Ⓜ Metro

September 30, 2005

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
          CHIEF EXECUTIVE OFFICER
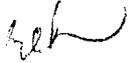
FROM: RUTHE HOLDEN
           MANAGING DIRECTOR, MANAGEMENT AUDIT SERVICES

SUBJECT: STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF
           JULY 31, 2005

ISSUE

At the March 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 July 2005, IT Audit issued one new audit report, Fuel Management System Audit (04IT-006), which contained three recommendations. The three recommendations have not yet been implemented and have been added to Attachment A as items 26, 27, and 28.

In total, 18 (26%) of the open recommendations were closed or completed during July. Seventeen 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 July 31, 2005 are included in Attachment A.

The following table summarizes the follow-up activity for audit recommendations during July 2005.

Table 1
Summary of Financial, IT, Operational and External Audit Recommendations
As of July 31, 2005

Executive Area	Closed or Completed	Under Review	Extended	Not Yet Due	Total Open Recom.
Chief Capital Mgmt. Officer					
Chief Financial Officer*	15	3	17	4	24
CEO/Chief Planning Officer			1		1
DCEO/COO	3	14	12	3	29
Totals	18	17	30	7	54

*NOTE: Audits formerly reported under the Chief of Staff are being reported under the Chief Financial Officer (CFO Human Services) because of Metro's reorganization.

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 July 2005, one audit was closed for the Contract Audit group resulting in a savings to the agency of $139,100, and 30 audit reports remain open pending the results of negotiations. Grant Audit issued one final report and there are two audit reports that are in the draft audit stage.

NEXT STEPS

Management Audit Services will provide the next monthly status report for the period ending August 31 2005.

Attachment A: Open Audit Recommendations Report

All Open Audit Recommendations
Status as of July 31, 2005

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
1	04IA-007	11/30/2004	MAS	Central Cash Counting Office	Chief Financial Officer Treasury	1.1a	Upgrade closed circuit television equipment capabilities and performance to ensure resolution of pictures is clear and cameras are capable of zooming and panning.	12/4/2004	7/31/2006	Budget constraints in FY05 and FY06. Will seek funding in FY07.
2	04IA-007	11/30/2004	MAS	Central Cash Counting Office	Chief Financial Officer Treasury	2.1	As part of the implementation of TAP strengthen internal cash reporting controls so reported coin and bill data can be compared against counted cash.	12/31/2005		
3	04IA-007	11/30/2004	MAS	Central Cash Counting Office	Chief Financial Officer Treasury	2.2	Request ITS to assist and support the implementation of variance reports comparing the rail ticket vending machines to the Central Cash Counting Office cash counts.	12/31/2005		
4	04IA-007	11/30/2004	MAS	Central Cash Counting Office	Chief Financial Officer Treasury	2.3	Enforce contract terms for picking up all processed currency on a daily basis or amend the contract to reflect actual practice.	12/31/2005		
5	04-AUD-02	5/5/2004	OIG	Security Controls Over the Advanced Interactive Executive (AIX) Computer Operating System	Chief Financial Officer ITS	1a	Security controls should be strengthened by reviewing and updating procedures in IT1. (NOTE: IT1 is being replaced by a new IT Security Policy.)	9/30/2004	9/30/2005	Draft of policy complete, undergoing edits & revisions. On target for meeting extended completion date.
6	04-AUD-02	5/5/2004	OIG	Security Controls Over the Advanced Interactive Executive (AIX) Computer Operating System	Chief Financial Officer ITS	1b	Security controls should be strengthened by reviewing procedures in both IT1 and the Password, Account and Trust Policy to ensure the requirements in these two guidelines are in agreement.	9/30/2004	9/30/2005	Draft of policy complete, undergoing edits & revisions. On target for meeting extended completion date.
7	04-AUD-02	5/5/2004	OIG	Security Controls Over the Advanced Interactive Executive (AIX) Computer Operating System	Chief Financial Officer ITS	1c	Security controls should be strengthened by ensuring that the Password, Account and Trust Policy is approved by an appropriate official, dated, numbered, and disseminated to all appropriate staff.	9/30/2004	9/30/2005	Draft of policy complete, undergoing edits & revisions. On target for meeting extended completion date.
8	04-AUD-02	5/5/2004	OIG	Security Controls Over the Advanced Interactive Executive (AIX) Computer Operating System	Chief Financial Officer ITS	3	Establish written change control procedures for the AIX Operating System. These procedures should require that all changes be approved, documented, tested, logged, and tracked.	3/31/2005	9/30/2005	In process of adding change control language to existing policy. On target for meeting extended completion date.
9	03IT-004	3/31/2004	MAS	TOTS Application Controls	Chief Financial Officer ITS	1.2a	Adopt and approve the ITS Security Policy.	12/31/2004	9/30/2005	Draft of policy complete, undergoing edits & revisions. On target for meeting extended completion date.
10	03IT-004	3/31/2004	MAS	TOTS Application Controls	Chief Financial Officer 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.

