

**Metro**

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Metropolitan Transportation Authority

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
SEPTEMBER 18, 2013**

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2013 YEAR-END REPORT**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file the year-end report of Management Audit Services (Management Audit) for the period ending June 30, 2013.

**ISSUE**

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance and Budget Committee. This report fulfills the requirement for the fourth quarter of FY 2013.

**DISCUSSION**

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management. Internal audit services include reviewing agency processes, functions and systems, and external audit services include reviewing compliance to contracts and memorandums of understanding (MOUs) with vendors and cities.

There are three groups in Management Audit: Operational and Programs Audit, Support Services Audit, and Audit Support and Research Services. Operational and Programs Audit is primarily responsible for all audits for Bus Operations, Rail Operations, Planning, Construction and Economic Development. Support Services Audit is responsible for all audits in Finance, Administrative Services, Customer Services and the Executive Office. Both of these units provide assurance to the public that internal processes are performed efficiently, economically, effectively, ethically, and equitably by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance.

Audit Support and Research Services is responsible for administration, financial management, budget coordination and audit follow-up and resolution tracking.

The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or disperse funds to.

The summary of Management Audit activity for the fourth quarter and for the fiscal year ending June 30, 2013 is as follows:

**Internal Audits:** three internal audits were completed for the fourth quarter, 19 reports were completed for the year. As of June 30, 2013, 14 internal audits were in process.

**External Audits:** 15 contract audits with a total value of \$7 million were completed during fourth quarter. 42 contract audits with a total value of \$70.4 million and eight grant audits with a total value of \$40.7 million were completed for the year. Twelve contract audits and thirty grant audits were in process.

**Other Audits:** Details of additional audits completed by external certified public accountants (CPAs) during the year are included in Attachment A.

**Audit Follow-up and Resolution:** 98, or 82% of all outstanding audit recommendations were completed and closed; 90 new audit recommendations were added.

Management Audit's FY 2013 year-end report is included as Attachment A.


### **NEXT STEPS**

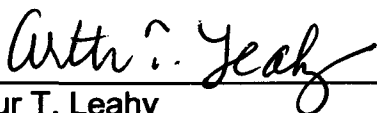
Management Audit will provide the first quarter summary of FY 2014 audit activity to the Board at the November 2013 Finance, Budget and Audit Committee meeting.

### **ATTACHMENT**

- A. Management Audit Services Quarterly Report to the Board for the period ending June 30, 2013

Prepared by: Ruthe Holden, Chief Auditor  
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Ruthe Holden  
Chief Auditor

  
\_\_\_\_\_  
Arthur T. Leahy  
Chief Executive Officer

**MANAGEMENT AUDIT SERVICES  
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan  
Transportation Authority**

***YEAR-END REPORT  
FY 2013***



**Metro**

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# EXECUTIVE SUMMARY

## FY13 Summary of Audit Activity

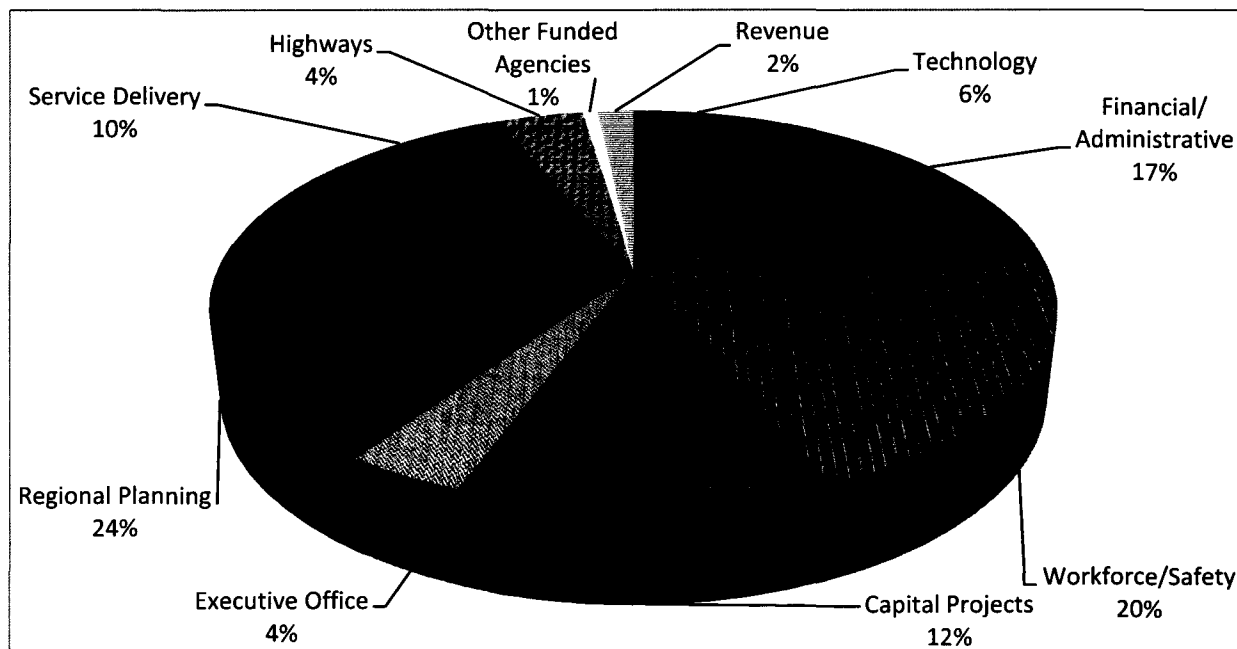
During FY 2013, 69 engagements were completed. These include:

