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Carmen Ramirez, Oxnard

Transportation
Barbara Messina, Alhambra

REGULAR MEETING

AUDIT COMMITTEE

Friday, March 24, 2017
2:30 p.m. – 4:00 p.m.

SCAG Main Office
818 W. 7th Street, 12th Floor
Policy Committee Room A
Los Angeles, CA 90017
(213) 236-1800

Teleconference will be available

If members of the public wish to review the attachments or have any questions on any of the agenda items, please contact Carmen Summers at (213) 236-1984 or via email at SUMMERS@scag.ca.gov. Agendas & Minutes for the Audit Committee are also available at: http://www.scag.ca.gov/committees/Pages/default.aspx

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 contacting Tess Rey-Chaput at (213) 236-1908. 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.

Audit Committee Membership
March 24, 2017

Members	**Representing**
1. Hon. Alan Wapner, Ontario, (**Chair**)	**SBCTA/SBCOG, SCAG, 2nd Vice-President**
2. Hon. Michele Martinez, Santa Ana	**District 16, SCAG, President**
3. Hon. Margaret Finlay, Duarte, (**Vice Chair**)	**District 35, SCAG 1st Vice-President**
4. Hon. Cheryl Viegas-Walker, El Centro	**District 1, SCAG, Imm. President**
5. Hon. Glen Becerra, Simi Valley	**District 46**
6. Hon. Greg Pettis, Cathedral City	**District 2**
7. Hon. Edward H. J. Wilson, Signal Hill	**Gateway Cities COG**

Teleconference Locations

Hon. Margaret Finlay
2221 Rim Road
Duarte, CA 91008

Hon. Michele Martinez
300 W. 2nd Street
Santa Ana, CA 92701

Hon. Cheryl Viegas-Walker
3205 S. Dogwood Road, Suite B
El Centro, CA 92243

Hon. Greg Pettis
City Hall
68700 Avenida Lalo Guerrero
Cathedral City, CA 92234

Hon. Glen Becerra
Los Angeles Metro
One Gateway Plaza
Los Angeles, CA 90012-2952

Hon. Ed Wilson, CPA (Inactive)
Mayor Signal Hill
City Hall
2175 Cherry Ave.
Signal Hill, CA 90755

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AUDIT COMMITTEE
TELECONFERENCE INFORMATION
Pursuant to Government Code Section §54953

INSTRUCTIONS REGARDING TELECONFERENCE

Teleconference number provided under separate cover

For Brown Act requirements, please ensure that your agenda is posted at your teleconference location.

Thank you. If you have any questions, please call Carmen Summers at (213) 236-1984

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AUDIT COMMITTEE
AGENDA
MARCH 24, 2017

	TIME	PG#

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 & PLEDGE OF ALLEGIANCE
(Hon. Alan Wapner, Chair)

ROLL CALL

PUBLIC COMMENT PERIOD – Members of the public desiring to speak on items on the agenda, or items not on the agenda, but within the purview of the Audit Committee must fill out and present a speaker's card to the Assistant prior to speaking. Comments will be limited to three (3) minutes per speaker provided that the Chair has the discretion to reduce this time limit based on the number of speakers. The Chair may limit the total time for all public comments to twenty (20) minutes.

REVIEW and PRIORITIZE AGENDA ITEMS

CONSENT CALENDAR

Approval Items

1.	Minutes of the November 29, 2016 Meeting	**Attachment**		**1**

ACTION ITEM

2.	Fiscal Year (FY) 2016-17 External Auditor Selection ***(Richard Howard, Internal Auditor)***	**Attachment**	**30 min**	**7**

Recommended Action: Review selected External Auditor as recommended by the Proposal Review Committee (PRC), and make a formal recommendation to the Regional Council regarding the appointment thereof.

INFORMATION ITEMS

3.	New Ethics Hotline Update ***(Richard Howard, Internal Auditor)***	**Attachment**	**10 min**	**9**
4.	IT Initiative – IT Summary ***(Richard Howard, Internal Auditor)***	**Attachment**	**20 min**	**11**
5.	Internal Audit Status Report ***(Richard Howard, Internal Auditor)***	**Attachment**	**10 min**	**25**

AUDIT COMMITTEE
AGENDA
MARCH 24, 2017

TIME ***PG#***

STAFF REPORT
IT Cyber Security Update
(Catherine Kirschbaum, CIO)

FUTURE AGENDA ITEMS

Any member or staff desiring to place items on a future agenda may make such a request.

ANNOUNCEMENTS

ADJOURNMENT

The next regular Audit Committee meeting is scheduled for Tuesday, May 9, 2017 at the SCAG Los Angeles Office.

Audit Committee
of the
Southern California Association of Governments

November 29, 2016

Minutes

THE FOLLOWING MINUTES ARE A SUMMARY OF ACTIONS TAKEN BY THE AUDIT COMMITTEE. AN AUDIO OF THE ACTUAL MEETING IS AVAILABLE FOR LISTENING IN SCAG'S OFFICE.

The Audit Committee held its meeting at the SCAG offices in downtown Los Angeles.

Members Present	**Representing**
Hon. Alan Wapner, Ontario, (**Chair**)	SANBAG, 2nd Vice-President
Hon. Michele Martinez, Santa Ana	District 16, SCAG President (Via Teleconference)
Hon. Margaret Finlay, Duarte	District 35, SCAG 1st Vice-President (Via Teleconference)
Hon. Cheryl Viegas-Walker, El Centro	District 1, SCAG Imm. Past President (Via Teleconference)
Hon. Carl Morehouse, San Buenaventura	District 47, SCAG (Via Videoconference)
Hon. Greg Pettis, Cathedral City	District 2 (Via Teleconference)

Members Not Present	
Hon. Glen Becerra, Simi Valley	District 46
Hon. Edward H. J. Wilson, Signal Hill	Gateway Cities COG

CALL TO ORDER
Hon. Alan Wapner, Chair, called the meeting to order at 2:33 p.m. and led in the Pledge of Allegiance.

ROLL CALL
A roll call was taken and it was determined that a quorum was present.

PUBLIC COMMENT PERIOD
None.

REVIEW and PRIORITIZE AGENDA ITEMS
There was no reprioritization requested.

Audit Committee
of the
Southern California Association of Governments

November 29, 2016

Minutes

CONSENT CALENDAR

Approval Items

1. Minutes of the August 16, 2016 Meeting

2. 2017 Proposed Meeting Schedule

A MOTION was made (Finlay) and SECONDED (Martinez) to approve the Consent Calendar Approval Items, with the 2017 Proposed Meeting Schedule amended to replace the "March 14, 2017" meeting date with "March 24, 2017". The motion was passed by the following vote:

AYES: Wapner, Finlay, Martinez, Morehouse, Pettis and Viegas-Walker (5).
NOES: None (0).
ABSTAIN: None (0).

