



**Metro**

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November 18, 2005

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE *RS*  
CHIEF EXECUTIVE OFFICER

FROM: RUTHE HOLDEN *RH*  
MANAGING DIRECTOR, MANAGEMENT AUDIT SERVICES

SUBJECT: STATUS OF OPEN AUDIT RECOMMENDATIONS AS OF  
SEPTEMBER 30, 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. This Board box includes all outstanding audit findings closed for the months of August and September 2005. Because the quarterly MAS report to the November Executive Management and Audit Committee includes audit follow up and resolution through September 30, 2005, this memo summarizes the results for the remaining two months of the quarter. The results for July were issued in a Board box on September 30, 2005.

During the month of August 2005, the Office of the Inspector General issued two new audit reports. The first report, Review of Lost and Found Procedures (05-AUD-06), contained five recommendations. The five recommendations have not been implemented yet and have been added to Attachment A as items 22 through 26. The second report, Audit of Miscellaneous Expenses (05-AUD-08) for the period January 1, 2005 to March 31, 2005, did not contain any recommendations.

During the month of September 2005, the Office of the Inspector General issued one new audit report, Bus Operations Customer Complaints and Comments Program (05-AUD-07), containing seven recommendations. The seven recommendations have not been implemented yet and have been added to Attachment A as items 15 through 21.

In total, six (11%) of the open recommendations were closed or completed during August, and nine (17%) of the open recommendations were closed or completed during September. As of September 30, 2005, 15 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 September 30, 2005 are included in Attachment A.

The following table summarizes the follow-up activity for audit recommendations during August and September 2005.

Table 1  
Summary of Financial, IT, Operational and External Audit Recommendations  
As of September 30, 2005

Executive Area	Closed or Completed (Aug. & Sept.)	Under Review	Extended	Not Yet Due	Total Open Recom.
Chief Capital Mgmt. Officer					
Chief Financial Officer	10	3	7	4	14
Chief Comm. Officer				12	12
CEO/Chief Planning Officer	1				
DCEO/COO	4	12	11	2	25
Totals	15	15	18	18	51

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 August and September 2005, five audits were closed for the Contract Audit group resulting in cost avoidance to the agency of \$700 thousand. As of September 30, 2005, twenty-seven audit reports remain open pending the results of negotiations. During August 2005, Grant Audit issued two final reports, and during September 2005, Grant Audit issued one final report.

**NEXT STEPS**

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

Attachment A: Open Audit Recommendations Report

**All Open Audit Recommendations  
Status as of September 30, 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	Under review
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	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.
6	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.
7	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.
8	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
9	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		
10	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	Under review
11	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	6/30/2006	Delay due to budget constraints, have funds for FY06, will develop requirements for five major job classifications.

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12	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.
13	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.
14	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.
15	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		
16	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		
17	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		
18	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		
19	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		
20	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		
21	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		
22	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		

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23	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		
24	05-AUD-06	8/10/2005	OIG	Review of Lost and Found Procedures	CCO/CFO IT	3	Communications work with ITS to explore ways to increase the efficiency and accuracy of the lost and found database.	12/30/2005		
25	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.	12/30/2005		
26	05-AUD-06	8/10/2005	OIG	Review of Lost and Found Procedures	CCO/DCEO Operations	5	Bus divisions develop and rail divisions update their lost and found procedures and include them in their Standard Operating Procedures.	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 RIH 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.
30	03/A-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	03/A-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	04/A-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
33	04/A-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

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34	03/IT-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	Under review
35	03/IA-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.
36	03/IA-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
37	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.
38	02/IA-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
39	02/IA-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
40	02/IA-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
41	02/IA-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
42	02/IA-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
43	02/IA-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
44	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.
45	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 CO 95, Rule 74.4.F.	6/30/2004	12/31/2005	Awaiting response from PUC re. request for deviation.

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46	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	12/31/2005	Stakeholders committee coordinated by Ops. Developing draft, minor delays, further extended. On target to meet extended completion date.
47	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	12/31/2005	Stakeholders committee coordinated by Ops. Developing draft, minor delays, further extended. On target to meet extended completion date.
48	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	12/31/2005	Stakeholders committee coordinated by Ops. Developing draft, minor delays, further extended. On target to meet extended completion date.
49	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	12/31/2005	Stakeholders committee coordinated by Ops. Developing draft, minor delays, further extended. 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	10	Request MAS to perform an audit of payroll procedures within the Department to ensure that internal controls are adequate.	6/20/2001	12/31/2005	Stakeholders committee coordinated by Ops. Developing draft, minor delays, further extended. 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	07	Establish criteria for selecting individuals to ATOS positions and for providing them formal training.	3/30/2003	12/31/2005	Stakeholders committee coordinated by Ops. Developing draft, minor delays, further extended. On target to meet extended completion date.