



**Metro**


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June 17, 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  
APRIL 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 Internal Audit, Information Technology (IT) 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 April 2005, 6 (7%) of the internal, IT and external open recommendations were closed or completed. The remainder of the recommendations have been extended and are due June 30, 2005 or later. We are actively working with staff to close each recommendation as quickly as possible. The total open recommendations as of April 30, 2005 are included in Attachment A.

The following table summarizes the follow-up activity for Internal, IT and external audit recommendations during April 2005.

**Table 1**  
**Summary of Internal, IT and External Audit Recommendations**  
**As of April 30, 2005**

Executive Area	Closed or Completed	Under Review	Extended	Not Yet Due	Total Open Recom.
Chief Capital Mgmt. Officer	2				
Chief Financial Officer	1		30	4	34
Chief Planning Officer			1		1
Chief of Staff			12		12
DCEO/COO	3	9	23		32
Totals	6	9	66	4	79

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 April 2005, 2 audits were closed for the Contract Audit group and 28 audit reports remain open pending the results of negotiations. Grant Audit had 3 final reports issued and there are 3 audit reports that were in the draft audit stage.

**NEXT STEPS**

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

Attachment A: Open Audit Recommendations Report

All Open Audit Recommendations  
Status as of April 30, 2005

No.	Report Number	Report Date	Audit Entity	Title	Exec Area	Rec No	Recommendation	Original Completion Date	Extended Completion Date	Comments
1	001A-028	1/25/2001	MASD	Stores Inventory	Chief Financial Officer Procurement	4	The inventory tracking system should include a purchase history of the items being bought.	1/1/2004	6/30/2005	
2	001A-028	1/25/2001	MASD	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	
3	001A-028	1/25/2001	MASD	Stores Inventory	Chief Financial Officer Procurement	6	Each Individual should be assigned a unique Logon ID to ensure better accountability.	1/1/2004	6/30/2005	
4	011A-011	4/30/2002	MASD	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	
5	011A-011	4/30/2002	MASD	Change Management Process	Chief Financial Officer ITS	1.3	Develop a standardized body of test data without compromising employee sensitive and confidential information for verifying and validating processing logic computations and controls.	6/30/2003	6/30/2005	
6	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		
7	021A-021	6/28/2002	MASD	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	
8	021A-025	12/23/2002	MASD	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	
9	021A-025	12/23/2002	MASD	HR and Payroll Environment	Chief Financial Officer ITS	2.2	To strengthen the single logon procedure recently implemented pertaining to the use of a password protected screen saver, the current HR and payroll desktop operating system should be upgraded from Windows 95 and 98 to Windows 2000.	6/30/2003	6/30/2005	
10	021A-027	12/31/2002	MASD	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	
11	02IT-003	4/30/2003	MASD	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	
12	03IT-002	6/30/2004	MASD	Dial-Up/Virtual Private Network Access Control	Chief Financial Officer ITS	1.1	Finalize Modem & Dial-Up Policy.	12/31/2004	6/30/2005	
13	03IT-002	6/30/2004	MASD	Dial-Up/Virtual Private Network Access Control	Chief Financial Officer ITS	1.2	Establish roles and responsibilities for monitoring of dial-up accounts.	12/31/2004	6/30/2005	