INFORMATION ITEMS

3. Fiscal Year (FY) 2016-17 Preliminary External Financial Audit

Basil Panas, Chief Financial Officer, introduced Ms. Peggy McBride, Engagement Partner, and Ms. Linda Narciso, Engagement Partner, Vasquez & Company, LLC, (Vasquez) SCAG's outside independent auditors who presented the FY 2016-17 preliminary audit report. The audit scope key areas of emphasis, the summary of audit results, the risk assessment performed, financial statement highlights, internal control structure and compliance and testing for fraud procedures were presented in detail. Ms. McBride reported that SCAG would receive an Unmodified Opinion for its FY 2016-17 financial statements and Single Audit Report, and also recommended that SCAG implement a Code of Conduct for the agency. Staff concurred.

Ms. Narciso explained how the new accounting pronouncements for the current and future years, particularly GASB 72 (additional disclosure that will be noted in the fair value measurement for financial reporting purposes) and GASB 75, (financial reporting for Postemployment Benefits Other Than Pensions) will have an impact on SCAGs future financial statements.

During discussion, staff and the audit team responded on the comments and questions expressed by the Committee, including comments pertaining checks and balances as it related to conflict of interests of the Form 700; and questions regarding the in-depth analysis conducted in the audit process. In addition, in preparation of the next fiscal year budget, the Committee asked staff to report and prepare for the March 24, 2017 Audit Committee meeting, a "Peer Group" survey (survey of peer organizations to SCAG) on where SCAG fits with respect to pension funding and liability. Staff concurred.

The Committee thanked staff for their commitment and work on consistently maintaining an Unmodified - "Clean" audit on SCAG's Internal Controls over Financial Reporting and Compliance. The Committee also thanked the audit team for a thorough audit presentation.

4. Regional Council (RC) – Travel Expenses and Stipends

Joshua Margraf, Assistant Internal Auditor, provided an overview and background information of Internal Audit's review of SCAG's travel policies. As part of examining SCAG travel policies and procedures, Internal Audit reviewed those related specifically to Regional Council (RC) members, to include travel expense reimbursements and stipends.

After reporting on the concerns related to the RC travel policies and submission procedures used for submitting travel expense reimbursements and stipends, Mr. Margraf referred to new electronic expense submission software that accounting is exploring that would streamline the approval process for reimbursement and expense claims by making the submission process electronic. He noted that Internal Audit had several recommendations for SCAG to consider, including, but not limited to the list below:

- Review the RC travel policy (last amended on April 7, 2005), and SCAG's *Travel Policy and Guidelines* to (1) determine if they meet the needs of the agency or require updating, and (2) to clearly indicate in writing which policy (RC travel policy or staff travel policy) applies to certain areas, such as travel authorizations and excess lodging;
- Review how RC travel is authorized (e.g. who should authorize the travel) to determine if it meets the needs of the agency and clarify the approval in the RC travel policy;
- Review its current procedures for intake and processing of RC travel expense reimbursements to see they align with overall policies; and
- Review Article VI, Section 1 of the *Regional Council Policy Manual*, given that it was last amended on February 5, 2009, to determine if it still meets the needs of the agency or should be updated.

During discussion between Committee members and SCAG staff regarding the processes for updating the RC manual, the Committee asked staff to craft policies: (1) with clear procedures and guidelines that are consistent; (2) that creates an efficient process for both RC member and staff; (3) that differentiate North America from International travel; and, (4) that apply priority to ensuring a transparency.

Darin Chidsey, COO, concurred with the Committee and Internal Audit's recommendations. He noted that updating the RC manual is a current priority, and that once the RC manual is updated, it would need to be submitted to the Bylaws & Resolution Committee for approval prior to being adopted by the RC at the May 2017 General Assembly.

Basil Panas, CFO, provided additional details regarding SCAG's paperless initiative. He stated that the new electronic expense submission software would streamline the travel expense reimbursement process for both RC members and staff. He noted that once a final decision is made on the type of software (early next year time frame), it would take approximately six weeks to implement.

The Committee requested that once the new electronic expense submission software is online, that a presentation be made at a future Joint Committee meeting to refresh and orient everyone with the new online submission procedures for their travel expense claims and reimbursements.

5. SCAG Information Security Status

Catherine Kirschbaum, CIO, provided a brief overview addressing the information security challenges and risks due to cybersecurity threats. She noted that SCAG will undertake additional security measures in calendar year 2017 that will meet the expanding cybersecurity needs.

In clarifying questions expressed by the Committee, Ms. Kirschbaum explained how SCAG protects its systems and data from cybersecurity threats through multiple layers of systems, controls and practices. She cited examples of the practices and processes that are currently in place, which include, but are not limited to: staff awareness, monthly meetings with key users, failover testing, audit trail reviews, multiple signoffs, cross functional review changes, and user satisfaction surveys, all designed to protect SCAG's financial data and ensure availability of data and systems for daily operations. The full Information Security Status report was included in the agenda packet.

Ms. Kirschbaum described the additional protections that are scheduled to take place in calendar year 2017, which include moving SCAG's secondary data failover site and communications hub from Los Angeles to Irvine California; performing a communications network upgrade and installing additional firewall protections; and, issuing a Request for Proposal (RFP) to select a third-party consultant to assess SCAG's information and cyber security systems, and recommend further enhancements to SCAG's systems and practices. By moving the secondary data systems to Irvine as part of the CenturyLink contract, SCAG will reduce space and environmental systems requirements in the new Los Angeles office.

Staff responded on the comments and questions expressed by the Councilmembers.

6. Ethics Hotline and Case Management Services

Richard Howard, Internal Auditor, reported that SCAG plans to hire a consultant to establish an ethics hotline and reporting system that would be available 24 hours a day, seven days a week and includes a variety of methods for reporting incidents. He noted that a request for proposal (RFP) for an ethics hotline and case management services was issued on September 1, 2016. He noted that the selected company will also provide a monthly reporting showing the number of incidents reported. The new company should be in place by January 2017.

7. Internal Audit Status Report

Richard Howard, Internal Auditor, provided a brief overview of the Internal Audit Status Report.

FUTURE AGENDA ITEMS

The Audit Committee asked staff to prepare a "Peer Group" survey (survey of peer organizations to SCAG similar to survey done by HR for salary classifications) on where SCAG fits with respect to pension benefits and liability.

