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**July 27, 2012**

**TO: BOARD OF DIRECTORS**

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

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

**SUBJECT: STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF  
JUNE 30, 2012**

### **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 April, May and June, Management Audit issued five internal reports which contained corrective actions. Open corrective actions that were added during the fourth quarter are included on the attachment as items 1 - 5, 18 - 19, and 21 - 26.

Seven recommendations from audits issued during the fourth quarter FY12, and 25 from audits open as of the end of the third quarter FY12 were closed. We are actively working with staff to close each recommendation as quickly as possible. The total open recommendations as of June 30, 2012 are included in Attachment A.

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

**Table 1**  
**Summary of Operational, Programs, IT, Support Services and External Audit**  
**Recommendations as of June 30, 2012**

Executive Area	Closed or Completed in April	Closed or Completed in May	Closed or Completed in June	Late	Extended	Not Yet Due/Under Review	Total Open Recom.
Chief Financial Services Officer & Treasurer						3	3
Chief Administrative Services Officer	1		6	4		8	12
Chief Communications Officer			1	4			4
Chief Operations Officer	2	4	17				0
Executive Director, Countywide Planning	1			1		2	3
Executive Director, Highway Project Delivery						6	6
Executive Director, Transit Project Delivery				3			3
<b>Totals</b>	<b>4</b>	<b>4</b>	<b>24</b>	<b>12</b>	<b>0</b>	<b>19</b>	<b>31</b>

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

At the conclusion of the fourth quarter FY12, 157 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 September 30, 2012.

Attachment A: Open Audit Recommendations Report

**All Current Audit Recommendations  
Status as of June 30, 2012**

Attachment A

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
1	10-RSK-I01	6/26/2012	MAS	Performance Audit of Valley Oaks Claims Management System	Chief Financial Services Officer & Treasurer	<b>External users' view of claims data unrestricted:</b> Management will roll out access restricting pilot program to all users except for the Return to Work Coordinators and Risk Management staff.	31-Jul-12		
2	10-RSK-I01	6/26/2012	MAS	Performance Audit of Valley Oaks Claims Management	Chief Financial Services Officer & Treasurer	<b>Access monitoring for external users needs improvement:</b> Management will perform an annual review of outside users' access to claims data by sending access list for management to verify users access.	31-Jul-12		
3	10-RSK-I01	6/26/2012	MAS	Performance Audit of Valley Oaks Claims Management	Chief Financial Services Officer & Treasurer	<b>Access monitoring for external users needs improvement:</b> Management will delete the three users' access to claims data upon completion of the annual review.	31-Jul-12		
4	12-ADM-O01	6/15/2012	MAS	Follow-Up on Non-Competitive Procurement & KPMG Issue	Chief Administrative Services Officer	<b>Inadequate sole source justification and documentation:</b> Management agrees with the recommendation and will consider additional measures to ensure compliance of contracting policies and procedures. Due to a recent change in leadership responsibilities the procurement department will be reporting to the EO, Material Mgmt.	31-Jul-12		
5	12-ADM-O01	6/15/2012	MAS	Follow-Up on Non-Competitive Procurement & KPMG Issue	Chief Administrative Services Officer	<b>Quarterly Board Box Reports were not consistent and not timely:</b> Procurement staff is currently reviewing software application as a possible tool to generate the reports. Due to current manual and time consuming procedures, Procurement will provide Board Box Reports annually until the automated process has been implemented.	7/31/2013		
6	10-COM-I01	3/30/2012	MAS	Audit of Universal Fare System Division Garage Computers - General Controls	Chief Administrative Services Officer	<b>Physical access to the computer room is not limited to authorized personnel:</b> General Services will provide the computer room access list annually to designated personnel.	5/31/2012		

