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**May 7, 2014**

**TO: BOARD OF DIRECTORS**

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

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

**SUBJECT: STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF  
March 31, 2014**

**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 report by Operations, Planning and Development, Information/Technology, Finance/Administration, Engineering Construction, Executive Office, and other funded agencies.

During the third quarter FY14, Management Audit issued its own two internal audit reports. Eight recommendations from previous audits were closed. The total open recommendations as of March 31, 2014 are included in attachment A. In addition, Mayer Hoffman McCann, CPA completed an audit of the Xerox Financial Controls for the Transit Access Pass (TAP) Program. Also, Vasquez and Company, LLP completed a Financial Audit of the Metro Express Lanes Financial Statements. Additionally, Bazilio Cobb Associates completed the financial audit of the PTSC-MTA Risk Management Authority (PRMA).

We are actively working with staff to close each recommendation as quickly as possible. The total open recommendations as of March 31, 2014 are included in Attachment A.

**Table 1**

**Summary of Operations, Planning and Development, Information Technology, Finance and Budget, Engineering and Construction, Vendor/Contract Management Recommendations as of March 31, 2014**

Executive Area	Closed or Completed in Jan.	Closed or Completed in Feb.	Closed or Completed in Mar.	Late	Extended	Not Yet Due/Under Review	Total Open Recom.
Engineering and Construction			4	2		0	2
Finance and Budget	1					1	1
Information Technology		1				3	3
Operations						15	15
Planning and Development						3	3
Vendor/Contract Management			2			2	2
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>24</b>	<b>26</b>

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

**NEXT STEPS**

Management Audit Services will provide the next quarterly status report for the period ending June 30, 2014.

Attachment A: Open Audit Recommendations Report

**All Current Audit Recommendations  
March 31, 2014**

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
1	SA-KPMG-FY12	1/8/2013	KPMG	Single Audit Reports (A133, FY12)	Vendor and Contract Management	Lack of adequate controls in place to ensure compliance with procurement requirements: The implementation of the Contract Information Management System (CIMS) will create a central repository for all contract documents; automate the checklist process so each step will be completed for every contract; eliminate paper files; improve process cycle time; and, improve management oversight.	6/30/2014		
2	SA-KPMG-FY13	12/20/2013	KPMG	Single Audit Reports (A133, FY13)	Vendor and Contract Management		3/31/2014		
3	11-CON-K02	12/4/2013	MAS	Performance Audit of Construction Quality Assurance	Engineering & Construction	No Quality Assurance Oversight of the Construction Process: The Executive Director, Transit Project Delivery will require Quality Assurance amend their procedures to require mandatory audits on projects with a value of \$100 million or greater, by November 27, 2013	11/27/2013		Late. Procedures have been drafted and are awaiting sign-off.
4	11-CON-K02	12/4/2013	MAS	Performance Audit of Construction Quality Assurance	Engineering & Construction	Nonconformance Reports not resolved timely: The Executive Director, Transit Project Delivery will direct Quality Assurance to generate an aged NCR log, highlighting all potential safety related NCRs for all projects, by November 27, 2013. The log will be available to Corporate Safety. Quality Assurance will also escalate NCRs open or more than 90 days to the Executive Officer, Engineering.	11/27/2013		Late. Procedures have been drafted and are awaiting sign-off.
5	11-OPS-O06	10/25/2013	MAS	HASTUS	Operations	Ineffective use of ATP analytical module for Running Time and Minimum Layover Analyses: Scheduling will: Implement the cumulative method for calculating running time analyses and calibrate operational Layover/Recovery pending implementation of Hastus 2014 upgrade and merging of APC and AVL dataset	6/30/2016		
6	11-OPS-O06	10/25/2013	MAS	HASTUS	Operations	Ineffective use of ATP analytical module for Running Time and Minimum Layover Analyses: Scheduling will: Require Giro to focus training efforts on ATP features	6/30/2016		
7	11-OPS-O06	10/25/2013	MAS	HASTUS	Operations	Ineffective use of ATP analytical module for Running Time and Minimum Layover Analyses: Scheduling will: Assess the cost/benefit of customizing the current ATP module, pending availability of the APC and AVL dataset prior to Hastus 2014 upgrade.	6/30/2016		
8	11-OPS-O06	10/25/2013	MAS	HASTUS	Operations	Ineffective use of Minbus optimization module in creating vehicle schedules: Define the operation minimum layover time based on the results of the run time analyses.	6/30/2016		
9	11-OPS-O06	10/25/2013	MAS	HASTUS	Operations	Ineffective use of Minbus optimization module in creating vehicle schedules: Look for additional interlining opportunities that are "streetable".	6/30/2016		

