Metro

EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JUNE 18, 2009

SUBJECT: FY09 AUDIT PLAN

ACTION: ADOPT THE FY10 PROPOSED AUDIT PLAN

RECOMMENDATION

Adopt the FY10 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 (Management Audit) 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 Management Audit's preliminary knowledge of the audit areas. Each audit uses a stop and go audit technique that allows Management Audit 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. Management Audit may supplement internal resources with consultants as long as funding and consultants 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 FY10 budget in Management Audit's cost centers and the appropriate projects throughout the agency.

DISCUSSION

Instrumental in developing the FY10 Audit Plan was completion of the FY09 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 FY09 agency wide risk assessment methodology is different than the last 4 years. While the prior years' methodology was excellent, the agency's risk environment is changing with the passing of Measure R, receipt of American Recovery and Reinvestment Act funds, economic pressures that increases the emphasis on the importance of minimizing fraud vulnerabilities and the retirement and hiring of a new Chief Executive Officer. In order to better capture and analyze the current risks the agency faces, we evaluated several risk assessment methodologies. The methodology used this year, is more in tune with risks faced by a government agency. The risks captured in the risk assessment are scored using two factors, magnitude of impact and likelihood of occurrence. The result is the FY10 Proposed Audit Plan (Attachment A).

This is the fifth 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, Management Audit will develop the audit schedule for FY10. Management Audit will report to the Board quarterly on its progress in completing the annual audit plan.
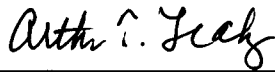
ATTACHMENT

A.   FY10 Annual Business Plan and Proposed Audit Plan

Prepared by: Ruthe Holden, Chief Auditor, Management Audit Services

(signature)

Ruthe Holden
Chief Auditor, Management Audit Services

(signature)

Arthur T. Leahy
Chief Executive Officer

Los Angeles County
Metropolitan Transportation Authority

**FISCAL YEAR 2010
ANNUAL BUSINESS PLAN
AND
PROPOSED AUDIT PLAN**

MANAGEMENT AUDIT SERVICES

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Management Audit Services

Fiscal Year 2010 Annual Business Plan
And Proposed Audit Plan

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Executive Summary

OVERVIEW

Annually, the Board requires Management Audit Services (Management Audit) 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.
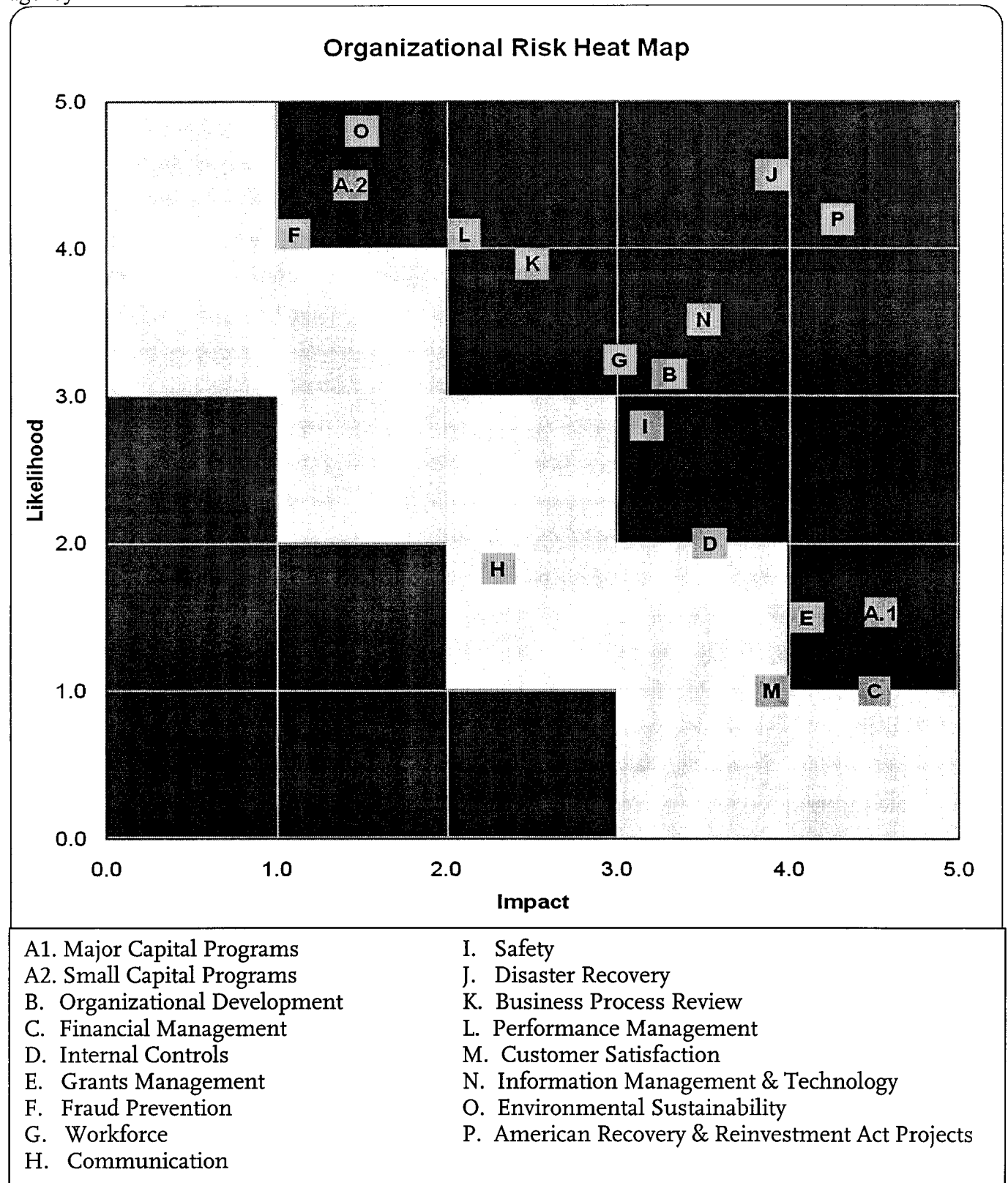
RISK ASSESSMENT