ANNOUNCEMENTS

Hasan Ikhrata, Executive Director, announced that Richard Howard, SCAG's Internal Auditor, has decided to retire early next year. He noted that at a later date, the Regional Council will officially express their appreciation to Mr. Howard for his service. The Committee thanked Mr. Howard for his dedication, service and valuable contributions to the agency.

ADJOURNMENT

Hon. Alan Wapner, Chair, adjourned the meeting at 4:00 p.m. The next meeting of the Audit Committee will be held on Friday, March 24, 2017 at 2:30 p.m.

Minutes Approved by:

Richard Howard, Internal Auditor
Staff to the Audit Committee

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REPORT

DATE: March 24, 2017

TO: Audit Committee

FROM: Richard Howard, Internal Auditor, (213) 236-1905, howardr@scag.ca.gov

SUBJECT: Fiscal Year 2016-17 External Auditor Selection

RECOMMENDED ACTION:
Review selected External Auditor as recommended by the Proposal Review Committee (PRC), and make a formal recommendation to the Regional Council regarding the appointment thereof.

EX***ECUTIVE SUMMARY:***
SCAG has selected an External Auditor to conduct the annual audit of its financial statements for the fiscal year 2017.

STRATEGIC PLAN:
This item supports SCAG's Strategic Plan, Goal 3 - Enhance the Agency's Long Term Financial Stability and Fiscal Management.

BACKGROUND:
SCAG retains the services of a CPA firm to conduct the annual audit of its financial statements, as presented in its Comprehensive Annual Financial Report, and to prepare a Single Audit Report. The auditing firm reports to the Audit Committee. For the last six years, these services were performed by Vasquez and Company, LLP. SCAG issued a Request for Proposal (RFP) for audit services commencing with the 2016-2017 fiscal year. The RFP indicated that SCAG wanted an auditor to express an opinion on the fair presentation of its basic (general purpose) financial statements in conformity with governmental accounting principles generally accepted in the United States of America for the fiscal years ending June 30, 2017, 2018 and 2019. The maximum period of performance for the contract is 12 months, with the option (at SCAG's discretion) for each of the two subsequent fiscal years. Interviews of the PRC's finalists were conducted on March 6, 2017 and a selection was made. The firm selected is Vavrinek, Trine, Day & Co., LLP.

FISCAL IMPACT:
The total cost for the audit services is $209,638. The breakdown is as follows:
- Fiscal Year 2017: $68,500
- Fiscal Year 2018: $69,870
- Fiscal Year 2019: $71,268

ATTACHMENT:
None

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REPORT

DATE: March 24, 2017

TO: Audit Committee

FROM: Richard Howard, Internal Auditor, (213) 236-1905, howard@scag.ca.gov

SUBJECT: Ethics Hotline and Case Management Services

RECOMMENDED ACTION:
For Information Only – No Action Required.

EXECUTIVE SUMMARY:
SCAG hired a consultant in February 2017 to provide a third party managed ethics hotline and reporting system that is available 24 hours a day, seven days a week. The hotline may be used anonymously and includes a case management system.

STRATEGIC PLAN:
This item supports SCAG's Strategic Plan, Goal 3 – Enhance the Agency's Long Term Financial Stability and Fiscal Management.

BACKGROUND:
To further ensure that SCAG's work is carried out in accordance with SCAG policies, professional standards, and in an ethical manner, SCAG has maintained an internally managed ethics hotline for individuals to report any violations of those policies or standards. In an effort to ensure no perceived barriers exist for reporting violations and to set up a formal case recording and management system, SCAG selected Lighthouse Services through a competitive procurement process to operate and manage an Ethics Hotline and associated case management system. The Hotline began operating February 1, 2017. The new Hotline was announced at the March meetings of the Regional Council and Executive/Administration Committee as well as the March All-Staff meeting. The Chief Operating Officer also announced the Hotline in an e-mail to all staff. Posters have been ordered to announce the Hotline at SCAG offices.

Reports to the Hotline may be made by toll-free telephone, e-mail or internet or by U.S. mail. SCAG Internal Audit will be notified by Lighthouse whenever a report is made.

The number to call to report an incident is 1-866-620-0005. On the web the address is www.lighthouse-services.com/scag. To report by email, the address is reports@lighthouse-services.com (must include SCAG name with report). To report by U.S. mail the address is: Lighthouse Services, Inc., 1710 Walton Road, Suite 204, Blue Bell, PA 19422. (Include SCAG name in mailing).

The Hotline is also available to the general public. Therefore, the Hotline's contact information is posted on SCAG's website (see http://scagmain-auth/opportunities/Pages/BusinessWithSCAG.aspx and http://scagmain-auth/about/Pages/Home.aspx).

FISCAL IMPACT:
Total cost is estimated to be less than $30,000 over the next five (5) years.

ATTACHMENT:
None

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REPORT

DATE: March 24, 2017

TO: Audit Committee

FROM: Richard Howard, Internal Auditor, (213) 236-1905, howardr@scag.ca.gov

SUBJECT: IT Initiative – IT Summary

RECOMMENDED ACTION:
For Information Only – No Action Required.

EXECUTIVE SUMMARY:
Internal Audit plans include upcoming reviews of SCAG's IT Division in order to provide the Audit Committee with a better understanding of the division's organization, operations, and resources.

STRATEGIC PLAN:
This item supports SCAG's Strategic Plan, Goal 3 - Enhance the Agency's Long Term Financial Stability and Fiscal Management.

INTRODUCTION:
As part of its annual audit planning, we sent SCAG's Audit Committee and management team a risk assessment input form earlier this year that highlighted key agency risk areas, and requested that the areas be ranked by degree of risk. IT was rated the highest. Since then we have met with IT Division staff to identify specific IT risk areas that may be beneficial for us to review.

IT DIVISION – ORGANIZATION AND PROJECTS:
SCAG's IT Division consists of ten full time staff members, four interns, and one limited term employee (see Attachment 1 for a copy of the most recent IT Division organization chart). The IT Division consists of two sections—IT and Operations. See below.

IT Division

(1) IT Section (2) Operations Section

The Operations section is responsible for audio-visual and meeting support, reproduction services, mail services, records storage, office services, and coordination with the SCAG headquarters building management, among other things.

With regard to daily IT support including the help desk, desktop/laptop and network system support and managed security services, as well as support of SCAG's email and phone systems, SCAG has contracted with an IT service provider—Allied Digital Services, LLC (ADSL).[1] The IT section manages this contract, to include monitoring performance with contract terms, reviewing monthly charges, and reviewing the consultant's security operations. In addition, the IT section also manages various projects that support SCAG,

[1]See https://www.allieddigital.net/us/ for information on ADSL.

including content management and website development. The overall planned workload is captured under nine project tasks that are part of SCAG's overall work program (OWP) for fiscal year 2018.[2] Table 1 lists the projects (includes associated OWP project number).