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7	10-COM-I01	3/30/2012	MAS	Audit of Universal Fare System Division Garage Computers - General Controls	Chief Administrative Services Officer	<b>Physical access to the computer room is not limited to authorized personnel:</b> General Services will evaluate the installation of access cards at the divisions' computer rooms.	5/31/2012		
8	SA-KPMG-FY11	2/17/2012	KPMG	Single Audit Reports (A133, FY11)	Chief Administrative Services Officer	<b>Lack of adequate controls in place to ensure that certified payroll and compliance statements are received on a weekly basis as required by Davis-Bacon Act:</b> Consultants will be used to provide labor compliance work for approved contractors. Management will also work closely with the contractors to ensure compliance.	3/31/2012		
9	SA-KPMG-FY11	2/17/2012	KPMG	Single Audit Reports (A133, FY11)	Chief Administrative Services Officer	<b>Lack of adequate controls in place to ensure compliance with procurement requirements on major programs:</b> The implementation of the Contract Information Management System (CIMS) will provide a central file tracking system for any procurement over \$25K.	6/30/2014		
10	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		
11	10-OPS-I01	10/7/2011	MAS	Performance Audit of ATMS/TDBS and Interfaces	Chief Administrative Services 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	5/31/2012	
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	5/31/2012	

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13	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		
14	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	
15	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	4/30/2012	
16	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		
17	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		
18	11-PLN-G01	4/27/2012	MAS	City of Bell Exchange Agreement and Assignment of Federal Surface Transportation Program - Local Funds	Executive Director Countywide Planning	<b>Professional Services Expenses paid with no contractual agreement:</b> City of Bell will notify Countywide Planning immediately if unused exchange funds of \$68,543 (includes the \$20,040 questionable cost) have been encumbered in another project/s and if not funds will lapse and the City will have to reimburse MTA for the amount within 90 days.	7/31/2012		

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19	11-PLN-G01	4/27/2012	MAS	City of Bell Exchange Agreement and Assignment of Federal Surface Transportation Program - Local Funds	Executive Director Countywide Planning	<b>Professional Services Expenses paid with no contractual agreement:</b> Countywide Planning will add conflict of interest language to future exchange agreements.	6/30/2012		
20	12-AUD-04	2/3/2012	OIG	Review of Transit Station and Park & Ride Maintenance and Parking Utilization	Executive Director Countywide Planning	<b>Some park &amp; rides are under-utilized, and over maintaining these facilities is an inefficient use of resources:</b> Countywide Planning and Development will work with other departments and the Parking Task Force to assess parking needs and develop strategies for increasing usage of under-utilized park & rides. Meetings will be initiated to work on these issues.	3/31/2012		
21	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	<b>Inadequate Project Management:</b> Los Angeles County Service Authority for Freeway Emergencies (LA SAFE) shall institute a more rigorous issue resolution process to identify, prioritize, and escalate outstanding issues to senior management to ensure timely resolution.	8/31/2012		
22	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	<b>Inadequate Project Management:</b> LA SAFE shall coordinate with Procurement and Contract Compliance to review the process for monitoring SBE compliance and issue a notice to IBI to ensure compliance with the contract terms.	8/31/2012		
23	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	<b>Underutilization of 511 Traveler Information System:</b> LA SAFE will implement a plan to provide a more expansive service to the public. This includes, but is not limited to, implementing a 511 Mobile Application, revising the Web Portal Go511.com site, and performing market research and analyses to identify user trends, preferences, likes and dislikes.	6/30/2013		
24	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	<b>Instruments the contractor has implemented to obtain customer feedback are ineffective:</b> LA SAFE will work with IBI to review and improve customer feedback tool and work with Marketing/Communications to develop additional services. These services include market surveys, focus groups, field evaluations, and peer/industry expert reviews.	10/31/2012		

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25	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	<b>Inadequate Information Technology General Controls:</b> LA SAFE will obtain an IT professional to review current systems, admin, security and operational control and procedures.	2/28/2013		
26	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	<b>Inadequate Information Technology General Controls:</b> LA SAFE will work with Procurement to determine how best to obtain SSAE 16 reports.	2/28/2013		
27	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		
28	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		
29	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		