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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE  
APRIL 17, 2008**

**SUBJECT: FY09 AUDIT PLAN**

**ACTION: ADOPT THE FY09 PROPOSED AUDIT PLAN**

**RECOMMENDATION**

Adopt the FY09 Proposed Audit Plan.

**ISSUE**

At its January 2008 meeting, the Board adopted modifications to the FY07 Financial Stability Policy. The Financial Stability Policy requires management to develop a risk assessment and an audit plan each year and present it to the Board. It also requires 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. 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 FY09 budget in MAS's cost centers and the appropriate projects throughout the agency.

## **DISCUSSION**

Instrumental in developing the FY09 Proposed Audit Plan was completing the FY08 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, reviewing and analyzing budget documents, long and short range transportation plan and other key documents and using this information to update the FY07 agency-wide risk assessment. Risks are scored using two factors, magnitude of impact and likelihood of occurrence. The result of this effort identified 226 auditable risks.

This year the agency-wide risk assessment has been organized into five 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 businesses ability to complete their mission. 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 Chief Executive Officer and his direct reports for their input and comments. The result is the FY09 Proposed Audit Plan (Attachment A).

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

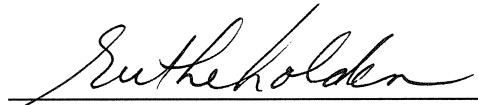
### **NEXT STEPS**

Once the Board adopts the annual audit plan, MAS will develop the audit schedule for FY09. MAS will report to the Board quarterly on its progress in completing the annual audit plan.

### **ATTACHMENT**

A. FY09 Annual Business Plan and Proposed Audit Plan

Prepared by: Ruthe Holden, Chief Auditor, MAS



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Ruthe Holden  
Chief Auditor, Management Audit Services



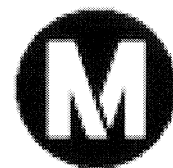
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Roger Snoble  
Chief Executive Officer

Los Angeles County  
Metropolitan Transportation Authority

**MANAGEMENT AUDIT SERVICES**

**FISCAL YEAR 2009  
ANNUAL BUSINESS PLAN  
AND  
PROPOSED AUDIT PLAN**



**Metro**

Management Audit Services

Fiscal Year 2009 Annual Business Plan  
And 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.

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.

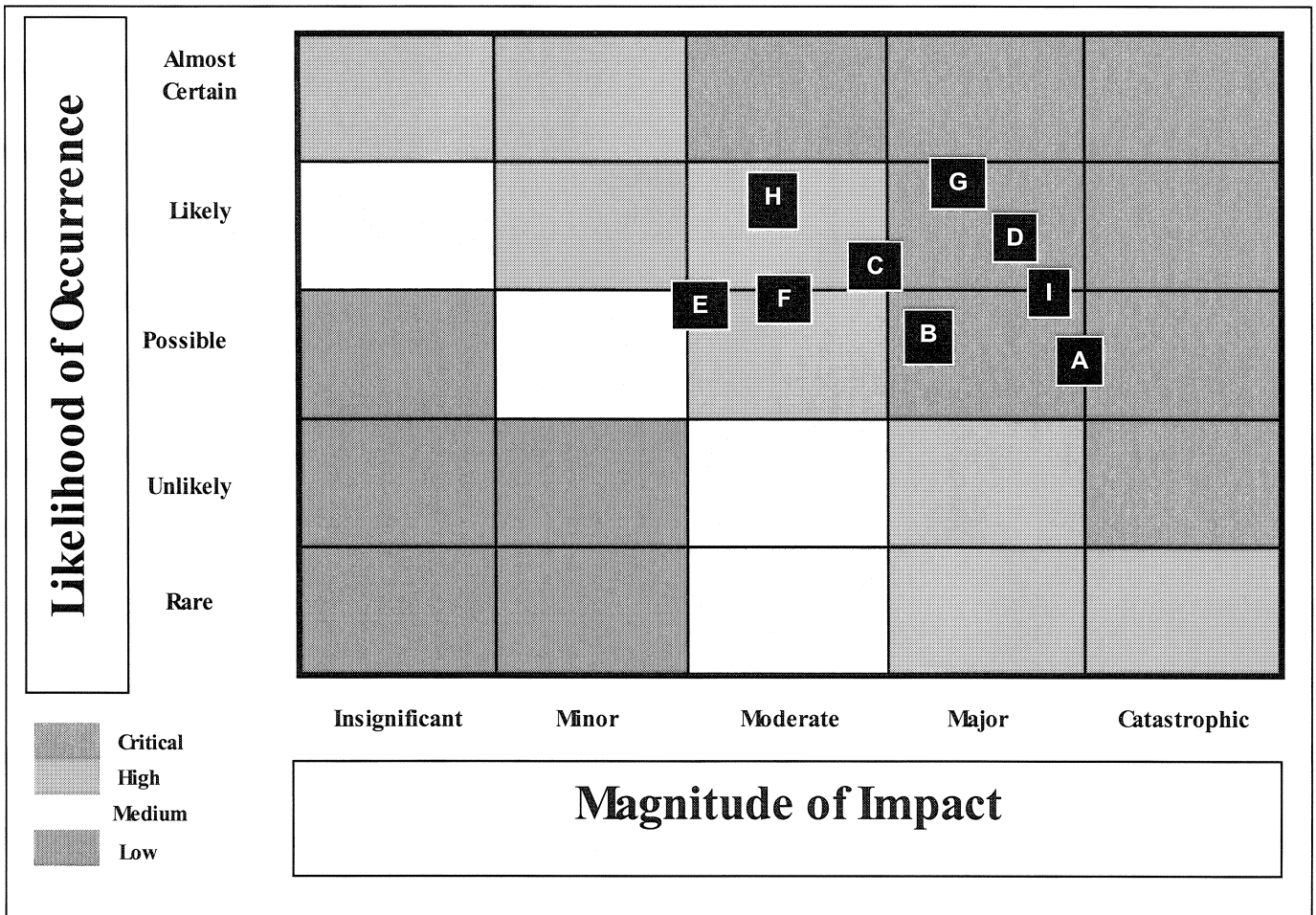
An audit plan is driven by two key factors: 1) risk assessment results, and 2) audit resources. The goal of preparing an audit plan is to address the highest risk areas at the agency given the resources available to complete the audits.

