Metro

March 28, 2007

TO:　　　　　BOARD OF DIRECTORS

THROUGH:　ROGER SNOBLE
　　　　　　　CHIEF EXECUTIVE OFFICER

FROM:　　　RUTHE HOLDEN
　　　　　　　CHIEF AUDITOR, MANAGEMENT AUDIT SERVICES

SUBJECT:　STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF
　　　　　　　FEBRUARY 28, 2007

ISSUE

At the March 2005 Executive Management and Audit Committee meeting, the committee requested that the status of all open audit recommendations be reported monthly. This includes audits performed by Management Audit Services (MAS) and, in compliance with MAS 1, external audits performed by outside auditors.

DISCUSSION

MAS' monthly audit follow-up report includes all open audit recommendations related to findings reported by Financial Audit, Information Technology (IT) Audit, Operational Audit, and outside auditors; statistics on the number of recommendations closed or completed since the last report; and a summary of audit activities in Contract Audit and Grant Audit.

During the month of February 2007, the Office of the Inspector General issued one report, Advisory Report on Earthquake Insurance Coverage, Gold Line Eastside Extension 2006 (06-AUD-15). The report contained one recommendation which is considered resolved based on management comments to the draft report.

Eight of the open recommendations were closed or completed during February. Five recommendations have a status of "under review." This indicates that the audit client has submitted documentation that is being analyzed to verify that all of the recommended actions are complete. We are actively working with staff to close each recommendation as quickly as possible. The total open recommendations as of February 28, 2007 are included in Attachment A.

The following table summarizes the follow-up activity for audit recommendations during February 2007.

Table 1
Summary of Financial, IT, Operational and External Audit Recommendations
As of February 28, 2007

Executive Area	Closed or Completed	Under Review	Extended	Not Yet Due	Total Open Recom.
EO Finance			2	1	3
EO Administration			4		4
EO Procurement & Material Management			7		7
Chief Executive Officer	3				
EO Real Property Management & Development		1		3	4
Chief Comm. Officer	3				
Chief Planning Officer				8	8
DCEO/COO	2		6	9	15
Totals	8	1	19	21	41

Contract Audit conducts audits related to pre-awards, change orders, and incurred costs, as well as providing support for claims, contract closeouts and contract related litigation. Grant Audit conducts closeout audits of projects funded by the Call-for-Projects.

During February 2007, no audits were closed for the Contract Audit group, and 28 audit reports remain open pending the results of negotiations. Grant Audit issued one final report and had two audit reports in the draft audit stage.

NEXT STEPS

Management Audit Services will provide the next monthly status report for the period ending March 31, 2007.

Attachment A: Open Audit Recommendations Report

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
1	06-AUD-06	6/7/2006	OIG	Review of Overtime Payments	EO Finance/Payroll, OD&T	2a	Based on the results of the task force, the Payroll Department should initiate any necessary actions to provide additional training and/or guidance to timekeepers and supervisors to ensure that timekeeping for overtime is consistent.	11/30/2006	2/28/2007	Completed in March
2	06-AUD-06	6/7/2006	OIG	Review of Overtime Payments	EO Finance/Payroll, IT	2b	Based on the results of the task force, the Payroll Department should initiate any necessary actions to, if needed, work with the Information Technology Services Department to develop a computerized edit check in the Payroll System to identify instances where the overtime requirements have not been followed.	10/31/2006	2/28/2007	Completed in March
3	02-AUD-05	9/30/2002	OIG	Controls Over Payroll System - Preventing Duplicate Payments	EO Finance/Finance	3	Ensure that the new Payroll System is designed with controls and edit checks that preclude incorrect and improper data from being processed into the Payroll System.	1/1/2008		New payroll system is on hold until 2008.
4	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	EO Administration	2	The Chief Information Officer should coordinate with Records Management to resolve the conflict with Policy GEN 8, which states that only Records Management Center staff are authorized to delete or destroy public records, including erasing data from hard drives.	12/31/2006	4/30/2007	On target to meet extended due date.
5	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	EO Administration	4	The Director, General Services, should coordinate with ITS to revise Policy GEN 8 to establish specific procedures for destroying unneeded or damaged electronic storage media.	12/31/2006	4/30/2007	On target to meet extended due date.
6	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	EO Administration	5	The Director, General Services should revise Policy GEN 8 to include a definition of the term "public records" cited in the policy.	12/31/2006	4/30/2007	On target to meet extended due date.
7	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	EO Administration	6	The Director, General Services, should Inform LACMTA departments and staff of the requirement in Policy GEN 8 to turn in applicable electronic storage media to the Records Management Center.	1/31/2007	4/30/2007	On target to meet extended due date.
8	06-ITS-010	6/1/2006	MAS	Information Technology Services Disaster Recovery Plan	EO Proc. & Mat. Mgmt./ITS	1.1	MAS recommends that the CIO develop, for its Steering Committee review, a cost/benefit analysis identifying the resources needed to conduct a test of all seven mission critical systems versus the risk of not conducting such a test within the timeframe specified by the DRP and EPP. The cost/benefit analysis should include an evaluation whether all seven mission critical systems need to be recovered within 72-hours.	11/30/2006	3/31/2007	On target to meet extended due date.
9	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2a	Create a title (such as Contracting Officer's Technical Representative) for employees who are delegated contract administration responsibilities but are not Project Managers.	6/30/2006	12/31/2007	On target to meet extended due date.
10	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2b	Revise the Procurement Policy Manual to clarify who is ultimately responsible for assuring that delegated contract administration functions are properly carried out. The clarification should address any differences in those responsibilities between Project Managers and other employees who are delegated contract administration responsibilities.	6/30/2006	12/31/2007	On target to meet extended due date.

