



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
APRIL 19, 2007**

SUBJECT: FY08 AUDIT PLAN

ACTION: ADOPT THE FY08 PROPOSED AUDIT PLAN

RECOMMENDATION

Adopt the FY08 Proposed Audit Plan (Attachment A).

ISSUE

At its January 2005 meeting, the Board adopted the amended FY06 Financial Standards, which require management to develop a risk assessment and an audit plan each year and present it to the Board. It also required that the Executive Management and Audit Committee, as the audit committee for the agency, provide input and approval of the audit plan.

POLICY IMPLICATIONS

An audit plan defines the work that will be completed or directed by Management Audit Services (MAS) each fiscal year. It indicates both the depth and breadth of audit activities addressing financial, operational and compliance risks for the agency. Through the audit plan, MAS will convey a current sense of the internal control environment. The audit plan also identifies the extent to which controls are being assessed by routine audit activities, addressed proactively through advisory services, or as a result of concerns from management.

The annual audit plan is driven by two key factors: (1) risk assessment results, and (2) audit resources. The goal in drafting the audit plan is to address the highest risk areas at the agency given the resources available to complete the audits.

When developing the plan, the hours included for each audit are an estimate based on MAS' preliminary knowledge of the audit areas. Each audit uses a stop and go audit technique that allows MAS to stop an audit if at any time during the process the auditor determines that there are no or limited risks to the agency and there is a strong probability there will be no adverse findings. The plan is also intended to be flexible to allow an audit to be rescheduled, deleted and/or replaced with relative ease. The plan will be reassessed during the year based on a continuous review of audits completed compared to the plan. MAS may supplement internal resources with consultants from the CPA bench as long as funding and CPAs are available for the task.

OPTIONS

One option would be not to complete an annual audit plan. This was not considered since the audit plan is a management tool to systematically assign resources to areas that are a concern or high risk to the agency. An audit plan that strategically utilizes available resources in the highest risk audit areas is among the industry's best practices.

FINANCIAL IMPACT

Funding for the annual audit plan will be included in the FY08 budget in MAS's cost centers and the appropriate projects throughout the agency.

DISCUSSION

Instrumental in developing the FY08 Proposed Audit Plan was completing the FY07 agency wide risk assessment. A risk assessment is the process of understanding an organization's strategic, operational, compliance and financial objectives and identifying and prioritizing potential threats/risks that could inhibit successful completion of these objectives. Risk assessments provide management with meaningful information needed to understand factors that can negatively influence operations and outcomes.

The agency-wide risk assessment included interviewing management throughout Metro, reviewing and analyzing budget documents, long and short range transportation plan and other key documents and using this information to update the FY06 agency-wide risk assessment. Risks are scored using two factors, magnitude of impact and likelihood of occurrence.

The result of this effort identified 148 auditable risks. These risks are spread over Metro's eight core business and resource management processes. The core business processes are the primary focus of the agency, while the resource management processes are the services that support the core businesses ability to complete their mission. The risks associated with the eight core business and resource management processes were further broken down into 32 sub-process, or functional areas. Using this information, prior audit findings, requests by executive management, and other relevant data, an initial audit plan was developed. The

audit plan was then further refined to ensure that there was both depth and breadth of coverage across the entire agency, and that there were sufficient resources to complete the plan.

Once the process was complete, the proposed audit plan was then reviewed with the CEO and his direct reports for their input and comments. The result is the FY08 Proposed Audit Plan (Attachment A).

This is the third year an audit plan has been developed and presented to the Board for input and adoption.

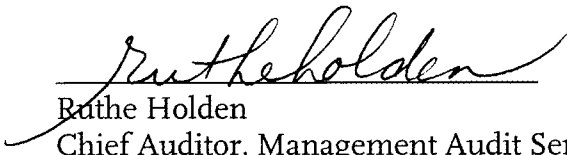
NEXT STEPS

Once the Board adopts the annual audit plan, MAS will develop the audit schedule for FY08. MAS will report to the Board quarterly on its progress in completing the annual audit plan.

ATTACHMENT

A. FY08 Proposed Audit Plan

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MANAGEMENT AUDIT SERVICES

**FISCAL YEAR 2008
ANNUAL BUSINESS PLAN
AND
PROPOSED AUDIT PLAN**



Metro

Management Audit Services

Fiscal Year 2008 Annual Business Plan
And Proposed Audit Plan

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Executive Summary

OVERVIEW

Annually, the Board requires Management Audit Services (MAS) to complete an agency-wide risk assessment and to submit an audit plan to the Board for its input and approval. This year, the results of the risk assessment have been included in MAS' annual business plan and proposed audit plan.

