



Metro

Metropolitan Transportation Authority

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October 26, 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
SEPTEMBER 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 July, August and September, Management Audit issued five internal reports which contained corrective actions. Open corrective actions that were added during the first quarter are included on the attachment as items 1 – 3 and 14 - 30.

Nine recommendations from audits issued during the first quarter FY13, and nine from audits open as of the end of the fourth quarter FY12 were closed. We are actively working with staff to close each recommendation as quickly as possible. The total open recommendations as of September 30, 2012 are included in Attachment A.

The following table summarizes the follow-up activity for audit recommendations during first quarter FY13.

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

Executive Area	Closed or Completed in July	Closed or Completed in Aug.	Closed or Completed in Sept.	Late	Extended	Not Yet Due/Under Review	Total Open Recom.
Chief Financial Services Officer & Treasurer			3				0
Chief Administrative Services Officer	1	4		6		6	12
Chief Communications Officer			1	3			3
Chief Operations Officer		2	5			28	28
Executive Director, Countywide Planning		2					0
Executive Director, Highway Project Delivery						6	6
Executive Director, Transit Project Delivery				3			3
Totals	1	8	9	12		40	52

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

At the conclusion of the first quarter FY13, 160 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 December 31, 2012.

Attachment A: Open Audit Recommendations Report

**All Current Audit Recommendations
Status as of September 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	12-ADM-I03	8/24/2012	MAS	Audit of Oracle Database Management	Chief Administrative Services Officer	No monitoring of database administrator activities: The Information Security Officer will complete preliminary training on administering and monitoring Imperva security controls.	12/31/2012		
2	12-ADM-I04	8/3/2012	MAS	Audit of Human Resources Database	Chief Administrative Services Officer	Oracle HR Self-service system is not programmed to mask fields to prevent unnecessary disclosure: Management will add a banner to the open enrollment screen, informing employees to shut the application before leaving their desk or to turn on a password-protected screen saver.	10/31/2012		
3	12-ADM-I04	8/3/2012	MAS	Audit of Human Resources Database	Chief Administrative Services Officer	Retired user still had access to the Legacy HR system: Management will develop and run reports to monitor access for terminated employees.	8/31/2012		Will close in October 2012.
4	12-ADM-O01	6/15/2012	MAS	Follow-Up on Non-Competitive Procurement & KPMG Issue	Chief Administrative Services Officer	Inadequate sole source justification and documentation: 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, Procurement & Material Management.	7/31/2012		
5	12-ADM-O01	6/15/2012	MAS	Follow-Up on Non-Competitive Procurement & KPMG Issue	Chief Administrative Services Officer	Quarterly Board Box Reports were not consistent and not timely: 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	SA-KPMG-FY11	2/17/2012	KPMG	Single Audit Reports (A133, FY11)	Chief Administrative Services Officer	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: 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		
7	SA-KPMG-FY11	2/17/2012	KPMG	Single Audit Reports (A133, FY11)	Chief Administrative Services Officer	Lack of adequate controls in place to ensure compliance with procurement requirements on major programs: The implementation of the Contract Information Management System (CIMS) will provide a central file tracking system for any procurement over \$25K.	6/30/2014		

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8	12-CEO-I01	10/28/2011	MAS	Performance Audit compliance to Payment Card Industry Standards	Chief Administrative Services Officer/Chief Communications Officer	SECURITY SENSITIVE INFORMATION	4/30/2012		Three open corrective actions.
9	11-ADM-I01	7/22/2011	MAS	Active Directories Security Management	Chief Administrative Services Officer	Outdated Policies and Procedures: 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	Will close in October 2012.
10	10-ADM-01A	3/22/2010	MAS	Performance Audit Report of the SBE/DBE Goal Development and Participation Process	Chief Administrative Services Officer	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 which will require development of an updated bidder's list: 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		
11	09-COM-F02	5/31/2011	MAS	Business & Institutional Sales	Chief Communications Officer	Program goals are not formalized in a marketing plan: a formal marketing plan will be developed.	9/30/2011	12/31/2011	
12	10-OPS-O08	2/4/2010	MAS	Customer Complaint Management	Chief Communications Officer	Customers requesting complaint responses did not receive responses. 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		
13	10-OPS-O08	2/4/2010	MAS	Customer Complaint Management	Chief Communications Officer	Customers requesting complaint responses did not receive responses. 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		