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Status as of July 31, 2005

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11	03IT-004	3/31/2004	MAS	TOTS Application Controls	Chief Financial Officer 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.
12	03IT-004	3/31/2004	MAS	TOTS Application Controls	Chief Financial Officer 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.
13	02IT-003	4/30/2003	MAS	LAN - Windows NT/ 2000	Chief Financial Officer ITS	1.1	Enforce password complexity requirements in Windows 2000 operating system.	1/31/2004	6/30/2005	Under review
14	02IA-027	12/31/2002	MAS	LAN Security	Chief Financial Officer ITS	1.1	Approve and adopt the IT Security Policy and communicate it to all system owners and end-users.	6/30/2003	9/30/2005	Draft of policy complete, undergoing revisions. On target to meet extended completion date.
15	02IA-025	12/23/2002	MAS	HR and Payroll Environment	Chief Financial Officer ITS	2.1	Approve and adopt the Information Security Policy addressed in the previously issued report on Audit of Security Administration.	6/30/2003	9/30/2005	Draft of policy complete, undergoing revisions. On target to meet extended completion date.
16	02-AUD-05	9/30/2002	OIG	Controls Over Payroll System - Preventing Duplicate Payments	Chief Financial Officer 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		
17	02IA-021	6/28/2002	MAS	Security Administration	Chief Financial Officer ITS	1	Management should adopt and approve an information security policy and communicate it to computer systems users. Information should be disseminated through announcements, training, and awareness to facilitate understanding of and compliance.	6/30/2002	9/30/2005	Draft of policy complete, undergoing revisions. On target to meet extended completion date.
18	01IA-011	4/30/2002	MAS	Change Management Process	Chief Financial Officer ITS	1.2	Develop procedures to standardize all requests for ITS services, system maintenance and supplier maintenance.	12/31/2002	9/30/2005	First draft was complete, project expanded, draft being revised. On target to meet extended completion date.
19	Booz-Allen 1	8/31/2001	Booz-Allen	LACMTA Management Audit	Chief Financial Officer/Risk Management	W05	Review job descriptions and ensure they reflect physical and agility job requirements.	3/29/2002	6/30/2005	Delay due to budget constraints, have funds for FY06, will develop requirements for five major job classifications.

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No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
20	001A-028	1/25/2001	MAS	Stores Inventory	Chief Financial Officer Procurement	1	The current DHS program being used to select the inventory for the Random Sampling Inventory should be reviewed and upgraded.	1/1/2004	6/30/2005	Under review
21	03IA-011	6/25/2004	MAS	General Services Expenditures	CFO Human Services/General Services	3	Consolidate, sort and inventory the large quantity of modular office furniture stored on various levels of the parking structure (P-2 and P-4).	6/25/2004	6/30/2005	Under review
22	02IA-015	12/31/2003	MAS	Property Management	CFO Human Services/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	12/31/2005	Property Management Module System is in final stages of completion.
23	02IA-017	12/19/2002	MAS	Street Car Restoration MOU	CFO Human Services/OD&T	1	Continue to supervise the restoration of the two streetcars by visiting the schools periodically and by obtaining bi-weekly reports.	7/30/2003	10/31/2005	Locke trolley car is scheduled for transport to Travel Town in October 2005.
24	01-AUD-17	2/26/2002	OIG	Review of Controls Over Real Estate	CFO Human Services/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	12/31/2005	Property Management Module System is in final stages of completion.
25	03IA-002	2/24/2004	MAS	Transit Fund Allocations	CEO/Chief Planning Officer Planning	1.2	Conduct a study of Formula Allocation Process to determine the effect of allocating Prop A funds.	12/31/2004	12/31/2005	Legal opinion obtained. Study in progress.
26	04IT-006	7/27/2005	MAS	Fuel Management System	DCEO Operations/CFO	1	Fleet Management and Support Services request a programming change to M3 to allow the use of the employee badge to fuel non-revenue vehicles. This will ensure proper and accurate tracking of fuel transactions to the originator.	9/30/2005		
27	04IT-006	7/27/2005	MAS	Fuel Management System	DCEO Operations	2	Deputy Executive Officer Maintenance Rebuild together with Division managers develop and implement: (a) System manual/bypass is being utilized for valid reasons only, e.g. unavailability of the fueling system, and other fueling problem related with authorized vehicle; (b) The division's manager or designated authorized personnel approve the switchover to manual/bypass mode; (c) The problem that requires a system manual/bypass is followed-up timely to minimize the amount of time the system is in manual/bypass mode; and (d) All required information, such as, vehicle number and employee id, is entered completely.	11/30/2005		
28	04IT-006	7/27/2005	MAS	Fuel Management System	DCEO Operations/CFO	3	Deputy Executive Officer Maintenance Rebuild and ITS staff investigate and correct the problem, which is causing the alert messages for the unleaded R1H to not automatically generate.	11/30/2005		
29	04-AUD-09	7/13/2004	OIG	Hydraulic Oil Usage	DCEO Operations	1	Coordinate efforts with Environmental Services, Inventory Management, Facilities and Division Maintenance to ensure hydraulic oil usage is monitored to identify changing conditions that need to be investigated and/or resolved. In this regard, staff should periodically update and review data on oil consumed by each division.	12/31/2004	11/30/2005	Contractor is working on project which is about 65% complete. On target for meeting extended completion date.