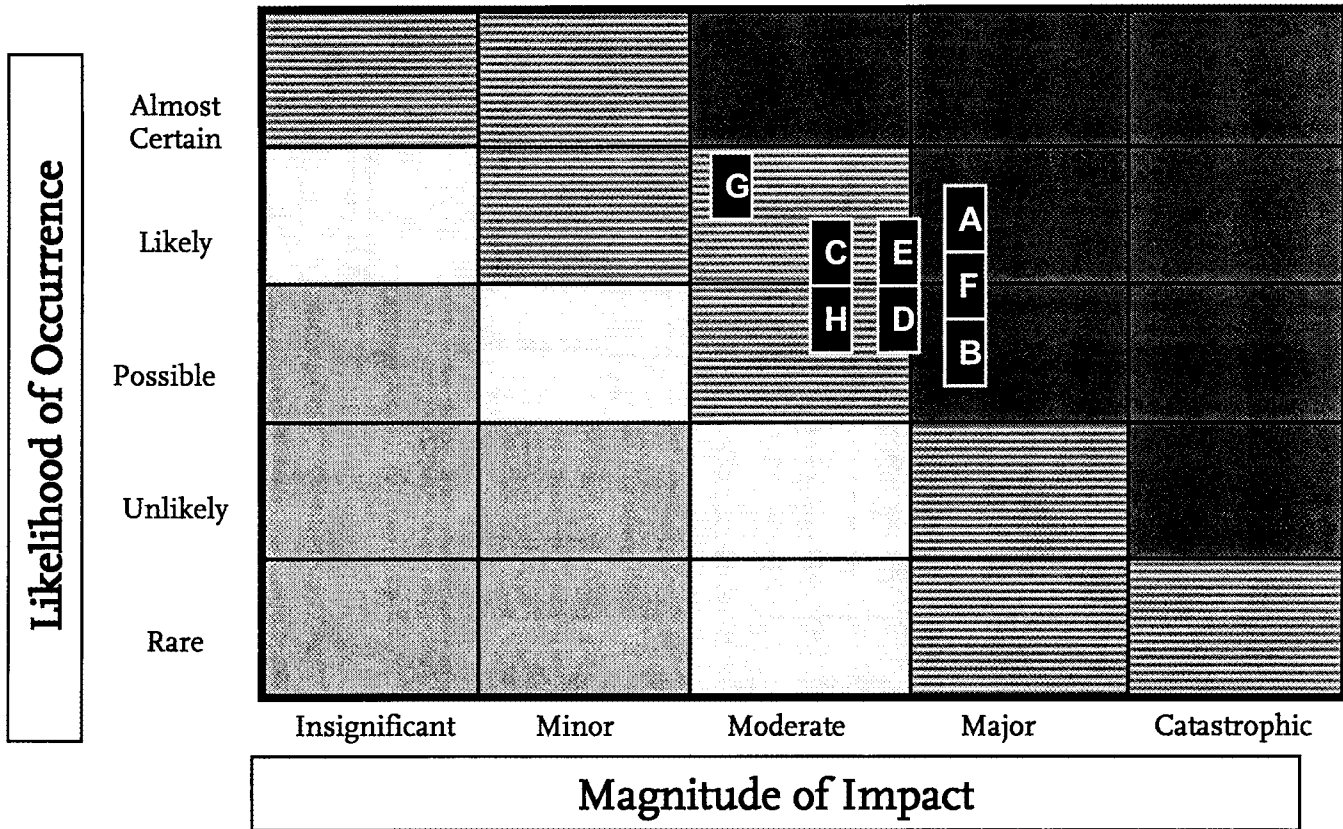
An audit plan is driven by two key factors: 1) risk assessment results, and 2) audit resources. The goal of preparing an audit plan is to address the highest risk areas at the agency given the resources available to complete the audits. An agency-wide risk assessment is the process of understanding an organization's strategic, operational, compliance and financial objectives and identifying and prioritizing threats/risks that could inhibit successful completion of these objectives. Risk assessments provide management with meaningful information needed to understand factors that can negatively influence operations and outcomes.

RISK ASSESSMENT

Instrumental in developing the proposed FY08 Audit Plan was completing the FY07 agency-wide risk assessment. The agency-wide risk assessment included interviewing management throughout Metro, reviewing and analyzing budget documents, long- and short-range transportation plans and other key documents and using this information to update the prior year's agency-wide risk assessment. Risks are scored using two factors, magnitude of impact and likelihood of occurrence. Some of the risks and their associated ranking did not change from FY06's risk assessment. However, some such as Labor Relations' and Planning's risk ranking score changed significantly. This is due to a combination of factors including internal events that occurred (or did not occur) last year, and changes in the environment and/or external events that occurred that significantly impact Metro (such as the approval of Infrastructure Bonds).