Instrumental to the development the FY10 Audit Plan was completion of the FY09 agency-wide risk assessment. The agency-wide risk assessment is continually being refined and adjusted based upon events, issues identified during audits and agency priorities. We modified the FY09 agency-wide risk assessment methodology for several reasons. The methodology used this year, places a stronger emphasis on the agency's internal control framework and vulnerability to fraud and is better aligned with risks faced by government agencies.

While the prior years' methodology was excellent, the agency's risk environment is changing with the passing of Measure R, receipt of American Recovery and Reinvestment Act funds, economic pressures that increases the emphasis on the importance of minimizing fraud vulnerabilities and the retirement and hiring of a new Chief Executive Officer. In order to better capture and analyze the current risks the agency faces, we evaluated several risk assessment methodologies. We believe the methodology used for this year's risk assessment better portrays the agency's risks in light of the changes to our risk environment and the challenges the agency faces in the next few years. In addition, the risks this year are captured and reported on processes rather than core business functions.

This year's risk assessment process began by reviewing and analyzing key documents such as the annual budget, the Comprehensive Annual Financial Report and the long and short range transportation plans. We then completed an extensive assessment of seventeen different areas within the agency. We supplemented this assessment by interviewing key personnel to obtain additional information. All of this information was used to identify risks and concerns specific to individual cost centers as well risks impacting the entire agency. Risks were then scored using two factors, magnitude of impact and likelihood of occurrence.

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As in prior years, a heat map is still being used to display the overall risk assessment of the agency.

Organizational Risk Heat Map

A1. Major Capital Programs
A2. Small Capital Programs
B. Organizational Development
C. Financial Management
D. Internal Controls
E. Grants Management
F. Fraud Prevention
G. Workforce
H. Communication

I. Safety
J. Disaster Recovery
K. Business Process Review
L. Performance Management
M. Customer Satisfaction
N. Information Management & Technology
O. Environmental Sustainability
P. American Recovery & Reinvestment Act Projects

Because of events that have occurred within the last year and new information available, some of the risk rankings have changed and new risks have been identified. The top five identified risk areas in FY09 are American Recovery and Reinvestment Act (ARRA) funded projects, Disaster Recovery, Information Management and Technology, Organizational Development and Workforce.

The ARRA projects were added as a separate risk in FY09 because these projects will have increased transparency requirements and project oversight is significantly greater in comparison with other federally funded programs. In addition, the current ARRA guidance does not yet provide sufficient detail of the changes that need to be made in existing internal controls and processes. Also, although there has been some feedback from the General Accountability Office and the federal Inspector General's office on the oversight criteria they will be using to evaluate the ARRA projects, they are still developing the guidance which should be received in the next several months. While this risk is scored high in FY09 and we will be devoting significant audit resources to ensure the agency is prepared for ARRA oversight requirements, we expect this risk will be significantly lower next fiscal year for two reasons. First, the funding level will be significantly lower in FY11, which will lower the impact scoring and secondly, the changes related to our reporting, oversight and transparency requirements should already be incorporated into our processes, which will lower the likelihood scoring of the risk.