Table 1: IT Division Projects for Fiscal Year 2018

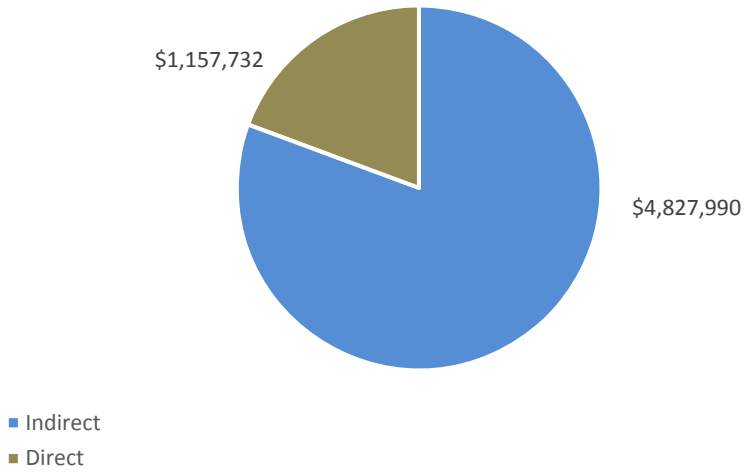
IT Services - 810.00120.03
• Covers item such as rent, building/facilities, reprographics services, office equipment leases, videoconferencing and AV equipment management, emergency response, physical security and safety, office supplies and shipping.[a]
Dynamics GP Development & Support - 811.01163.01
• Covers items related to SCAG's accounting system development and support.
Enterprise Content Management (ECM) Implementation and Support - 811.01163.03
• Covers items related to SCAG content and information management.
Customer Relationship Management (CRM) Maintenance and Support - 811.01163.04
• Covers items related to Microsoft Dynamics CRM for contact management and business workflow.
Quality Assurance (QA) Requirements and Documentation - 811.01163.05
• Covers quality assurance activities related to various applications.
Web Development - 811.01163.07
• Covers items related to website design and development.
IT Infrastructure Management - 811.01163.08
• Covers items related to SCAG's infrastructure, including hardware, software, servers, data centers, data network and Internet, phone services, data storage, among other things. This project includes SCAG's contract with Allied Digital Services, LLC (infrastructure support), Switch Communications, (primary data center), and Century Link (communications and secondary data center).
IT Planning and Management - 811.01163.12
• Covers items related to IT strategy, compliance, standards, executive-level reporting, enterprise architecture, budgeting, procurement, vendor, and contract and resource management.
Financial Management Information System (FMIS) Development - 811.01163.13
• Covers items related to the development and support of financial applications.
Advanced Technical Support – 045.0142.05
• Covers software and hardware maintenance exclusively used in the Land Use and Planning Division's systems, including GIS, modeling, and research and analysis.
Federal Transportation Improvement Program (FTIP) System Enhancement – 045.0142.07
• Covers software development for FTIP, including project submission and approvals, financial plan, and federally-mandated measures and reporting.
Enterprise Geographic Information Systems (GIS) – 045.0142.12
• Covers application development for Enterprise GIS, including ArcGIS Online applications, maps and data available to the public.
Quality Assurance (QA) Requirements and Documentation - 045.0142.17
• Covers QA and quality control for all products developed, maintained, and supported by the IT Division.
Planning System Development – 045.-0142.22
• Covers application development for additional direct project systems, including Local Profiles, InterGovernmental Review (IGR), and others.
Enterprise GIS – Capitalized Software – 045.0142.23
• Covers software capitalization for task 045.0142.12.
FTIP System Enhancement – Capitalized Software – 045.0142.24
• Covers software capitalization for task 045.00142.07.

[a]Some items, such as rent and office security, are managed by SCAG's Administrative Office.
Source: SCAG IT Division

[2]The OWP describes SCAG's proposed transportation planning activities for the upcoming fiscal year, including those required by federal and state law.

The projects in the table above that begin with "810" or "811" are budgeted as indirect costs, whereas the projects starting with "045" are budgeted for in SCAG's direct cost budget. The total budgeted amount for IT projects for fiscal year 2018 is approximately $5,985,722. Of this amount about $4,827,990 or 81 percent is captured under indirect cost, while about $1,157,732 or 19 percent is budgeted under direct costs. Figure 1 shows the breakout of budgeted indirect costs and direct costs for fiscal year 2018.

Figure 1: Fiscal Year 2018 Budgeted Amounts for IT Division – Indirect and Direct Cost Budgets



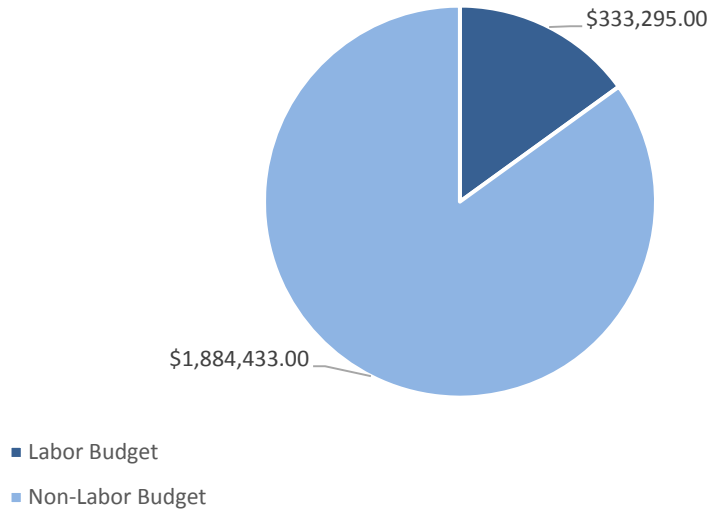
Source: SCAG IT Division and Draft Fiscal Year 2017-2018 Overall Work Program (OWP)

INDIRECT COST BUDGET – FISCAL YEAR 2018:
The total indirect cost budget for fiscal year 2018 for the IT Division is approximately $4,827,990.

About $2,217,728 (or roughly 46 percent of the total budget) is for IT services (project 810.00120.03). This amount includes items such as rent, security, equipment maintenance, reprographics, and Operations staff salaries, among other things. Some of the items, such as rent and office security, are managed by SCAG's Administrative Office. Figure 2 shows the labor and non-labor estimates for the IT Services project.[3]

[3]Non-labor estimates include rent, security services, hardware support, software support, postage, and delivery service, among other things. Some of these, such as rent and security are managed by SCAG's Administrative Office. Labor estimates include SCAG staff salaries.