- 12 audit reports issued in the first quarter;
- 21 audit reports issued in the second quarter;
- 17 audit reports issued in the third quarter;
- 19 audit reports issued in the fourth quarter.

The work completed in the first, second, and third quarters of FY 2013 are summarized in the quarterly reports issued in January 2013, February 2013 and June 2013. The completed audits for the fourth quarter includes four internal audit reports and 15 contract audits. The completed contract and grant audits are summarized on page 3 and completed internal audits begin on page 4. Forty-two audits were in the process at the end of FY 2013.

Appendix A and B contain a list of all contract and grant audit projects completed in FY 2013. Appendix C lists all internal audits completed during FY 2013. Appendix D lists all internal audits in the process as of June 30, 2013.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during FY 2013:



During FY 2013, from a total universe of 123 recommendations, 98 or 80% of the recommendations were closed and 93 recommendations were added.

# ***EXECUTIVE SUMMARY***

## **Audit Standards Reporting Requirements**

### **Independence**

The International Standards for the Professional Practice of Internal Auditing requires that we report annually on our organizational independence. Organizational independence is achieved if the chief auditor reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities.

Management Audit reports to the CEO and the Audit Charter requires that the Board of Directors' review and concur in the appointment, replacement or dismissal of the Chief Auditor. Therefore, we are organizationally independent and in compliance with this standard.

### **Audit Charter**

The International Standards for the Professional Practice of Internal Auditing requires that we review our internal audit charter periodically, present it to executive management and obtain board approval. The internal audit charter is a formal document that defines management audit activity's purpose, authority, and responsibility.

The Audit Charter was approved by the Board in July 2009. In 2011, the International Standards for the Professional Practice of Internal Auditing were revised. The Board approved Charter was compared to the updated standards and is in compliance with the new requirements; therefore no changes need to be made to the 2009 Charter. It is included in Appendix E for Board and management review.

### **Internal Quality Self Assessment**

The International Standards for the Professional Practice of Internal Auditing and the Government Auditing Standards require that we report annually to executive management and the board on the quality assurance and improvement program.

An independent quality self-assessment was completed for FY13, which demonstrated that we complied with the audit standards. We identified three areas of improvement: improved documentation for recommendation closeout, documentation of consultant Continuing Professional Education compliance and updating policies to reflect recent changes to audit standards. As a result, of the quality assessment, we enhanced our procedures and updated department policies to be better align with industry best practices.

# ***EXTERNAL AUDITS***

## **Contract Audit**

Contract Audit provides support to the Office of Procurement and Material Management for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During FY 2013, we completed 42 audits, reviewing a net value of \$70.4 million. Auditors questioned \$2.7 million or 3.8% of the proposed costs. The 42 audits supported procurements in the following areas:

- 9 Capital projects procurements;
- 2 Revenue;
- 9 Regional planning;
- 4 Highways;
- 2 Service deliveries;
- 15 Operations;
- 1 Administrative Services

Twelve contract audits were in the process as of June 30, 2013. Details on Contract Audits completed during FY 2013 are in Appendix A.

