/approved the additions and/or charges to these tasks. The documentation request was made to the Budget and Grants Department because it is responsible for maintaining the Agencywide Labor Budget Report. According to staff, the department gets approval from a staff's supervisor to add new tasks to a timesheet, and that the approval would include an explanation regarding the need to charge those tasks. Documentation provided shows when tasks were added to timesheets but did not always include detailed rationale.<sup>11</sup> It appears in some instances that charges to new tasks were an error on the employee's part, and in other instances tasks were added as part of a budget amendment. According to the Budget and Grants manager, the Accounting Department maintains an Excel sheet on SCAG's intranet to document all requests to charge tasks. This practice was started in January 2020.
- (2) Second, I compared the date staff reviewed and approved consultant invoices with how their labor/time was recorded on the invoice approval date to determine the extent to which task numbers listed in the invoice package corresponded to task numbers for which labor was recorded.<sup>12</sup> The comparison was initially done for FY2020, but I extended it to the first two quarters of FY2021 because labor charging records are available, and there were a large number of complete invoice packages for this period.<sup>13</sup> From the sample of 16, eight employees reviewed and approved consultant invoices during FY2020. This resulted in a comparison of 146 invoice packages with how labor was recorded.<sup>14</sup> In 13 instances, tasks listed in the invoice package matched labor records. In 133 instances, the tasks did not match. For the first two

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<sup>10</sup>I used FY2020 because it was the most recent fiscal year with complete data of recorded labor costs. This comparison entailed comparing the task numbers assigned to staff in the sample with how their labor was recorded (i.e. which task numbers were charged).

<sup>11</sup>According to the Budget and Grants manager, employees initiate requests to supervisors to add task numbers to their timesheets. Supervisors then e-mail the Budget and Grants Department, which documents the request in an Excel spreadsheet maintained by the Accounting Department. The initial e-mails are not saved as Budget and Grants staff document the request in the spreadsheet.

<sup>12</sup>Labor is recorded at the task level and invoice packages record expenditures at the task level.

<sup>13</sup>The Accounting Department started including labor practices in bi-weekly timesheet reminders in September 2020, after this review started, so an expectation was that the comparison of available FY21 data could possibly help demonstrate the extent of the reminders' effectiveness.

<sup>14</sup>The total number of invoice packages reviewed for FY2020 was 250, but several invoice packages showed approvals from someone other than the project manager listed in FMS (i.e. the employees from the sample), did not show approval, and/or did not list a task number, among other things.



quarters of FY2021, six staff from the sample reviewed and approved invoices. This resulted in a comparison of 19 invoice packages with the labor records.<sup>15</sup> In two instances tasks matched the labor records. In 17 instances the tasks did not match. This type of comparison is limited in that: (1) it is unclear how much time staff spend on reviewing and approving invoices (for instance, depending on the complexity of the work performed by the consultant as well as the amount of information contained in an invoice, staff time spent reviewing and approving invoices would likely differ); (2) not all employees in the sample reviewed invoices; and (3) although FMS listed staff from the sample as a contract's project manager, other employees seemed to have reviewed and approved invoices.

Supervisors review staff timesheets and determine the percentage of time their staff will spend on tasks per fiscal year. As such, I sent questions related to labor charging to SCAG managers in September 2020 to learn how they help ensure labor charges are accurate, allowable, and reasonable. The response rate was very low in that three managers provided responses out of a possible 19 respondents, making it difficult to generalize from responses received.<sup>16</sup> From those received, it was noted that tasks tend to run out of funding towards the end of a fiscal year, particularly in cases where tasks are shared between multiple departments (i.e. multiple staff charge the same task number). Additionally, the responses indicated more guidance related to labor charging would be helpful, including readily available and accessible budget expenditure information available to all staff. Although it was noted that supervisors approve new tasks for staff timesheets, one of the respondents said the Budget and Grants Department approves new tasks only if funding is available. Because of the low response rate, it is difficult to gauge the extent to which managers understand and/or follow the agency's available labor charging guidance.

#### **CONCLUSION:**

Without a formalized written policy that clearly outlines consistent agency labor charging procedures as well as defined accountability, it is difficult to effectively and efficiently measure how accurate and reasonable labor/time charging is, or the extent to which the agency is conforming to state and federal requirements (e.g. employee compensation must be reasonable and conform to an established written time charging policy). Internal control standards state that management should implement control activities through policies.<sup>17</sup> Further, formalized policies and procedures better allow for clear demarcation of responsibility, authority, and accountability while increasing transparency and making evaluation of control activities more straightforward in terms of meeting

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<sup>15</sup>The total number of invoice packages reviewed for FY2021 was 85. Like FY2020, several invoice packages showed approval from someone other than the project manager listed in FMS, did not show approval, and/or did not list a project/task number, among other things.