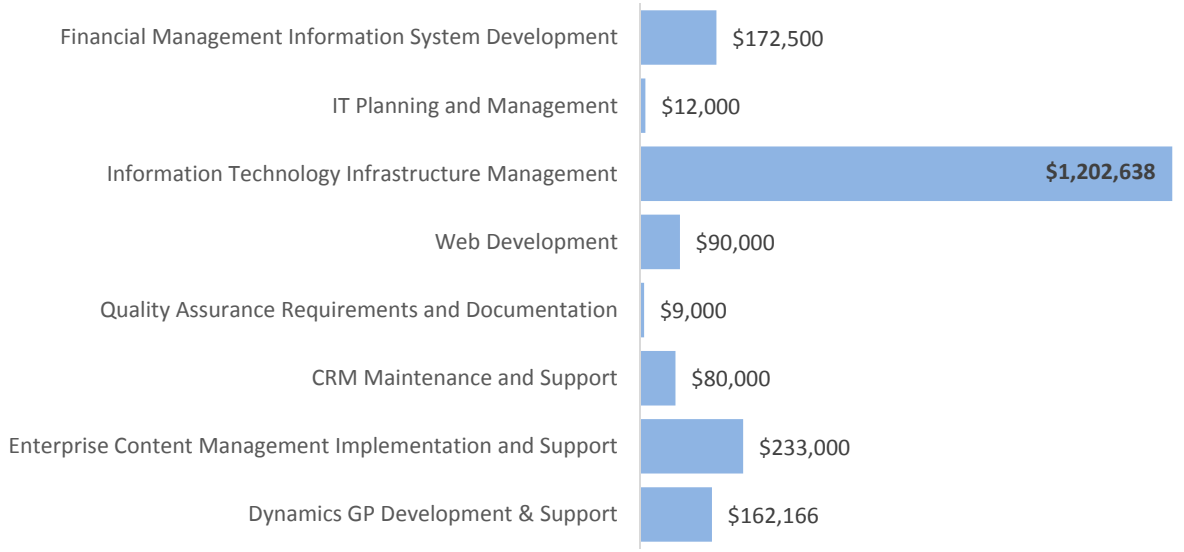
Figure 2: Budgeted Amounts for IT Services Project (810.00120.03) – Fiscal Year 2018



Non-labor estimates include rent, security services, hardware support, software support, postage, and delivery service, among other things.
Labor estimates include SCAG staff salaries.
Source: SCAG IT Division

The remaining projects covered under the indirect budget (those projects that start with 811 listed in Table 1 above) are related to support for SCAG IT systems. Approximately $2,610,262 million (or roughly 54 percent) of the total amount for the IT Division is budgeted for these projects for fiscal year 2018. Of this amount, about $1,961,304 is estimated non-labor costs; these costs are predominantly for consultants as well as software support, and travel, among other things. The remaining $648,958 is for SCAG staff salaries. Figure 3 lists the non-labor estimates for each of the projects.

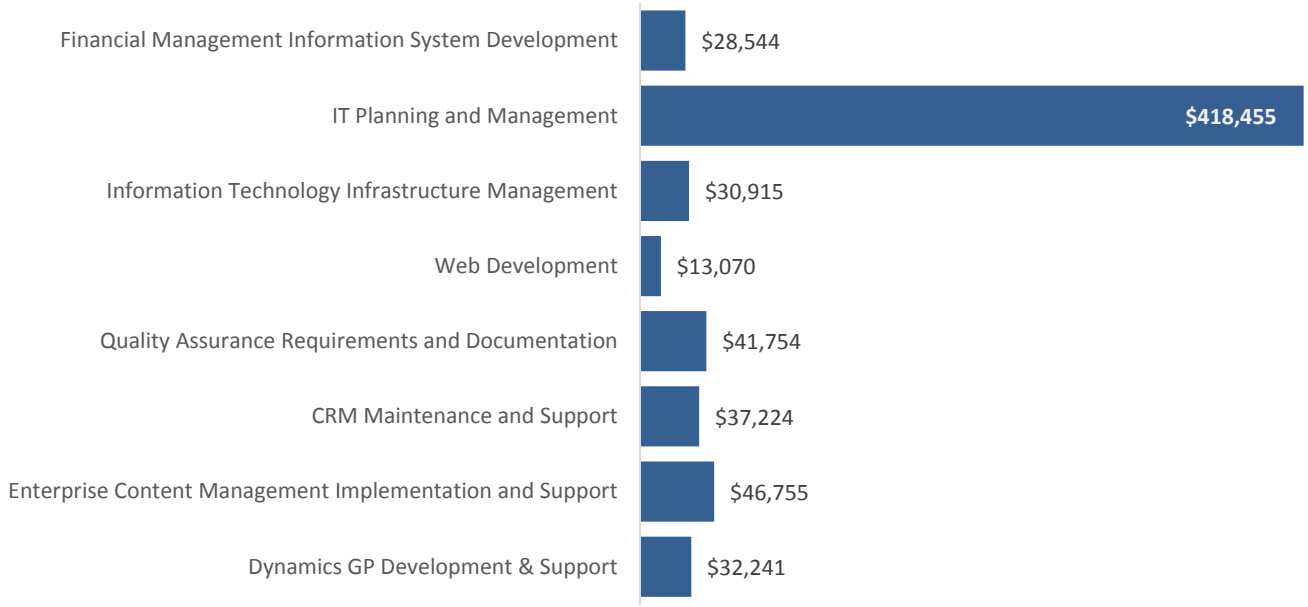
Figure 3: Fiscal Year 2018 Budgeted Amounts for IT Division Projects (Non-labor) – Indirect Costs



Note: The approximately $1.2 million estimated for Information Technology Infrastructure Management includes SCAG's contract with Allied Digital Services, LLC, which provides for day-to-day IT services at SCAG.
Source: SCAG IT Division

Figure 4 list the labor estimates associated with each project.