## **Grant Audit**

Grant Audit conducts audits for Countrywide Planning's Call-for-Projects program, federally funded transportation programs, and various other transportation related projects, including Alameda Corridor East and CalTrans projects. The purpose of the audits is to ensure that grantees spend funds in accordance with the terms of grants and federal cost principles.

Grant Audit completed eight audits during FY 2013. We reviewed \$40.7 million of funds and identified \$5.4 million of unused funds that may be reprogram by Countywide Planning for other projects.

30 grant audits were in the process as of June 30, 2013. Details on grant audits completed during FY 2013 are in Appendix B.



## ***INTERNAL AUDITS***

Management Audit completed 18 internal audit reports in FY 2013. Twenty-seven internal audits were in process as of June 30, 2013. Lists of the internal audits in process are included in Appendix D.

Details of the three internal audits completed during the fourth quarter are listed below in the order of the magnitude of risks that their findings represent to the agency.

### **Performance Audit Handling of Sale of Scrap**

We have completed a performance audit of the Handling and Sale of Scrap. The objective of the audit was to determine whether the procedures and process for handling and sale of scrap metal is the most financially advantageous to MTA.

Internal controls were adequate in the vendor selection criteria process to identify the vendor with most advantageous pricing for scrap reimbursement. However, the vendor is not reimbursing MTA for all high value scrap. In addition, the vendor is not complying with payment directives and scrap bins are being used as trash bins.

The Chief Operations Officer and the Chief Administrative Services Officer concurred with our recommendations and have implemented corrective actions to address the issue.

### **Performance Audit of ATMS Bus Communication Equipment**

The objective of this audit was to evaluate the effectiveness of internal controls for bus installed communication components.

Internal controls for ATMS bus communications equipment and data are generally effective. However, opportunities for improvement exist in two areas (1) server security and (2) wireless security controls. Management has agreed to correct the two findings and expect to have system and equipment upgrades completed in 2013.

### **Wire Transfer and electronic Fund Transfer**

Management Audit completed a performance audit of the Wire Transfer and Electronic Funds Transfer processed to determine that adequacy and effectiveness of internal controls that ensure that transfers processed via the Automated Clearing House (ACH) are properly initiated, approved, validated and secured.

We found wire transfer and ACH controls are adequately designed and operating effectively. However, a control deficiency exists with Financial Information System security for ACH processing. Staff in the Information Technology Services department had

## ***INTERNAL AUDITS***

incompatible access creating a segregation of duties conflict. Both the Chief Administrative Services and the Chief Financial Services Offices agreed to correct the audit issues. The access issues were corrected during the audit and recommendations were made to prevent this from occurring again.

## *OTHER AUDITS*

### Proposition A and C Special Revenue Funds Audit – Issued December 2012

The MTA Reform and Accountability Act of 1998 require the completion of an independent audit to determine compliance by the Los Angeles County Metropolitan Transportation Authority with the provisions of Propositions A and C. Bazilio Cobb Associates (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2012. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Proposition A and Proposition C revenues and expenditures. As required by law, BCA presented their audit report to the Independent Citizens Advisory and Oversight Committee on January 8, 2013.

### Measure R Special Revenue Fund Audit – Issued December 2012

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the MTA complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2012. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures. As required by law, BCA will present their audit report to the Measure R Oversight Committee on February 26, 2013.

### Measure R Compliance Audit of the Cities and County – Issued December 2012

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the net revenues allocated to the Local Return Subfund during the fiscal year. For efficiency and effectiveness, we contracted with two firms (Simpson & Simpson and Vasquez & Company, LLP) to conduct the audits of Measure R sales tax revenues used by the 87 cities as well as the County of Los Angeles. The auditors found that the cities and county generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, the auditors did find a 3% rate of non-compliance, which the MTA will follow-up for corrective action. As required by law, Simpson & Simpson and Vasquez presented their audit report to the Measure R Oversight Committee on February 26, 2013.

