



**Metro**

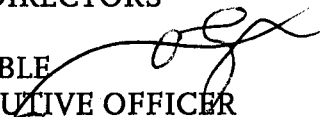
Metropolitan Transportation Authority

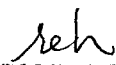
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April 14, 2006

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE   
CHIEF EXECUTIVE OFFICER

FROM: RUTHE HOLDEN   
MANAGING DIRECTOR, MANAGEMENT AUDIT SERVICES

SUBJECT: STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF  
FEBRUARY 28, 2006

### ISSUE

At the March 2005 Executive Management and Audit Committee meeting, the committee requested that the status of all open audit recommendations be reported monthly. This includes audits performed by Management Audit Services (MAS) and, in compliance with GEN 19, external audits performed by outside auditors.

### DISCUSSION

MAS' monthly audit follow-up report includes all open audit recommendations related to findings reported by Financial Audit, Information Technology (IT) Audit, Operational 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 month of February 2006, two new reports were issued. IT Audit issued one report, Audit of Drivers License Monitoring System (05-IT-002). This report contained two recommendations, both of which were also closed in February. The Office of the Inspector General issued the second report, Final Report on Review of Contract Administration Functions (06-AUD-02), which contained seven recommendations and have been added to Attachment A as items 5 through 8, and 13 through 15.

In total, six of the open recommendations were closed or completed during February. Three recommendations have a status of "under review." This indicates that the audit client has submitted documentation that is being analyzed to verify that all of the recommended actions are complete. We are actively working with staff to close each recommendation as

quickly as possible. The total open recommendations as of February 28, 2006 are included in Attachment A.

The following table summarizes the follow-up activity for audit recommendations during February 2006.

Table 1  
Summary of Financial, IT, Operational and External Audit Recommendations  
As of February 28, 2006

Executive Area	Closed or Completed	Under Review	Extended	Not Yet Due	Total Open Recom.
EO Finance				4	4
EO Procurement & Material Management			4	4	8
Chief Executive Officer			2	3	5
Chief Comm. Officer	2	2	5	3	10
DCEO/COO	4	1	14	4	19
Totals	6	3	25	18	46

Contract Audit conducts audits related to pre-awards, change orders, and incurred costs, as well as providing support for claims, contract closeouts and contract related litigation. Grant Audit conducts closeout audits of projects funded by the Call-for-Projects.

During February 2006, no audits were closed for the Contract Audit group, and 33 audit reports remain open pending the results of negotiations. Grant Audit issued two final reports and there were two audit reports in the draft audit stage.

**NEXT STEPS**

Management Audit Services will provide the next monthly status report for the period ending March 31, 2006.