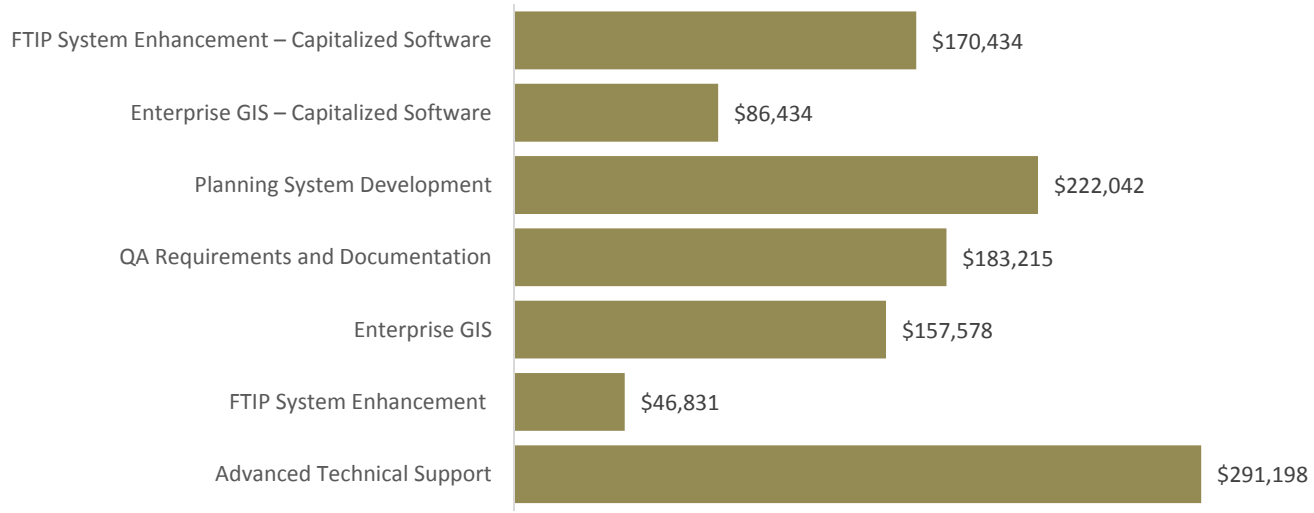
Figure 4: Fiscal Year 2018 Budgeted Amounts for IT Division Projects (Labor) – Indirect Costs



Source: SCAG IT Division

DIRECT COST BUDGET – FISCAL YEAR 2018:
The total direct cost budget for fiscal year 2018 for the IT Division is approximately $1,157,732. These costs cover items such as software development and support, quality assurance, and software capitalization, among other things (they cover projects that start with 045 listed in Table 1 above). Figure 5 list the estimates associated with each project.

Figure 5: Fiscal Year 2018 Budgeted Amounts for IT Division Projects – Direct Costs



Source: SCAG IT Division and Draft Fiscal Year 2017-2018 Overall Work Program (OWP)

OVERALL SCAG IT:
To help ensure that its projects align with SCAG's overall strategic mission and vision, the IT Division holds steering committee meetings with SCAG management and representatives from other divisions. During the steering committee meetings, the IT Division presents its project priorities, to include expected costs, time frames, and projected staff effort. In addition, management and representatives from the other divisions have the opportunity to provide input as well as discuss their IT-related needs and priorities. Some other topics discussed at the steering committee include information security and new office technology. The last steering committee was held in November 2016. The meetings are normally timed prior to final fiscal year budget approval and major budget amendments.

Many of SCAG's departments and divisions rely heavily on a variety of software and data to carry out their workload. For instance, the Research and Analysis department (part of SCAG's Land Use and Environmental Planning Division) regularly uses, maintains, and updates GIS data as part of its analyses. SCAG's IT enterprise systems catalog consists of 39 products that include SCAG's accounting system and financial records, its GIS data library as well as a variety of public facing websites related to SCAG's Regional Transportation Plan, among other things.[4] See Attachment 2 for a complete listing of SCAG's enterprise system catalog.

[4]SCAG's enterprise systems catalog is dated July 1, 2016. As per the California Public Records Act, local agencies were required to create a catalog of enterprise systems by July 1, 2016 followed by annual updates.

According to IT Division staff, some departments use their own consultant(s) to meet specific data and information needs, such as modeling, data analysis and GIS data management (any associated costs would be reflected in that department or division's project tasks listed in SCAG's OWP). However, SCAG's IT Division provides enterprise and custom applications, such as email, information security, FTIP, ECM, GIS application development, and CRM among other systems, and the underlying IT infrastructure for all departments, such as data center, networks, data storage capacity, backup, recovery and disaster recovery, and computing power. Further, the IT staff noted that each department at SCAG must consult with the IT division prior to purchasing any IT-related equipment or software by notifying the Chief Information Officer (CIO) about the Request for Proposal (RFP) or purchase. This helps ensure any purchased software and hardware is consistent and compatible with SCAG's current IT environment as well as supportable with current resources.

MOVING FORWARD:
The information in this summary will be used to inform our future assessments and audit work. We have met with IT Division staff to identify specific areas of risk that may be beneficial for us to review. We also plan to look at associated IT Division costs in SCAG's direct budget. Further we plan to perform audit work on the IT Division's general controls in order to provide the Audit Committee with a better understanding of its operations, and resources. Further, this work should demonstrate that controls are in place to help ensure the effectiveness and efficiency of the division's operations and the reliability of information produced by IT to support management decision making. We intend to carry out our audit work over a succession of reviews focused on the following areas:

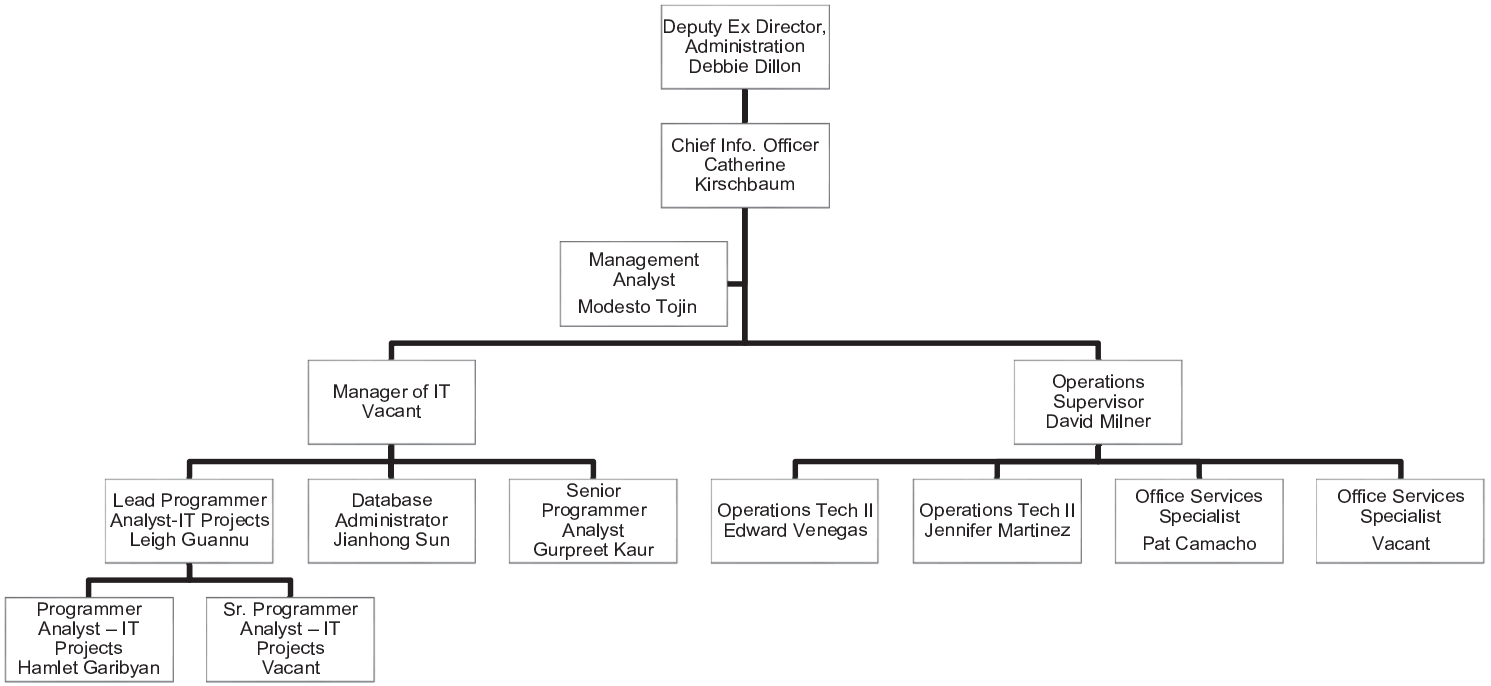
- Environment / Physical Access;
- Data Security;
- Systems Development and Application Maintenance;
- Backup / Recovery; and
- Contingency Planning / Disaster Recovery.