### Gateway Center & Union Station Properties Financial Statements and Independent Auditor's Reports – Issued December 2012

The MTA acquired the Union Station and Gateway Center properties in April 2011. At that time we entered into a Leasing and Operations Management Agreement with Catellus Development Corporation for the management and operations of both the Gateway Center and Union Station properties (Appendices D and E respectively). This agreement expired

## ***OTHER AUDITS***

June 30, 2012, and Morlin Asset Management, LP took over the management and operations of these properties. We contracted BCA to conduct an audit of the financial statements for these two entities. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

### **Basic Financial Statements – All parts issued by February 2013**

An audit of our financial statements by an independent CPA firm is required annually. We retained KPMG, LLP to conduct the audit for the fiscal year FY12. The following reports include MTA's basic financial statements and following component audits for the year ended June 30, 2012.

- Basic Financial Statement Report;
- Single Audit Reports which include:
  - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and
  - Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133;
- Management Letter for Federal Funding Allocation Data Transportation Operating Agency (ID# 9154);
- Federal Funding Allocation Data L.A. County Small Operators (ID# 9166);
- Transportation Development Act Operations Agency Year ended June 30, 2012;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency Schedule of Revenues, Expenditures, and Changes in Fund Balances;
- State Transit Assistance Special Revenue Fund Basic Financial Statements;
- Service Authority for Freeway Emergencies Financial Statements and Other Supplementary Information;
- Statement on Auditing Standards 114 communications report;
- Independent Auditors' Statement on Auditing Standards 114 letter covering required communications.

The audit found our financial statements to present fairly, in all material respects.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During FY 2013, 90 new audit recommendations were added to the outstanding audit recommendations list and 98 recommendations were completed and closed out from a total universe of 120 representing an 82% reduction in the total outstanding recommendations. The table below summarizes the fourth quarter activity.

### Summary of MAS and External Audit Recommendations As of June 30, 2013

Executive Area	Closed or Completed during Q4	Late	Extended	Not Yet Due/Under Review	Total Open Recom.
Chief Financial Services Officer & Treasurer	1			2	2
Chief Administrative Services Officer	7	2		8	10
Chief Communications Officer	2				
Deputy Chief Executive Officer				1	1
Executive Director Highway Project Delivery		1			1
Executive Director, Transit Project Delivery	1	2			2
<b>Totals</b>	<b>11</b>	<b>5</b>		<b>11</b>	<b>16</b>

## Appendix A

<b>Contract Audit FY 2013 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Capital Projects	12-PLN-A19A - Attestation Agreed-upon Procedures	Gruen Associates	Contractual	8/2012
Capital Projects	12-PLN-A19B - Attestation Agreed-upon Procedures	Grimshaw Architects	Contractual	8/2012
Capital Projects	12-CON-P05 - Attestation Agreed-upon Procedures	Jacobs Engineering Group, Inc.	Contractual	9/2012
Capital Projects	12-CON-P04 - Independent Cost Estimate	Brutoco	Contractual	9/2012
Capital Projects	12-ICE-P06 - Independent Cost Estimate	Kiewit Pacific Company	Contractual	10/2012
Revenue	13-COM-C01 - Attestation Agreed-upon Procedures	Cubic Transportation System's	Contractual	10/2012
Service Delivery	13-OPS-A01 - Attestation Agreed-upon Procedures	Ansaldo STS USA, Inc.	Contractual	10/2012
Revenue	12-COM-C04 - Attestation Agreed-upon Procedures	Cubic Transportation System's	Contractual	10/2012
Capital Projects	13-OPS-A02 - Attestation Agreed-upon Procedures	NABI	Contractual	11/2012
Capital Projects	13-OPS-A04 - Attestation Agreed-upon Procedures	New Flyer	Contractual	11/2012
Capital Projects	13-OPS-A03 - Attestation Agreed-upon Procedures	NABI	Contractual	11/2012
Regional Planning	13-PLN-A11B - R1 - Attestation Agreed-upon Procedures	RBF Consulting	Contractual	12/2012
Regional Planning	13-PLN-A11C - Attestation Agreed-upon Procedures	Iteris Inc.	Contractual	12/2012