<sup>16</sup>Questions were initially sent to SCAG managers on September 14, 2020. A follow-up was sent on September 21, 2020. On September 28 I inquired to the Planning Division's liaison to the Internal Audit department regarding how to improve the response rate, and they indicated they would discuss it at Planning Division managers meeting.

<sup>17</sup>Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (Washington, D.C., September 2014).

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agency objectives (which include compliance).<sup>18</sup> SCAG has provided interim guidance to staff in the form of trainings and e-mails, such as listing labor practices in timesheet reminders, but as a placeholder until former policies and procedures are complete, the guidance is not overly specific. Measuring effectiveness of and providing assurance over, control activities is challenging if they are not formally implemented and clearly detailed.

**RECOMMENDATION:**

SCAG should develop and implement a robust official/formal labor/time charging policy and procedures as soon as it can to help ensure compliance with pertinent state and federal requirements as well as help ensure labor/time charging is accurate, allowable, and reasonable.

**MANAGEMENT RESPONSE:**

SCAG Management reviewed this report and indicated that while management has provided guidance on appropriate labor charging, as detailed in the report, it agrees with the recommendation to create a formal labor charging policy. Management plans to have an initial draft of the policy prepared by mid-February.

**FISCAL IMPACT:**

None

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<sup>18</sup>Per internal control standards, organizational objectives fall under three categories: operations, reporting, and compliance.

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Southern California Association of Governments  
Remote Participation Only  
February 3, 2021

To: Audit Committee (AC)

EXECUTIVE DIRECTOR'S  
APPROVAL

From: Kome Ajise, Executive Director,  
(213) 236-1835, Ajise@scag.ca.gov

Subject: Project Management Process Improvement and Audit Status

**RECOMMENDED ACTION:**

Information Only - No Action Required

**STRATEGIC PLAN:**

This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

**EXECUTIVE SUMMARY:**

*At the October 6, 2020 meeting, staff provided an update regarding the Caltrans Corrective Action Plans and Plan for Cost Substitution, Continuing Process Improvement and the Enterprise Project Management Office. This report provides a status update on those items and other agency efforts underway to support continuous improvement for project management and related processes, policies, and procedures.*

**BACKGROUND:**

**A. Corrective Action Plans - One Outstanding Response Due from Caltrans**

As of the October 6, 2020 Audit Committee meeting SCAG was waiting on one outstanding response due from Caltrans regarding the under-recovery of indirect costs in the amount of \$598,332 as of June 30, 2017 and we anticipate closure on this item in the next few months.

**B. Enterprise Project Management Office (EPMO) and Continuing Process Improvement**

The EPMO was established in May 2020 with the hiring of a Lead Projects Manager who is on a rotational developmental assignment from the Planning Division. The Lead Projects Manager reports to the Executive Director's Office through Debbie Dillon, Chief Strategy Officer. The EPMO works closely with the Planning Division which is also in the process of staffing up its project delivery team. In late November, SCAG welcomed Jenna Hornstock as the new Deputy Director of Planning – Special Initiatives. The new Deputy Director will lead our housing production efforts, overseeing the \$47 million Regional Early Action Program, as well as developing a vision and strategy for an inclusive regional economic recovery. The Planning Division is also in the process of recruiting a principal management analyst who will

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support the Planning Director in budget and program monitoring and process improvements, and an additional management analyst to support the local technical assistance delivery team.

Additional improvements or activities that have taken place or are in process since the October 6, 2020 Audit Committee include the following:

