



**Metro**

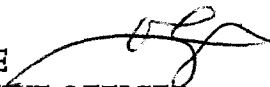
Metropolitan Transportation Authority


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December 17, 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  
SEPTEMBER 30, 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 September 2007, the Office of the Inspector General issued one report, Follow-up Review on Vendor Cash Discounts (07-AUD-05), which contained two recommendations that are included in Attachment A as items 1 and 2.

Three of the open recommendations was closed or completed during September. Seven 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 September 30, 2007 are included in Attachment A.

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

Table 1  
Summary of Financial, IT, Operational and External Audit Recommendations  
As of September 30, 2007

Executive Area	Closed or Completed	Under Review	Extended	Not Yet Due	Total Open Recom.
Chief Financial Services Officer				3	3
Chief Administrative Services Officer			15	4	19
Chief Real Property Management & Development				2	2
Chief Planning Officer	2		3	7	10
Chief Operating Officer	1		1	1	2
General Mgr. Rail Operations		7		2	9
Totals	3	7	19	19	45

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 September 2007, no audits were closed for the Contract Audit group, and 65 audit reports remain open pending the results of negotiations. Grant Audit issued three final reports.

**NEXT STEPS**

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

Attachment A: Open Audit Recommendations Report

**All Open Audit Recommendations  
Status as of September 30, 2007**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
1	07-AUD-05	9/11/2007	OIG	Follow-up Review on Vendor Cash Discounts	Chief Financial Services Officer	1	We recommend that Accounts Payable coordinate with Information Technology services to change FIS so that the Accounts Payable system will automatically compute and take discounts on invoices where discount terms are provided at either the Purchase Order level or at the Vendor level. The Accounts Payable system should automatically compute the discount when an invoice is processed within the prescribed discount period.	10/31/2007		New audit. Working with management on action plan.
2	07-AUD-05	9/11/2007	OIG	Follow-up Review on Vendor Cash Discounts	Chief Financial Services Officer	2	We recommend that Account Payable change the "Discount Date" entered into Accounts Payable system to a date that is 10 days after the date Accounts Payable receives a correct invoice or the date the goods are received, whichever is later.	10/31/2007		New audit. Working with management on action plan.
3	02-AUD-05	9/30/2002	OIG	Controls Over Payroll System - Preventing Duplicate Payments	Chief Financial Services Officer	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	07-ITS-001	6/25/2007	MAS	Wireless Device and Service Utilization	Chief Administrative Services Officer	1.1	Consistent with Gen 5, the Wireless Policy should be reviewed and specific definitions/guidelines for what constitute a reimbursable personal call need to be included in the policy to ensure fair and consistent treatment.	9/31/07		
5	07-ITS-001	6/25/2007	MAS	Wireless Device and Service Utilization	Chief Administrative Services Officer	2.1	We recommend that the policy be revised to appropriately define levels of responsibility and accountability in approving requests for wireless device and services relative to the risks involved.	9/31/07		
6	07-ITS-001	6/25/2007	MAS	Wireless Device and Service Utilization	Chief Administrative Services Officer	3.1a	We recommend that the wireless devices issued to non-employees under the old policy be recalled.	9/31/07		
7	07-ITS-001	6/25/2007	MAS	Wireless Device and Service Utilization	Chief Administrative Services Officer	3.1b	We recommend that all cell phone users be required to notify ITS when they are transferred to another department. In addition, ITS should annually send out a report listing all current cell phone users reporting to that approver requesting the approver indicate any changes that have occurred, sign off and send back the report to ITS. These requirements should also be incorporated into the policy.	9/31/07		
8	07-AUD-03	4/3/2007	OIG	Equipment Inventory Procedures	Chief Administrative Services Officer	1	We recommend that material Management develop an overall Metro policy on equipment inventories in accordance with the guidance set forth in General Policy #5. The policy should: a. Require organizations assigned capital equipment to conduct the required physical inventories; b. Make reference to the Equipment Tracking Program and require that owner organizations follow the inventory procedures outlined in the program; c. Provide a process for following-up and elevating instances where inventories are not being completed within requested timeframes.	8/31/2007	10/31/2007	On target to meet extended due date.