**All Current Audit Recommendations  
March 31, 2014**

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
10	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	Ineffective use of Minbus optimization module in creating vehicle schedules: Review and update the deadhead matrix to support new and existing interlining solutions.	6/30/2016		
11	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	Ineffective use of Minbus optimization module in creating vehicle schedules: Update Hastus to allow for a mix of vehicle types after a review the route infrastructure to ensure/certify the type of vehicles that can operate on a particular line.	6/30/2016		
12	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	Ineffective use of Minbus optimization module in creating vehicle schedules: Require Giro to provide additional training on MinBus	6/30/2016		
13	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	Ineffective use of CrewOpt optimization module in creating crew schedules: Obtain an accurate Fringe benefit number to re-baseline the CrewOpt solution	6/30/2014		
14	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	Ineffective use of CrewOpt optimization module in creating crew schedules: Review all hard and soft rules to ensure they are set correctly	6/30/2014		
15	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	Ineffective use of CrewOpt optimization module in creating crew schedules: Require Giro to perform additional training on new rules for multi-division operator run cutting in Hastus.	6/30/2014		
16	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	Ineffective use of CrewOpt optimization module in creating crew schedules: Adopt integrated scheduling to improve run cut efficiency.	6/30/2014		
17	11-OPS-006	10/25/2013	MAS	HASTUS	Operations	CrewOpt not used for Rail Crew Schedule: We recommend the Chief Operations Officer transition to HASTUS for scheduling rail service. The plan should include transition milestones and estimated completion dates	6/30/2016		
18	9154-KPMG-FY13	12/19/2013	KPMG	Independent Accountants' Report on Applying Agreed Upon Procedures	Operations	Inadequate controls over collection of samples: The Authority will increase its existing review procedures to address missing samples. The Authority will implement Automated Passenger Counting by 7/1/13	5/2/2014		
19	9154-KPMG-FY13	12/19/2013	KPMG	Independent Accountants' Report on Applying Agreed Upon Procedures	Operations	Inadequate controls over review of samples for transposing errors: The Authority will increase its existing review procedures to specifically address any transposition and arithmetical errors in the calculation used for FTA reporting	5/2/2014		

**All Current Audit Recommendations  
March 31, 2014**

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Finding/Corrective Action	Original Completion Date	Extended Completion Date	Comments
20	12-PRO-I01A	11/27/2013	MAS	Performance Audit of Project Management Information System General Controls	Information Technology	<b>Inadequate Information Technology General Controls:</b> ITS will provide to Program Management a document of security control requirements that must be included in all future contracts, and will work with the PMIS administrator to ensure that the requirements are included into the upcoming renewal of the contract.	4/1/2014		
21	12-PRO-I01A	11/27/2013	MAS	Performance Audit of Project Management Information System General Controls	Information Technology	<b>Inadequate Information Technology General Controls:</b> Hosting PMIS at MTA is not feasible at this time due to current power constraints in the MTA Data Center. Management will revisit the business case for in-sourcing versus outsourcing the PMIS information technology infrastructure components when the existing contract comes up for renewal in 2015. Program Management, with support from ITS, will engage the vendor to provide a disaster recovery solution. Latisys shall be used for disaster recovery and data backup services. The target date for completion of the plan is January 2014. A schedule will be established thereafter for periodically testing the plan. In the meantime, the PMIS systems will continue to be backed up daily and mirrored to an offsite location.	1/1/2014		
22	12-ADM-I02	1/15/2014	MAS	M3 Timekeeping System	Information Technology	<b>Inadequate Payroll Adjustment Controls:</b> Service Request submitted to ITS to develop an electronic system for ACC-172 time adjustments. ITS will work in an assessment phase after which they will establish a target completion date.	9/30/2014		
23	9154-KPMG-FY13	12/19/2013	KPMG	Independent Accountants' Report on Applying Agreed-Upon Procedures	Planning and Development	<b>Inadequate controls over review of samples for transposing errors:</b> The Authority has initiated an additional reviewer and a formula testing process to enhance the early identification of conflicts for correction in advance of data reporting. Procurement of an electronic vanpool operator reporting system is underway with an anticipated launch in RY2015.	6/30/2015		
24	9154-KPMG-FY13	12/19/2013	KPMG	Independent Accountants' Report on Applying Agreed-Upon Procedures	Planning and Development	<b>Inadequate controls over reporting of NTD data:</b> The Authority has initiated an additional reviewer and a formula testing process to enhance the early identification of conflicts for correction in advance of data reporting. Procurement of an electronic vanpool operator reporting system is underway with an anticipated launch in RY2015.	6/30/2015		
25	SA-KPMG-FY13	12/20/2013	KPMG	Single Audit Reports (A133, FY13)	Planning and Development	<b>Sub recipient Monitoring:</b> The Memorandum of Understanding (MOU) boilerplate used by the Regional Grants Department will be edited to include a DUNS number. A notice will be sent to all personnel in the Countywide Planning and Development Division informing them of federal sub recipient monitoring requirements. The Countywide Planning and Development Division will be instructed to include the DUNS number on the MOU approval routing slip..	3/31/2014		
26	10-ACC-F03	3/31/2014	MAS	Subsidiary Ledger	Finance and Budget	<b>Fixed Assets Overstated:</b> The Director of Accounting will ensure that, by June 30, 2014, the fixed asset policies, procedures and guidelines manual is updated to include the review of capital assets without depreciation.	6/30/2014		