1. Two staff completed the Project Management Professional (PMP) Certification preparation course to take the PMP exam in advance of offering similar opportunities to all existing and aspiring project managers at SCAG. One staff has received their certification the other is in the process of scheduling the exam.
2. Staff has implemented a project management planning template that was developed by a consultant. The EPMO helped identify superusers throughout the agency who received training as additional support within business units. Training on the template was provided to all project managers in January. The training was recorded and made available “on demand” on the SCAG Intranet in the Project Management Resources site.
3. The EPMO is assisting Finance business units with educating staff and streamlining access to various existing tools including the Solicitation Intake Form which is a matrix/checklist that assists project managers with compiling everything they need to begin a procurement properly and efficiently. Training was provided on December 16, 2020 and was recorded and is available on the SCAG Intranet in the Project Management Resources site.
4. With the hiring of a new Chief Financial Officer (CFO), the EPMO established a new committee focused on additional improvements to the procurement process. This team began meeting weekly in November and is currently focused on implementing new updates to the Procurement Manual and piloting the usage of more on call services procurement models to improve efficiency. In addition to updates to specific procurement procedures, a foreword was added to the Procurement Manual. This foreword explicitly states SCAG’s commitment to fair and competitive procurement practices while adhering to all applicable federal, state, and local laws. The foreword recognizes that our manual is predominately based on Caltrans’ procurement procedures, and that at times, specific special grants may have differing requirements allowing SCAG to move through the procurement process more efficiently. The updated Procurement Manual is expected to be implemented in February. The committee will be working on prioritizing other efforts related to contracting and procurement in the coming weeks.
5. The CFO and Manager of Contracts recently joined a stakeholder review group that assists the Caltrans Local Assistance Program with future updates to its Local Assistance Procedures

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Manual which is a resource for SCAG in administering the projects funded through Caltrans. Caltrans' Local Assistance Program oversees more than one billion dollars annually available to over 600 cities, counties and regional agencies for the purpose of improving their transportation infrastructure or providing transportation services. This funding comes from various Federal and State programs specifically designed to assist the transportation needs of local agencies. Annually, over 1,200 new projects are authorized through the Local Assistance Program of which approximately 700 are construction projects.

6. The EPMO conducted an agency-wide survey, held focus groups about project management tools, practices and training, and conducted benchmarking across the state with similar agencies. The findings are being consolidated in a report along with recommendations to support both short term quick fixes and longer-term strategies for achieving optimal project management practices and methodologies at SCAG.
7. Additionally, SCAG continues to move away from Cost-Plus-Fixed Fee contracts and toward Lump Sum format, when appropriate. Of the 26 active procurements at January 23, 2021, sixteen or 61.54%, were structured as Lump Sum contracts with milestone or progress payments. That payment structure requires less administration and is more attractive to potential bidders as long as the scope of work in the Request for Proposals is drafted with enough specificity. Contracts is working with Project Managers to develop each new scope of work to that level to maximize the number of Lump Sum contracts.

**FISCAL IMPACT:**

SCAG is awaiting resolution of under recovery of the in the amount of \$598,332 as of June 30, 2017 and we anticipate closure on this item in the next few months.



Southern California Association of Governments  
Remote Participation Only  
February 3, 2021

**To:** Audit Committee (AC)  
**From:** Joshua Margraf, Internal Auditor,  
(213) 236-1890, margraf@scag.ca.gov  
**Subject:** Internal Audit Status Report

EXECUTIVE DIRECTOR'S  
APPROVAL

**RECOMMENDED ACTION:**  
Information Only - No Action Required

**STRATEGIC PLAN:**  
This item supports the following Strategic Plan Goal 7: Secure funding to support agency priorities to effectively and efficiently deliver work products.

**EXECUTIVE SUMMARY:**  
*The Internal Auditor will describe work performed since the last Audit Committee meeting.*

**BACKGROUND:**  
Since the last Audit Committee meeting, Internal Audit has performed pre-award reviews; received updates regarding IT initiatives; reviewed labor/time charging; prepared for the upcoming annual risk assessment; and monitored SCAG's Ethics Hotline.

*A. Pre-award Reviews*

Table 1 lists results of pre-award review work since the last Audit Committee meeting.<sup>1</sup>

**Table 1: Pre-award Reviews performed by Internal Audit**

<u>Contract Number (Consultant)</u>	<u>Proposal Amount</u>	<u>Questioned Costs</u>	<u>% of Proposed Amount</u>	<u>Final Contract Amount</u>
20-044 (KTUA)	\$167,831	\$0		\$161,792
20-052 (Alta Planning + Design)	\$249,939	\$0		\$239,944
20-055 (Fehr & Peers)	\$245,948	(\$26,533)	10.79%	\$219,414
20-057 (Willdan)	\$499,421	(\$95,516)	19.13%	\$492,989

<sup>1</sup>Pre-award reviews are non-audit services performed at the request of Contracts staff. A pre-award review request is typically based on one of the following: (1) if an overall proposal is \$250,000 or more, (2) if a direct labor rate is \$100 per hour or more, (3) if an overhead rate exceeds 150 percent, or (4) if a fringe rate is 50 percent or higher. Internal Audit performs pre-award reviews after SCAG selects a consultant proposal, but prior to contract negotiation and execution. Pre-award reviews inform and help Contracts Department staff with cost negotiations by identifying whether consultants' proposed rates are reasonable, allocable, and allowable as well as highlighting potential risks that may be posed by a consultant (e.g. inability to provide requested support for proposed costs, cannot meet contracting requirements, etc.).