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14	03IT-002	6/30/2004	MASD	Dial-Up/Virtual Private Network Access Control	Chief Financial Officer ITS	2.1	Establish standards for dial-up system administration which incorporates the vendor's recommendation.	12/31/2004	6/30/2005	
15	03IT-002	6/30/2004	MASD	Dial-Up/Virtual Private Network Access Control	Chief Financial Officer ITS	2.2	Perform a formal risk assessment of the current dial-up system to determine the cost benefit of installing new servers.	12/31/2004	6/30/2005	
16	03IT-004	3/31/2004	MASD	TOTS Application	Chief Financial Officer ITS	1.2a	Adopt and approve the ITS Security Policy.	12/31/2004	9/30/2005	
17	03IT-004	3/31/2004	MASD	Transit Operating & Trends System - Application Controls	Chief Financial Officer ITS	1.2b	Strengthen security controls for processing the TOTS applications including password controls, automatic lockout and session timeout.	5/31/2004	6/30/2005	
18	03IT-004	3/31/2004	MASD	TOTS Application	Chief Financial Officer ITS	2.1	Enhance TOTS application and program controls to segregate the functions of managers, assistant managers, etc.	12/31/2004	6/30/2005	
19	03IT-004	3/31/2004	MASD	TOTS Application	Chief Financial Officer ITS	2.2	Develop a policy or standard to guide developers in planning, designing, and enforce segregation of duties.	12/31/2004	9/30/2005	
20	03IT-004	3/31/2004	MASD	TOTS Application	Chief Financial Officer ITS	4	Review the current recovery process to provide divisions with continuous operation in the event of a system failure.	12/31/2004	5/2/2005	Under review
21	03IT-004	3/31/2004	MASD	TOTS Application	Chief Financial Officer ITS	5.1	Implement the badge reader system application.	12/31/2004	9/30/2006	
22	03IT-004	3/31/2004	MASD	TOTS Application	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	
23	03IT-004	3/31/2004	MASD	TOTS Application	Chief Financial Officer ITS	6.1	Document TOTS programs and develop process flowcharts as necessary to make future system support more efficient and timely.	12/31/2004	3/31/2007	
24	03IT-004	3/31/2004	MASD	TOTS Application	Chief Financial Officer ITS	1.1	Implement Individual IDs & Passwords.	12/31/2004	6/30/2005	
25	03IT-004	6/30/2003	MASD	Transit Operating and Trends System	Chief Financial Officer ITS	3.1	The CIO work with Manpower Planning to develop a plan and implement an online payroll adjustment process.	6/30/2004	3/31/2006	
26	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	

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27	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 ITI and the Password, Account and Trust Policy to ensure the requirements in these two guidelines are in agreement.	9/30/2004	9/30/2005	
28	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	
29	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	
30	04IA-007	11/30/2004	MASD	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	9/30/2005	
31	04IA-007	11/30/2004	MASD	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		
32	04IA-007	11/30/2004	MASD	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		
33	04IA-007	11/30/2004	MASD	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		
34	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	12/31/2005	
35	01-AUD-17	2/26/2002	OIG	Review of Controls Over Real Estate	Chief of Staff Real Estate	1	Require the RED Director to establish a comprehensive and accurate inventory of all real property and rights-of-way.	10/31/2002	6/30/2005	
36	01-AUD-17	2/26/2002	OIG	Review of Controls Over Real Estate	Chief of Staff 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	6/30/2005	
37	01-AUD-17	2/26/2002	OIG	Review of Controls Over Real Estate	Chief of Staff Real Estate	4	Require the RED Director to: Reconcile RED property records with the County Assessor's Office to ensure the accuracy and completeness of the real estate inventory records.	12/31/2002	6/30/2005	
38	01-AUD-17	2/26/2002	OIG	Review of Controls Over Real Estate	Chief of Staff Real Estate	5	Require the Controller and RED to establish controls to ensure that RED real estate inventory records balance with Accounting records; consider establishing common asset numbers for properties so that these records are reconcilable.	10/31/2002	6/30/2005	

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39	02IA-015	12/31/2003	MASD	Property Management	Chief of Staff 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	6/30/2005	
40	02IA-017	12/19/2002	MASD	Street Car Restoration MOU	Chief of Staff 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	9/30/2005	
41	02IA-020	7/30/2002	MASD	Fixed Assets Recommendations	Chief of Staff Real Estate	4.3	Identify any additional property that may be owned by LACMTA that is not included in the Accounting records.	6/30/2004	6/30/2005	
42	03-AUD-01	2/12/2003	OIG	Review of Property Management Controls	Chief of Staff Real Estate	1a	In conjunction with the ITS Dept. review the GIS that is presently being developed to ensure that it will meet Real Estate needs.	6/30/2004	6/30/2005	
43	03-AUD-01	2/12/2003	OIG	Review of Property Management Controls	Chief of Staff Real Estate	1b	In conjunction with the ITS Dept. seek sufficient resources such as through the budgetary process to expedite the implementation of the computerized GIS and establish timeframes by when the GIS will be tested and become operational.	6/30/2004	6/30/2005	
44	03IA-011	6/25/2004	MASD	General Services Expenditures	Chief of Staff 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	
45	Booz-Allen 1	8/31/2001	Booz-Allen	LACMTA Management Audit	Chief of Staff Human Resources	H4	Consolidate job descriptions of non-represented employees and establish job families.	5/27/2003	6/30/2005	
46	Booz-Allen 1	8/31/2001	Booz-Allen	LACMTA Management Audit	Chief of Staff Human Resources	H6	Make the necessary investment in the Human Resources Information System (HRIS) to improve automation of Human Resources (HR) processes and ability to track critical HR information.	1/28/2005	6/30/2005	
47	03IA-002	2/24/2004	MASD	Transit Fund Allocations	Chief Planning Officer Planning	1.2	Conduct a study of Formula Allocation Process to determine the effect of allocating Prop A funds in accordance with the PUC. Also obtain legal opinions on the proper interpretation of the law.	12/31/2004	6/30/2005	
48	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	6/30/2005	
49	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	6/30/2005	
50	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	6/30/2005	