The result of this effort identified 148 different risks, which are summarized as follows by risk type and risk ranking:

	Critical	High	Medium	Low	Total
Strategic	4	9	1	1	15
Compliance	2	14	1	1	17
Financial	3	25	6	2	36
Operational	18	35	21	5	79
Total	27	83	29	9	148



- Core Business Processes**
- A. Planning transportation for the region
 - B. Constructing new public transportation assets and routes
 - C. Operating, managing, and maintaining public transportation services
 - D. Maintaining compliance with legislative / regulatory requirements
- Resource Management Processes**
- E. Financial Management
 - F. Information Technology
 - G. Workforce
 - H. Safety and Security

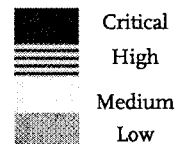
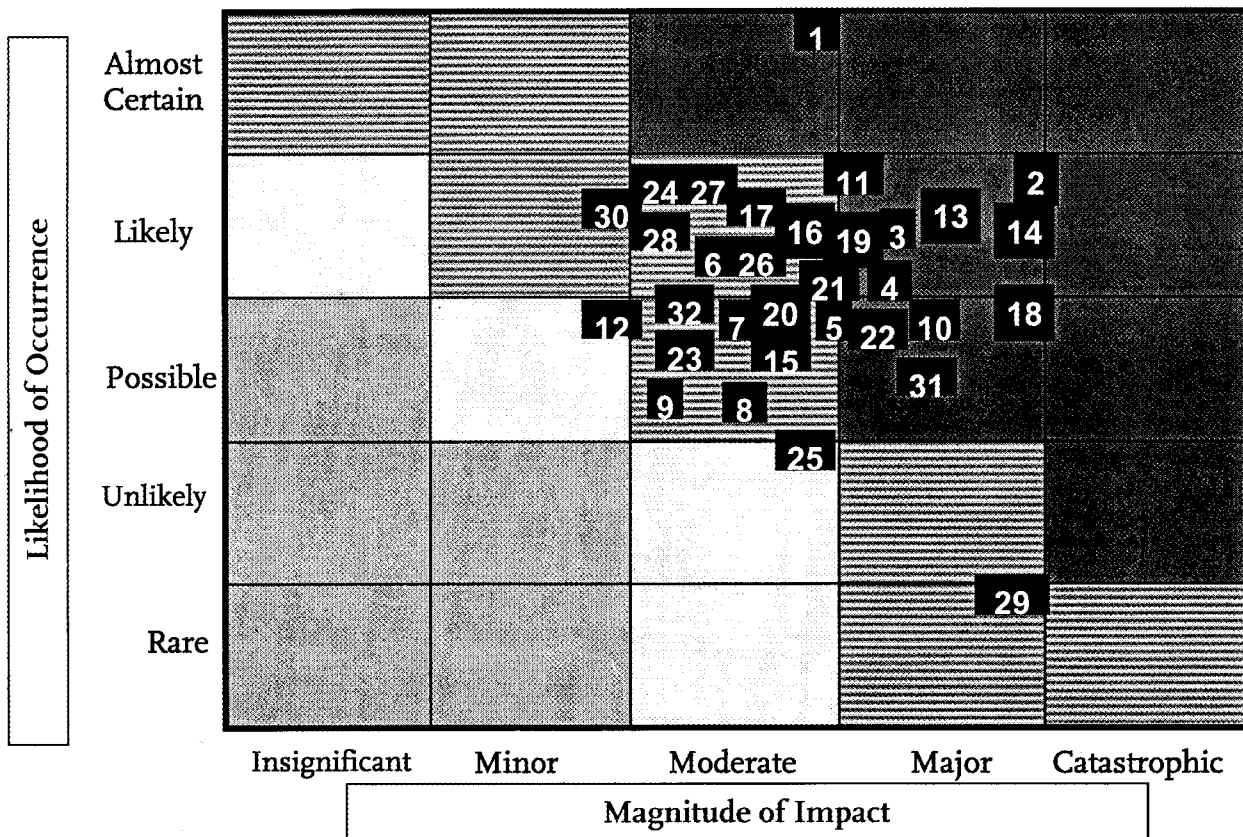
Metro has four core business processes and four resource management processes. The core business processes are the primary focus of the agency while the resource management processes are the services that support the core business' ability to complete their missions. We identified 148 auditable risks spread over these eight core business and resource management processes.

