



**Metro**

Metropolitan Transportation Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

213.922.2000 Tel  
metro.net

**February 10, 2012**

**TO: BOARD OF DIRECTORS**

**THROUGH: ARTHUR T. LEAHY** *ATL*  
**CHIEF EXECUTIVE OFFICER**

**FROM: RUTHE HOLDEN** *reh*  
**CHIEF AUDITOR, MANAGEMENT AUDIT SERVICES**

**SUBJECT: STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF  
DECEMBER 31, 2011**

**ISSUE**

At the March 2005 Executive Management and Audit Committee meeting, the committee requested that the status of all open audit recommendations be reported to them. The report includes audits performed by Management Audit Services (Management Audit) and audits performed by outside auditors.

**DISCUSSION**

In the quarterly report Management Audit fulfills the request to report the corrective actions for all open audit recommendations related to findings reported by Operational and Programs Audit, Information Technology and Support Services 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 months of October, November and December, Management Audit issued three internal reports, all of which contained corrective actions. Among other reports issued during the quarter, two reports have open audit findings. Four findings are open from the KPMG Management Letter for the Basic Financial Statements, and one finding is open from the KPMG Management Letter for Federal Funding Allocation Data, Transportation Operating Agency (# 9154). Open corrective actions that were added during the second quarter are included on the attachment as items 1, 3 – 7, and 20 – 24.

During this period of time, the Office of the Inspector General did not issue any reports with findings that need to be followed-up by Management Audit.

Three recommendations from audits issued during the second quarter FY12, and 19 from audits open as of the end of the first quarter FY12 were closed. We are actively working with staff to close each recommendation as quickly as possible. The total open recommendations as of December 31, 2011 are included in Attachment A.

The following table summarizes the follow-up activity for audit recommendations during second quarter FY12.

**Table 1**  
Summary of Operational, Programs, IT, Support Services and External Audit Recommendations as of December 31, 2011

Executive Area	Closed or Completed in Oct.	Closed or Completed in Nov.	Closed or Completed in Dec.	Late	Extended	Not Yet Due/Under Review	Total Open Recom.
Chief Financial Services Officer & Treasurer						2	2
Chief Administrative Services Officer	5	1	7	2		12	14
Chief Communications Officer			1	3	1	1	5
Chief Operations Officer		3	2	7		6	13
Deputy Chief Executive Officer			2			1	1
Executive Director, Transit Project Delivery			1	2		1	3
<b>Totals</b>	<b>5</b>	<b>4</b>	<b>13</b>	<b>14</b>	<b>1</b>	<b>23</b>	<b>38</b>

Any findings that have not been corrected 90 days after due date are reported as late.

At the conclusion of the second quarter FY12, 154 contract audits remained open pending the results of negotiations.

**NEXT STEPS**

Management Audit Services will provide the next quarterly status report for the period ending March 31, 2012.

Attachment A: Open Audit Recommendations Report

**All Current Audit Recommendations  
Status as of December 31, 2011**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
1	ML-KPMG-FY11	12/29/2011	KPMG	Management Letter to Basic Financial Statements (FY11)	Chief Financial Services Officer & Treasurer	<b>Untimely capitalization of construction in progress.</b> The Accounting Department will pursue an interdepartmental awareness program to inform project managers to abide by the Accounting Procedures & Guidelines for Capital Expenditures (ACC-14) which requires that assets placed in service be reported immediately for depreciation purposes.	3/31/2012		
2	09-ACC-F02	7/19/2011	MAS	Payroll System Manual Adjustments	Chief Financial Services Officer & Treasurer	<b>Several items were missing from the Payroll Policy and Procedures Manual.</b> The missing procedures will be included in the next update of the Payroll and Procedures manual.	12/31/2011		
3	ML-KPMG-FY11	12/29/2011	KPMG	Management Letter to Basic Financial Statements (FY11)	Chief Administrative Services Officer/Chief Operations Officer	<b>Insufficient periodic access review of HASTUS and removal of terminated users.</b> The ITS department will work with Transit Operations to perform an annual review of users with access to the HASTUS application and will remove all inappropriate users.	3/31/2012		
4	ML-KPMG-FY11	12/29/2011	KPMG	Management Letter to Basic Financial Statements (FY11)	Chief Administrative Services Officer	<b>Access to migrate Payroll Application changes is not appropriately restricted.</b> The ITS department will perform an annual review of users with access to the Payroll application and will remove inappropriate users. Further, ITS has an established Change Control process through which changes to the production environment is controlled and authorized. An additional level of periodic review will be implemented.	3/31/2012		
5	ML-KPMG-FY11	12/29/2011	KPMG	Management Letter to Basic Financial Statements (FY11)	Chief Administrative Services Officer	<b>Access to migrate e-time application changes is not appropriately restricted.</b> The ITS department will perform an annual review of users with access to the e-time application changes and will remove inappropriate users. Further, ITS has an established Change Control process through which changes to the production environment is controlled and authorized. An additional level of periodic review will be implemented.	3/31/2012		