Attachment A: Open Audit Recommendations Report

**All Open Audit Recommendations  
Status as of February 28, 2006**

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
1	06-AUD-01	1/27/2006	OIG	Payroll Earnings Cosed	EO Finance/Finance	1	Review the earnings codes in the HR Central Control Table to ensure that the codes and information concerning them are accurate and current. Based on this review, make any needed adjustments to the HR Central Control Table.	1/31/2006		
2	06-AUD-01	1/27/2006	OIG	Payroll Earnings Cosed	EO Finance/Finance	2	Reconcile payroll earnings code information in the HR Central Control Table to (a) the Users' Version of the Payroll Earnings Codes by Union Spreadsheet, and (b) the Payroll Department Users' Version of the Payroll Earnings Codes By Union Spreadsheet; and make any necessary revisions to the Spreadsheets to ensure that information is current, accurate, and consistent with the information in the HR Central Control Table.	1/31/2006		
3	06-AUD-01	1/27/2006	OIG	Payroll Earnings Cosed	EO Finance/Finance	3	List only the earnings codes available to users on the Payroll Earnings Codes Spreadsheet provided to users.	1/31/2006		
4	02-AUD-05	9/30/2002	OIG	Controls Over Payroll System - Preventing Duplicate Payments	EO Finance/Finance	3	Ensure that the new Payroll System is designed with controls and edit checks that preclude incorrect and improper data from being processed into the Payroll System.	1/1/2008		New payroll system is on hold until 2008.
5	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2a	Create a title (such as Contracting Officer's Technical Representative) for employees who are delegated contract administration responsibilities but are not Project Managers.	6/30/2006		New audit. Working with management on action plan.
6	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2b	Revise the Procurement Policy Manual to clarify who is ultimately responsible for assuring that delegated contract administration functions are properly carried out. The clarification should address any differences in those responsibilities between Project Managers and other employees who are delegated contract administration responsibilities.	6/30/2006		New audit. Working with management on action plan.
7	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2c	Ensure that Contracting Officers prepare written delegations whenever contract administration functions are delegated to qualified employees.	6/30/2006		New audit. Working with management on action plan.
8	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	EO Proc. & Mat. Mgmt./Procurement	2d	Develop a Delegation of Authority Form to ensure that the contract administration responsibilities delegated and the limitations of the delegated authority are clearly defined. Also, ensure that appropriate Procurement officials approve the delegations, and the delegations are appropriately maintained on file.	6/30/2006		New audit. Working with management on action plan.
9	03IT-004	3/31/2004	MAS	TOTS Application Controls	EO Proc. & Mat. Mgmt./ITS	2.2	Develop a methodology to guide developers in planning, designing, and enforcing segregation of duties, and documenting system changes.	12/31/2004	6/30/2006	Being drafted. On target for meeting extended completion date.
10	03IT-004	3/31/2004	MAS	TOTS Application Controls	EO Proc. & Mat. Mgmt./ITS	5.1	Implement the badge reader system application.	12/31/2004	9/30/2006	Requires addition of new feature. Queued according to priority. Extended completion date reflects implementation priority.
11	03IT-004	3/31/2004	MAS	TOTS Application Controls	EO Proc. & Mat. Mgmt./ITS	5.2	Implement automated process for operators to view personal information, bid assignments and perform other activities on-line.	12/31/2004	12/31/2006	Requires addition of new feature. Queued according to priority. Extended completion date reflects implementation priority.

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12	02IT-003	4/30/2003	MAS	LAN - Windows NT/ 2000	EO Proc. & Mat. Mgmt./ITS	1.1	Enforce password complexity requirements in Windows 2000 operating system.	1/31/2004	3/31/2006	Extended to complete upgrade to Windows 2000 & link with M3. On target to meet extended completion date.
13	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	CEO/EO Proc. & Mat. Mgmt., Procurement	1a	Develop separate written policy and/or guidance on the roles and responsibilities of Project Managers. The Procurement Policy Manual should not be the document that provides policy for Project Managers. The responsibilities, where they interface with contracting, should be coordinated with the Procurement Department, and the MTA Procurement Policy Manual should be revised if appropriate.	9/30/2006		New audit. Working with management on action plan.
14	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	CEO/EO Proc. & Mat. Mgmt., Procurement	1b	Ensure that Project Managers who deal with contracts complete the training on "Procurement for Project Managers."	TBD/Ongoing		New audit. Working with management on action plan.
15	06-AUD-02	2/9/2006	OIG	Review of Contract Administration Functions	CEO/EO Proc. & Mat. Mgmt., Procurement	1c	Review the "Procurement for Project Managers" course to ensure that it is consistent with any revised or new policies, especially the contract administration portion.	6/30/2006		New audit. Working with management on action plan.
16	02IA-015	12/31/2003	MAS	Property Management	CEO/Real Estate	4.1A	Continue to pursue the development of 1) a computerized system to manage real estate that includes a key reference field in the property database and FIS and 2) documented user requirements for this system.	7/1/2004	3/31/2006	Property Management Module System is in final stages of completion. Real Estate is working with IT to make the system fully functional.
17	01-AUD-17	2/26/2002	OIG	Review of Controls Over Real Estate	CEO/Real Estate	2	Require the RED Director to work with ISD to implement a computerized Real Property Management Information System and ensure that all data needed to complete a comprehensive property inventory has been collected.	6/30/2004	3/31/2006	Property Management Module System is in final stages of completion. Real Estate is working with IT to make the system fully functional.
18	05-AUD-07	9/30/2005	OIG	Bus Operations Customer Complaints and Comments Program	CCO	1	Customer Relations and Operations should develop and implement a comprehensive Metro policy concerning the processing of complaints and comments from the public. Also, Sectors/Divisions should develop complaint processing operating procedures, where needed.	3/31/2006		
19	05-AUD-07	9/30/2005	OIG	Bus Operations Customer Complaints and Comments Program	CCO	2	Customer Relations and Operations should ensure that all personnel involved in processing complaints are provided adequate training and/or instructions on Metro's customer complaint policy.	12/31/2005	3/31/2006	On target to meet extended due date.
20	05-AUD-07	9/30/2005	OIG	Bus Operations Customer Complaints and Comments Program	CCO	3	The Operations Department should ensure that complaints and comments are reviewed on a timely basis and the "Findings" Field in the PCMS contains sufficient information on how the complaint was handled and what action was taken to resolve the complaint.	3/31/2006		
21	05-AUD-07	9/30/2005	OIG	Bus Operations Customer Complaints and Comments Program	CCO	4a	Customer Relations should work with the Operations Department and Information Technology Department to develop "Resolution Codes" for PCMS.	12/31/2005	3/31/2006	On target to meet extended due date.
22	05-AUD-07	9/30/2005	OIG	Bus Operations Customer Complaints and Comments Program	CCO	4b	Customer Relations should work with the Operations Department and Information Technology Department to improve the functionality of the PCMS "Findings" Field. In this regard, consider the suggested changes made by the Gateway Sector Manager.	12/31/2005	3/31/2006	On target to meet extended due date.