Disaster Recovery and Continuity of Operations are important to this agency, because one of our core businesses is providing transit services. In the past, the risks related to Disaster Recovery and Continuity of Operations was incorporated into the Service Delivery core business and Financial and Administrative Management resource process. This year's risk assessment process reports this area separately; which provides increased focus and importance to this risk.

Information Management and Technology (Technology) risk ranking is slightly lower than last year but is still ranked as one of the top risks facing the agency. Technology's risk ranking is high for several reasons. The Federal Transit Administrations recent Financial Management Oversight audit identified the lack of a detailed Information Technology risk assessment as one of its findings. In addition, there is increased reliance on multiple interfaced enterprise wide systems and concern across the agency regarding the current alignment of Technology in comparison with the strategic goals of the agency.

Workforce overall risk score was raised slightly to reflect the upcoming labor negotiations and their impact on the agency's overall goals and missions. The Workforce score reflects continued agency concern regarding staff reductions that have occurred in the last several years. Workforce risk scoring continues to be high from last year 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 department's ability to retain qualified staff, and reduced oversight and monitoring activities caused by the staff reductions in prior years.

Organizational Development covers reporting relationships, staff management and authority and responsibility. It is expected that there will be some changes in the organization as a result of the recent retirement and hiring of a new CEO as well as the passing of Measure R and increased

emphasis on environmental sustainability. As the agency adjusts to these changes, this risk area's score will likely lower in future years.

AUDIT PLAN

For purposes of the audit plan, the agency has been organized into nine core business and resource management processes. A detailed list of the major cost centers organized into the nine core business and resource management processes is included in Appendix B. The FY10 proposed audit plan is summarized as follows:

Regional Planning 13%
Governance 15%
Safety 2%
Financial & Admin Mgmt 10%
Capital Project Mgmt 17%
Workforce 1%
Revenue 3%
Technology 14%
Service Delivery 25%
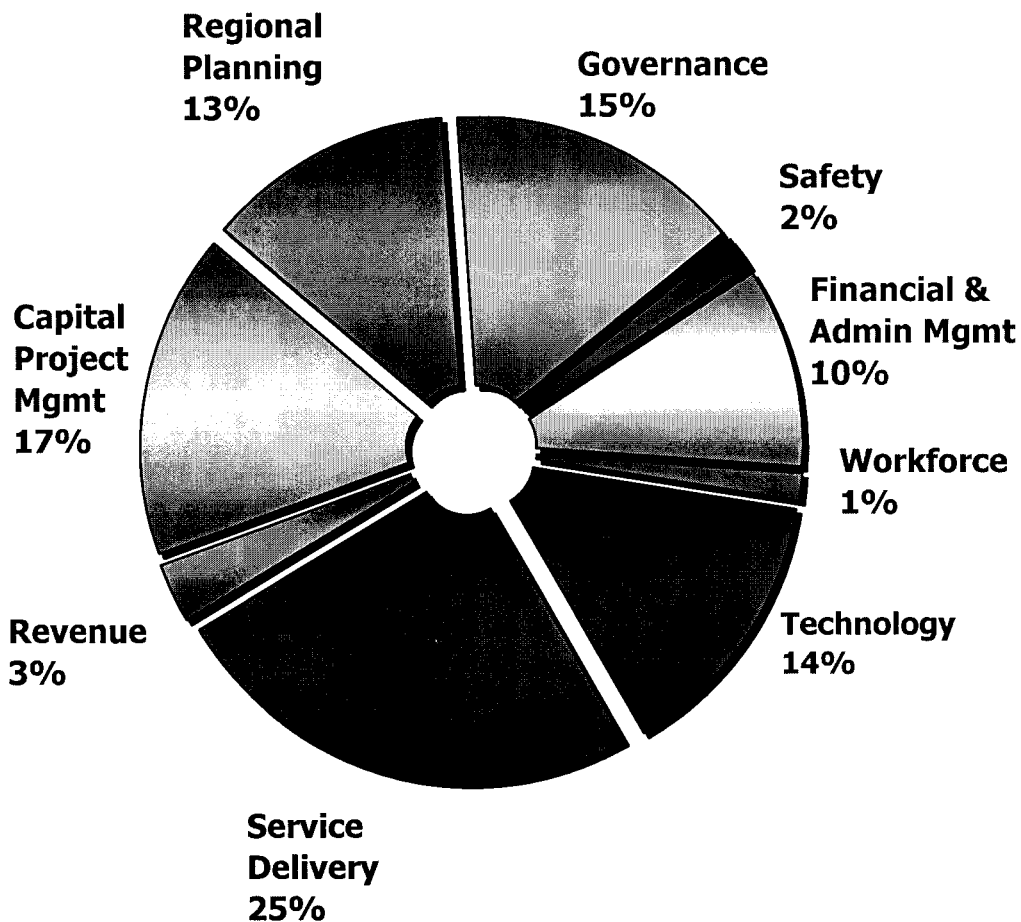
A detailed list of audits is included in Appendix A.

