



**Metro**

Metropolitan Transportation Authority

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September 7, 2004

**TO:** BOARD OF DIRECTORS

**THROUGH:** ROGER SNOBLE  
CHIEF EXECUTIVE OFFICER 

**FROM:** RICHARD BRUMBAUGH  
CHIEF FINANCIAL OFFICER 

**SUBJECT:** DELINEATION BETWEEN THE OFFICE OF INSPECTOR  
GENERAL AND THE MANAGEMENT AUDIT SERVICES  
DEPARTMENT

**ISSUE**

During the June meeting of the Executive Management and Audit Committee, Director Fasana requested a report delineating between the audits performed by the Office of Inspector General and the Management Audit Services Department including the policies regarding each.

**DISCUSSION**

The Management Audit Services Department reports functionally to the Chief Executive Officer and administratively to the Chief Financial Officer. According to its charter (see attachment B), the department's primary focus is the adequacy and effectiveness of MTA's systems of internal control, and it is responsible for the following:

- performing internal audits and information technology audits covering all areas of the MTA according to a risk-based annual audit plan. These audits evaluate internal controls, determine compliance with policy and regulations, ensure the safeguarding of assets and resources and evaluate MTA functions, activities and processes for efficiency, effectiveness and program results;
- performing contract audits related to pre-awards, change orders, and incurred costs, as well as providing support for claims, contract close-outs and related litigation;
- performing project audits of the close out of projects funded by the Call-for-Projects;
- performing audits and analyses of MTA operations and programs which are requested by MTA senior management; and

- tracking and following up on all internal and external audit recommendations.

The following table displays the principal differences between the audits of the Office of Inspector General and the Management Audit Services Department:

<u>Type of Audit Activities</u>	<u>OIG</u>	<u>MASD</u>
Audit support for the investigation of fraud and illegal acts	Yes	No
Joint reviews with investigations	Yes	No
Audits and reviews in areas identified by the IG vulnerable to fraud, waste, and abuse	Yes	No
Oversight audits and reviews of all MTA activities, operations, and programs, including major construction projects	Yes	No
Independent Audit requested by the Board	Yes	No
Quarterly audits of MTA expenditures mandated by the PUC	Yes	No
Develop, implement, and oversee audit policy in the MTA	Yes	No
Operational Audits	Yes	Yes
Close out audits of project funded by the Call-for-projects	No	Yes
Pre-award contract audits	No	Yes
Contract audits of change orders	No	Yes
Audits and reviews requested by Senior Management	No	Yes
Track and follow up on internal and external audit recommendations	No	Yes

The only area of potential overlap between the two units is in operational audit. Rather than being duplicative, these two audit units are complementary and rely on each other to provide different aspects of total audit coverage of the MTA. The focus of the internal audits performed by the Management Audit Services Department is the adequacy of MTA's systems of internal control. These audits provide coverage of all areas of the MTA using a risk-planning process. The Office of Inspector General relies heavily on this to ensure that internal controls are in place, fully operational and functioning as intended.

As required by its charter, the Management Audit Services Department coordinates with the Office of Inspector General on at least a monthly basis by exchanging information on audits planned and in progress, as well as all audit results. We are not privy to the detailed working of the Office of Inspector General staff, which includes investigative support.

#### NEXT STEPS

The Office of Inspector General and the Management Audit Services Department will continue to coordinate their auditing activities.

#### ATTACHMENTS

- A. Charter of the Office of Inspector General
- B. Charter of the Management Audit Services Department



## OFFICE OF THE INSPECTOR GENERAL CHARTER

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### **I. SUBJECT**

Charter of the Los Angeles County Metropolitan Transportation Authority (MTA), Office of the Inspector General (OIG).

### **II. PURPOSE**

The purpose for the establishment of the Office of the Inspector General is to provide for an independent and objective unit reporting directly to the Board of Directors:

1. to conduct and supervise audits, reviews and analyses relating to the programs, operations, and contracts of the MTA, excluding internal audits directed by the CEO;
2. to receive and investigate complaints from any source or proactively concerning alleged abuse, fraud or waste of MTA resources;
3. to provide leadership and coordination and recommend policies or remedial actions to be taken to correct deficiencies and promote economy, efficiency and effectiveness;
4. to detect, investigate, deter and prevent fraud, waste and abuse in MTA programs and operations;
5. to provide the MTA Board of Directors and management with independent analyses, evaluations and appraisals of performance effectiveness, accuracy of information systems, economic and efficient utilization of resources, and adequacy of internal controls;
6. to report quarterly on the expenditures of the MTA for travel, meals and refreshments, private club dues, membership fees and other charges and any other expenditures which are specified by the MTA Board;
7. to keep the MTA Board of Directors and management informed of issues and deficiencies relating to compliance with applicable policies, procedures, Federal and State laws, regulations and grants, and the need and status of any appropriate corrective action.



**OFFICE OF THE INSPECTOR GENERAL  
CHARTER**

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**III. APPOINTMENT OF INSPECTOR GENERAL STAFF**

The Inspector General shall, in accordance with applicable Human Resources policies, appoint such staff as is required to carry out the duties and responsibilities of the OIG.