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14	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Field investigations of bus accidents, accident reports, and management review of these reports, are not adequate: Operations Central Instruction (OCI) is in the process of updating the Accident Investigation Collision Manual to clarify that follow up discipline/actions for accidents are to be determined by a case by case basis. Discipline and post-accident training will be decided based on the accident details, compliance with rules/SOP, employee record, accident history, training received, length of employment, contributing factors, and any other factors that may be pertinent to the accident.	11/31/12		
15	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Field investigations of bus accidents, accident reports, and management review of these reports, are not adequate: Most Vehicle Operations (VO) staff has been trained by the Corporate Safety Accident Investigation Team (AIT) staff. VO Management and OCI plan on sending key employees to the 'Ben Clark Traffic Collision Investigation' course for additional training. The program will be expanded if deemed productive and incorporated as a Train-the-Trainer program to encompass other VO staff. Corporate Safety staff will conduct refresher courses on an on-going basis in accident investigations when requested by VO management.	9/30/2012		
16	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Field investigations of bus accidents, accident reports, and management review of these reports, are not adequate: Management concurs. A process is being implemented requiring that all divisions use a standardized Accident Review Board Checklist requiring all available video to be part of the ARB packet. Information acquired by the Accident Investigation Team (AIT) as part of the investigation and ARB process, including the video, will be placed on a share drive and made available to Transportation Management.	10/31/2012		

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17	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Field investigations of bus accidents, accident reports, and management review of these reports, are not adequate: VO Assistant Managers have begun and will continue to routinely conduct quality review of the reports being submitted by their staff. Deficient reports will be sent back to the Supervisor who conducted the investigation. Corporate Safety will modify the TransitSafe system so that VO management can document their review and approval of reports that are acceptable. The AIT will conduct routine, random reviews of the quality of the VO reports and provide feedback, and a quarterly review of the quality of VO reports will be implemented.	9/30/2012		
18	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Field investigations of bus accidents, accident reports, and management review of these reports, are not adequate: VO Assistant Managers have begun and will continue to routinely conduct quality review of the reports being submitted by their staff. Deficient reports will be sent back to the Supervisor who conducted the investigation. Corporate Safety will modify the TransitSafe system so that VO management can document their review and approval of reports that are acceptable. The AIT will conduct routine, random reviews of the quality of the VO reports and provide feedback, and a quarterly review of the quality of VO reports will be implemented.	9/30/2012		Will close in October 2012.
19	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Two separate units within MTA conduct independent and uncoordinated investigations into some bus accidents: the Corporate Safety Collision Investigation Unit will prepare a written action plan.	9/30/2012		
20	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Two separate units within MTA conduct independent and uncoordinated investigations into some bus accidents: The Director of Bus System Safety will evaluate the need for additional resources based on the number of serious/fatal Code 2 incidents, and other duties performed by the AIT staff.	9/30/2012		

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21	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Accident Review Boards often make determinations with incomplete and inadequate information: The newly implemented bus accident investigation quality review and approval process will correct this issue (ref. corrective action #4).	9/30/2012		
22	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Some Bus Operations management practices undermine the effectiveness of bus operator discipline: Transportation Management is in the process of reviewing the use of verbal and written reprimands and taking corrective action to ensure the appropriate discipline is assessed and based on a case-by-case basis from July 2012 forward. Discipline and post-accident training is to be decided based on the accident details, compliance with rules/SOPs, employee record, accident history, training received, length of employment, contributing factors, and any other factors that may be pertinent to the accident. Transportation Management will be advised through a Transportation Directive that use of verbal counseling for accidents will cease immediately. Progressive discipline (written reprimand) can be assessed if the accident is minor and all detail have been reviewed and warrant progressive discipline/training.	9/30/2012		
23	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Initial and post-accident training of bus operators could be improved by conducting a thorough evaluation of the effectiveness of the training: Management agrees with the recommendation. Student feedback method is currently being developed for all students that complete basic bus operator training. Feedback form/evaluation system will also be made available to all students that do not successfully complete basic training (i.e., disqualified, terminated, and resigned). Feedback will be kept confidential and used to re-evaluate effectiveness of training program and instructors.	11/30/2012		