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 FY10 audit plan have multiple strategic goals. The following chart summarizes the audits by the primary strategic goal.
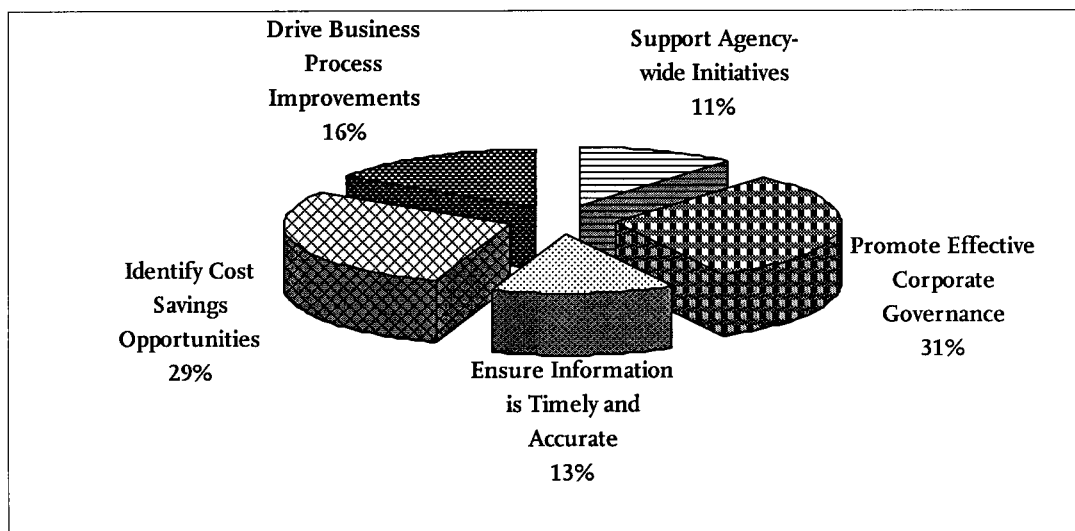
Audit Resources

Management Audit is constrained by available staff resources and budgeted professional services dollars. In FY10, the audit plan is based on budgeted staffing and resources. However, because of the current hiring freeze there are two vacancies in the department; completion of the current proposed audit plan is contingent upon being able to fill these vacancies.

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 addition, urgent requests arise that need audit support. When this occurs, the plan must be reassessed and Management Audit may supplement internal resources with outside consultants as long as there is funding and consultants available for the task. Therefore, all planned audit work may not be completed and the audit plan may be reassessed and adjusted during the year for unanticipated risks and work.

AUDIT PLAN AREAS

Internal Audits
The internal audit function includes operational, financial, compliance, performance and information technology audit groups. The internal audits were selected based on the results of the FY09 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 FY10 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.

Seven technology systems have been identified by management 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 FY09, Management Audit began focusing audit resources on these 7 systems. This emphasis will continue in FY10 and future audit plans until the controls over all modules have been assessed. In selecting potential FY10 audits, Management Audit identified areas that 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 Management Audit's 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 also an important focus for the agency. Therefore, the FY10 audit plan contains projects that assess whether greater efficiencies can be achieved and where appropriate provide recommendations for business process improvements.