## RISK ASSESSMENT

Instrumental in developing the FY09 Audit Plan was completing the FY08 agency-wide risk assessment. The agency-wide risk assessment is continually being refined and adjusted based upon events, completed audits and priorities at the agency. The risk assessment starts by reviewing and analyzing key documents such as the annual budget, the Comprehensive Annual Financial Report and the long and short range transportation plans. Then key personnel are interviewed to obtain additional information and documents. Information from the interviews is used to identify risks and concerns specific to cost centers as well as across the agency. Risks are scored using two factors, magnitude of impact and likelihood of occurrence.

The result of the FY08 agency wide risk assessment identified 226 different risks, which are summarized as follows by risk type and risk ranking:

	Critical	High	Medium	Low	Total
Strategic	4	9	1	0	14
Compliance	2	26	1	10	39
Financial	7	28	3	10	48
Operational	16	69	6	34	125
Total	29	132	11	54	226



- |   |  |
|---|--|
| <p><b>Core Business Processes</b></p> <ul style="list-style-type: none"> <li>A. Regional Planning</li> <li>B. Capital Project Management</li> <li>C. Service Delivery</li> <li>D. Governance</li> <li>E. Revenue</li> </ul> | <p><b>Resource Management Processes</b></p> <ul style="list-style-type: none"> <li>F. Financial &amp; Administrative Management</li> <li>G. Technology</li> <li>H. Workforce</li> <li>I. Safety</li> </ul> |
|---|--|

This year the agency wide risk assessment has been organized into five 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.