## Appendix A

<b>Contract Audit FY 2013 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Regional Planning	13-PLN-A11A - Attestation Agreed-upon Procedures	Cambridge Systematics	Contractual	12/2012
Regional Planning	13-PLN-A11D - Attestation Agreed-upon Procedures	WKE, Inc.	Contractual	12/2012
Capital Projects	13-ICE-A01A - Independent Cost Estimate	Kiewit Pacific Company	Contractual	12/2012
Regional Planning	13-PLN-A12 - Attestation Agreed-upon Procedures	Iacofano Goltsman, Inc.	Contractual	1/2013
Regional Planning	13-PLN-A13B- Attestation Agreed-upon Procedures	LSA Associates	Contractual	1/2013
Regional Planning	13-PLN-A13A - Attestation Agreed-upon Procedures	URS Corporation	Contractual	1/2013
Regional Planning	13-PLN-A13C - Attestation Agreed-upon Procedures	Environ International Corporation	Contractual	1/2013
Highways	13-PLN-A14A - Attestation Agreed-upon Procedures	Kimley-Horn and Associates, Inc.	Contractual	2/2013
Highways	13-PLN-A14C - Attestation Agreed-upon Procedures	LSA Associates	Contractual	2/2013
Highways	13-PLN-A14B - Attestation Agreed-upon Procedures	Galvin Preservation Associates, Inc.	Contractual	2/2013

## Appendix A

<b>Contract Audit FY 2013 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Highways	13-PLN-A14D - Attestation Agreed-upon Procedures	Point C, LLC.	Contractual	3/2013
Service Delivery	13-OPS-A05 - Attestation Agreed-upon Procedures	Southern AM Engineering, Inc.	Contractual	3/2013
Regional Rail	13-PLN-A21 - Attestation Agreed-upon Procedures	HNTB Corporation	Contractual	3/2013
Administrative Services	13-ADM-C01 - Attestation Agreed-upon Procedures	Zanett Commercial Solutions, Inc.	Contractual	3/2013
Operations	13-PLN-A28A - Attestation Agreed-Upon Procedures	Stantec Consulting Services, Inc.	Contractual	6/2013
Operations	13-PLN-A28B - Attestation Agreed-Upon Procedures	Jacobs Engineering Group, Inc.	Contractual	6/2013
Operations	13-PLN-A28C - Attestation Agreed-Upon Procedures	URS Corporation	Contractual	6/2013
Operations	13-PLN-A28D - Attestation Agreed-Upon Procedures	Anil Verma Associates, Inc.	Contractual	6/2013
Operations	13-PLN-A28E - Attestation Agreed-Upon Procedures	Cabrinha Hearn & Associates, Inc.	Contractual	6/2013



## Appendix A

<b>Contract Audit FY 2013 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Operations	13-PLN-A28F - Attestation Agreed-Upon Procedures	Cogstone Resource Management, Inc.	Contractual	6/2013
Operations	13-PLN-A28G - Attestation Agreed-Upon Procedures	D'Leon Consulting Engineer"s	Contractual	6/2013
Operations	13-PLN-A28H - Attestation Agreed-Upon Procedures	Delcan Corporation	Contractual	6/2013
Operations	13-PLN-A28I - Attestation Agreed-Upon Procedures	Diana Ho Consulting Group	Contractual	6/2013
Operations	13-PLN-A28J - Attestation Agreed-Upon Procedures	Jenkins/Gale & Martinez, Inc.	Contractual	6/2013
Operations	13-PLN-A28K - Attestation Agreed-Upon Procedures	Kal Krishnan	Contractual	6/2013
Operations	13-PLN-A28L - Attestation Agreed-Upon Procedures	Lenax Construction Services, Inc.	Contractual	6/2013
Operations	13-PLN-A28M - Attestation Agreed-Upon Procedures	MARRS Services, Inc.	Contractual	6/2013
Operations	13-PLN-A28N - Attestation Agreed-Upon Procedures	Ramos Consulting Services, Inc.	Contractual	6/2013

## Appendix A

<b>Contract Audit FY 2013 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Operations	13-PLN-A280 - Attestation Agreed-Upon Procedures	Safework Inc.	Contractual	6/2013

## Appendix B

<b>Grant Audit FY 2013 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Grantee</b>	<b>Requirement</b>	<b>Date Completed</b>
Regional Planning	11-PLN-G06 - Closeout	Caltrans	Contractual	7/2012
Regional Planning	06-LAC-G05 - Interim	Los Angeles County	Contractual	9/2012
Highways	11-PLN-G07 - Closeout	Caltrans	Contractual	10/2012
Highways	11-PLN-G04 - Closeout	Caltrans	Contractual	10/2012
Highways	12-PLN-A09 - Closeout	City of Glendale, City of Pasadena & City of Burbank	Contractual	2/2013
Regional Planning	12-PLN-G04 - Closeout	City of Los Angeles	Contractual	3/2013
Regional Planning	13-PLN-A10 - Closeout	City of Los Angeles	Contractual	3/2013
Regional Planning	12-PLN-G05 - Cost and Retention	San Gabriel Valley Council of Governments	Contractual	3/2013