Also, in an effort to increase audit coverage without increasing staff, last year we upgraded existing data mining software, ACL, to a newer version of the software, AuditExchange. This software allows Management Audit to program queries on data tables to perform 100% review of transactions to pre-set criteria. Some of the queries that have been set up include reviewing payments to vendors for duplicate payments and reviewing PCard transactions for purchases that do not comply with agency policy. In this year's audit plan, 750 hours of staff time have been set aside to review exceptions identified during the monitoring of these scripts to identify systemic issues that need management review and correction. Additional queries will be programmed each year based on available funding. We will prioritize the areas that will be programmed based on several factors including risk ranking, management concerns and areas that are most vulnerable to fraud.

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 the auditors during the planning phase of an audit to identify potential risk areas where the internal controls need to be assessed.

External Audits
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 FY10 audit plan or unplanned audits requested will need to be outsourced to consultant firms and funded by the project.

The MOU's selected to 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 is 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 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 FY10 plan also includes 3,060 hours or 10.0% of available hours for special projects requested by the CEO (Appendix A, Line 63). 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 Generally Accepted Government Auditing Standards and Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards), 240 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 the Standards and to Management Audit's Charter, mission statement, objectives, audit policy manual, supervision, and staff development. In addition, the internal quality assurance review is intended to assess our effectiveness and promote continuous improvement within Management Audit. This internal review will also help prepare Management Audit for external quality assurance review mandated by the Standards.

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OTHER PLANNED ACTIVITIES

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

Beginning in March 2005, Management Audit assumed responsibility for a monthly report to the Board on all outstanding audit issues. These reports include all outstanding audit findings and a summary of the findings closed during the month. Both the CEO and Management Audit 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, Management Audit completes work under the framework of our Board approved Audit Charter. The Audit Charter includes Management Audit's 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, Management Audit must ensure our audits are independent, objective and accurate. Therefore, Management Audit follows the ethical and professional standards promulgated by the Government Accountability Office, Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditors International Professional Practices Framework. Depending on the type of audit being done, Management Audit 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 our Audit Charter, the primary objective of Management Audit 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;

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- 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, Management Audit's 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 2010 Proposed 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 FY10 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 Management Audit resource limitations. Our FY10 plan is based on 30,600 direct audit hours to be provided by 18 budgeted 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:
- 10,955 hours (35.8%) for Internal audits,
- 3,650 hours (11.9%) for Technology audits,
- 6,000 hours (19.6%) for Contract Audits to support Procurement,
- 3,320 hours (10.8%) for Grant Audits to support Call for Projects,
- 1,200 hours (3.9%) for Control Self Assessments,
- 750 hours (2.5%) for Continuous Auditing
- 3,060 hours (10.0%)for CEO requested projects,
- 1,425 hours (4.6%) for audits which are still in process, and
- 240 hours (0.9%) for Internal Quality Assurance projects.

OUTSOURCED & CO-SOURCED AUDITS
Based on industry best practices, we outsource some of the audits. On some of the work that we outsource, Management Audit now includes at least one staff auditor on the contracted work (co-sourcing) so that information is transferred internally. In addition on some audits, Management Audit auditors manage the work and external consultants are added to provide subject matter expertise.

This methodology trains internal auditors in specialized areas and ensures Management Audit receives the specialized expertise needed at the most economical price. The audits that we plan on either outsourcing or co-sourcing have been identified in the FY10 detailed listing of audits.