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23	05-AUD-07	9/30/2005	OIG	Bus Operations Customer Complaints and Comments Program	CCO	5	Customer Relations and Operations should include in the policies and procedures guidance on handling: (a) customer requests for verbal or written responses to complaints, and (b) responses to customers concerning requests for refunds recorded in the PCMS.	3/31/2006		
24	05-AUD-07	9/30/2005	OIG	Bus Operations Customer Complaints and Comments Program	CCO	6	Customer Relations should work with Transit Operations and Information Technology Services to explore developing procedures for recording the resolution of complaints directed toward contract bus operations into the PCMS.	12/31/2005	3/31/2006	On target to meet extended due date.
25	05-AUD-06	8/10/2005	OIG	Review of Lost and Found Procedures	CCO/DCEO Operations	1	Communications and Transit Operations develop and implement a comprehensive Metro Policies and Procedures on Lost and Found.	9/30/2005	2/28/2006	Extended to allow for final approvals of policy. On target to meet extended due date.
26	05-AUD-06	8/10/2005	OIG	Review of Lost and Found Procedures	CCO/DCEO Operations	2	Communications and Transit Operations should ensure that sufficient bags and locks are available to safeguard lost and found articles.	9/30/2005		Under review
27	05-AUD-06	8/10/2005	OIG	Review of Lost and Found Procedures	CCO/DCEO Operations	4	Communications and Transit Operations should work together to reduce the number of lost bicycles left on buses.	12/31/2005		Under review
28	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	DCEO Operations/Transit Systems Engineering	1.1	Expedite the process to implement a dry fire suppression system as much as is possible or move the equipment to a floor in the Gateway building that already has such a system.	3/31/2006		
29	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	DCEO Operations/Transit Systems Engineering	1.2	Evaluate and implement an alternative backup location designated for recovery.	6/30/2006		
30	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	DCEO Operations/Transit Systems Engineering	2.1	We recommend the Deputy Chief Executive Officer to review and revise the existing draft procedure incorporating COBIT's list of recommendations where applicable, and formalize a complete ATMS DRP.	6/30/2006		
31	06-ITS-017	1/23/2006	MAS	ATMS Disaster Recovery Plan	DCEO Operations/Transit Systems Engineering	2.2	Transit Systems Engineering shall perform a cost analysis to determine what would be the most cost effective alternative for an alternate ATMS recovery location. The three options to consider are 1) include the ATMS system in the Information Technology Services SunGard contract, 2) setting up a contingent site at one of the LACMTA facilities, or 3) contracting with a hot-site solely for the ATMS recovery.	6/30/2006		
32	031A-009	3/4/2004	MAS	Operators Work Time Requirements	DCEO Operations	1.3	Update the Operator's Rulebook and Standard Operating Procedures to reflect current practices.	7/31/2004	3/31/2006	Drafts completed by Ops. Target date extended to allow for review and approval process.
33	031A-009	3/4/2004	MAS	Operators Work Time Requirements	DCEO Ops./EO Proc. & Mat. Mgmt.(ITS)	1.2	Work with the ITS department to generate a report showing actual driving time.	7/31/2004	6/30/2006	Some delays due to staff turnovers. On schedule to meet extended due date.