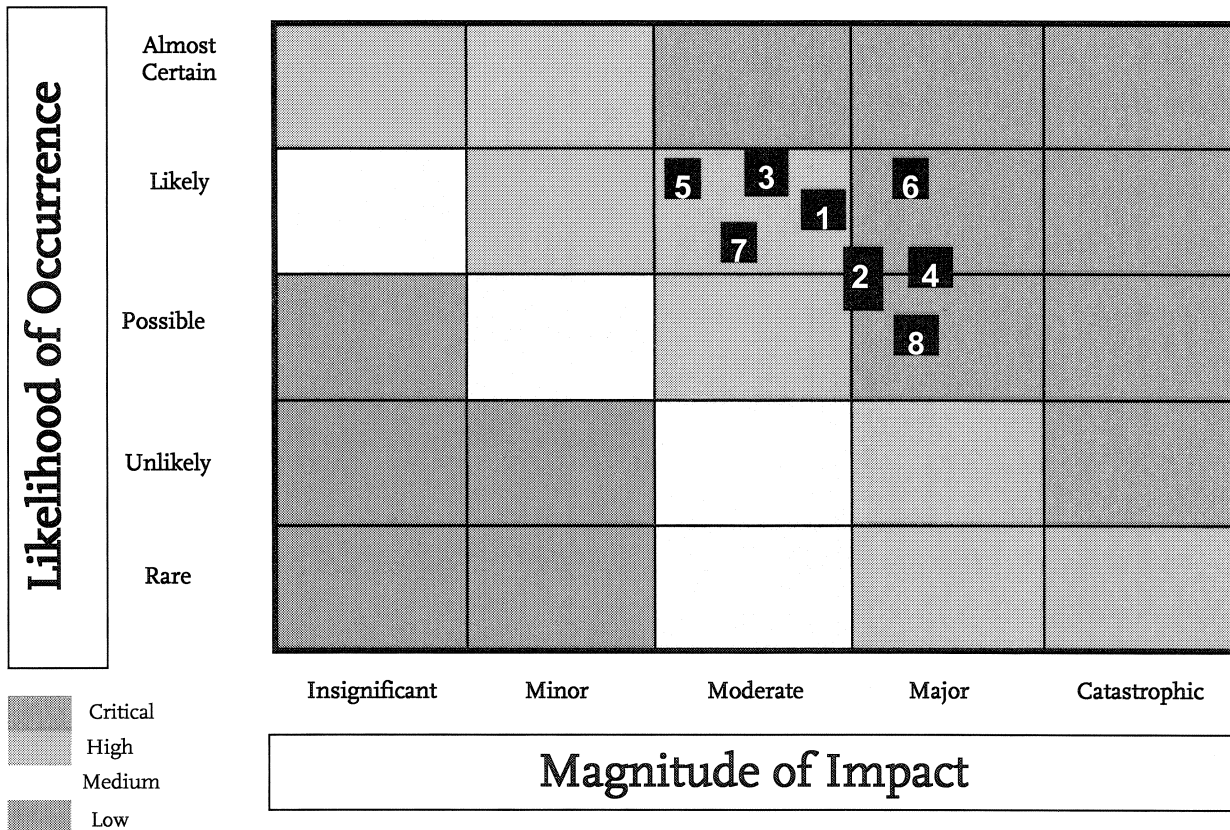
Because of events that have occurred last year, some of the risk rankings have changed and new risks have been identified. Financial and Administrative Management and Regional Planning's overall risk score is lower from last year's assessment. Financial and Administrative Management's score was lowered because of the successful completion of the annual audit with a clean opinion from the external auditors which included the new criteria from Statement of Auditing Standards 112. Regional Planning's score lowered



because several corridor projects procurements were successfully completed, which removed some of the schedule uncertainty.

Workforce and Technology’s scoring increased from last year’s risk ranking. Workforce’s score reflects continued overall agency concern regarding staff reductions that have occurred in the last several years. In addition, Workforce’s risk scoring was raised because of concerns regarding succession planning, lack of needed qualified technical personnel, disparity of certain jobs salaries compared with other local government agencies which could impact departments’ ability to retain qualified staff, and reduced oversight and monitoring activities caused by the staff reductions. Technology’s risk score is higher because of increased reliance on multiple interfaced enterprise wide systems and growing concern across the agency regarding how closely technology management is aligned with the strategic goals of the agency.

This year the risks were also organized by the FY08 agency goals and objectives.



- FY08 Agency’s Goals and Objectives**
- |   |   |
|---|---|
| 1. Improve Transit Service                                    | 5. Develop an Efficient & Effective Workforce                                   |
| 2. Deliver Quality Capital Projects on time and within budget | 6. Secure Local, State and Federal Funding                                      |
| 3. Exercise Fiscal Responsibility                             | 7. Maintain Open Lines of Communication   |
| 4. Provide Leadership for the Region’s Mobility Agenda        | 8. Enhance a Safety Conscious Culture with Employees, Contractors and Customers |