**All Current Audit Recommendations  
Status as of December 31, 2011**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
6	12-CEO-I01	10/28/2011	MAS	Performance Audit compliance to Payment Card Industry Standards	Chief Administrative Services Officer/Chief Communications Officer	<b>Security Sensitive Information</b>	4/30/2012		Three corrective actions, all open.
7	10-ROP-O03	10/26/2011	MAS	Performance Audit of Escalator and Elevator Maintenance Contract	Chief Administrative Services Officer	<b>Contractor did not provide required daily and monthly operating reports:</b> Staff will 1) continue development of SOPs for managing contracted services. The SOP should include the requirements to identify in writing for each svc contract: a) all contractually required deliverables for contractors, b) all oversight responsibilities for MTA's project manager; 2) Hold regular contract performance/status meetings with all contract service providers. These meetings should be held quarterly, at a minimum, for large contracts such as elevator/escalator maintenance, waste management and pest control. 3) Submit a quarterly report to Administrative management summarizing contractor and MTA project manager performance on each service contract.	1/31/2012		
8	09-ADM-K08	9/26/2011	MAS	Performance Audit of Compliance to HR Policies	Chief Administrative Services Officer	<b>Inadequate File Documentation:</b> Human Resources (HR) has instituted a process of selection file review (both hard copy files and data in the Metro Applicant Tracking System) by HR managers twice a year, to commence the second quarter of FY12. A sampling of at least 5% of the total recruitments from each HR analyst will be reviewed.	12/31/2011		
9	11-ADM-I01	7/22/2011	MAS	Active Directories Security Management	Chief Administrative Services Officer	<b>Access Control Needs Improvement:</b> Setup Microsoft Baseline Security and use it to monitor user accounts with non-expiring passwords. Monitoring will be performed on a quarterly schedule per year.	10/31/2011		
10	11-ADM-I01	7/22/2011	MAS	Active Directories Security Management	Chief Administrative Services Officer	<b>Access Control Needs Improvement:</b> Setup unique identifiable alternate accounts for administrators for any activity which requires elevated privileges. The password policy will be updated to include language restricting the use of these unique accounts for jobs and processes only.	10/31/2011		

**All Current Audit Recommendations  
Status as of December 31, 2011**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
11	11-ADM-I01	7/22/2011	MAS	Active Directories Security Management	Chief Administrative Services Officer	<b>Password Screensaver Not Automated:</b> The Information Security Procedure #1 "Security System Integrity" will be updated to reflect the requirements of enabling screen savers at the domain level for the appropriate departments.	2/29/2012		
12	11-ADM-I01	7/22/2011	MAS	Active Directories Security Management	Chief Administrative Services Officer	<b>Outdated Policies and Procedures:</b> Updates to the seven security directives will be reviewed and upgraded. This includes: Security System Integrity, Login ID Utilization, Network Connection Controls & Utilization, User Activity & Accountability, System Administration, Removal of System Administration and Removal of System Users.	2/29/2012		
13	ML-KPMG-FY10	1/31/2011	KPMG	Management Letter to Basic Financial Statements (FY10)	Chief Administrative Services Officer	<b>Access into the Payroll Application is not appropriately restricted.</b> Direct access has been removed for users who did not need it, and other users who required direct access will be given Read Only access. ITS has established a Change Control process though which change to the production environment is controlled and authorized. An additional level of periodic review will be implemented.	6/30/2011		
14	10-ADM-01A	3/22/2010	MAS	Performance Audit Report of the SBE/DBE Goal Development and Participation Process	Chief Administrative Services Officer	<b>MTA's DBE annual goal development process was found to be in compliance with federal regulations under 49 C.F.R. Part 26, but MTA should explore other goal development alternatives permitted under regulations.</b> DEOD has requested temporary assistance to "catch up" certifications which will free up staff to work on bidder's database. Additionally, DEOD is considering using an external contractor to assist with certification process to allow staff time to complete database on bidders.	12/31/2010		
15	09-COM-F02	5/31/2011	MAS	Business & Institutional Sales	Chief Communications Officer	<b>Program goals are not formalized in a marketing plan:</b> a formal marketing plan will be developed.	9/30/2011	12/31/2011	Extended. Still in process.
16	09-COM-F02	5/31/2011	MAS	Business & Institutional Sales	Chief Communications Officer	<b>Effectiveness of marketing campaigns is not measured:</b> Marketing will develop appropriate metrics to evaluate any future MTA Commute Services marketing campaigns.	1/31/2012		