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9	07-AUD-03	4/3/2007	OIG	Equipment Inventory Procedures	Chief Administrative Services Officer	2a	Prior to the next inventory cycle require each equipment owner organization to (1) designate a person responsible for the equipment inventory, and (2) send future inventory requests directly to the responsible person with copies to the appropriate heads of Sectors, Departments, and Divisions.	8/31/2007	10/31/2007	On target to meet extended due date.
10	07-AUD-03	4/3/2007	OIG	Equipment Inventory Procedures	Chief Administrative Services Officer	2c	Prior to the next inventory cycle, provide equipment owner organization staff training and/or additional instructions on procedures for conducting equipment inventories.	6/30/2007	10/31/2007	On target to meet extended due date.
11	07-AUD-03	4/3/2007	OIG	Equipment Inventory Procedures	Chief Administrative Services Officer	2e	Prior to the next inventory cycle, re-emphasize to equipment owner organizations that they are required to investigate missing items (that is, determine whether the item was transferred, moved, salvaged, or lost), and complete an Equipment Survey Form for any equipment not located.	7/31/2007	10/31/2007	On target to meet extended due date.
12	06-ITS-109	4/13/2007	MAS	Software License Policy and Procedures	Chief Administrative Services Officer	1.1	We recommend the Chief Information Officer review the draft Information Technology IT Standards Compliance Policy in accordance with GEN 5 prior to adoption to ensure it includes the specific items identified in the audit report.	8/31/2007	11/30/2007	On target to meet extended due date.
13	06-ITS-109	4/13/2007	MAS	Software License Policy and Procedures	Chief Administrative Services Officer	1.2	We also recommend incorporating in the new policy sections 1.4 Compliance, and 1.10 Violation of Policy and Discipline from the existing ITS policy, Information Security IT 1.	8/31/2007	11/30/2007	On target to meet extended due date.
14	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	Chief Administrative Services Officer	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	12/31/2007	On target to meet extended due date.
15	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	Chief Administrative Services Officer	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	12/31/2007	On target to meet extended due date.
16	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	Chief Administrative Services Officer	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	12/31/2007	On target to meet extended due date.
17	06-AUD-12	9/15/2006	OIG	Disposal of Computer Equipment and Data Storage Media	Chief Administrative Services Officer	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	12/31/2007	On target to meet extended due date.
18	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	Chief Administrative Services Officer	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.

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19	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	Chief Administrative Services Officer	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.
20	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	Chief Administrative Services Officer	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.
21	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	Chief Administrative Services Officer	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.
22	05-M3-TCBA	12/1/2005	MAS	Report on the Implementation and Acquisition of the M3 System	Chief Administrative Services Officer	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.
23	06-ACC-004	12/5/2006	MAS	Real Estate Controls	Chief 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.	6/30/2008		
24	06-ACC-004	12/5/2006	MAS	Real Estate Controls	Chief 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		
25	07-MGLEE-001	1/1/2007	MAS	MGLEE LA Crematorium Site Environ. Process Review	Chief Planning Officer; Chief Capital Management Officer	1	LACMTA policy for major projects should emphasize the importance of continuity in the environmental review from conceptuality through the implementation of long-range projects. As continuity of staff and consultants cannot be insured over the duration of many years, it is important that applying the tiering process allowed by NEPA/CEQA that all prior project related documents are made available by LACMTA staff overseeing the process and reviewed by consultants charged with evaluating cultural resources.	1/31/2008		

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26	07-MGLEE-001	1/1/2007	MAS	MGLEE LA Crematorium Site Environ. Process Review	Chief Planning Officer; Chief Capital Management Officer	2	LACMTA should provide training in the Section 106 process to all staff responsible for the review of cultural resource management documents required under NEPA/CEQA. LACMTA staff dealing with critical environmental issues involving cultural resources should have the appropriate level of experience and qualifications needed to fully assess the environmental documents being reviewed. Further, the consultants preparing the environmental documents should meet the secretary of Interior's Standards and Guidelines for cultural resources consultants.	7/31/2009		
27	07-MGLEE-001	1/1/2007	MAS	MGLEE LA Crematorium Site Environ. Process Review	Chief Planning Officer; Chief Capital Management Officer	3	When the Area of Potential Effect changes, a thorough review of all pertinent environmental documents must be completed in order to determine the potential for previously unidentified effects to significant cultural resources and/or environmental impacts.	2/29/2008		
28	07-MGLEE-001	1/1/2007	MAS	MGLEE LA Crematorium Site Environ. Process Review	Chief Planning Officer; Chief Capital Management Officer	4	When property must be acquired, a full investigation of prior land use should be undertaken. Policy should clearly identify which LACMTA department is responsible for investigating prior land use. Where sensitive land use such as cemeteries or related facilities are identified, limited field investigation at a minimum should be conducted.	1/31/2008		
29	07-MGLEE-001	1/1/2007	MAS	MGLEE LA Crematorium Site Environ. Process Review	Chief Planning Officer; Chief Capital Management Officer	5	LACMTA should establish a policy that, when a cemetery lies adjacent to the project alignment, within a site development tract, or where property may be acquired, prior land use over time must be thoroughly investigated. The modern limits to a cemetery may not always reflect its actual boundaries. Historically, graves of indigents have been found outside the recognized limits of many early cemeteries.	1/31/2008		
30	06-TDI-004	1/26/2007	MAS	Call for Projects Business Process Audit	Chief Planning Officer	1A	Conduct project manager handbook training again for all managers.	6/30/2008		
31	06-TDI-004	1/26/2007	MAS	Call for Projects Business Process Audit	Chief Planning Officer	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		
32	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	Chief Planning Officer	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	8/30/2008	On target to meet extended due date.
33	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	Chief Planning Officer	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	12/31/2007	On target to meet extended due date.
34	06-INTP-TCBA	5/10/2006	MAS	Report on the Immediate Needs Transportation Program (INTP)	Chief Planning Officer	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	8/31/2008	On target to meet extended due date.
35	06-ITS-118	3/30/2007	MAS	Physical Access to Train Control & Communication Rooms	General Mgr. Rail Operations	1.0	We recommend the Director of Facilities Maintenance work with the Deputy Executive Officer, Rail Operations to implement the most cost effective security controls based on the analysis recently performed to strengthen controls over card keys and physical keys.	12/31/2007		