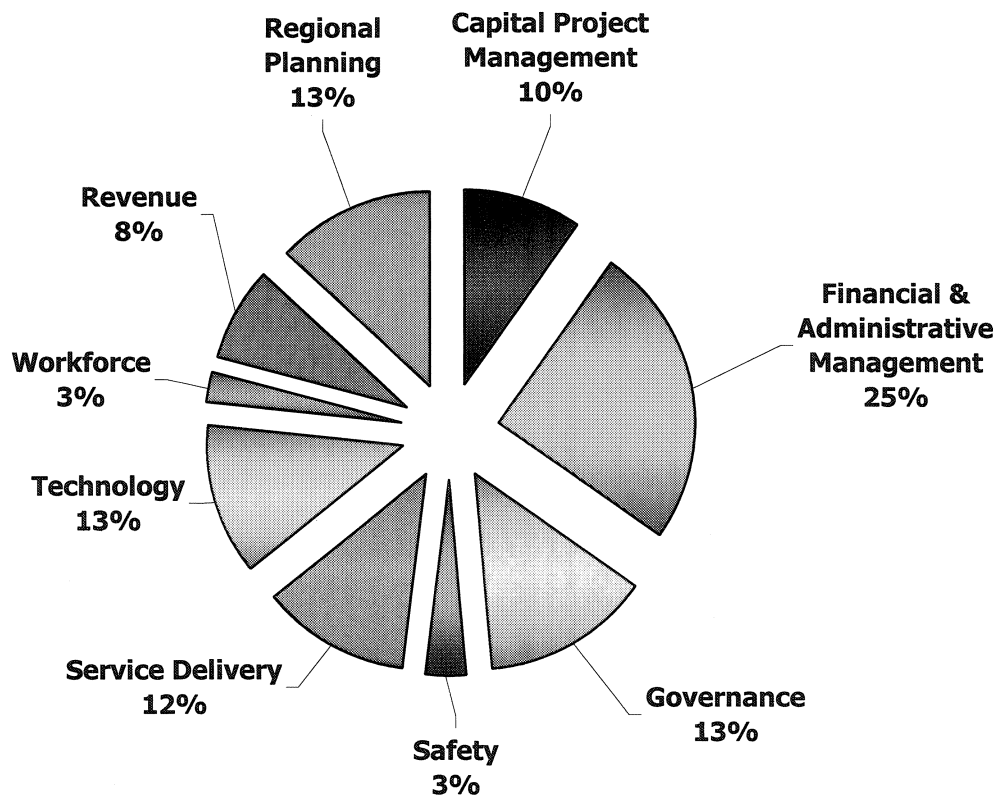


The major cost centers have been organized into the nine core business and resource management processes.

<b>Functional Areas / Projects</b>	
<b>A. Regional Planning</b>	<b>E. Revenue</b>
1. Transportation Development & Implementation	26. New Business Development
2. Long Range Planning & Coordination	27. Grants
3. Programming & Policy Analysis	28. Real Estate Administration
4. Government Relations	29. Fare Policy & Program
5. Public Relations	30. TAP Operations
<b>B. Capital Project Management</b>	<b>F. Financial &amp; Administrative Management</b>
6. Construction Project Management	31. Vendor Services
7. Quality Management	32. Accounting
8. Capital Projects – Facility Operations	33. Creative Services
9. Light Rail Wayside Systems	34. Procurement & Materials Management
	35. Finance & Treasury
<b>C. Service Delivery</b>	36. Economic Opportunity
10. Bus Service Sectors	37. Risk Management
11. Central Maintenance	
12. Purchased Transportation	<b>G. Technology</b>
13. Service Development Performance Analysis	38. ITS
14. Manpower System & Support	39. Vehicle Technology
15. Facilities	40. ATMS Project
16. Motorist Services	41. M3 Project
17. Rail Operations Transportation	
18. Rail Fleet Systems	<b>H. Workforce</b>
19. Transit Systems Engineering	42. Human Services
20. Rail & Bus Operating Controls	43. Operations Labor Relations
21. Customer Relations & Communications	44. OD&T
22. Regional Communication Program	45. Operations Central Instruction
23. Customer Program Services	46. Diversity
<b>D. Governance</b>	<b>I. Safety</b>
24. Office of Management & Budget	47. Safety
25. Board of Directors & OCEO	48. Security

## AUDIT PLAN

The FY09 proposed audit plan is summarized by the nine core business and resource management processes. A detailed list of audits is included in Appendix A.