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FY 2010 Proposed Audit Plan

APPENDIX A

DETAILED LISTING OF AUDITS

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FY 2010 PROPOSED AUDIT PLAN

Ref. #	Core Business Process	Core Business & Resource Management Processes	Audit Subject	Area	Justification	Risk	Hours Needed	ARRA	Co-source	Audit Plan Strategic Goal
1	Workforce	H	Compliance to Equal Employment Opportunity Laws	Administrative Services	Evaluate compliance with laws and regulations related to Equal Employment Opportunity .	High	380		Co-Source	2
2	Governance	D	Compliance to Environmental Laws	Capital Project Construction	Evaluate extent of agency's compliance with environmental laws related to ground water handling.	High	400		Co-Source	1
3	Capital Project Management	B	Efficiency and effectiveness of Third Party Utility Agreement	Capital Project Construction	Validate efficieny and effectiveness of Thrid Party Utility Relocaton Agreements performance and compliance to applicable laws and regulations.	High	300			2
4	Regional Planning	A	Consolidated Audits For Various Regional Programs	Planning	Perform financial and compliance audits of Proposition A and Proposition C local Return Programs, 1B Transit Modernization, Transit Security funds and Rider Relief Transportation Programs for Cities in Los Angeles, County	High			Out source	3
5	Revenue	E	Performance and Compliance with Contract Requirements	Economic Development	Validate Universal Fare System Implementation Management Services contract performance and compliance with the contract provisions and requirements.	High	350		Co-Source	5
6	Governance	D	STIP Compliance and financial audit - Out Source	Planning	Perform annually required compliance and financial audit for 2008-09 State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) project.	High			Outsource	3
7	Capital Project Management	B	Capital Project Management	Capital Project Construction	Validate controls over construction capital project management for reasonable assurance that appropriate information is being captured. Verify capital project management process complies with requirements of American Recovery and Resolution Act.	High	400	Yes	Co-Source	5
8	Governance	D	Efficiency and effectiveness American Recovery & Reinvestment Acto of 2009 - stimulus fund process.	Administrative Services	Validate that contract management process for American Recovery Reinvestment Act (ARRA) funded projects meets the five objectives in the Act.	High	400	Yes		5
9	Governance	D	PTMISEA Program efficiency and effectiveness	Planning	Evaluate efficiency and effectiveness of the process as project sponsor for Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) - Prop 1B funds and that funds are administered and managed in accordance with program	High	400		Co-Source	5
10	Governance	D	Efficiency and effectiveness over Measure R reporting process.	Planning	Validate the adequacy of business objectives, risks, controls and accountiblity for Measure R funds.	High	320			5
11	Financial & Administrative Management	F	Accounts Receivable	Accounting	Follow up on prior audit. Validate adequacy of current policies and procedures; compliance with policies and procedures; processes for application of funds received to appropriate accounts; appropriate segregation of duties exists within A/R function.	High	250			2
12	Service Delivery	C	Bus Cleanliness Program	Bus Operations	Evaluate cleanliness inspection process to ensure that buses meet acceptable cleanliness standards from customer perspective and other transit properties.	High	350			1
13	Service Delivery	C	M3 Rail Warranty Process	Rail Operations	Validate M3 systems capabilities have effectively been incorporated into key warranty processes. Evaluate efficiency and effectiveness of the warranty process.	High	550			5
14	Service Delivery	C	Freeway Patrol Contract Performance Audit	Bus Operations	Review performance of vendors to contract requirements and evaluate service responsiveness.	High	425			5

FY 2010 PROPOSED AUDIT PLAN

Ref. #	Core Business Process	Core Business & Resource Management Processes	Audit Subject	Area	Justification	Risk	Hours Needed	ARRA	Co-source	Audit Plan Strategic Goal
15	Financial & Administrative Management	F	Accumulation of ARRA related expenses	Accounting/OMB/Grants Management	Review of entire financial reporting process from creation of projects in compliance with Grants requirements, to accumulation and validation of expenses to reporting to federal government. Focus of audit is to ensure agency's financial processes are able to comply with 5 objectives of American Recovery and Reinvestment Act.	High	625	Yes		2
16	Financial & Administrative Management	F	Handling and Sale of Scrap	Bus Operations	Follow up on prior audit. Evaluate effectiveness of procedures and compliance to internal controls.	High	300			4
17	Financial & Administrative Management	F	Subsidiary Ledger Accuracy & Completeness	Accounting	Evaluate controls over posting and reconciliation of assets to subsidiary ledgers. Also evaluate accuracy of report to FTA on assets.	High	400			2
18	Service Delivery	C	Bus Operations Compliance to Fare Collection Standard Operations Procedures	Bus Operations	Evaluate Standard Operating Procedures to industry best practices and new TAP system. Validate that bus divisions and staff are complying with procedures.	High	550			2
19	Service Delivery	C	Bus Operations Metric Accuracy	Bus Operations	Review controls, metrics and reporting processes of Sectors in managing to budget. Identify business process improvements.	High	450			5
20	Safety	I	Accident Review Board	Bus Operations	Review Accident Review Board system for reporting & recording of accidents. Analyze accident review board results for consistency and compliance with procedures.	High	400			2
21	Service Delivery	C	Division Inspection Support	Bus & Rail Operations	Support CEO's Division Inspection Program	High	480			1
22	Service Delivery	C	Complaint Prevention & Resolution Process	Bus Operations	Review Operator courtesy training and complaint resolution process	High	300			1
23	Service Delivery	C	Rail Capital Projects	Rail Operations	Evaluate efficiency and effectiveness of Rail Operations management of capital projects	High	550			1
24	Financial & Administrative Management	F	Accounting	Accounting	Review the current chart of accounts may to verify that it adequately reflects the current business process and reporting needs.	High	250			2
25	Financial & Administrative Management	F	Position Reconciliation Process	OMB	Review new position control process that monitors the number of FTE's hired versus the FTE's budgeted to verify that appropriate internal controls are in place to ensure that board authorization levels are not exceeded.	High	425			3
26	Service Delivery	C	Escalator and Elevator Maintenance Contracts	Rail Operations	Review contract performance of and contract terms. Review accuracy of billing and conformance to contract terms and conditions.	High	650			1
27	Service Delivery	C	Bus Operations	Bus Operations	Review Mechanic manpower Planning Process. Review staffing adequacy and assignment of overtime.	High	650		Co Source	2
28	Service Delivery	C	Metro Commute Services	Communications	Evaluate efficiency and effectiveness of Metro Commute Services and accuracy of reported metrics.	High	400			5
INTERNAL AUDITS							10,955			
29	Technology	G	Information Organization	Agency-wide	Evaluate adequacy of organizational controls over information management to ensure the security of information and systems.	High	300		Co Source	2
30	Technology	G	ATMS/TDBS and Interfaces - General Controls	Rail Operations	Evaluate whether internal controls are adequate and effective to ensure systems and applications are safeguarded from unauthorized access and changes; and that backup are adequate to ensure the continued operation of the system.	High	450			3

