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EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
May 21, 2009

SUBJECT: OFFICE OF INSPECTOR GENERAL (OIG) ACTIVITIES REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file this OIG Activities Report.

ISSUE

The OIG reports periodically on its activities.

DISCUSSION

1. During the 3rd Quarter of FY 2009, the OIG Audit Unit issued five final audit reports, started three audit projects, and issued one draft audit report. The five final audit reports issued are:
 - Department Information Security (Report No. 08-AUD-15, February 24, 2009).

The audit found that Metro departments/business units had not implemented Metro policy requirements concerning information security. Metro departments/business units had not developed written operating procedures for information security. Written procedures would reduce Metro's vulnerability of unauthorized individuals gaining access to personal, confidential, and other sensitive information. In addition, departments had not validated and assessed business and information security risks, which were also required by Metro policy.

The audit report made 11 recommendations to strengthen departmental information security controls, which included actions to:

- Notify and reinforce to departments/business units the requirement in Metro's Information Technology Policy IT 1 that business units are required to (1) validate and assess the information security risk, and (2) implement written standard operating procedures.
- Provide additional direction and/or support to departments/business units on information security requirements.

- Provide additional guidance to departments/business units as to areas that should be covered by department standard operating procedures.
- Include guidance on controlling and monitoring data in Metro Policy GEN 8.

Metro management agreed with the recommendations in the report and initiated corrective actions.

This report is consistent with a subsequent Financial Management Oversight Review, which noted the importance for risk assessments of the Information Technology Organization.

- Follow-up Review on Metro Rewards Program (Report No. 09-AUD-02, March 20, 2009).

The review found that Metro management had implemented four of the seven recommendations in our prior report, partially implemented two recommendations, and had not been implemented one recommendation.

- The required two gift card inventories and reconciliations were not performed in fiscal year 2008.
- A formal method was not used to forecast gift card purchasing needs.
- Gift card purchases were not based on current inventory levels and forecasted usage over the next 3 to 6 months.

The review also found additional areas where improvements were needed to the Metro Rewards Program.

- A joint gift card inventory and reconciliation was not conducted when the Project Manager of the program changed.
- The Excel spreadsheet that is used to record gift card transactions and track inventory balances is cumbersome to maintain and the recorded inventory balances were not accurate.

Metro management initiated the following actions:

- The Project Manager and Accounts Supervisor will perform a count of gift cards balanced to accounting records twice per fiscal year.
- The Inventory Projections Form as well as Policies, Procedures, and User Manual to forecast gift card purchasing will be revised.

- Metro Commute Services will add instructions to also question each selected employee for the mode of transportation they used to get to work to qualify for the program, and these responses will be documented.
- The Metro Rewards Policies, Procedures, and User Manual will be revised to require that a joint inventory and reconciliation be taken when the project Manager changes.
- Only the Target and Starbucks gift cards will be re-ordered in the future, as these are the two types of cards that accounted for the most issuance in the past.
- Metro Commute Services is working with the ITS Department and is in the early stages of creating a database to replace the current Excel spreadsheet to track and monitor the gift cards more efficiently.

Metro management agreed with five of the seven recommendations in the report and initiated corrective actions. Management disagreed with one recommendation; however, we believe that management's actions met the intent of the recommendation. Management partially agreed with another recommendation; we plan to follow-up on this matter in the future.

- Business and Travel Expense Reports (Report No. 09-AUD-01, February 5, 2009).

The audit found that the Travel and Business Expense Reports reviewed were generally in compliance with the Metro's Travel and Business Expense Policy. We attributed the accuracy of the expense reports to the reviews performed by the Metro Travel Coordinator prior to submitting the expense reports to the Accounting Department for payment. Some of the errors that the Travel Coordinator found and corrected were: (1) claim of full per diem rate when some meals were provided, (2) lack of submission of conference agenda, (3) lack of approval for trips costing over \$2,500, and (4) expense reports were submitted late. To minimize future errors that travelers may make, we recommended that the Travel Coordinator develop a brief information sheet, which outlines the travel policy in areas that travelers may overlook and cause errors.

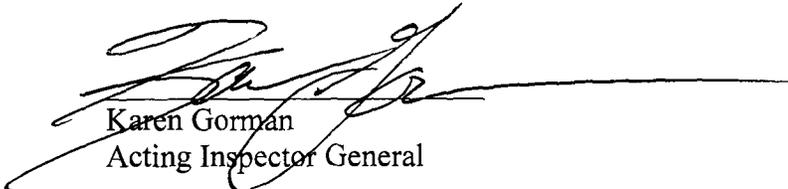
Metro management agreed with the recommendations in the report and initiated corrective actions.

- Audit of Miscellaneous Expenses for the Period July 1, 2008 to September 30, 2008 (Report No. 09-AUD-05, February 25, 2009). This audit is mandated by statutory requirement. The audit found no reportable conditions.
- Audit of Miscellaneous Expenses for the Period April 1, 2008 to June 30, 2008 (Report No. 09-AUD-03, February 6, 2009). This audit is mandated by statutory requirement. The audit found no reportable conditions.

2. The Audit Unit is on schedule to meet the number of new audit starts and completion of carryover projects in the FY 2009 Audit Plan. As of March 31, 2009, we completed all 10 carryover projects and started 11 new projects.

3. During the 3rd Quarter of FY 2009, the Investigations Unit opened 35 matters, and completed 25 matters. The 35 matters opened consisted of: 16 investigations, 7 multi-site reviews in 1 area (petty cash security reviews), 11 inquiries that were referred to Metro departments or did not warrant further investigation work, and 1 professional investigation service request. In addition, the following five reports were completed during the period.
 - 24-Hour Vehicle Assignments (January 22, 2009)
 - Alleged Theft of Copper Wire at Location 61 (February 9, 2009)
 - Investigation of Bad Checks (March 27, 2009)
 - Alleged Payroll Fraud at Division 1 (March 31, 2009)
 - Missing Petty Cash at Division 20 (March 31, 2009)
4. The OIG began a program where Metro departments may request investigation assistance. The intent of this program is to avoid unnecessary outsourcing of investigation work and to assist the requesting department to expedite its reviews and evaluations or trial preparation while maximizing the quality, depth, and thoroughness of the final product. The Investigation Services Group received one request for these services during the 3rd Quarter of FY 2009, making a total of 18 service requests since the program was launched in the last quarter of FY 2008. This request involved locating a missing Metro vendor to whom payments are due and the vendor had not paid its subcontractors.
5. Department Administration. During the 3rd Quarter FY 2009, the OIG:
 - Completed a draft policy on offsite back-up procedures for electronic information, as part of our continuity of information plan in case of emergencies.
 - Deployed three network printers as part of our program to transition from individual printers to network printers to keep cost down.
 - Began process to replace current Information Technology consultant services whose contract expires later this year.
 - Continued the process to develop a website for posting audit and investigation reports, and worked on policy for posting audits on website.

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