



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
FEBRUARY 16, 2006**

SUBJECT: MANAGEMENT AUDIT SERVICES FY06 SECOND QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the second quarter FY06 report of Management Audit Services for the period ending December 31, 2005.

ISSUE

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit Services on its audit activities. Reports to the Board have been issued in May 2005, August 2005 and November 2005. This report fulfills the requirement for the second quarter of FY06.

DISCUSSION

Management Audit Services (MAS) provides audit support to the Chief Executive Officer (CEO) and his executive management. MAS provides audit services both internally reviewing agency processes, functions and systems, as well as externally reviewing compliance to contracts and memorandums of understanding (MOUs).

There are five audit groups in MAS, contract audit, grant audit, financial audit, information technology audit, and operational audit. Contract Audit audits contractor's proposals/claims to support the Office of Procurement and Material Management. Grant Audit audits compliance to MOUs for projects funded by Countywide Planning and Development. Financial Audit specializes in financial transaction reviews, Information Technology Audit Group audits the information technology (IT) systems, infrastructure, IT programs and activities, and Operational Audit focuses on agency operations and processes.

The summary of MAS audit activity for the quarter ending December 31, 2005 is as follows:

Contract Audit – five audits were completed reviewing \$38 million and questioning \$234 thousand. Twenty-five audits are in process with an absolute value of \$23 million.

Grant Audit – seven audits were completed reviewing \$7 million and identifying \$25 thousand of unspent funds that will be reprogrammed through the Call-for-Projects. Twenty are in process.

Financial Audit, Information Technology Audit, and Operational Audit – three audits completed, three Controlled Self Assessments (CSAs) completed, and a consulting engagement was performed.

Contractor Pre-Qualification – 95 applications and validations were processed and 87 were approved during the second quarter.

Audit Follow-up and Resolution –20% of all outstanding audit recommendations were completed and closed during the second quarter. During calendar year 2005, 71% of open audit recommendations were completed and closed.

MAS' FY 2006 second quarter report is included as Attachment A.

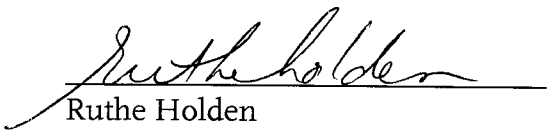
NEXT STEPS

Management Audit Services will provide a third quarter summary of FY 2006 audit activity to the Board at the May 2006 Executive Management and Audit Committee meeting.

ATTACHMENT

- A. Quarterly Report on Management Audit Services activity for period ending December 31, 2005.

Prepared by: Ruthe Holden, Managing Director, MAS



Ruthe Holden
Managing Director, Management Audit Services



Roger Snoble
Chief Executive Officer

Los Angeles County Metropolitan Transportation Authority

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

**SECOND QUARTER
FY 2006**



Metro

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EXECUTIVE SUMMARY

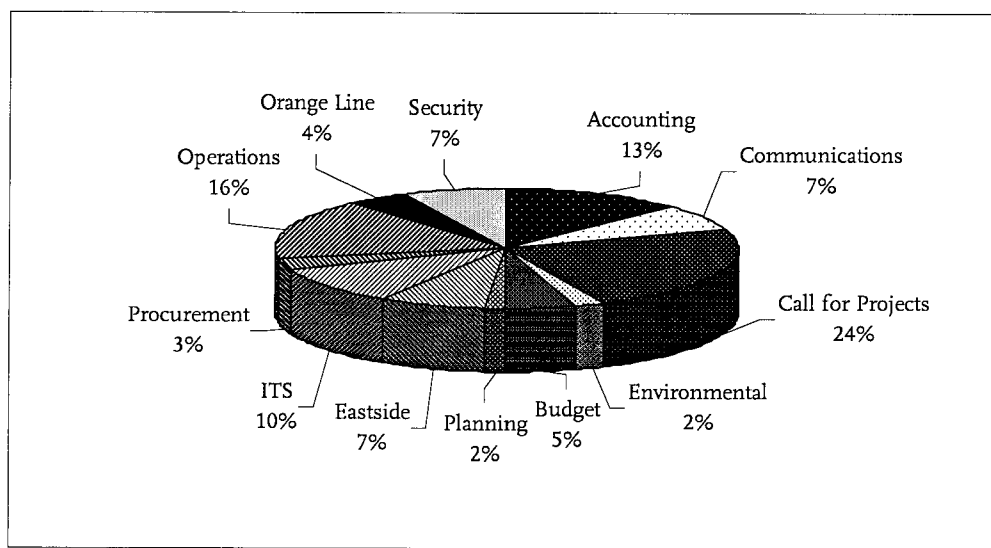
Introduction

For the first half of FY06, 27 audits were completed, 12 were issued in the first quarter and 15 audits were issued in the second quarter. In addition, four Control Self-Assessments (CSAs) were completed, one in the first quarter and three in the second quarter. The Agency Wide Risk Assessment was completed in the second quarter FY06 and auditors worked on two consulting engagements, one in first quarter and one in second quarter.

The work completed in first quarter FY06 is summarized in the quarterly report issued in November 2005. The completed audits for second quarter include three internal audit reports; five contract audits and seven grant audits. The completed internal audits and CSA's are summarized beginning on page four. The completed Contract and Grant audits are summarized on page three. In addition, an auditor was assigned to work with PriceWaterhouse Coopers on the audit of Los Angeles County Metropolitan Transportation Authority's (LACMTA) financial statement audit. That consulting work was completed in December 2005.