The major changes from last year's agency-wide risk assessment include the following:

- The greatest perceived risk to the agency is the impact from staffing reductions that have occurred over the last four years. This risk is evidenced in the increased risk in the Planning, Financial Management, and Workforce processes;

- Workforce Resource Management Process was created by combining Labor Relations and Human Resources Management processes. Workforce’s overall risk ranking was impacted for two reasons: 1) to reflect the increased risk to Metro because of staff reductions that occurred over the last four years, and 2) the decrease in Labor Relations risk resulting from the reduction of the likelihood of a strike occurring in the next three years;
- Planning’s overall risk ranking was increased because of the approval of the Infrastructure Bond in FY07 causing an increase in projects to manage, combined with an inadequate number of Planning staff and a reduced availability of Planners in the job market; and
- Financial Management’s overall risk ranking was increased for several reasons: increased internal control requirements from recent changes in auditing standards, increased span of control from several years of staffing reductions, and inadequate levels of staffing to handle the increase in Planning projects.

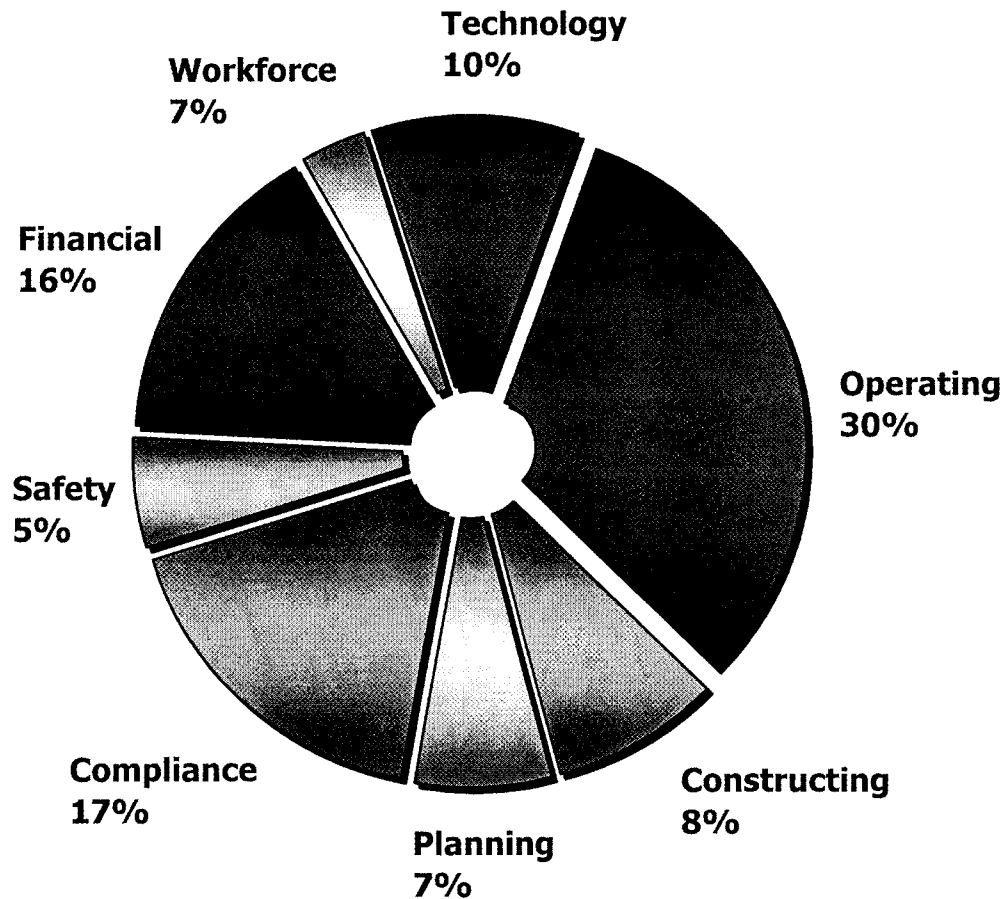
The risks associated with these eight core business and resource management processes have been further broken down into 32 sub-processes, or functional areas/projects, and are summarized as follows (refer to page 4 for the legend):



Functional Areas / Projects	
A. Planning transport for the region	D. Maintaining compliance with legislative requirements
1. Transportation Development & Implementation	19. Office of Management & Budget
2. Long Range Planning & Coordination	20. Risk Management
3. Programming & Policy Analysis	E. Financial Management
B. Constructing new public transportation routes and assets	21. Accounting
4. Construction Management	22. Procurement & Materials Management
5. Quality Management	23. Real Estate
C. Operating, managing, and maintaining public transportation services	24. Treasury
6. Bus Service Sectors	25. Grants
7. Central Maintenance	F. Information Technology
8. Contracted Bus Services	26. ITS
9. Customer Relations & Communications	G. Workforce
10. Facilities	27. Administration
11. Customer & Vendor Services	28. Human Resources
12. Fare Policy & Program	29. Labor Relations
13. M3 Project	30. OD&T
14. Metro Rail & Control Centers	H. Safety
15. Operations Administration	31. Safety
16. Project Engineering Systems	32. Security
17. UFS Project	
18. ATMS Project	

AUDIT PLAN

The proposed FY08 audit plan is summarized by core business and resource management process. A detailed list of audits is included in Appendix A.