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
11	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2c	Ensure that Contracting Officers prepare written delegations whenever contract administration functions are delegated to qualified employees.	6/30/2006	12/31/2007	On target to meet extended due date.
12	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2d	Develop a Delegation of Authority Form to ensure that the contract administration responsibilities delegated and the limitations of the delegated authority are clearly defined. Also, ensure that appropriate Procurement officials approve the delegations, and the delegations are appropriately maintained on file.	6/30/2006	12/31/2007	On target to meet extended due date.
13	TCBA-M3-05	12/1/2005	MAS	Report on the Implementation and Acquisition of the M3 System	EO Proc. & Mat. Mgmt./ITS	9.1	We recommend that for future fixed-price contracts similar to M3, which involve very significant expenditures over a multi-year period for hardware delivery and software development, LACMTA should establish contract payment provisions linked to verifiable performance milestones. Progress payment schedules should also be modified as contract modifications are negotiated. For the M3 project, Spear was required to, among other requirements, deliver and install various hardware and software items, adapt its system to LACMTA needs, provide work documentation for the various departments and functions, train LACMTA staff, develop test scripts, test the implementation, and roll out the system in various LACMTA departments. Payment should have been linked to such verifiable performance/deliverable items.	6/30/2006	12/31/2007	On target to meet extended due date.
14	02IT-003	4/30/2003	MAS	LAN - Windows NT/ 2000	EO Proc. & Mat. Mgmt./ITS	1.1	Enforce password complexity requirements in Windows 2000 operating system.	1/31/2004	4/30/2007	On target to meet extended due date.
15	06-ACC-004	12/5/2006	MAS	Real Estate Controls	EO Real Property Management & Development	1	Real Estate Department (RED) should prioritize and complete the task of populating the real estate database. Both RED and ITS should complete the work needed within RED's estimated 12 months to fully implement RPMIS by the end of next fiscal year.	6/30/2007		
16	06-ACC-004	12/5/2006	MAS	Real Estate Controls	EO Real Property Management & Development	2	RED should conduct a cost/benefit analysis to determine the added value of doing an overall reconciliation of properties and property titles from the Assessor's records to RED records.	9/30/2007		
17	06-ACC-004	12/5/2006	MAS	Real Estate Controls	EO Real Property Management & Development	3	Starting in FY07, RED should complete an annual reconciliation for new property acquisitions from RED's records to the Assessor's records.	3/31/2007		
18	06-ACC-004	12/5/2006	MAS	Real Estate Controls	EO Real Property Management & Development	4	RED and Accounting should agree upon a follow-up process to ensure that all new real estate acquisitions records are complete.	1/31/2007		Under review.
19	06-TDI-004	1/26/2007	MAS	Call for Projects Buainess Process Audit	CPO/Planning	1A	Conduct project manager handbook training again for all managers.	6/30/2008		
20	06-TDI-004	1/26/2007	MAS	Call for Projects Buainess Process Audit	CPO/Planning	1B	Evaluate the conversion of the current paper files to an electronic file system for easy storage, transfer, tracking, and supervisory review.	6/30/2008		

