



Metro

Metropolitan Transportation Authority

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November 28, 2011

TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY *ATL*
CHIEF EXECUTIVE OFFICER

FROM: RUTHE HOLDEN *rh*
CHIEF AUDITOR, MANAGEMENT AUDIT SERVICES

SUBJECT: QUALITY ASSURANCE REVIEW OF MANAGEMENT AUDIT SERVICES

ISSUE

In order to comply with auditing standards, Management Audit successfully completed an external quality assurance review (peer review) for the three-year period ending June 30, 2011. Management Audit received a “fully complies” opinion from the peer review team. We are one of only a few local government audit organizations across the country that has successfully completed a peer review for both sets of standards.

DISCUSSION

Four years ago, Management Audit improved the quality of our work by incorporating standards set by the Comptroller General of the United States (Yellow book) and those issued by the Institute of Internal Auditors (Red book) into our policies and practices. Only a handful of government audit organizations across the country follow the “dual standards” approach to performing audits, a leading edge practice.

Yellow book standards require audit organizations to have an external peer review every three years. Although Red book standards only require that an external peer review be completed every five years, we choose to combine them into a “dual standards review” every three years for efficiency, effectiveness, and cost savings.

The peer review team, comprised of highly qualified audit professionals from various parts of the country, certified that they are free from personal, external and organizational impairments to independence. They evaluated Management Audit’s

quality control system, how audits and consulting engagements were conducted, staff qualifications, development and training, as well as the audit follow-up process. They offered some suggestions that will strengthen Management Audit's policies and procedures, which will further improve our internal quality control system.

NEXT STEPS

Management Audit is in the process of implementing all suggestions for improvement. We will schedule another quality assurance review in 2014, as required by auditing standards.

Attachment: Association of Local Government Auditors Quality Assurance Letter dated November 18, 2011 for compliance with Government Auditing Standards issued by the Comptroller General of the United States and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors



Association of Local Government Auditors

November 18, 2011

Ruthe Holden
Chief Auditor
Los Angeles County Metropolitan Transit Authority
One Gateway Plaza, Los Angeles, CA 90012

Dear Ms. Holden,

We have completed a peer review of the Management Audit Services for the Los Angeles County Metropolitan Transit Authority for the period July 1, 2008 through June 30, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guides* published by the Association of Local Government Auditors (ALGA).

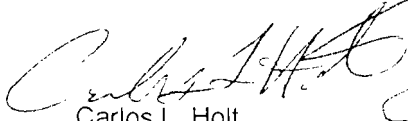
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and the *International Standards for the Professional Practice of Internal Auditing (the Standards)* issued by the Institute of Internal Auditors (IIA) as part of the *International Professional Practices Framework*. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing the internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

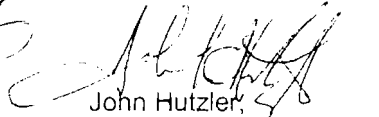
Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that Management Audit Services' internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and *the Standards* issued by the IIA for audits and attestation engagements during the period of July 1, 2008 through June 30, 2011.

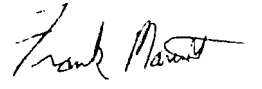
We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.



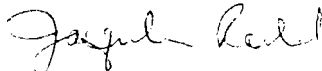
Carlos L. Holt,
Metro Nashville, TN



John Hutzler,
Washington County, OR



Frank Marietti,
City of Berkeley, CA



Jacqueline Rowland,
Colorado Springs, CO



Kymber Waltmunson,
King County, WA