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24	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Initial and post-accident training of bus operators could be improved by conducting a thorough evaluation of the effectiveness of the training: A process for reviewing performance issues with new bus operators was implemented at the beginning of this calendar year (CY 2012) to determine if students can, or should, be provided additional training to salvage them and to improve overall training methodology. The program will be expanded to include other new bus operator behavior, skills and quality to adjust basic training program and increase training effectiveness.	11/30/2012		
25	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	Initial and post-accident training of bus operators could be improved by conducting a thorough evaluation of the effectiveness of the training: OCI will work with division management to review and track accident history for new operators and those attending post-accident training and determine if they have additional accidents within 6, 12, 18, and 24 months of training. Methodology will be created to track operators, possibly through OTTS and TransitSafe data link to create a periodic report. Information on operators with repeat accidents will be used to modify training methods to correct behaviors for long term success of operators.	11/30/2012		
26	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	The SmartDrive system for identifying inappropriate and risky operator behavior could be used more effectively: Implementation of additional categories of events has already begun and additional categories are planned to be added. Bus transportation Executive Management will provide schedule for expanding the categories by type of category such as those below: <ul style="list-style-type: none"> • RR Xing monitoring immediately; • Failure to Stop at sign/light violators; • Speeding violations; • Incomplete stop at signs/light violations; • Proceed with additional categories step-by-step. Additional monitoring criteria for SmartDrive will be added.	9/30/2012		
27	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	The SmartDrive system for identifying inappropriate and risky operator behavior could be used more effectively: Executive Management will provide a schedule for expanding the categories for additional monitoring for near collisions and lack of situational awareness.	9/30/2012		

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28	10-OPS-006	9/20/2012	MAS	Performance Audit of Bus Accident Prevention Practices	Chief Operations Officer	The SmartDrive system for identifying inappropriate and risky operator behavior could be used more effectively: Bus Transportation Executive Management will prepare a SmartDrive Matrix to add additional items. A review of SmartDrive reporting criteria, resources required and resources needed have been ongoing since the beginning of CY2012. The implementation of the plan is dependent on the procurement process to revise the existing reporting criteria.	9/30/2012		
29	11-OPS-I03	9/20/2012	MAS	Performance Audit of SCADA Network Security	Chief Operations Officer	SECURITY SENSITIVE INFORMATION	10/31/12 - 3/31/13		12 open corrective actions.
30	11-OPS-002	8/27/2012	MAS	Performance Audit of Bus Midlife Program	Chief Operations Officer	Excel spreadsheets are used as a management tool instead of M3 System generated reports: When the data in M3 is verified to be accurate, the excel spreadsheet will not be used as the primary management tool for tracking completion of buses in projects such as the ARRA funded Midlife Program.	10/31/2012		
31	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	Inadequate Project Management: 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		
32	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	Inadequate Project Management: 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		
33	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	Underutilization of 511 Traveler Information System: 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		

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34	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	Instruments the contractor has implemented to obtain customer feedback are ineffective: 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		
35	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	Inadequate Information Technology General Controls: LA SAFE will obtain an IT professional to review current systems, admin, security and operational control and procedures.	2/28/2013		
36	12-PLN-K01	6/22/2012	MAS	Performance Audit of the 511 Traveler Information System Project	Executive Director Highway Project Delivery	Inadequate Information Technology General Controls: LA SAFE will work with Procurement to determine how best to obtain SSAE 16 reports.	2/28/2013		
37	11-CON-K01	8/9/2011	MAS	I-405 Sepulveda Pass Improvement Project	Executive Director Transit Project Delivery	Inadequate Quality Assurance Oversight: 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		
38	11-CON-K01	8/9/2011	MAS	I-405 Sepulveda Pass Improvement Project	Executive Director Transit Project Delivery	Inadequate Oversight of Operator Licenses: 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		
39	11-CON-K01	8/9/2011	MAS	I-405 Sepulveda Pass Improvement Project	Executive Director Transit Project Delivery	Inadequate monitoring of goal attainment: 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		