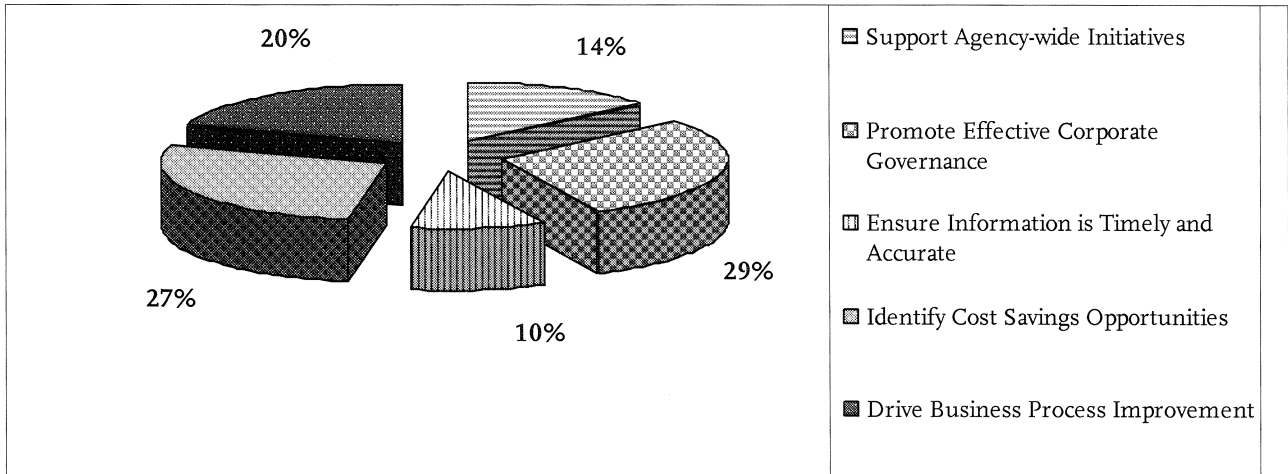
### Audit Plan Strategy

The 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 developing and implementing the audit plan include:

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

Most of the projects selected for the FY09 audit plan have multiple strategic goals. The following chart summarizes the audits by the primary strategic goal.



Audit Resources

MAS is constrained by available staff resources and budgeted professional services dollars. In FY09, the audit plan is based on the available staffing and budgeted 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. In some cases urgent requests come up that need audit support. 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. However, all planned audit work may not be completed and the audit plan will be reassessed and adjusted during the year for unanticipated risks and work.

**AUDIT PLAN AREAS**

Internal Audit Focus

The internal audit function includes operational, financial, regulatory compliance, performance and information technology audit groups. The internal audits were selected based on the results of the FY08 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 FY09 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. Two issues that influenced the selection of internal audits for the FY09 audit plan were risks associated with the seven critical information technology systems and the requirements in the auditing standards to analyze general and application technology system controls.

Seven technology systems have been identified as critical to completing core business processes. They are 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). Beginning



in FY08, MAS began focusing audit resources on these seven systems. This emphasis will continue in the FY09 and future audit plans until such time as the controls over all modules have been assessed. In selecting potential FY09 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, the FY09 audit plan contains projects that assess whether greater efficiencies can be achieved and where appropriate provide recommendations for business process improvements.

Control Self Assessment (CSA) services are provided by MAS as well. 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 to identify potential risk areas where the internal controls need to be assessed.

#### 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 managers 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 FY09 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, audits requested for Metro Goldline Eastside Extension are the highest priority. The next highest priority is pre-award audits for all other projects, and incurred cost and closeout audits have the lowest priority when assigning work. Because of higher priority work and reduced staffing in Contract Audit over the last several years, the incurred cost and closeout audits are being postponed. As these records get older and project management is reassigned or leave, this issue can present significant risk to our ability to negotiate and close out cost reimbursable contracts.

### Special Request Audits

The FY09 plan also includes approximately 3,000 hours or 10% of available hours for special projects requested by the CEO (Appendix A, Line 55). These hours provide some flexibility in the audit plan to respond to 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 (GAO) Generally Accepted Government Auditing Standards and Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing, 240 hours have been included in the audit plan to complete an internal quality assurance review. The auditing 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 the mandated external quality assurance review (peer review) that is required to be completed every three years.

### **OTHER PLANNED ACTIVITIES**

#### External Quality Assurance Review

In FY09, MAS will undergo a peer review. The last peer review for MAS was completed in FY06. Peer reviews are mandatory in order to comply with auditing standard requirements and our Audit Charter. Government Auditing Standards requires a peer review be completed at least once every three years. The objective of this review is to determine whether an audit organization's internal quality control system is in place and operating effectively. Also, the review provides assurance that established policies and practices and applicable auditing standards are being followed.

