



**Metro**

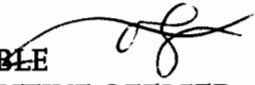
Metropolitan Transportation Authority

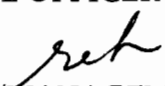
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September 24, 2008

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  
JUNE 30, 2008

### 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 (Management Audit) and, in compliance with Management Audit Services 1, external audits performed by outside auditors.

### DISCUSSION

Management Audit's 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 June, Management Audit issued four reports: M3 System General Controls (08-OPS-I03) which contain two recommendations, one of which was already implemented when the report was issued; Tier 1 Service Changes (07-OPS-O11), which contain one recommendation; Review of Environmental Liabilities (08-ACC-F03b) which contain five recommendations, and lastly, M3 Timekeeping System Application Controls (08-OPS-I04) for which there were no open recommendations. The seven new recommendations are included in Attachment A as items 1, 27, and 37 through 41, respectively.

Four of the open recommendations were closed or completed during June. We are actively working with staff to close each recommendation as quickly as possible. The total open recommendations as of June 30, 2008 are included in Attachment A.

The following table summarizes the follow-up activity for audit recommendations during June 2008.

**Table 1**  
**Summary of Financial, IT, Operational and External Audit Recommendations**  
**As of June 30, 2008**

Executive Area	Closed or Completed	Under Review	Extended	Not Yet Due	Total Open Recom.
Chief Financial Services Officer					
Chief Administrative Services Officer	1		12	1	13
Chief Real Property Management & Development			1		1
Chief Planning Officer			6	4	10
General Mgr. Rail Operations			1	1	2
Chief Operating Officer	3			11	11
Chief Capital Management Officer				5	5
<b>Totals</b>	<b>4</b>		<b>20</b>	<b>22</b>	<b>42</b>

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 June 2008, 11 contract audit reports were closed following receipt of records of negotiations, and 74 remained open pending the results of negotiations. Grant Audit issued one final report and had one audit report in the draft audit stage.

**NEXT STEPS**

Management Audit will provide the next monthly status report for the period ending July 31, 2008.

Attachment A:        Open Audit Recommendations Report

**All Open Audit Recommendations  
Status as of June 30, 2008**

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
1	O8-OPS-103	6/30/2008	MAS	Material Maintenance and Management (M3) System General Controls	Chief Administrative Services Officer	2	Management should review current settings and modify the password configurations to be aligned with LACMTA policies and best practices. At a minimum, the settings should include alphanumeric and special characters for password configuration.	9/30/2008		New audit. Working with management on action plan.
2	07-CEO-106	10/24/2007	MAS	Wireless Network Security	Chief Administrative Services Officer; Gen. Mgr. Rail Operations; Chief Real Property	1	We recommend that the Executive Officer of Administration coordinate a task force including individuals representing the Chief Information Officer, Chief of Real Property Management and Development, and the Chief Operating Officer to jointly develop an agency-wide policy for wireless systems.	12/31/2007	12/31/2008	Extended once. Draft policy to be submitted for the policy review cycle in October.
3	07-CEO-106	10/24/2007	MAS	Wireless Network Security	Chief Administrative Services Officer; Gen. Mgr. Rail Operations; Chief Real Property	2	We recommend that the Chief Information Officer, Chief of Real Property Management and Development, and the Chief Operating Officer work together and identify the most cost effective and efficient measure of correcting the weaknesses identified during this audit in ATMS, M3 and UFS such as sharing an Intrusion Detection System. Also, we recommend all three groups analyze the feasibility of implementing the latest wireless technology release along with best practices to improve security.	6/30/2008	6/30/2009	Extended once.
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	12/31/2007	Revised policy is drafted and in the policy review cycle.
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	12/31/2007	Revised policy is drafted and in the policy review cycle.
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	12/31/2007	Revised policy is drafted and in the policy review cycle.
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	12/31/2007	Wireless Device Certification form modified. Revised policy is drafted and in the policy review cycle.
8	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	11/30/2008	Extended twice. Policy is drafted and will be submitted for the policy review cycle in October.

**All Open Audit Recommendations  
Status as of June 30, 2008**

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9	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	11/30/2008	Extended twice. Policy is drafted and will be submitted for the policy review cycle in October.
10	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	Revised policy is drafted and queued for policy review. Planned for January Board.
11	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	Revised policy is drafted and queued for policy review. Planned for January Board.
12	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	Revised policy is drafted and queued for policy review. Planned for January Board.
13	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	Revised policy is drafted and queued for policy review. Planned for January Board.
14	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 Real Property Management Information System by the end of next fiscal year.	6/30/2008	8/30/2008	Extended once. Will be superseded by new audit finding in August.
15	07-MGLEE-O01	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	10/31/2008	Extended once.
16	07-MGLEE-O01	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		

**All Open Audit Recommendations  
Status as of June 30, 2008**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
17	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	10/31/2008	Extended once.
18	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	10/31/2008	Extended once.
19	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	10/31/2008	Extended once.
20	06-TD1-004	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		Will close in July
21	06-TD1-004	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		Will close in July
22	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	Extended once.
23	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	Extended once. Will close in September.
24	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	Extended once.