Audit Plan Strategy

The proposed audit plan leveraged the information obtained during the agency-wide risk assessment process and included audits in those areas identified as critical or high risk to the agency. The strategic goals for MAS' proposed audit plan include:

- Support Agency-wide Initiatives;
- Promote Effective Corporate Governance;
- Ensure Information is Timely and Accurate;
- Identify Cost Savings Opportunities; and
- Drive Business Process Improvement.

Audit Resources

MAS is constrained by available staff resources and budgeted professional services dollars. In FY08, the proposed audit plan is based on the available staffing and budget resources.

In developing the plan, the hours included for each audit are an estimate. There are occasions where some reviews may take longer and therefore absorb more hours than proposed. When this occurs, the plan must be reassessed and MAS may supplement internal resources with consultants from the CPA bench as long as there is funding and CPAs available for the task.

Based on the current economic environment caused by new federal laws (Sarbanes-Oxley Act) and changes in audit standards such as SAS 112, auditors are in high demand and vacant positions are extremely difficult to fill. We currently have three vacancies and if there are any retirements or resignations, we expect that they will not be filled within the normal timeframe. If this occurs, the planned audit work may not all be completed.

There are three principal areas of focus in the MAS proposed audit plan: internal audit, external audit, and special requests.

Internal Audit Focus

The internal audit function includes operational, financial, regulatory compliance and information technology audit groups. The proposed internal audits were selected based on the results of the FY07 agency-wide risk assessment. Areas identified as critical or high risk during the agency-wide risk assessment were given priority when identifying potential audits for the proposed FY08 audit plan. Since there are more risks than available resources, resources were a key factor in selecting the number of risks and areas to audit. The two key strategic areas that influenced the selection of internal audits for the proposed FY08 audit plan were risks associated with the implementation of Statement of Auditing Standards (SAS) No. 112 and risks associated with the seven critical information technology systems.

SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, was implemented effective for audits of financial statements ending on or after December 15, 2006. This standard evaluates internal controls to determine whether control deficiencies exist. It requires the auditor to evaluate identified control deficiencies and determine whether those deficiencies, individually or in combination, are significant deficiencies or material weaknesses. Any significant deficiencies or material weaknesses must be communicated in writing to management and the Board. A change from the prior standard is the requirement to evaluate not only whether an error has occurred but the potential for an error to occur and not be detected in a timely manner. The implementation of this standard has influenced the selection of audits for the proposed FY08 audit plan.

Metro has identified seven critical technology systems necessary to complete its core business processes. These systems include Financial Information System (FIS), Payroll, Human Resources, Safety Tracking System, Maintenance and Materiel Management System (M3), Universal Fare System (UFS) and Transit Operator Activity Scheduling and Tracking, (TOAST). In selecting potential FY08 audits, MAS identified areas where the audit selected would provide assurance that the critical system's internal controls are adequate and



working effectively and that the system is providing timely and accurate information to management.

The majority of MAS services are focused on completing assurance work on “hard controls”, such as segregation of duties, safeguarding agency assets, accurate original entries and transactions, and compliance with regulations, contracts, and memorandums of understanding (MOUs). However, business process improvement is an area the Chief Executive Officer (CEO) requested MAS to also focus on within the agency. Therefore, a significant number of FY08 audits will include an assessment of whether greater efficiencies can be achieved and where appropriate provide recommendations for business process improvements.

Control Self Assessment (CSA) services are provided by the Internal Audit function. The focus of these services is to document the procedures as they currently exist and identify the risks associated with these procedures. The completed CSA report is signed off by management to ensure they understand and accept the risks that exist in their areas. These CSA reports are used by MAS auditors during the planning phase of an audit. The auditors use these reports to identify potential risk areas to audit and then verify and update the CSA reports.

External Audit Focus

External audits include Grant and Contract Audit groups. Grant Audit reviews costs associated with MOU’s issued under the Call for Projects program and Contract Audit reviews costs proposed or incurred on contracts and change orders issued by Procurement. The planned external audits were identified based on discussions with project and contract administration staff, analysis of audit universe for Grant Audit and Financial Information Systems’ (FIS) data for Contract Audit. The universe of audits was balanced against the associated budget authorized to complete the work. Any additional work required beyond what is planned in the FY08 audit plan or unplanned audits requested will need to be outsourced to CPA firms and funded by the project.

The MOU’s selected for audit are either projects that expect to be finished next fiscal year or in the case of longer term projects whether an audit has been completed in the last two years. There is not enough funding available to audit all CalTrans projects that are ready for audit. These audits will be postponed until there is available staff or additional professional services funds.