In FY06, MAS had a peer review completed in compliance with the Government Auditing Standards. As part of our continuous improvement program, MAS will be undergoing a dual peer review in FY09. The objective of the FY09 peer review will be to assess our compliance with the Government Auditing Standards and our compliance with the IIA's International Professional Practices Framework. Both sets of standards provide excellent guidance for audit shops and are compatible with each other. However, the IIA auditing standards review is broader in scope than the Government Auditing Standards peer review. The IIA auditing standards place greater emphasis on risk assessments as the driver for audit planning and work. They also place more emphasis on risk, control and governance processes as well as follow-up than Government Auditing Standards. MAS' goal is to be fair, add value and improve the agency's risk, control and governance processes. Therefore, completing a dual peer review will provide us with good feedback on areas we can improve so that we provide excellent services to the agency.

### 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 Government Auditing Standards. 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 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 GAO's Government Auditing Standards and the IIA's International Professional Practices Framework. Depending on the type of audit being done, MAS also follows the standards promulgated by the American Institute of Certified Public Accountants (AICPA) 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 recommendations for business process improvement which 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.



# FY 2009 Audit Plan

## INTRODUCTION

The 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 FY09 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 FY09 plan is based on 30,600 direct audit hours to be provided by 18 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:

- 11,970 hours (40%) for Internal audits,
- 950 hours (3%) for Control Self Assessments,
- 3,600 hours (12%) for Technology audits,
- 5,550 hours (19%) for Contract Audits to support Procurement,
- 3,400 hours (11%) for Grant Audits to support Call for Projects,
- 3,035 hours (10%) for CEO requested projects,
- 1,135 hours (4%) for FY07 audits which are still in process, and
- 240 hours (1%) for Internal Quality Assurance Self Assessment.

## CO-SOURCED AUDITS

Based on industry best practices, we have changed the way we outsource some of the audits. Instead of contracting with an external auditor, MAS now includes at least one auditor for the contracted work (co-sourcing) so that information is transferred back to MAS. In addition on some audits, MAS auditors manage the work and external consultants are added to provide subject matter expertise.

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 some of the Information Technology audits.

# FY 2009 Audit Plan

## APPENDIX A

### DETAILED LISTING OF AUDITS

FY 2009 AUDIT PLAN

Ref #	Core Business Process	Core Business & Resource Management Processes	Audit Subject	Area	Justification	Risk	Hours Needed	Co-source	Audit Plan Strategic Goal
1	Capital Project Management	B	Gold Line Eastside Extension - Audit Requirements - Change Order Audits, Preward, & Interim Audits of Cost Reimbursable Contract	Construction Capital Projects	Legal & Contractual Requirement - multiple audits	High	1,050		2
2	Capital Project Management	B	Orangeline interim & closeout audits	Construction Capital Projects	Contractual Requirement - multiple closeout audits of professional services contracts for Orangeline contractors.	High	1,175		4
3	Capital Project Management	B	CSA of Capital Project Management Process	Construction Capital Projects	CSA to identify risks and controls in capital project management monitoring process.	High	300		2
<b>Capital Project Management Total</b>									
4	Financial & Administrative Management	F	M3 - Warranty Management	Bus Operations	Assess warranty processing for security, policies and procedures, application controls and segregation of duties.	High	450		1
5	Financial & Administrative Management	F	Procurement Card - Follow-Up	Administrative Services	Follow-up on FY08 audit report. Assess compliance with policies and procedures, and evaluate adequacy of monitoring.	High	350		3
6	Financial & Administrative Management	F	Caltrans 405 Fwy Project	Construction Capital Projects	Contractual Requirement - Compliance with Caltrans Audit requirements	High	300		4
7	Financial & Administrative Management	F	Multiple operational audits	Administrative Services	Pre-award and incurred cost audit support for operational, capital projects and regional planning audits.	High	1,075		4
8	Financial & Administrative Management	F	CAFR	Financial Services	Support required for Annual CAFR	High	400		2
9	Financial & Administrative Management	F	Health Care Eligibility	Financial Services	Evaluate process of updating Health Care contract provider with eligible individuals/dependents. Verify accuracy of payments.	High	300		4
10	Financial & Administrative Management	F	Payroll System Manual Adjustments	Financial Services	Review payroll manual adjustments, validate the procedures followed, and determine adequacy and areas of improvement.	High	425		3
11	Financial & Administrative Management	F	Accounts Payable	Financial Services	Evaluate accounts payable process controls over duplicate or over/under payment of vendors. Evaluate effectiveness of charging to correct line items and purchase orders. Integrated audit with IT auditor to set up continuous auditing algorithm.	High	425		5
12	Financial & Administrative Management	F	CSA of Procure to Pay process	Financial Services	CSA to evaluate risks and controls over procure to pay process.	High	350		1
13	Financial & Administrative Management	F	Solar Energy Projects	Bus Operations	Sustainability Audit - Evaluate ROI of solar energy project. Verify utility rebates received.	High	425		1
14	Financial & Administrative Management	F	Real Estate Acquisition Environmental Review Process	Economic Development	Evaluate whether procedures used to acquire real estate provide agency with adequate protection for potential environmental issues.	High	400		1
15	Financial & Administrative Management	F	Compliance to FTA 4220.1e	Administrative Services	Evaluate whether contracts contain required federal clauses; evaluate whether procurement files contain 4220.1e required documentation.	High	350		2
16	Financial & Administrative Management	F	Compliance with Contract Requirements	Administrative Services	Validate waste management contractor performance is in compliance with contract provisions and requirements.	High	400		5
17	Financial & Administrative Management	F	Sole Source Procurements	Administrative Services	Evaluate whether sole source procurements comply with State laws and Federal Requirements	High	325		2
18	Financial & Administrative Management	F	Technology Support of Agency Goals	Administrative Services	Evaluate effectiveness and timeliness of technology support to agency's mission critical goals	High	450		2
<b>Financial &amp; Administrative Management Total</b>									
19	Governance	D	North American Bus Industries Buy America Audit	Bus Operations	Legal Requirement	Medium	250		2
20	Governance	D	Financial Analysis Services	Administrative Services	Legal Requirement - Financial analysis for contractor pre-qualification as required by State PUC section 130051.21 and Administrative Code.	Medium	1,700		2