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Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
25	07-OPS-O05	2/26/2008	MAS	Rail Service Interruption Communication	General Mgr, Rail Operations; Chief Communications Officer	1	We recommend the General Manager, Rail Operations and the Chief Communications Officer coordinate a consistent policy for all rail station phone usage and signage that will clarify phone access during emergency and non-emergency situations and assist patrons in locating and using station phones.	8/31/2008		
26	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	6/30/2008	Extended twice. Will be closed in August
27	07-OPS-O11	6/1/2008	MAS	Tier 1 Service Changes	Chief Operating Officer	1	We recommend that Service Performance Analysis Unit incorporate into their current procedures the requirement to include limited English proficiency maps in the Service Performance Analysis database as they become available from the Census Bureau. Bus Operations concurs with our recommendation.	11/30/2008		
28	08-OPS-O09	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	1	The Chief Operations Officer should adopt a practice of documenting decisions that affect school tripper service and make this requirement part of its school tripper policy. Currently, decisions that affect school tripper schedules and routes are generally made in a decentralized manner by each of the five sector management teams and little if any documentation is available. Specifically, when a decision about bus routing or scheduling is made that affects school trippers, operations should carefully assess and document the rationale for the decision in relation to the applicable sections of 49 CFR Part 605.	5/31/2008		Will be closed in August
29	08-OPS-O09	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	2A	In order to minimize the risk of non-compliance to 49 CFR 605, the Chief Operations Officer should (A) immediately cease the runs found in our review that were in non-compliance with the various criteria that we examined.	6/30/2008		Will be closed in August
30	08-OPS-O09	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	2Ba	Institute a policy requiring the following: All school trippers should be published on a timetable to ensure both the general public as well as the student population are aware of the services.	6/30/2008		Will be closed in August
31	08-OPS-O09	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	2Bb	If a school tripper route deviates from the normal bus line routing, the deviation should be published or noted on a timetable to ensure both the general public as well as the student population are aware of the routing.	6/30/2008		Will be closed in August
32	08-OPS-O09	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	2Bc	All locations where buses stop should be properly marked with a bus stop placard and signage indicating the bus line numbers servicing the stop.	6/30/2008		Will be closed in August

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33	08-OPS-009	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	3a	The Chief Operations Officer should develop and implement a policy and procedures regarding how school tripper "pink letters" will be managed. The policy should ensure the following: School tripper "pink letters", whenever possible, should require notification of the general public through the use of a service change notice.	9/30/2008		
34	08-OPS-009	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	3b	Uniform standards for the documentation of school tripper "pink letters" should be implemented in all of the sectors. This would include the standardization of the "pink letter" form and oversight over the "pink letter" information being input into the SLS 2000 system to ensure accuracy. It should also include the documentation of all requests being made by the schools and districts.	9/30/2008		
35	08-OPS-009	3/25/2008	MAS	School Tripper Policies and Practices	Chief Operating Officer	3c	Criteria for the accommodation of a school tripper "pink letter" should be established in order to maintain uniformity among the sectors. Example: Prior notice of at least two weeks should be given in order to properly schedule sector assets and distribute the required service change notices.	9/30/2008		
36	07-OPS-006	12/6/2007	MAS	Continuity of Operations Plan	Chief Operating Officer	1, 2	Security sensitive	12/31/2008		Three recommendations. Completion dates: 12/31/08, 12/31/08; rec. 3 closed in March.
37	08-ACC-F03b	6/30/2008	MAS	Review of Environmental Liabilities	Chief Capital Management Officer	1	The Deputy chief Capital Management Officer should designate responsibility of GASB Statement 49 implementation and reporting to one office or department. Currently, information on the known and potential environmental hazards is dispersed throughout the Agency without one entity serving as a focal point for ensuring that comprehensive and complete data on remediation projects and their costs are maintained. The Deputy chief Capital Management Officer should consider the extent of environmental hazard expertise and knowledge of cost estimating among various offices when delegating central responsibility for GASB Statement 49 reporting.	11/30/2008		New audit. Working with management on action plan.
38	08-ACC-F03b	6/30/2008	MAS	Review of Environmental Liabilities	Chief Capital Management Officer	2	The Deputy Chief Capital Management Officer, in coordination with the Chief Financial Services officer, should develop and implement policy and procedures regarding GASB Statement 49 implementation and reporting. The policy should establish the conditions subject to GASB Statement 49 reporting and the procedures developed should ensure the identification, assessment, cost measurement and reporting of known and potential environmental remediation activities.	11/30/2008		New audit. Working with management on action plan.

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39	08-ACC-F03b	6/30/2008	MAS	Review of Environmental Liabilities	Chief Capital Management Officer	3	In order to implement complete and accurate financial reporting of environmental remediation liabilities in accordance with GASB Statement 49, the Deputy Chief Capital Management Officer should consider developing a MS Access database or comparable format for tracking and estimating environmental liabilities. Currently, the Agency does not have a framework for tracking and estimating known and potential environmental liabilities. The cost estimating model that our firm developed for this review, which is consistent with GASB Statement 49 requirements, could be utilized by the Agency.	1/31/2009		New audit. Working with management on action plan.
40	08-ACC-F03b	6/30/2008	MAS	Review of Environmental Liabilities	Chief Capital Management Officer	4	The Deputy Chief Capital Management Officer should establish a comprehensive baseline of cost data that captures cost estimates on environmental identification, assessment, remediation, and monitoring with sufficient detail on labor, materials and equipment costs. The Agency can either request vendors to provide this level of data or outsource the development of the baseline cost data.	1/31/2009		New audit. Working with management on action plan.
41	08-ACC-F03b	6/30/2008	MAS	Review of Environmental Liabilities	Chief Capital Management Officer	5	The Deputy Chief Capital Management Officer should work in conjunction with the Chief Financial Services Officer and the Chief Administrative Services officer to establish a mechanism to integrate indirect overhead, labor, materials and equipment costs in estimating future environmental liabilities.	1/31/2009		New audit. Working with management on action plan.