Ref. #	Core Business Process	Core Business & Resource Management Processes	Audit Subject	Area	Justification	Risk	Hours Needed	ARRA	Co-source	Audit Plan Strategic Goal
31	Technology	G	Financial Information System	Administrative Services	Determine the efficiency and effectiveness of security to ensure adequacy of access restrictions and accountability assignments to safeguard financial information against unauthorized use, disclosure, modification,	High	450			3
32	Technology	G	Farebox Collection System	New Business Development	Assess whether internal controls are adequate and effective to ensure probing, recording, synchronization and transmission of revenue related data to the Garage Data Management System Computer in the divisions are accurate,	High	450			3
33	Technology	G	UFS Division Garage Computers - General Controls	New Business Development	Assess whether general controls are adequate and effective to ensure farebox systems and resources are safeguarded from unauthorized access and changes, and that backup and recovery procedures are adequate to ensure the unwarranted disruption of operation.	High	450			3
34	Technology	G	Valley Oaks Claims Management System	Risk Management	Assess whether internal controls are adequate and effective to ensure processing of claims and related data are accurately and completely processed including data edits, separation of business functions, balancing of processing totals, transaction logging, and error reporting and safeguarded from unauthorized access and changes.	High	425			3
35	Technology	G	M3 - Work Order Management	Administrative Services	Assess whether IT application controls over the work order management are adequate and effective to ensure work orders are processed accurately and completely including data edits, separation of business functions, balancing of processing totals, transaction logging, and error reporting.	High	425			5
36	Technology	G	Position Reconciliation System	OMB	Assess general and application controls to ensure the secure, accurate and complete processing of prosition reconciliation.	High	300			3
37	Technology	G	Internal Audit Support		This is to provide IT Audit support for Internal Audit Projects.		400			3
TECHNOLOGY AUDITS							3650			
38	Governance	D	North American Bus Industries Buy America Audit	Bus Operations	Pre award and post delivery Buy America audits for rolling stock required by Federal Regulation.	Medium	700			2
39	Governance	D	Financial Analysis	Administrative Services	Financial analysis for contractor pre-qualification as required by State PUC section 130051.21 and Administrative Code.	Medium	1,700			2
40	Capital Project Management	B	Caltrans 405 Fwy Project	Capital Project Construction	Contractual Requirement - change orders.	High	800			4
41	Capital Project Management	B	Gold Line Eastside Extension - Audit	Capital Project Construction	Legally required audits of estimates and contractually required closeout audits.	High	700			4
42	Capital Project Management	B	Pre-award audits (unplanned)	Bus Operations	Pre-award audits for unplanned activity including change orders, noncompetitive procurements, and projects subject to caltrans requirements.	High	700			4
43	Capital Project Management	B	Pre-award audits (unplanned)	Planning	Pre-award audits for unplanned activity including change orders, noncompetitive procurements, and projects subject to caltrans requirements.	High	700			4
44	Capital Project Management	B	Pre-award audits (unplanned)	Capital Project Construction	Pre-award audits for unplanned activity including change orders, noncompetitive procurements, and projects subject to caltrans requirements.	High	700			4
CONTRACT AUDITS							6,000			