FY 2009 AUDIT PLAN

Ref #	Core Business Process	Core Business & Resource Management Processes	Audit Subject	Area	Justification	Risk	Hours Needed	Co-source	Audit Plan Strategic Goal
21	Governance	D	Compliance to State Workers Compensation Laws	Financial Services	Evaluate effectiveness of Risk Management procedures and practices to ensure compliance to state workers compensation laws. Evaluate effectiveness of payment procedures.	High	500		2
22	Governance	D	Compliance to Davis-Bacon Act	Administrative Services	Evaluate compliance with Davis-Bacon Act, whether contractors are being monitored for compliance with Davis-Bacon Act, and evaluate the efficiency and effectiveness of the monitoring process.	High	400		5
23	Governance	D	Compliance to Environmental Laws	Construction Capital Projects	Evaluate agency's compliance with environmental laws, and validate whether a portfolio of applicable environmental laws have been captured, and are current, accurate and complete.	High	420	Co-source	2
<b>Governance Total</b>							<b>3,270</b>		
24	Regional Planning	A	Calls-for-Projects MOUs	Countywide Planning & Development	Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High	3,400		4
25	Regional Planning	A	Caltrans - Outsource	Countywide Planning & Development	Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High		Co-source	4
<b>Regional Planning Total</b>							<b>3,400</b>		
26	Revenue	E	Cash Counting Facilities	Financial Services	Evaluate process of collecting fare boxes at divisions and cash counting facility procedures to determine whether controls are adequate and process is effective and efficient.	High	450		5
27	Revenue	E	Customer Service Centers	Communications	Evaluate effectiveness of procedures in customer service centers regarding receipt and handling of funds.	High	350		2
28	Revenue	E	Fare Media Sales	Communications	Follow up on prior audit issues. Determine adequacy of internal controls and areas for improvement.	High	425		5
29	Revenue	E	Day Pass Sales	Bus Operations	Follow-up on prior audit issues. Evaluate procedures governing controls over Day Pass sales to determine whether they are effective.	High	425		5
30	Revenue	E	Cafeteria and Vending Machine Contracts	Administrative Services	Review contract terms, determine accuracy of revenue received and conformance to contract terms.	High	300		4
<b>Revenue Total</b>							<b>1,950</b>		
31	Safety	I	Mechanics Training	Rail Operations	Review adequacy of the Mechanics training process. Evaluate effectiveness and efficiency of procedures. Provide business process improvements.	High	425		5
32	Safety	I	Hearing Conservation	Rail Operations	Evaluate adequacy of hearing conservation processes, policies and procedures. Evaluate best practices and identify areas for improvement.	High	425		5
<b>Safety Total</b>							<b>850</b>		
33	Service Delivery	C	Passenger Comment Management System	Communications	Assess the efficiency and effectiveness of internal controls in tracking passenger complaints to ensure customer feedback and complaints are appropriately addressed.	High	425		5
34	Service Delivery	C	M3 - Work Order Management	Bus Operations	Evaluate work order processing controls for security, policies and procedures, application controls, segregation of duties.	High	450		1
35	Service Delivery	C	CSA of Bus Scheduling Process	Bus Operations	CSA to document the business objectives, risks, controls, residual risks identified for this area. The documentation will be reviewed and approved by appropriate levels.	Medium to High	300		1
36	Service Delivery	C	Bus Preventive Maintenance Program	Bus Operations	Evaluate preventative maintenance compliance with state and federal requirements. Review efficiency and effectiveness of process.	High	425		5
37	Service Delivery	C	Rail Preventive Maintenance Program	Rail Operations	Evaluate whether preventative maintenance on rail cars complies with state/federal requirements. Review efficiency and effectiveness of process.	High	425		2
38	Service Delivery	C	Purchased Transportation	Bus Operations	Review contract performance and contract terms. Determine accuracy of billing and conformance to contract terms and conditions	High	300		1