Currently, Contract Audit’s highest priority is the Corridor studies contracts currently being awarded. Audits requested for Metro Goldline Eastside Extension is the next highest priority. Pre-award audits for all other projects is the third highest priority, and incurred cost and closeout audits have the lowest priority when assigning work. Because staffing in the Contract Audit group has been reduced over the last several years, the incurred cost and closeout audits are being postponed because staff is assigned to higher priority work. As these records get older and project management is reassigned or leave, this issue can present significant risk to Metro’s ability to negotiate and close out cost reimbursable contracts.

Special Request Audits

The FY08 plan also includes 3,000 hours or approximately 12% of available hours for special projects requested by the CEO (Appendix A, Line 45). These hours are reserved for emerging issues where the CEO needs audit resources to review and provide recommendations to correct a problem or to provide information about a specific issue.

In addition, in order to comply with Government Accountability Office's Generally Accepted Government Auditing Standards and Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards), 500 hours have been included in the audit plan to complete an internal quality assurance review. The Standards require the audit activity adopt a process to monitor and assess the overall effectiveness of the audit quality process. The hours set aside in the audit plan will be used to assess compliance to Generally Accepted Government Auditing Standards (GAGAS) and to MAS' Charter, Mission statement, objectives, audit policy manual, supervision, and staff development. In addition, the internal quality assurance review will assess our effectiveness and will promote continuous improvement within MAS. This internal review will also help prepare MAS for GAGAS' mandated external quality assurance that is required to be completed every three years.

SIGNIFICANT PLANNED ACTIVITIES

Continuous Controls Monitoring

As part of the focus on business process improvement, MAS has included additional funding and staff for the continuous controls monitoring (CCM) project in the FY08 audit plan. Continuous controls monitoring is an independent review of electronic data from our databases. CCM can compare and analyze data from multiple systems across the agency to predefined parameters and provide summary reports of any exceptions. It can check and validate transactional data to identify errors, fraud, and inefficiencies. CCM can be used to analyze many areas including purchase to payment cycle, general ledger information, inventory management, and procurement card purchases.

Audit Tracking and Follow-up

For all external audit findings (OIG, State of California, FTA etc.), MAS is required to track and follow-up on all audit recommendations until the audit finding is closed. In addition, MAS tracks and follows up on internal audit findings in compliance with GAGAS. To do this, MAS maintains an audit database which staff uses to manage, track and follow-up on all recommendations.

Beginning in March 2005, MAS assumed responsibility for a monthly reporting to the Board on all outstanding audit issues. These reports are issued monthly to the Board and include all outstanding audit findings and a summary of the findings closed during the month. Both the CEO and MAS continue to focus on this area to ensure that any significant risks to the agency are addressed in a timely manner.

MANAGEMENT AUDIT SERVICES FRAMEWORK

In order to ensure our work is consistently reliable, independent and objective, MAS completes work under the framework of our Board approved Audit Charter. The Audit Charter includes MAS' mission, the standards we must comply with and our strategic business unit's objectives and core function.

Mission

Our mission is to provide highly reliable, independent, objective assurance and consulting services designed to add value and improve LACMTA's operations. The department accomplishes this by bringing a systematic, disciplined approach to evaluating and recommending improvements to the effectiveness of risk management, controls and governance processes.

Standards

To meet our client's expectations and for us to function with reliability and credibility, MAS must ensure our audits are independent, objective and accurate. Therefore, MAS follows the ethical and professional standards promulgated by the Government Accountability Office, Generally Accepted Government Auditing Standards (GAGAS). Depending on the type of audit being done, MAS also follow the standards promulgated by the American Institute of Certified Public Accountants (AICPA), by the Institute of Internal Auditors (IIA), and by the Information Systems Audit and Control Association (ISACA).

Objectives and Core Functions

As summarized in MAS' Audit Charter, the primary objective of MAS is to assist the CEO and his management team with their important business and financial decisions by:

- Providing recommendations to protect and safeguard the agency's resources and assets;
- Providing assistance to improve and streamline processes and operations;
- Providing assurance services regarding the effectiveness of the internal control systems and processes;
- Testing financial transactions to verify accuracy and completeness of accounting entries;
- Providing assistance during contract/MOU negotiations by determining whether contract/MOU amounts are fair and reasonable;
- Completing legally mandated audits to determine compliance to regulations;
- Pre-qualifying vendors in compliance with law and Metro's Ordinance 4.05; and
- Tracking and reporting on all outstanding external and internal audit findings.

In addition, MAS' objective is to foster a system and environment that supports the highest level of integrity and ethical conduct and provides an acceptable level of risk to management for all key business processes.



Proposed FY08 Audit Plan

INTRODUCTION

The Institute of Internal Auditors (IIA) defines internal auditing as:

“...an independent, objective, assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes.”