**All Current Audit Recommendations  
Status as of December 31, 2011**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
17	ML-KPMG-FY10	1/31/2011	KPMG	Management Letter to Basic Financial Statements (FY10)	Chief Communications Officer	<b>Some users to the Universal Fare System (UFS) are not appropriately restricted and no periodic user access review is performed.</b> Transit Access Pass (TAP) will remove all inappropriate users to the NextFare application and is in the process of reviewing all group device access lists and employee accounts. A TAP Operation audit of authorized users will be performed every four months.	6/30/2011		
18	10-OPS-O08	2/4/2010	MAS	Customer Complaint Management	Chief Communications Officer	<b>Customers requesting complaint responses did not receive responses.</b> Customer Relations will create a field in the complaint system to enable recording of customer satisfaction level for each complaint. This can be done immediately by re-purposing an existing data element.	5/31/2011		
19	10-OPS-O08	2/4/2010	MAS	Customer Complaint Management	Chief Communications Officer	<b>Customers requesting complaint responses did not receive responses.</b> Customer Relations will develop a management report that summarizes customer satisfaction data. This recommendation can be met soon after the criteria for the customer satisfaction data are established.	5/31/2011		
20	NTD-9154-KPMG	11/22/2011	KPMG	9154 NTD Audit Report (FY11)	Chief Operations Officer	<b>Inaccurate reporting of AVM, VRM, AVH and VRH on the NTD form.</b> We will consider increasing existing review procedures to specifically address any transcription and arithetical errors in the calculation used for FTA reporting.	3/31/2012		
21	10-OPS-I01	10/7/2011	MAS	Performance Audit of ATMS/TDBS and Interfaces	Chief Operations Officer	<b>Inadequate account and password management practices:</b> Management responsible for sustaining engineering will remain in Operations, while day-to-day technical support will be transferred to ITS. Transportation and ITS will meet to determine roles and responsibilities of system management and administration.	1/31/2012		
22	10-OPS-I01	10/7/2011	MAS	Performance Audit of ATMS/TDBS and Interfaces	Chief Operations Officer	<b>Inadequate account and password management practices:</b> Once roles and responsibilities are discussed with ITS, system account and password administration activities will be addressed.	2/29/2012		
23	10-OPS-I01	10/7/2011	MAS	Performance Audit of ATMS/TDBS and Interfaces	Chief Operations Officer	<b>Physical security of bus incident recordings not secure:</b> All DVDs shall be moved and stored and managed from a locked room.	1/31/2012		

**All Current Audit Recommendations  
Status as of December 31, 2011**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
24	10-OPS-I01	10/7/2011	MAS	Performance Audit of ATMS/TDBS and Interfaces	Chief Operations Officer	<b>Inadequate documentation of sytem issues:</b> Notification will be sent to ACS notifying them to add a field in the issues log that provides standardized categories for each issue and to document root causes in the issue log, and to obtain documentation from ACS to verify issues are implemented in system upgrades. After the responsibility is transferred, ITS will oversee this process.	1/31/2012		
25	09-ROP-O02	7/8/2011	MAS	Hearing Conservation Program	Chief Operations Officer/Chief Administrative Services Officer	<b>Corporate Safety was not consulted on purchases of noise hazardous new equipment:</b> Rail Operations and Procurement will make their managers aware of the new requirements in the guidelines and oversee their implementation.	10/31/2011		Will close in January.
26	10-ACC-F06	4/18/2011	MAS	Payroll Overtime Violations	Chief Operations Officer/Chief Financial Services Officer & Treasurer	<b>Inadequate and untimely review of overtime:</b> Each location/division manager within their respective functions will identify clerks who have input errors and conduct training/retraining as appropriate. A master list of all clerks who receive additional training will be maintained.	9/30/2011		
27	NTD-9154-KPMG	12/15/2010	KPMG	9154 NTD Audit Report (FY10)	Chief Operations Officer	<b>Differences were noted between the worksheets used by the MTA to prepare the final data, and the actual data transcribed on the Federal Funding Allocation Statistics form (FFA-10).</b> The MTA will consider increasing its existing review procedures to specifically address any transcription and arithmetical errors in the calculation used for FTA reporting.	3/31/2011		
28	NTD-9154-KPMG	12/15/2010	KPMG	9154 NTD Audit Report (FY10)	Chief Operations Officer	<b>Differences were noted between the source documents for accumulating passenger miles traveled (PMT) and the related trip logs/surveys.</b> The MTA will consider increasing its existing review procedures to specifically address any transcription and arithmetical errors in the calculation used for FTA reporting.	3/31/2011		