## Appendix C

<b>Internal Audit FY 2013 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Risk</b>	<b>Date Completed</b>
Technology	12-ADM-I04 - Human Resource Database	Audit of Human Resources Database	High	8/2012
Technology	12-ADM-I03 - Oracle Database Management	Audit of Oracle Database Management	High	8/2012
Operations	11-OPS-O02 - Bus Midlife Program American Recovery and Reinvestment Act	Performance Audit of Bus Midlife Program American Recovery and Reinvestment Act	High	8/2012
Bus Operations	10-OPS-O06 - Bus Accident Prevention	Performance Audit of Bus Accident Prevention Practices	High	9/2012
Operations	11-OPS-I03 - SCADA Network Security	Performance Audit of SCADA Network Security (SECURITY SENSITIVE)	High	9/2012
Financial & Administrative Management	12-ADM-O04 - Audit of follow-up on KPMG Issues	Follow-up on Implementation of Corrective Actions on Information Technology Findings Identified in KPMG's Management Letter	High	11/2012
Technology	12-HCP-P02 - Vector Tolling System	Evaluate the efficiency and effectiveness of the general and application controls of the Vector Tolling System	High	11/2012
Executive Office	11-PLN-P01 - Congestion Reduction Follow-up	Follow up on corrective actions implemented from the prior audit of Congestion Reduction Demonstration Program Management.	High	11/2012
Service Delivery	11-COM-I02 - Metro.Net	Validate Metro website's compliance with rules and regulations in supporting the agency's public outreach initiative.	High	11/2012

## Appendix C

<b>Internal Audit FY 2013 - Audits Completed During Fiscal Year</b>				
Financial & Administrative Management	12-ADM-O03 - Audit of follow-up on Waste Management	Verify corrective actions taken by management and validate that actions are resulting in improvements.	High	12/2012
Financial & Administrative Management	11-ADM-I02 - P-Card Follow-Up Audit	Evaluate compliance with P-Card requirements and internal controls.	High	12/2012
Administrative Services	09-ADM-K06 - Compliance with Prevailing Wage Law	Performance Audit Compliance with Prevailing Wage Laws	High	12/2012
Operations	11-OPS-O03 - Bus Engine Retrofit	Performance Audit of Bus Engine Retrofit Project	High	12/2012
Service Delivery	11-OPS-O09 - Compressed Natural Gas (CNG) Electrification Contract	Performance Audit of CNG Electrification Contract American Recovery and Reinvestment Act	High	12/2012
Operations	12-OPS-P04 - ATMS Bus Communications	Evaluate the effectiveness of internal controls for bus installed components to ensure subsystems are working as intended.	High	4/2013
Administrative Services	10-OPS-O03 - Handling of Scrap	Evaluate effectiveness of procedures and compliance to internal controls.	High	4/2013
Other Funded Agencies	13-EXP-P01 - Expo Funded Audit	Audit of Phase I Expo Construction Project	High	5/2013
Financial & Administrative Management	12-FIN-O01 - Audit of Wire Transfer	Performance Audit Wire and Electronic Funds Transfer	High	5/2013

## Appendix D

## Internal Audit FY 2013 - Progress Toward Completing Audit Plan

Area	Audit Number & Title	Description	Risk	Estimated Date of Completion
Service Delivery	10-OPS-O01 - Bus Cleanliness	Evaluate cleanliness inspection process to meet standards.	High	7/2013
Other Funded Agencies	11-MET-F01 - Audit of Metrolink Use of TAP Funds	Validate costs claimed were allowable and incurred for actual contract effort, adequately supported, and charged in accordance with policies, applicable laws and regulations, contract terms and conditions.	High	8/2013
Service Delivery	11-OPS-O06 - HASTUS	Evaluate efficiency and effectiveness of the HASTUS scheduling and dispatching system.	High	8/2013
Technology	12-PRO-K01 - Project Management Information Systems	Evaluate General Controls of Project Management Information System.	High	8/2013
Programs	12-CON-P01 - Compliance to Stormwater Requirements	Performance Audit of Compliance to Stormwater Requirements	High	8/2013
Technology	09-COM-I01 - Audit of UFS/TAP General Controls	Assess whether IT general controls for Universal Fare System/Transit Access Pass (UFS/TAP) are adequate and effective to ensure systems are working properly, safeguarded from unauthorized access and changes and that backup is adequate to ensure unwarranted disruption of operation.	High	9/2013