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34	2002-116	12/16/2003	State Auditor	Service Sectors	DCEO Operations	2.4	Continue planned efforts to focus on eliminating the duplicative routes to the extent possible. Specifically, the stakeholders should participate directly in the planning process.	12/31/2004	6/30/2006	Date based on expectations of when ATMS & UFS will have data ready, and when workshops with stakeholders can be implemented. Completion date will be updated as new information becomes available.
35	02IA-007	12/31/2002	MAS	Farebox Vaulting Process	DCEO Operations	1.1	Revise, update and implement procedures for controlling the Farebox vaulting process.	6/30/2003	6/30/2006	On target to meet extended due date.
36	02IA-007	12/31/2002	MAS	Farebox Vaulting Process	DCEO Operations	1.2	The Westside/Central Service Sector General Manager relocate receiver vaults in Division 7 to an enclosed and secure area.	6/30/2003	12/31/2005	Under review
37	02IA-007	12/31/2002	MAS	Farebox Vaulting Process	DCEO Operations	2.1	Assign responsibility for ensuring that all vaulting activity is recorded and reviewed.	6/30/2003	6/30/2006	On target to meet extended due date.
38	02IA-007	12/31/2002	MAS	Farebox Vaulting Process	DCEO Operations	2.2	Develop written procedures for surveillance of the vaulting process to include ensuring that surveillance equipment is functioning properly.	6/30/2003	6/30/2006	On target to meet extended due date.
39	02-AUD-05	9/30/2002	OIG	Controls Over Payroll System - Preventing Duplicate Payments	DCEO Operations	4	Ensure that all payroll adjustments are entered into the automated feeder systems to avoid duplication of a manual adjustment requested by the division/departments for payroll personnel to enter.	7/31/2003	7/31/2006	Upgrade of TOTS (HASTUS) will enable implementation. Funding not available for upgrade until FY07.
40	Booz-Allen 1	8/31/2001	Booz-Allen	LACMTA Management Audit	DCEO Operations	W05	Review job descriptions and ensure they reflect physical and agility job requirements.	3/29/2002	6/30/2006	Delay due to budget constraints, have funds for FY06, will develop requirements for five major job classifications.
41	01-AUD-03	6/12/2001	OIG	Payroll and Overtime Controls in the ATOS Program	DCEO Operations	01	Obtain Executive Management approval and authorization for the ATOS program. The purpose, objectives, and goals of the Program should be clearly defined and approved.	8/10/2001	3/31/2006	Path forward established, draft of policies & procedures under review. On target to meet extended completion date.
42	01-AUD-03	6/12/2001	OIG	Payroll and Overtime Controls in the ATOS Program	DCEO Operations	02	Establish written policies and procedures for the ATOS program that are: 1) Coordinated with all stakeholders; 2) Designed to promote the conduct of authorized activities in an effective, efficient, and economic.	3/30/2003	3/31/2006	Path forward established, draft of policies & procedures under review. On target to meet extended completion date.
43	01-AUD-03	6/12/2001	OIG	Payroll and Overtime Controls in the ATOS Program	DCEO Operations	06	Establish policy on the maximum length of time an operator can serve in an ATOS position.	3/30/2003	3/31/2006	Path forward established, draft of policies & procedures under review. On target to meet extended completion date.

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44	01-AUD-03	6/12/2001	OIG	Payroll and Overtime Controls in the ATOS Program	DCEO Operations	08	Establish (1) formal policies on the number of authorized ATOS positions; (2) a centralized pool of qualified ATOS candidates to fill TOS vacancies as they occur. Require that an ATOS only be appointed to fill a TOS position that is vacant. Require divisions to maintain documentation to show the TOS vacancy or emergent situation for each individual assigned to an ATOS position.	3/30/2003	3/31/2006	Path forward established, draft of policies & procedures under review. On target to meet extended completion date.
45	01-AUD-03	6/12/2001	OIG	Payroll and Overtime Controls in the ATOS Program	DCEO Operations	10	Request MAS to perform an audit of payroll procedures within the Department to ensure that internal controls are adequate.	6/20/2001	3/31/2006	Path forward established, draft of policies & procedures under review. On target to meet extended completion date.
46	01-AUD-03	6/12/2001	OIG	Payroll and Overtime Controls in the ATOS Program	DCEO Operations	07	Establish criteria for selecting individuals to ATOS positions and for providing them formal training.	3/30/2003	3/31/2006	Path forward established, draft of policies & procedures under review. On target to meet extended completion date.