**IV. AUTHORITY OF THE INSPECTOR GENERAL**

The Inspector General is authorized:

1. to have full, free and unrestricted access to all MTA records, reports, audits, reviews, plans, projections, documents, files, contracts, memoranda, correspondence, data or information on audio/video/computer tape/disk, or other materials of MTA;
2. to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of such books, papers, records and documents as may be deemed relevant to any inquiry or investigation undertaken;
3. to select, appoint, and employ such officers and employees as may be necessary to carry out the functions, powers, and duties of the OIG;
4. to the extent, and in such amounts as may be approved by the MTA Board, pursuant to the rules, regulations and applicable procurement policies, to enter into contracts and other arrangements for audits, investigations, studies, analyses and other services with public agencies and with private persons to carry out the duties and responsibilities of the OIG.
5. to have direct and prompt access to any MTA Board member, officer, employee or contractor as may be necessary to carry out the duties and responsibilities of the OIG;
6. to make available to appropriate law enforcement officials information and evidence which relate to criminal acts that may be obtained in the course of OIG duties.

**V. COMPLAINTS BY EMPLOYEES; DISCLOSURE OF IDENTITY, REPRISALS**

1. The Inspector General may receive and investigate complaints or information from any sources, including any employees of the MTA, or MTA contractors, concerning the possible existence of an activity constituting a violation of law, rules or



## OFFICE OF THE INSPECTOR GENERAL CHARTER

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regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.

2. The Inspector General shall not disclose the identity of an employee, without the consent of the employee, from whom a complaint or information has been received, unless such disclosure is unavoidable during the course of the investigation.
3. Any employee who complains or discloses information to the Inspector General, shall not be subjected to any reprisal, or threat of reprisal, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.

### **VI. DUTIES AND RESPONSIBILITIES OF THE INSPECTOR GENERAL**

1. In addition to the responsibilities listed in Section II, it shall be the responsibility of the Inspector General:
  - a. to provide policy direction for, and to conduct, supervise, and coordinate, audits, reviews and investigations relating to the programs and operations of the MTA;
  - b. to report quarterly on the expenditures of the MTA as set forth in section 130051.9(c) of the California Public Utilities Code;
  - c. to report expeditiously to the District Attorney, Attorney General, United States Attorney or other appropriate prosecutive and investigative agencies whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law;
  - d. to submit criminal justice statistics, and coordinate as necessary, on criminal matters with the MTA Police Department.
2. In carrying out the duties and responsibilities of the OIG, the Inspector General shall:
  - a. comply with the standards set forth in the Government Auditing Standards promulgated by the Comptroller General of the United States;
  - b. establish such other standards or guidelines as are considered necessary.
3. The Inspector General shall cooperate, consult and coordinate, as necessary, on safety issues with the California Public Utilities Commission (PUC) and local police jurisdictions.



**Metro**

**CHARTER of  
the Los Angeles County  
Metropolitan Transportation Authority  
Management Audit Services Department**

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**I. MISSION**

MTA has established the Management Audit Services (MAS) Department to strengthen internal controls and to promote the economy, efficiency and effectiveness of MTA operations. The MAS Department shall carry out independent and objective audits and reviews to accomplish its mission.

**II. GOALS AND OBJECTIVES**

The MAS Department is a service organization which assists MTA management in ensuring:

- MTA operates in accordance with MTA policies, procedures, applicable laws and regulations;
- Adequate and effective systems of internal control are in place;
- Financial and management data are accurate and reliable;
- MTA contract, contract change order and project audits are conducted in a timely manner;
- MTA assets and resources are adequately safeguarded; and
- MTA operations are managed economically, efficiently and effectively.

The MAS Department participates and cooperates with management to ensure that MTA successfully achieves its mission.

**III. INDEPENDENCE AND REPORTING RELATIONSHIPS**

The MAS Department is given complete independence by MTA executive management in using its resources, in selecting the areas to be audited and the methodology to be used, and in determining the conclusions and recommendations resulting from its work.

The Managing Director of the MAS Department reports functionally to the Chief Executive Officer, and administratively to the Chief Financial Officer.

The MAS Department maintains a cooperative relationship with the MTA Inspector General, who is responsible for audit policy and independently oversees management activities for the MTA Board of Directors.

#### **IV. AUTHORITY**

All MTA departments, programs, functions, systems, contracts and activities are subject to audit by the MAS Department. The MAS Department shall initiate audit activity based on assessed risk, legislative mandates and regulations, and on response to requests from the MTA Board of Directors, CEO, Executive Officers, and department heads. MAS auditors shall have complete and unrestricted access to all books, records, documents, reports, plans, contracts, and other relevant materials, as well as to all MTA personnel and its third party contractors. MTA management and staff shall cooperate fully with MAS auditors during discharge of their duties, to include prompt reply to MAS audit report findings and recommendations, in accordance with MTA procedures for audit resolution and follow-up.

#### **V. RESPONSIBILITY**

The MAS Department is responsible for:

- Preparing and presenting an annual audit plan;
- Coordinating audit coverage with the MTA Inspector General, other audit/quality assurance units within MTA, and external auditors;
- Reporting audit results and recommendations for improvement to management, and assuring timely implementation of agreed upon corrective action;
- Making timely referrals of suspected fraud, abuse, or illegal acts to the MTA Inspector General;
- Following up audit recommendations to ensure agreed to corrective actions have been taken; and,
- Providing quarterly activity reports highlighting significant audit results.

MTA management is responsible for maintaining internal controls, documenting policy and procedures, and implementing audit recommendations.

The MAS auditors shall adhere to the professional standards set forth in the Government Auditing Standards promulgated by the Comptroller General of the United States in carrying out its responsibilities.