We intend to report on the results of reviews during future Audit Committee meetings. Also, we will continue to work with the IT Division to further identify and review any future potential areas of risk.

FISCAL IMPACT:
None

ATTACHMENT:
SCAG IT Division Organization Chart
SCAG Enterprise Resource Catalog

Information Technology Division



Enterprise System Catalog

Southern California Association of Governments

Vendor	Product	Purpose and General Description	Primary Custodian	Data Collection Frequency	Date Update Frequency
SCAG Custom Application	GIS Data Library	The GIS Data Library is a web-based GIS data information system that provides view, search, analysis, and download functions on the data from SCAG's geodatabase as well as authoritative data from ESRI's ArcGIS Online site.	Research and Analysis Department	As Needed	As Needed
SCAG Custom Application	Goods Movement	Goods Movement is an Interactive GIS application that displays maps showing Goods Movement Projects by type and county.	Goods Movement and Transportation Finance Department	As Needed	As Needed
SCAG Custom Application	Local Profiles (LP)	This web application and backend program are intended to provide jurisdictions with updated data and analysis to support community planning and outreach efforts. Local Profile information is available to the public at http://scag.ca.gov/DataAndTools/Pages/LocalProfiles.aspx	Compliance & Performance Monitoring Department	As Needed	As Needed
SCAG Custom Application	SCAG Atlas	SCAG Atlas is an interactive GIS web application that facilitates members from 191 cities and 6 counties to view and provide SCAG with local land use data. The GIS group collects the input to correct and modify the GIS Data in SCAG's geodatabase.	Research and Analysis Department	As Needed	As Needed
SCAG Custom Application	SCAG Local Population Projection Tool (LLP)	A GIS-based tool that generates different population growth paths containing demographic characteristics and components of growth, with housing growth scenarios.	Research and Analysis Department	As Needed	As Needed
Microsoft	Business Portal (BP)	SCAG internal Project timesheet center and HR self-service module that serves as a separate module of Microsoft GP system.	Finance Division	Biweekly/As Needed	Daily/As Needed
Microsoft	Microsoft Dynamics CRM	Microsoft Dynamics CRM comprises a variety of tools to track, manage, execute, and report on SCAG interactions with Board Members & Partners, Elected Officials, Stakeholders, City and County Agencies, and Vendors. The system includes a large and customizable database, a variety of workflow and automation tools, and customizable reports.	Information Technology	Daily	Daily

Enterprise System Catalog

Southern California Association of Governments

Microsoft	Microsoft Dynamics GP	Microsoft Dynamics GP is an enterprise planner resource (ERP) (Financial and HR) system. Internal SCAG financial and payroll transactions are conducted using this system.	Finance Division	Daily	Daily
Paramount Technology	WorkPlace	WorkPlace is a third party purchase requisition program that integrates with the Microsoft GP system. Approve SCAG staff inputs purchase requisitions (PRs) through this application. Once approved by the appropriate manager and director, the PR will be processed and entered as a purchase order in Microsoft GP.	Finance Division	Daily	Daily
SCAG Custom Application	Comment on the Draft 2016-2040 RTP/SCS	The SCAG public comments system was developed to facilitate public participation in the Draft 2016-2040 RTP/SCS. The public commenting period was closed effective February 1, 2016. For a summary of all public comments and responses see http://scagrtpscs.net/Pages/details.aspx?list=Announcements&lid=15	Strategy, Media, & Public Affairs	Every 4 years	Every 4 years (latest update 2016)
Microsoft	RTP/SCS 2012	SharePoint 2010 Public Facing Website - 2012 RTP/SCS http://rtpscs.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	SCAG 2016 RTP/SCS 2016	SharePoint 2013 Public Facing Website - This website houses the SCAG 2016 RTP/SCS and PEIR, Draft and Final. Comments and Responses to the plans can also be found here.http://scagrtpscs.net	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	CA Smart Growth	SharePoint 2010 Public Facing Website - This site is designed to assist cities to identify funding and financing opportunities and potential partnerships for public infrastructure improvements for transit-oriented development and other smart growth projects. http://iff.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed

Microsoft	Clean Cities	SharePoint 2010 Public Facing Website - Information on Clean Cities initiatives in the SCAG Region. http://cleancities.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	Economy	SharePoint 2010 Public Facing Website - Information on the Southern California Economic Recovery & Job Creation Strategy http://economy.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	Freight Works	SharePoint 2010 Public Facing Website - Goods Movement Knowledge Database and other information related to Goods Movement. http://www.freightworks.org	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	FTIP	SharePoint 2010 Public Facing Website - Information on The Federal Transportation Improvement Program (FTIP). http://ftip.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	GIS/Data	SharePoint 2010 Public Facing Website - SCAG maintains data/information for the counties of Imperial, Los Angeles, Orange, Riverside, San Bernardino and Ventura. http://gisdata.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	Go Human	SharePoint 2013 Public Facing Website - Information on the Southern California Go Human campaign. http://gohumansocal.org	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	Registration	SharePoint 2010 Public Facing Website - For Event Registration	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	SCAG Main	SharePoint 2010 Public Facing Website - This is the Main website for SCAG http://scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed

Enterprise System Catalog

Southern California Association of Governments

SCAG Custom Application	SCAG's Urban Footprint-based Scenario Planning Model (SPM)	SCAG's Urban Footprint-based Scenario Planning Model (SPM) is a land use planning, modeling, and data management platform. http://scag.ca.gov/DataAndTools/Pages/ScenarioModel.aspx	Planning & Programs - Land Use and Environmental Planning	As Needed	As Needed
Microsoft	Sustainability Portal	SharePoint 2010 Public Facing Website - SCAG Sustainability Portalhttp://sustain.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed
Microsoft	Transportation Finance	SharePoint 2010 Public Facing Website - Information on the long-term financial needs of the region. http://transfin.scag.ca.gov	Strategy, Media, & Public Affairs	As Needed	As Needed
SCAG Custom Application	California Assembly Bill 2 (AB2)	California Assembly Bill 2 (AB 2), allows for the establishment of Community Revitalization and Investment Authorities (CRIA) to fund infrastructure improvements, commercial development, and affordable housing in disadvantaged communities. The AB2 is an interactive GIS web-based application that allows planners to display maps and analyze GIS data.	Research and Analysis Department	As Needed	As Needed
SCAG Custom Application	Consolidated Budget Development System (CBDS)	The objective of the Consolidated Budget Development System (CBDS) Project is to provide additional needed capabilities in the creation of the SCAG Annual Budget and Support More Detailed Tracking of Budgetary Information.	Budget & Grants Department	As Needed	As Needed
SCAG Custom Application	Federal Transportation Improvement Program (FTIP)	FTIP is a web-based project management system that facilitates The Federal Transportation Improvement Program team to manage, analyze, approve, and reject projects submitted by the 6 county transportation commissions (CTCs) staff. The FTIP team ensures all projects submitted meet the requirements set forth by the State and Federal agencies. The FTIP database is also used to amend project information/funding throughout an approved FTIP period.	Federal Transportation Improvement Program Department	Daily	Daily

SCAG Custom Application	Financial Database System (CMS/FDS)	The primary goal for the Financial Database System (FDS) (Phase I) is to establish a centralized contract database that can be shared among financial users through its browser based front-end component.	Contracts Department	Daily	Daily
SCAG Custom Application	IGR Application	SCAG is the authorized regional agency for Inter-Governmental Review (IGR) of programs proposed for Federal financial assistance and direct Federal development activities pursuant to Presidential Executive Order 12372. Additionally, SCAG reviews the Environmental Impact Reports of projects of regional significance for consistency with regional plans pursuant to the California Environmental Quality Act (CEQA) and CEQA Guidelines. The IGR application is a web-based system that SCAG staff developed and use to log, track, and monitor projects that SCAG IGR Program receives. The projects that SCAG IGR Program receives vary in project types, locations, and levels of environmental analysis. The IGR database assists planners in tracking projects, including residential and commercial development projects, that were submitted by the public, as well as provides planners with project-level planning information that is useful for understanding the region's current and future growth trends.	Compliance & Performance Monitoring Department	Daily	Daily
SCAG Custom Application	Intranet	A web based Intranet website for internal SCAG Employees. It is primarily a forms repository and departmental information portal.	Human Resources		
Microsoft	Office 365	SCAG uses Office 365 for a variety of activities which include: Internal Project Websites, Document Sharing & Collaboration, Web Conferencing, and Instant Messaging within the organization.	Information Technology	Daily	Daily
Hyland Software	OnBase	OnBase is a single enterprise information platform for managing content, processes and cases. Onbase is the SCAG system of record for all final documents.	Information Technology	Daily	Daily
SCAG Custom Application	OWP Management System (OMS)	OWP Management System (OMS) facilitates project managers to report progress of the OWP project to Caltrans on a quarterly basis.	Budget & Grants Department	Monthly/Quarterly	Monthly/Quarterly

SCAG Custom Application	Regional Affairs Officers (RAO)	A customized application that enables the regional outreach team to track all meetings and agendas for the local jurisdictions.	Regional Services Department	As Needed	As Needed
SCAG Custom Application	Survey Program	The Survey program is an open source software that was customized to facilitate RTP/SCS project team to conduct a survey during the annual SCAG General Assembly meeting or Workshops. The program represents the way by which users choose among given options in any survey. The system sets the rules for achieving valid voting credential as well as for aggregating votes for the final results.	Strategy, Media, & Public Affairs	Every 4 years	Every 4 years (latest update 2016)
SCAG Custom Application	Sustainability Planning Grants Projects	The Sustainability Planning Grant Program (formerly known as Compass Blueprint Grant Program) was established as an innovative vehicle for promoting local jurisdictional efforts to test local planning tools. Since starting in 2005, 133 projects have been completed through the program, with another 69 projects to be completed by the end of 2016. The Sustainability Grants Projects Database is available to the public at http://sustain.scag.ca.gov.	Sustainability Department	As Needed	As Needed
SCAG Custom Application	Sustainability Planning Grant Program (Compass Blueprint (CBP))	Formerly known as the Compass Blueprint Program (CBP), the SCAG Sustainability Planning Grant Program is a project management system to provide planners the capability to input, search, analyze, and manage smaller-scale transportation project information.	Sustainability Department	As Needed	As Needed
SCAG Custom Application	Sustainability Plans and Programs by Jurisdiction	This application shows the number and type of sustainability plans and programs by jurisdiction.	Research and Analysis Department	As Needed	As Needed

REPORT

DATE: March 24, 2017

TO: Audit Committee

FROM: Richard Howard, Internal Auditor, (213) 236-1905, howard@scag.ca.gov

SUBJECT: Internal Audit Status Report

RECOMMENDED ACTION:
For Information Only – No Action Required.

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

STRATEGIC PLAN:
This item supports SCAG's Strategic Plan, Goal 3 – Enhance the Agency's Long Term Financial Stability and Fiscal Management.

BACKGROUND:
Since the last Audit Committee meeting November 29, 2016, four (4) pre-award audits of contract proposals were completed.

The four consist of the following:

Consultant	Proposal Amount	Questioned Costs	Question Costs Sustained
JPM Marketing	$485,611	$21,231	$21,231
Iteris	306,067	6,136	6,136
Cambridge	78,111	991	991
Alta	582,007	47,485	47,485
Totals	**$1,451,796**	**$75,843**	**$75,843**

A report on the selection of a new external audit firm is included in today's agenda. A report on the startup of the new Ethics Hotline and a report on Information Technology (IT) audit initiatives are also included in today's agenda.

FISCAL IMPACT:
None

ATTACHMENT:
None