The proposed FY08 audit plan included in Appendix A is based on IIA’s definition and attempts to provide a balanced and effective review of the entire agency constrained by MAS’ resource limitations. Our FY08 plan is based on 25,325 direct audit hours to be provided by 17 audit professionals. The audit hours for the Chief Auditor and her direct reports are not included in the direct audit hours.

This is the CEO’s audit plan being presented to the Board for approval. The CEO has the discretion based on agency need or Board direction to reprioritize audit resources. We are dedicated to completing our audit plan while continuing to be flexible and responsive to the agency’s needs.

ALLOCATION OF AUDIT RESOURCES

The direct audit hours are allocated as follows:

- 7,975 hours (33.1%) for Internal audits,
- 1,800 hours (7.1%) for Control Self Assessments,
- 3,400 hours (13.4%) for Technology audits,
- 3,400 hours (13.4%) for Contract Audits to support Procurement,
- 3,400 hours (13.4%) for Grant Audits to support Call for Projects,
- 3,000 hours (11.8%) for CEO requested projects,
- 1,450 hours (5.7%) for FY07 audits which are still in process, and
- 500 hours (2.0%) for Internal Quality Assurance projects.

OUTSOURCED AUDITS

Based on industry best practices, we have changed the way we outsource some of the audits. Instead of embedding auditors with an external auditor so that information is transferred back to MAS, we now use consultants to plan the audit engagement and, if necessary, provide supervisory feedback during fieldwork. MAS auditors will assist the consultant in the planning phase and will complete all of the fieldwork under MAS’ supervision and, where needed, oversight from the consultant.

This methodology trains internal auditors in specialized areas and ensures MAS receives the specialized expertise needed at the most economical price. Some of the audits that we plan to utilize this methodology include the Medical Benefits and Pension Benefits audits, and some of the Information Technology audits. Because of the complexity of the project and the technical knowledge required throughout the audit, some of the outsourced audits will be done in the more traditional manner.

Proposed FY08 Audit Plan

APPENDIX A

DETAILED LISTING OF AUDITS

Ref #	Core Business Process	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource \$	Year Last Audited
1	Compliance	Calls-for-Projects MOUs	Chief Planning Officer/ TDI	LACMTA Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High	3,400		
2	Compliance	Caltrans - Outsource	Chief Planning Officer/ TDI	LACMTA Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High		Outsource	
3	Compliance	North American Bus Industries Buy America Audit	Operations	Legal Requirement	Medium	240		
Compliance Total						3,640		
4	Constructing	Gold Line Eastside Extension - Audit Requirements - Change Order Audits, Pre-award, & Interim Audits of Cost Reimbursable Contract	Gold Line Eastside Extension	Legal & Contractual Requirement	High	1,750		
Constructing Total						1,750		
5	Financial	CAFR	Accounting	Support Required Annual Audit	Critical	400	PWC	2006
6	Financial	SAS 70 Reports	Accounting	Validate controls for the inclusion of SAS 70 reporting in contract language and monitoring of the reports received.	High	425		
7	Financial	Estimating Methodologies	Accounting Environmental Risk Management	Evaluate Methodologies for estimating significant information for CAFR.	High	425		
8	Financial	Rental Income	Real Estate	Determine whether lease database is accurate and complete. Evaluate whether rental revenue tie to property leases. Evaluate whether RE records reconcile with Accounting records.	High	425		
9	Financial	SAS 112	Accounting	Validate control, security & documentation processes for CAFR associated spreadsheets. Determine adequacy of the processes.	High	425		
10	Financial	Time Keeping - M3	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area.	High	300		
11	Financial	Overtime - Planning	Operations	Extract employee overtime and identify any unusual trends related to individuals, sectors, employee categories in compliance with contractual agreements and regulatory requirements.	Critical	150		

Ref #	Core Business Process	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource \$	Year Last Audited
12	Financial	Compliance to State Laws	Risk Management	Evaluate that Risk Management procedures comply with WC legislative requirements. Evaluate whether Risk Management files comply with State requirements/RM procedures.	High	350		
13	Financial	Compliance to FTA 4220.1e	Procurement	Evaluate whether contracts contain required federal clauses, evaluate whether procurement files contain 4220.1e required documentation.	High	400		
Financial Total						3,300		
14	Information Technology	Information Privacy	ITS	Evaluate internal controls over systems, databases, and processes that collect data subject to privacy acts.	High	425	Outsource	
15	Information Technology	ITS Organization	ITS	Evaluate whether IT organization are aligned with agency goals and objectives.	High	425	Outsource	
16	Information Technology	Backup Management	ITS	Evaluate backup procedures and controls for critical information.	High	425		
IT Total						1,275		
17	Operating	M3 - Inventory Asset Management	Operations	Evaluate controls over posting and reconciliation of assets to subsidiary ledgers. Evaluate accuracy of report to FTA on assets. Evaluate inventory asset tracking system for security, policies and procedures, application controls, segregation of duties.	High	525		
18	Operating	TOAST	Operations	Evaluate system design for internal controls.	Critical	425		
19	Operating	ATMS Bus Communications Equipment	Operations	Evaluate internal controls for ATMS bus installed components to ensure systems are working properly and effectively. The scope includes Division Operations and Maintenance.	High	425		
20	Operating	Payroll Interface	Finance/ITS/Operations	Validate whether Payroll Input Systems internal controls are working properly.	Critical	600		
21	Operating	Universal Fare System - Change Orders and Interim Audits TAP - Consulting Services	Operations	Contract Requirement	Medium	350		