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20-069 (Arroyo Group)	\$99,992	(\$540)	0.54%	\$99,942
20-073 (LSA Associates)	\$180,744	\$0		\$149,948
20-074 (Toole Design)	\$238,483	(\$20,445)	8.57%	\$224,753
20-076 (Toole Design)	\$380,343	(\$51,090)	13.43%	\$336,684
20-082 (HR Green)	\$501,209	(\$64,546)	12.88%	\$463,684
21-001 (Toole Design)	\$108,650	(\$4,312)	3.97%	\$108,650
21-003 (Fehr & Peers)	\$129,993	(\$2,540)	1.95%	\$127,453
21-008 (KOA)	\$388,786	(\$22,495)	5.79%	\$320,841
Totals	\$3,191,329	(\$288,017)		\$2,946,094

Internal Audit completed multiple pre-award reviews since the last Committee meeting. The information in Table 1 is for contracts that have been executed. Internal Audit has also completed pre-award reviews on contracts that have yet to be executed, and will report the results, including dollar amounts, at the next Committee meeting.<sup>2</sup> Questioned costs are not always sustained for various reasons, such as removal of subconsultants, shifting work to the prime consultant, and consultants providing additional information following the pre-award review, among other things. Contract negotiations can also reduce proposed costs.

*B. IT Update*

Following successful deployment of upgraded laptops to all SCAG staff, Information Technology (IT) has started to roll out Microsoft Office 365 applications to all staff to include training. Thirteen Office 365 applications will be deployed in three phases. Training will also be deployed in corresponding phases and include OneDrive, Stream and Whiteboard. The new versions of these applications will provide innovative ways to help enable productivity and collaboration across the agency during remote work and beyond. Additionally, the IT Department is configuring Microsoft Teams as a replacement for Skype for Business and aims to deploy the application to all staff during spring 2021. Microsoft Teams will become SCAG’s internal platform for meetings, chat, calls, as well as integration with agency project resources and communications.

SCAG’s IT Department is evaluating the agency’s disaster recovery and business continuity plans, which includes assessing site locations for the secondary data center. SCAG’s primary data center is in Las Vegas, Nevada, while the back-up site is situated in Southern California. In planning for resilience and business continuity, a secondary data center outside of the SCAG region can provide greater assurance of failover capabilities during any disasters that may interrupt the agency’s power and networks, among other things. SCAG expects to select a new back-up site location as part of the agency’s overall infrastructure refresh project currently underway and extending into fiscal year (FY) 2022.

*C. Review of Labor Charging*

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<sup>2</sup>Internal Audit completed pre-award reviews for 10 contracts that have yet to be executed. These include: 20-045, 20-048, 21-005, 21-006, 21-007, 21-009, 21-015, 21-016, 21-020, and 21-026.

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The Internal Audit Department reviewed labor charging. This review was listed under planned audit work in the annual audit plan. SCAG is in the process of finalizing an official written labor charging policy and has interim guidance labor/time charging available for staff. A separate report on this review is included in the agenda package.

*D. Risk Assessment*

The Internal Audit Department performs an annual risk assessment per audit standards to help determine audit priorities and maximize use of department resources.<sup>3</sup> Risk assessment results inform annual audit planning. Like last year, the Internal Audit Department will send a risk assessment input form to Committee members and management that lists various risk areas, and request they rate the level of risk for each risk area. A separate report on this process is included in the agenda package.

*E. External Audits*

Eide Bailly has completed its audit of SCAG's FY 2019-20 financial statements and will provide the results of audit work to the Committee. A separate report regarding the Eide Bailly audit is included in the agenda package.

*F. Ethics Hotline Monitoring*

SCAG closed out an existing report, and there have been no new reports from the Ethics Hotline since the last Committee meeting in October.

**FISCAL IMPACT:**

None

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<sup>3</sup>Institute of Internal Auditors (IIA), *International Standards for the Professional Practice of Internal Auditing (Standards)*, (Jan. 2017).

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