**All Current Audit Recommendations  
Status as of December 31, 2011**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
29	08-OPS-102	2/19/2010	MAS	Audit of Transit Operator Activity Schedule & Tracking	Chief Operations Officer	<b>Controls are not functioning, and others were not implemented, in the following areas: a. Weak Application Controls; b. Inappropriate Access Control; and c. Automated Process Not Activated.</b> User access profiles will be in the production software before the system is implemented. Project Manager access will also be downgraded.	6/30/2010		
30	08-OPS-102	2/19/2010	MAS	Audit of Transit Operator Activity Schedule & Tracking	Chief Operations Officer	<b>Controls are not functioning, and others were not implemented, in the following areas: a. Weak Application Controls; b. Inappropriate Access Control; and c. Automated Process Not Activated.</b> The Operations Training Tracking System (OTTS) will be upgraded to capture accurate and up-to date qualification data. Once the system captures accurate date, then the OTTS will interface with HASTUS.	6/30/2010		
31	10-OPS-008	2/4/2010	MAS	Customer Complaint Management	Chief Operations Officer	<b>Customers requesting complaint responses did not receive responses.</b> Operations Central Instruction will update the Desktop Reference Guide for Processing Customer Complaints to require documentation of whether customer accepted the response and the level of satisfaction achieved.	4/30/2010		
32	09-OPS-001	12/23/2009	MAS	MS Warranty Management	Chief Operations Officer	<b>Incomplete capture of all warranty claims.</b> Staff is developing an enhanced process to implement component level warranty tracking for the bus fleet that will help alert a mechanic in instances other than base bus warranties or fleet defects. Once an implementation plan/timeline is finished, it will be made available.	2/28/2011	5/31/2011	Extended. Still in process.
33	10-CAP-F01	12/18/2009	MAS	Review of Capital Project Budgeting Process	Deputy Chief Executive Officer	<b>Capital Project Management Guidelines and Project Control have not been established within all divisions.</b> The Project Management Officer will develop policies to ensure control and oversight for all capital projects over a specific dollar amount.	7/31/2011	10/31/2011	Received information, Under review.



**All Current Audit Recommendations  
Status as of December 31, 2011**

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
34	11-CON-K01	8/9/2011	MAS	I-405 Sepulveda Pass Improvement Project	Executive Director Transit Project Delivery	<b>Inadequate Quality Assurance Oversight:</b> Quality Management has stated that any differences in Memorandum of Understanding (MOU) documentation of roles and responsibilities will be reconciled and an agreement to coordinate testing between Caltrans and MTA for the I-405 project will be formalized.	1/31/2012		
35	11-CON-K01	8/9/2011	MAS	I-405 Sepulveda Pass Improvement Project	Executive Director Transit Project Delivery	<b>Inadequate Oversight of Operator Licenses:</b> Project Management will work with Kiewit to identify specific licenses and/or certifications for equipment being operated on this project. Kiewit and all subcontractors will be requested in writing to maintain current and proper licenses and/or certifications. MTA will perform semiannual audits and report on the any outdated or invalid licenses and/or certifications. MTA will maintain these audit reports within our document control system on project site.	8/31/2011		
36	11-CON-K01	8/9/2011	MAS	I-405 Sepulveda Pass Improvement Project	Executive Director Transit Project Delivery	<b>Inadequate monitoring of goal attainment:</b> I-405 staff will meet with Caltrans by September 15, 2011, to develop a joint effort with Caltrans to identify and monitor goals related to the purpose and need of the I-405 HOV project. Specifically the areas will be broken down into immediate and long term goals and monitoring plans as identified by ARRA and the Final EIR/EIS.	9/30/2011		