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36	06-ITS-118	3/30/2007	MAS	Physical Access to Train Control & Communication Rooms	Chief Operating Officer	1.1	In addition, we recommend the Director of Facilities Maintenance enforce the General Management Key Procedures #GEN 36 for physical keys to the Blue and Green Line Train Control & Communications (TC&C) rooms and update the policy to include the following procedures: (a) Locksmiths will send a report to the managers/supervisors requesting updates of the physical key holder on a regular basis. Frequency should be based on security levels of the rooms; (b) Supervisors/managers will collect and return keys to the locksmiths when a key holder retires, terminates or transfers; (c) The requestor of group keys will perform a periodic inventory of keys issued to the groups. The authorized key holder list should be able to identify the responsible individual that requested the keys; (d) Re-evaluate GEN 36 sections 2.2.3, 2.4.4, and 2.5.3 that require locksmiths to input key information to a Human Resources database and determine whether these processes are necessary to maintain an accurate authorized key holder list.	11/30/2007		
37	06-ITS-118	3/30/2007	MAS	Physical Access to Train Control & Communication Rooms	General Mgr, Rail Operations	2.1	We recommend that the DEO Rail Operations put together a plan to strengthen current physical access security controls on the Gold Line TC&C cabinets as follows: (a) Change the existing padlocks to one with a high security, tamper resistant padlock with a restricted key that is only available through the manufacturer and cannot be obtained commercially; or (b) Remove all padlocks and retrofit the cabinet doors with a high security key cylinder which only uses a restricted key; or (c) Install a key card or electronic key system, which will also track time and location accessed; and (d) Install an intrusion detection alarm and enforce a procedure similar to what has been implemented at the Red, Blue and Green Lines, where staff notifies ROC as they access the communication rooms.	12/31/2007		
38	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	General Mgr, Rail Operations	1.2	To strengthen the management of user accounts, the DEO of Rail Operations should establish individual accounts with specific privileges for each system and database administrator (DBA), rather than relying on the generic Superadmin account.	3/31/2007	6/30/2007	Under review.
39	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	General Mgr, Rail Operations	1.5	To strengthen the management of user accounts, the DEO of Rail Operations should establish a process for issuing, closing, reviewing and monitoring user accounts. Reviews should periodically examine the levels of access to ensure conformity with the principle of least privilege and removal of terminated and inactive accounts.	3/31/2007	6/30/2007	Under review.
40	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	General Mgr, Rail Operations	2.1	To improve password security, the DEO Rail Operations should establish unique identification and robust passwords for Superadmin account members.	3/31/2007	6/30/2007	Under review.
41	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	General Mgr, Rail Operations	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	6/30/2007	Under review.

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42	06-MRL-002	11/29/2006	MAS	Audit of Advanced Transit Management System Security	General Mgr, Rail Operations	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 circuit monitoring of the data center, and e) replacing the server doors panels.	3/31/2007	6/30/2007	Under review.
43	06-SEC-01	6/26/2006	MAS	Gateway Building Security	Chief Operating Officer	2	Security sensitive	12/31/2006	4/30/2008	Two recommendations closed, and one open recommendation extended.
44	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	General Mgr, Rail Operations	1.2	Evaluate and implement an alternative backup location designated for recovery.	6/30/2006	6/30/2007	Under review.
45	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	General Mgr, Rail Operations	2.1	We recommend the General Manager, Rail Operations 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	Under review.