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51	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	6/30/2005	
52	01-AUD-03	6/12/2001	OIG	Payroll and Overtime Controls in the ATOS Program	DCEO Operations	10	Request MASD to perform an audit of payroll procedures within the Department to ensure that internal controls are adequate.	6/20/2001	6/30/2005	
53	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	6/30/2005	
54	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	6/30/2005	
55	02IA-002	6/30/2003	MASD	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	5/31/2005	
56	02IA-002	6/30/2003	MASD	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	6/30/2005	
57	02IA-002	6/30/2003	MASD	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	7/30/2005	
58	02IA-002	6/30/2003	MASD	Transit Operating and Trends System Timekeeping and Payroll	DCEO/CFO Payroll/ITS	1.2A	Request the Payroll Department to work with the Information Services Department to establish controls to ensure any personal time off not used by part-time employees is paid off at the end of the year at the correct salary rate.	9/30/2003	6/9/2005	Under review
59	02IA-002	6/30/2003	MASD	Transit Operating and Trends System Timekeeping and Payroll	DCEO/CFO/COS	1.2B	Request ISD to work with Human Resources to establish or correct part-time employees personal time balances in the HR Central System so employee personal time off can be entered in the TOTS computer system rather than processed manually.	9/30/2003	7/30/2005	
60	02IA-007	12/31/2002	MASD	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
61	02IA-007	12/31/2002	MASD	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
62	02IA-007	12/31/2002	MASD	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

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63	021A-007	12/31/2002	MASD	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
64	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	
65	031A-009	3/4/2004	MASD	Operators Work Time Requirements	DCEO Operations	1.3	Update the Operator's Rulebook and Standard Operating Procedures to reflect current practices.	7/31/2004	5/31/2005	Under review
66	031A-009	3/4/2004	MASD	Operators Work Time Requirements	DCEO/CFO	1.2	Work with the ITS department to generate a report showing actual driving time.	7/31/2004	5/31/2005	Under review
67	031A-015	6/30/2004	MASD	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
68	031A-015	6/30/2004	MASD	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
69	031A-015	6/30/2004	MASD	Selected South Bay Service Sector Performance Measures	DCEO Operations	2.2	Investigate and, to the extent possible, correct the causes for failure to achieve ISOIP goals.	12/31/2004		Under review
70	031A-015	6/30/2004	MASD	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	
71	031T-004	3/31/2004	MASD	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	6/30/2005	
72	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	10/31/2005	
73	041A-006	4/30/2004	MASD	Bus Cameras Maintenance	DCEO Operations	2	Develop and implement procedures for preventive maintenance for the Digital Video Recording systems.	12/31/2004		Under review
74	041A-006	4/30/2004	MASD	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
75	2002-116	12/16/2003	State Auditor	Service Sectors	DCEO Operations	1.3	Continue efforts to improve computation of boarding data.	12/31/2004	12/31/2005	
76	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	



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77	Booz-Allen 1	8/31/2001	Booz-Allen	LACMTA Management Audit	DCEO Operations	O1	Implement savings associated with the planned Automated Transit Management System (ATMS).	6/30/2004	6/30/2005	
78	Booz-Allen 1	8/31/2001	Booz-Allen	LACMTA Management Audit	DCEO Operations	O2	Use the Automated Transit Management System (ATMS) in conjunction with the Universal Fare System (UFS) to improve tracking of actual ridership and performance and revise schedules as appropriate.	6/30/2004	6/30/2005	
79	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	