## Appendix D

<b>Internal Audit FY 2013 - Progress Toward Completing Audit Plan</b>				
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Risk</b>	<b>Estimated Date of Completion</b>
Financial & Administrative Management	10-ACC-F03 - Subsidiary Ledger Accuracy and Completeness	Evaluate controls over posting to subsidiary ledger is accurate, complete and concurrent to General Ledger. Follow-up on prior audit findings and validate assets reported to FTA are concurrent with the subsidiary ledger.	High	9/2013
Technology	10-COM-I02 - Audit of Farebox Collection System	Assess whether internal controls are adequate and effective to ensure that recording, probing, synchronization and transmission of revenue related data to the Garage Data Management System Computer in the divisions are accurate.	High	9/2013
Programs	11-CON-K02 - Quality Assurance	Evaluate efficiency and effectiveness of Construction Quality Assurance Program.	High	9/2013
Operations	11-OPS-O08 - Fare Box Maintenance	Evaluate whether Bus Operations is maintaining fareboxes to the Original Equipment Manufacturers requirements.	High	9/2013
Technology	12-ADM-I02 - Audit of M3 Timekeeping System	Assess the efficiency and effectiveness of timekeeping module to ensure timesheets are processed accurately, timely and completely.	High	9/2013
Programs	12-CON-P02 - Gold Line Project Management	Evaluate efficiency and effectiveness of Gold Line Project Management	High	9/2013
Programs	12-CON-P03 - I-405 Contract Performance Follow-up	Follow-up on I-405 Contract Performance	High	9/2013

## Appendix D

<b>Internal Audit FY 2013 - Progress Toward Completing Audit Plan</b>				
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Risk</b>	<b>Estimated Date of Completion</b>
Administrative Services	13-ADM-O02 Audit of the Automated	Assess the efficiency and effectiveness of the ASRS that supports moving, storage, and retrieval of MTA's bus inventory from the receiving docks to fleet maintenance locations throughout the Agency.	High	9/2013
Operations	13-OPS-P04 - Operations' KPIs	Accuracy and completeness of Operations' KPIs	High	9/2013



**Metro**

# **Management Audit Services Audit Charter**

## **I. INTRODUCTION**

Los Angeles County Metropolitan Transportation Authority (MTA) maintains an active audit function under the direction of Chief Executive Officer (CEO); with responsibility to report its activities to the Board. This charter defines the mission, scope, commitment to quality, authority and accountability, independence, and responsibility of MTA's audit department, Management Audit Services

## **II. MISSION**

Management Audit Services provides highly reliable, independent, objective assurance and consulting services designed to add value and improve MTA's operations. Management Audit Services accomplishes this by bringing a systematic, disciplined approach to evaluating and recommending improvements to the effectiveness of risk management, controls and governance processes.

## **III. SCOPE**

The scope of work performed by Management Audit Services is to determine whether MTA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, projects and objectives are achieved;
- Quality and continuous improvement are fostered;
- Significant legislative or regulatory issues impacting MTA are recognized, addressed appropriately and interaction with governance groups occurs;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations; and
- Opportunities for improving management control, streamlining processes, and improving public perception may be identified during audits. These will be communicated to the appropriate level of management.

## **IV. COMMITMENT TO QUALITY**

Management Audit Services commits to providing world-class service through timely, unbiased, value-added assurance and consulting services. We will work as a team with our clients to improve processes and meet strategic goals and



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objectives. We will enhance the services we provide by continuously improving our audit activities. Management Audit Services adheres to the following professional standards and codes:

- **Government Auditing Standards promulgated by the Comptroller General of the United States;**
- **Institute of Internal Auditors International Professional Practices Framework;**
- **Information Systems Auditing Standards promulgated by the Information Systems Audit and Control Association;**
- **MTA's Employee Code of Conduct and Administrative Code;**
- **Institute of Internal Auditor's Code of Ethics, and**
- **Management Audit Services' Audit Policy Manual and applicable procedures.**

### **V. AUTHORITY AND ACCOUNTABILITY**

Management Audit Services audits all departments, programs, functions, systems, contracts and activities based on the approved audit plan or specific requests that have been approved by the CEO.