FY 2010 PROPOSED AUDIT PLAN

Ref. #	Core Business Process	Core Business & Resource Management Processes	Audit Subject	Area	Justification	Risk	Hours Needed	ARRA	Co-source	Audit Plan Strategic Goal
45	Regional Planning	A	Transportation Developmpent & Implementation Call-for-Projects MOUs	Planning	Audit Prop C Memorandums of Understanding for Calls for Project.	Medium	3,320			4
46	Regional Planning	A	Transportation Developmpent & Implementation Caltrans - Outsource	Planning	Audit Prop C Memorandums of Understanding for Calls for Project.	High			Outsource	4
GRANT AUDITS							3,320			
47	Service Delivery	C	Wayside Systems	Bus Operations	Control Self Assessment of Wayside System upgrading of stations operating systems project management	High	300			2
48	Service Delivery	C	Bus Facilities Improvements	Bus Operations	Control Self Assessment of bus division constuction upgrades program mangement	High	300			2
49	Service Delivery	C	Rail Maintenance	Bus Operations	Control Self Assessment of Grafitti Abatement Program	High	300			2
50	Revenue	E	Joint Development Program	New Business Development	Control Self Assessment of Joint Development Program	High	300			2
CONTROL SELF ASSESSMENTS							1,200			
51	Financial & Administrative Management	F	Accounts Payable	Accounting	Evaluate discrepancies identified for duplicate payments for vendors in Accounts Payable	High	100			4
52	Service Delivery	C	Bus Operations	Bus Operations	Review Trend for Bus operators with >3 road calls and Operation response.	High	80			1
53	Financial & Administrative Management	F	Payroll Overtime Violations	Agency-wide	Review discrepancies identified for overtime violations	High	80			2
54	Service Delivery	C	Bus Operations	Bus Operations	Review Trend of Stores warranty parts issued and relation to warranty claims.	High	80			1
55	Revenue	E	Fare Media Sales	Communications	Evaluate discrepancies between TAP card/autoload sales to receipts Sales by vendor, ACS receipt and paid to Metro.	High	150			4
56	Financial & Administrative Management	F	Accounting	Accounting	Review Obsolete Inventory to General Ledger Write-off.	High	80			1
57	Financial & Administrative Management	F	Pcard	Administrative Services	Review discrepancies identified for violaitons of Pcard Policies and Procedures	High	100			2
58	Financial & Administrative Management	F	IT Security	Administrative Services	Review discrepancies identified in security access levels assigned to individual employees	High	80			2
CONTINUOUS AUDITING							750			
59	CEO Special Requests						3,060			
60	Audits Still in Process						1,425			
61	Internal Quality Self Assessment						240			
MAS GRAND TOTAL							30,600			

FY 2010 Proposed Audit Plan

APPENDIX B

MAJOR COST CENTERS ORGANIZED
BY THE CORE BUSINESSES
AND RESOURCE MANAGEMENT PROCESSES

Metro

FY 2010 Proposed Audit Plan

Nine Core Business and Resource Management Processes

A. Regional Planning	E. Revenue
1. Transportation Development & Implementation	23. New Business Development
2. Long Range Planning & Coordination	24. Grants
3. Programming & Policy Analysis	25. Real Estate Administration
4. Government Relations	26. Fare Policy & Program
5. Public Relations	27. TAP Operations

B. Capital Project Management	F. Financial & Administrative Management
6. Construction Project Management	28. Vendor Services
7. Quality Management	29. Accounting
8. Capital Projects – Facility Operations	30. Creative Services
9. Light Rail Wayside Systems	31. Procurement & Materials Management
	32. Finance & Treasury

C. Service Delivery	33. Economic Opportunity
6. Bus Service Sectors	
7. Central Maintenance	G. Technology
8. Purchased Transportation	34. ITS
9. Service Development Performance Analysis	35. Vehicle Technology
10. Manpower System & Support	36. ATMS Project
11. Facilities	37. M3 Project
12. Motorist Services	
13. Rail Operations Transportation	H. Workforce
14. Rail Fleet Systems	38. Human Services
15. Transit Systems Engineering	39. Operations Labor Relations
16. Rail & Bus Operating Controls	40. OD&T
17. Customer Relations & Communications	41. Operations Central Instruction
18. Regional Communication Program	42. Diversity
19. Customer Program Services	

D. Governance	I. Safety
20. Office of Management & Budget	43. Safety
21. Risk Management	44. Security
22. Board of Directors & OCEO	

Metro