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
21	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	CPO/Planning	2.1	We recommend that LACMTA coordinate its effort under the INTP with other social service agencies that provide transportation services once it has developed a clear mission statement and client population.	6/30/2007		
22	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	CPO/Planning	5.1	We recommend that administrative fees paid to the brokers should be reassessed after changes to the program have been made.	6/30/2007		
23	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	CPO/Planning	6.1	We recommend that FAME establish a consistent methodology for allocating indirect expenses to programs based on personnel cost or other equitable allocation methods.	6/30/2007		
24	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	CPO/Planning	8.1	We recommend that LACMTA and the brokers work together to educate distributing agencies about other transportation programs available and encourage them to direct clients to those services before INTP benefits are distributed.	6/30/2007		
25	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	CPO/Planning	10.1	While outside the scope of this study, we recommend that the INTP program begin to investigate how it will adapt to LACMTA's future use of SMART cards to the preclusion of bus tokens. Because of the cost of individual an individual SMART Card, LACMTA will need to determine how it will be able to distribute relatively small numbers of bus trips to large numbers of clients.	6/30/2007		
26	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	CPO/Planning	11.1	LACMTA should consider soliciting bids for the administration of the INTP program, but not until the program requirements are more well-defined and decisions on changes to the program have been made.	6/30/2007		
27	051A-V13	12/21/2006	MAS	Family and Medical Leave	DCEO Operations	2.1	We recommend the Rail and Operation General Managers review and update procedures to enforce HR Policy 6-1, including record keeping requirements, to ensure consistent treatment of staff in compliance with HR policies.	2/28/2007	4/30/2007	On target to meet extended due date.
28	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	1.1	To strengthen the management of user accounts, the DEO of Rail Operations should disable or remove all unnecessary, guest, and generic accounts.	3/31/2007		
29	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	1.2	To strengthen the management of user accounts, the DEO of Rail Operations should establish indvidual accounts with specific privileges for each system and database administrator (DBA), rather than relying on the generic Superadmin account.	3/31/2007		
30	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	1.3	To strengthen the management of user accounts, the DEO of Rail Operations should implement audit trails to track changes being made in the system,	3/31/2007		
31	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	1.4	To strengthen the management of user accounts, the DEO of Rail Operations should establish monitoring mechanisms to detect unauthorized and illeagle acts and to monitor remote users.	3/31/2007		

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
32	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	1.5	To strengthen the management of user accounts, the DEO of Rail Operations should establis a process for issuing, closing, reviewing and monitoring user accounts. Reviews should periodically examine the levels of acces to ensure conformity with the principle of least privlege and removal of terminated and inactive accounts.	3/31/2007		
33	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	2.1	To improve password security, the DEO Rail Operations should establish unique identification and robust passwords for Superadmin account members.	3/31/2007		
34	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	2.2	To improve password security, the DEO Rail Operations should require periodic changes of passwords to reduce the risk of unauthorized access.	3/31/2007		
35	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	3.1	We recommend that the DEO Rail Operations establish a separate ATMS test environment to protect the production system and delete the existing generic and test accounts.	3/31/2007		
36	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	DCEO Operations/Transit Systems Engineering	4.1	We recommend that the DEO Rail Operations improve the physical and environmental security within the data center by a) working with Facilities Maintenance to provide a solution to the potential water leak from the floor above, b) identifying the location of shut off valves and developing procedures that should be followed in the event of failure, c) providing a backup air conditioner, d) installing appropriate sensors and/or alarms and consider closed dircuit monitoring of teh data center, and e) replacing the server doors panels.	3/31/2007		
37	06-SEC-01	6/26/2006	MAS	Gateway Building Security	DCEO Operations	2	Security sensitive	12/31/2006	7/30/2007	Two recommendations closed, and one open recommendation extended.
38	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	DCEO Operations/Transit Systems Engineering	1.2	Evaluate and implement an alternative backup location designated for recovery.	6/30/2006	6/30/2007	On target to meet extended due date.
39	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	DCEO Operations/Transit Systems Engineering	2.1	We recommend the Deputy Chief Executive Officer to review and revise the existing draft procedure incorporating COBIT's list of recommendations where applicable, and formalize a complete ATMS DRP.	6/30/2006	6/30/2007	On target to meet extended due date.

All Open Audit Recommendations
Status as of February 28, 2007

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
40	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	DCEO Operations/Transit Systems Engineering	2.2	Transit Systems Engineering shall perform a cost analysis to determine what would be the most cost effective alternative for an alternate ATMS recovery location. The three options to consider are 1) include the ATMS system in the Information Technology Services SunGard contract, 2) setting up a contingent site at one of the LACMTA facilities, or 3) contracting with a hot-site solely for the ATMS recovery.	6/30/2006	6/30/2007	On target to meet extended due date.
41	TCBA-M3-05	12/1/2005	MAS	Report on the Implementation and Acquisition of the M3 System	DCEO Operations	2.1	We recommend that at the completion of the initial implementation of the M3 System, LACMTA should conduct a post implementation review within six months to determine whether the system requirements Spear disclosed in their proposal that they could not fully meet are needed by user groups to achieve optimal functionality. A cost-benefit analysis should also be performed before deciding on any upgrade to system requirements.	9/30/2006	4/30/2007	On target to meet extended due date.