Management Audit Services is authorized to:

- **Have full, free and unrestricted access to all information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. All employees will cooperate fully in making available material or information requested by Management Audit Services or any external auditors managed by Management Audit Services. Access to contracted third parties will be handled in accordance with contractual terms. Management Audit Services staff signs Confidentiality Statements annually. Documents provided to Management Audit Services will be handled in the same prudent manner as by those employees normally accountable for them;**
- **Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and**
- **Obtain the necessary assistance of personnel in functions where audits are being performed, as well as other specialized services from external consultants.**

Management Audit Services is not authorized to:

- **Initiate or approve accounting transactions external to Management Audit Services and**
- **Direct the activities of any employee not part of Management Audit Services, except to the extent such employees have been appropriately assigned to auditing teams.**



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**Management Audit Services, in the discharge of duties, is accountable to the CEO and the Board of Directors to:**

- **Report significant issues related to the processes for controlling the activities, including potential improvements to those processes, and provide information concerning such issues through resolution; and**
- **Provide periodic information on the status and results of the annual audit plan and the adequacy of progress as it relates to management action plans.**

### **VI. INDEPENDENCE**

**Management Audit Services is independent of the activities it reviews. Specifically, Management Audit Services staff may not review areas where they were responsible for the design or operation of the area. Auditors are responsible for maintaining their independence and integrity in all services they provide.**

**All Management Audit Services activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The Chief Auditor shall report any impairment to independence, or unjustified restriction or limitation to audit selection, scope, procedures, frequency, timing or report content promptly to the CEO and the Board.**

**As a means of ensuring independence, Management Audit Services will report to the CEO and the Board of Directors. This structure permits the rendering of impartial and unbiased judgment essential to the proper conduct of audits. The Board of Directors' will review and concur in the appointment, replacement or dismissal of the Chief Auditor of Management Audit Services.**

### **VII. RESPONSIBILITIES**

#### **A. Management Audit Services is responsible for:**

- **Developing and executing a flexible risk based audit plan including any risks or control concerns identified by management; and submitting that plan to the CEO and Board of Directors for review and approval;**
- **Preparing or updating the agency-wide risk assessment annually and incorporating the results into the annual audit plan;**
- **Implementing the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management ;**
- **Reporting significant audit findings to management and the Board of Directors;**
- **Providing management with adequate time to respond to audit findings and including management's response in the final report;**



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- Following up on audits to ensure agreed-upon corrective actions have been taken and provide periodic follow up reports;
- Presenting quarterly reports to the Board highlighting progress on the Audit Plan;
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Conducting objective and constructive assurance services, which include performance and attestation audits;
- Consulting services, which are advisory in nature, can be provided as long as the services do not impair Management Audit Services' independence and fall within the scope outlined in the Charter;
- Exercising due professional care in all of our work products;
- Conducting ourselves at all times in a professional manner;
- Coordinating external audits of MTA;
- Considering external auditors and regulators' scopes of work, as appropriate, for the purpose of providing optimal audit coverage at a reasonable overall cost; and
- Referring suspected fraud, waste, or abuse promptly to the Inspector General.

### **B. Management is responsible for:**

- Maintaining an effective system of internal controls, documenting policy and procedures, and ensuring information is accurate and reliable;
- Complying with policies and procedures;
- Cooperating fully with auditors during discharge of their duties including prompt reply to Management Audit Services requests and recommendations; and
- Providing a response to audit findings and recommendations. Assuring timely implementation of agreed upon corrective action(s) to audit recommendations.

The Audit Charter may be modified by a written document executed by all of the participating parties. This Audit Charter will be effective upon execution and will continue indefinitely until it is modified.



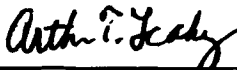
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# Management Audit Services Audit Charter

IN WITNESS WHEREOF, the parties hereto have caused this Audit Charter to be executed by their proper officers thereunto duly authorized, and their official seals to be affixed as of August 10, 2009

Los Angeles County Metropolitan Transportation Authority

Board of Directors

  
\_\_\_\_\_  
Arthur T. Leahy

By   
\_\_\_\_\_  
Board Secretary