Ref #	Core Business Process	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource \$	Year Last Audited
22	Operating	Key Metrics	Agency Wide	Validate accuracy of Metrics provided to managers for consistency with other metrics published. Compare GL reporting information to Balance Scorecard information. Determine whether Project Management metrics are accurate, consistent, complete, timely and useful for decision making.	Critical	450		
23	Operating	Overtime	Agency Wide	Validate the existence of policies and procedures for assigning overtime; that policies and procedures comply with external requirements (labor agreements); that overtime assignment complies with policies and procedures.	Critical	425		
24	Operating	M3	Operations	Validate that M3 impacted key business process security and controls are in place and working as designed. Recommend improvements as necessary.	Critical	425		
25	Operating	Fare Media Stock Room	Communications	Review segregation of duties/internal controls over distribution and collection of fare media from stockroom. Determine adequacy and recommend improvements as necessary.	High	300		
26	Operating	Inventory Management-M3	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area.	High	300		
27	Operating	Work Order Management -M3	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area.	High	300		
28	Operating	Fuel Management-M3	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area.	High	300		
29	Operating	Compliance to State Preventative Maintenance Requirements	Bus Service Sectors	Evaluate whether preventative maintenance on buses complies with state requirements.	High	400		

Ref #	Core Business Process	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource \$	Year Last Audited
30	Operating	Compliance to State Preventative Maintenance Requirements	Rail Service Sector	Evaluate whether preventative maintenance on rail cars complies with state/federal requirements.	High	400		
31	Operating	Compliance to Davis-Bacon act	DEOD	Evaluate whether agency is complying with Davis Bacon act and whether contractors are being monitored for compliance with Davis-Bacon act.	High	250		
32	Operating	Compliance to Environmental Laws	Safety Facilities Maintenance	Evaluate whether agency is complying with environmental laws including site identification, mitigation, and financial estimates.	High	400		
Operating Total						6,275		
33	Planning	Corridor Study Projects	Other Capital Projects	Contractual Requirement	High	1,060		
34	Planning	STIP Funding Process	Planning	Validate Planning tracking procedures with CalTrans for STIP fund filings. Determine adequacy and areas of improvement.	High	425		
Planning Total						1,485		
36	Safety	Bus Operator Safety Training/ Accident Analysis	Operations	Validate bus operator safety training and safety training selection process . Analyze relationship between safety training and accidents. Determine adequacy of the process.	High	425		
37	Safety	Preventative Training for High Risk Occupations	Safety	Validate preventative safety training for high risk professions . Analyze relationship between safety training and accidents. Determine adequacy of the process.	High	425		
38	Safety	Safety Tracking and Reporting System	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area.	High	300		
Safety Total						1,150		
39	Workforce	Medical Benefits	Accounting	Review and validate medical benefits calculations and assumptions in support of the CAFR audit by the outside auditor.	High	400	Outsource	
40	Workforce	Pension Benefits	Accounting	Review and validate pension benefits calculations and assumptions in support of the CAFR audit by the outside auditor.	High	400	Outsource	
41	Workforce	Grievance Tracking System	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area.	High	300		

PROPOSED FY08 ANNUAL AUDIT PLAN

Ref #	Core Business Process	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource \$	Year Last Audited	
42	Workforce	Compliance to EEO/HR policies	Human Resources	Evaluate whether Human Resource policies comply with federal/state regulations. Evaluate hires/promotions to verify compliance to policy.	High	400			
Workforce Total							1,500	\$	
43	Quality Assurance	Internal Quality Assurance		Internal quality assurance program is to monitor and assess the overall effectiveness of MAS internal processes and provide assurance that MAS activity is in conformity with the GAGAS and the International Standards for the Professional Practice of Internal Auditing (Standards).		500			
44	Carryover	Carryover of audits projects from FY 07	Finance, IT, Operations	Carryover of audits in process from FY07 to FY08.	High	1,450			
45	Agency Wide			CEO Special Request Hours		3,000			
Grand Total							25,325		