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30	03IA-015	6/30/2004	MAS	Selected South Bay Service Sector Performance Measures	DCEO Operations	1.2	Divisions should ensure that TOS monitor the operator's sign-on to ATMS.	12/31/2004		Under review
31	03IA-015	6/30/2004	MAS	Selected South Bay Service Sector Performance Measures	DCEO Operations	2.1	Division Transportation Managers should identify reports and data needed from ATMS and revise procedures impacted by the implementation of ATMS.	12/31/2004		Under review
32	03IA-015	6/30/2004	MAS	Selected South Bay Service Sector Performance Measures	DCEO Operations	1.1	Service planning should develop a key performance indicator to measure departure from the first bus stop of a run instead of on-time pull out.	12/31/2004	6/30/2005	Under review
33	04IA-006	4/30/2004	MAS	Bus Cameras Maintenance	DCEO Operations	2	Develop and implement procedures for preventive maintenance for the Digital Video Recording systems.	12/31/2004		Under review
34	04IA-006	4/30/2004	MAS	Bus Cameras Maintenance	DCEO Operations	3	Ensure preventive maintenance procedures include a schedule of preventive maintenance to be performed, a requirement for maintaining a record of maintenance performed and configuration settings for each system in use.	12/31/2004		Under review
35	03IT-004	3/31/2004	MAS	TOTS Application	DCEO Operations	3.2	Until an on-line payroll adjustment system is implemented develop a payroll adjustment process that will include a multi-part form and reconciliation of payroll adjustments.	12/31/2004	9/30/2005	Recently assigned to Ops., payroll adjustment process in place, on target to meet extended completion date.
36	03IA-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	12/31/2005	Updated documents under review in Ops. On target to meet extended due date.
37	03IA-009	3/4/2004	MAS	Operators Work Time Requirements	DCEO/CFO	1.2	Work with the ITS department to generate a report showing actual driving time.	7/31/2004	9/30/2005	Under review
38	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 expections 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.
39	03-AUD-04	7/11/2003	OIG	Controls Over Bus Parts and Rebuilt Items at the Regional Rebuild Center	DCEO RRC	4	Ensure that the new M3 System includes (a) controls to preclude the unauthorized request and issue of parts and materials, (b) a mechanism for planners to document within the system the reasons for discrepancies between planned and actual quantities received.	7/1/2004	6/30/2005	Under review
40	02IA-002	6/30/2003	MAS	Transit Operating and Trends System Timekeeping and Payroll	DCEO Operations	2.2A	The Director of Operations Support use control reports to identify and correct time and attendance discrepancies.	9/30/2003	9/30/2005	Under review

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No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
41	02IA-002	6/30/2003	MAS	Transit Operating and Trends System Timekeeping and Payroll	DCEO/CFO	1.2C	Work with the Payroll Department to ensure pay adjustments are correct, properly approved, authorized, and verified prior to submission to the Payroll Department.	9/30/2003	7/31/2005	Under review
42	02IA-002	6/30/2003	MAS	Transit Operating and Trends System Timekeeping and Payroll	DCEO/CFO	2.2B	Request the Information Services Department to assist and support the implementation of assigning each TOTS user a unique identification and password.	10/31/2003	7/31/2005	Under review
43	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	10/15/2004	Under review
44	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	10/15/2004	Under review
45	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	10/15/2004	Under review
46	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	10/15/2004	Under review
47	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.
48	Tri-Safety 5/02	5/31/2002	PUC	Triennial On-Site Safety Audit Non-Conforming Conditions (Only)	DCEO Operations	06.1	Extend the insulators closer to the feeder pole, away from the dynamic weight system, as required by GO 95, Rule 74.4-F.	6/30/2004	12/31/2005	Awaiting response from PUC re. request for deviation.
49	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	9/30/2005	Stakeholders committee coordinated by Ops, meeting regularly. On target to meet extended completion date.
50	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	9/30/2005	Stakeholders committee coordinated by Ops, meeting regularly. On target to meet extended completion date.
51	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	9/30/2005	Stakeholders committee coordinated by Ops, meeting regularly. On target to meet extended completion date.

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52	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	9/30/2005	Stakeholders committee coordinated by Ops, meeting regularly. On target to meet extended completion date.
53	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	9/30/2005	Stakeholders committee coordinated by Ops, meeting regularly. On target to meet extended completion date.
54	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	9/30/2005	Stakeholders committee coordinated by Ops, meeting regularly. On target to meet extended completion date.