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Ref #	Core Business Process	Core Business & Resource Management Processes	Audit Subject	Area	Justification	Risk	Hours Needed	Co-source	Audit Plan Strategic Goal
39	Service Delivery	C	Customer Complaint Resolution Process	Communications	Review efficiency and effectiveness of the process. Validate procedures are followed. Determine adequacy and areas of improvement.	High	425		5
40	Service Delivery	C	Compliance to Environmental Laws	Bus Operations	Sustainability - Evaluate agency compliance with environmental laws in handling and disposing of non-hazardous industrial waste from paint booths, solid and liquid waste, soil, drummed materials, antifreeze, etc.	High	400	Co-source	3
<b>Service Delivery Total</b>							<b>3,150</b>		
41	Technology	G	Universal Fare System - General Controls	Economic Development	Review general IT controls to determine whether they are adequate and effective. The focus of the audit is to determine whether the system is working properly and is safeguarded from unauthorized access and changes and that backup processes are adequate.	High	300	Co-source	2
42	Technology	G	Penetration Analysis	Administrative Services	Evaluate effectiveness of controls in LACMTA network and firewall to validate that information is secure from unauthorized access by internal and external parties.	High	200	Co-source	2
43	Technology	G	Universal Fare System - Fare Collection System	Economic Development	Evaluate system design for internal controls to ensure fare collection system is working effectively as designed.	High	450		1
44	Technology	G	HASTUS	Bus Operations	Assess IT internal controls within HASTUS are adequate and effective in processing bus schedules and transmission to M3 via ATMS.	High	450		3
45	Technology	G	ATMS General Controls	Bus Operations	Assess IT general controls for ATMS are adequate and effective to ensure systems are working properly, and safeguarded from unauthorized access and changes, and that backup are adequate to ensure the unwarranted disruption of operation.	High	450		3
46	Technology	G	ATMS Bus Communications Equipment	Bus 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		3
47	Technology	G	M3	Bus Operations	Validate whether key business process impacted by M3 system are effective and efficiently. Evaluate effectiveness of input controls.	High	500		5
48	Technology	G	HASTUS - Transit Scheduling	Bus Operations	Review HASTUS program functionality and evaluate current use. Conduct gap analysis and provide business process improvements.	High	425		1
<b>Technology Total</b>							<b>3,200</b>		
49	Workforce	H	Worker's Compensation Subsequent Injury Fund Claims	Financial Services	Review procedures for filing claims to the California State Subsequent Injury Benefit Trust fund.	Medium to High	300		4
50	Workforce	H	Compliance to EEO/HR policies	Administrative Services	Evaluate hires/promotions to verify compliance to policy, and that new positions are properly budgeted.	High	400		2
<b>Workforce Total</b>							<b>700</b>		
51			Carry Over of audits projects from FY 08		Carry over of audit projects in process from FY 2008 to FY 2009.		1,135		
52			Compliance Universe		Conduct an agency wide risk assessment to identify laws and regulations to develop a compliance audit universe.		400		
53			Internal Quality Self Assessment		The purpose of the 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).		240		
54			Continuous Auditing		Data Mining Continuous Audit Support		320		
55			CFO Special Request Hours				3,035		
<b>Grand Total</b>							<b>30,600</b>		