In process at the end of the second quarter were 80 audits, four CSA reports and one project requested by the CEO to provide quality assurance services for the Maintenance, Material and Management (M3) System implementation. Ten of the in-process audits are from FY05; seven of these are in draft report stage and the final reports should be issued in the next several months. The rest of the in-process audits are from the FY06 audit plan.

The functional areas where MAS focused staff time and efforts for the first quarter are as follows:



EXECUTIVE SUMMARY

Audit Follow-up and Resolution has continued with a more proactive approach to getting recommendations resolved, resulting in 20% (10) of the open recommendations being closed in the second quarter. A total of 102 open recommendations were closed or completed during calendar year 2005, resulting in a 71% closure rate for the year.

The pre-qualification group experienced an expected slight decline in activity compared to the same period last year. The 98 applications and validations processed during the second quarter were in support of thirty different procurement actions.

In the last six months, MAS has made significant advancement in our progress toward automation. In second quarter FY06 we started a project utilizing the agency's Enterprise Content Management System (ECMS) to convert our paper files into an electronic searchable format. We have uploaded about 75% of our audit workpapers, reports, and reference materials from the last several years. MAS staff will be able to access these documents from their work stations saving both time and resources. Because previously issued reports and their associated workpapers are often important references in current audits, immediate access to these records through ECMS will have a positive impact on efficiency.

The external quality assurance review requested by the Chief Executive Officer is scheduled to start in February. We will report on the results of the peer review as soon as the final report is issued.

Highlight of the Quarter – Audit Plan Process

The FY07 financial standards require that MAS prepare an annual risk assessment and audit plan and present it to the Board for their input and approval. KPMG, LLP completed the Agency Wide Risk Assessment with the assistance of MAS staff. The results were presented to the Board in January. Risk assessments are an important tool both in prioritizing where to allocate audit resources and also in the wider delivery of effective and efficient auditing services. The Risk Assessment is the first step in completing an annual audit plan.

The risk assessment process drives the audit plan, determining the scope and nature of the audit work undertaken. The audit plan identifies how MAS will allocate its resources and defines the audit priorities for the next fiscal year. An annual audit plan is considered an industry best practice and is requirement to comply with the Institute of Internal Auditors (IIA), and the Information Systems Audit and Control Association (ISACA) auditing standards.

Utilizing the results of the agency wide risk assessment, MAS is meeting with each Executive Officer to define audit priorities and management concerns. The audit plan will be drafted and presented to Executive Management and the Board for their input. MAS will then present the final audit plan to the CEO and the Board for their approval during the next quarter.

CONTRACTORS & OTHER AGENCY AUDITS

CONTRACT AUDIT

Contract Audit provides support to the Office of Procurement and Material Management for a wide range of large-dollar procurements and projects in the area of financial and contract compliance. This support is given throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits.

Contract Audit completed five audits during the second quarter of FY06, reviewing an absolute value of \$38 million and questioning a total of \$234 thousand. Two of these completed audits were for the Orange Line project, two were for operations and the other was for planning. As of December 30, 2005, 25 audits were in process with an absolute value of \$23 million dollars.

Approximately 47% of Contract Audit's efforts went to support the Eastside project and 28% to Orange Line. The rest of the audit effort was split between environmental, operations, and planning audit support.

Details on Contract Audits completed during second quarter FY06 are in Appendix A.

GRANT AUDIT

Grant Audit conducts audits of funds granted by Countywide Planning. Audits are also conducted on Federal and state funds passed through LACMTA to various grantees for transportation related projects. The purpose of the audits is to ensure that money is spent in accordance with the terms of the grants and contracts and Federal cost principles governing allowable cost and to determine whether any funds are remaining that may be programmed for use on other transportation improvement projects.

Grant Audit completed seven audits during the quarter, reviewing in excess of \$7 million. We questioned \$25 thousand on one grant audit, and the grantee refunded the amount. Twenty audits with a total value of \$29 million were in process as of December 31, 2005.

Details on Grant Audits completed during second quarter FY06 are in Appendix B.

INTERNAL AUDIT'S

FINANCIAL AUDIT

For the second quarter FY06, one audit report was issued on Procurement Files, one consulting engagement was completed, and eleven audits are in process. This includes two audits that were in process in FY05, eight audits in process from the FY06 audit plan, and one special request audit approved by the CEO.

The two audits in process from FY05 are ADA Paratransit Services and DBE Program Review. Both are in the draft report stage and should be finalized in the next several months. The eight audits in process from the FY06 audit plan include audits of Credit and Collections, Fixed Assets, Encumbrances, General Ledger, Grants process, Budget process, Payroll Cycle, and Inventory. The Budget process audit is being integrated with an audit of the Budget Information and Accounting System in the IT Audit group. The combined audits will be issued as one audit report.

These projects are listed in Attachment A, Appendix C. The audit issued and the consulting engagement performed during the second quarter FY06 are summarized below:

Procurement Files Audit

Every three years FTA contracts with a firm to complete a Procurement System Review (PSR) of its grantees. FTA completed its last PSR in September 2005. A PSR is designed to assess compliance with FTA Circular 4220.1E "Third Party Contracting Requirements" and applicable state laws including Public Utilities Code section 130230. Thus, compliance with Federal and State procurement laws and regulations is crucial.

The purpose of the review was to determine whether procurement files are in compliance with applicable Federal and State procurement laws and regulations. Based on the sample of procurement files reviewed, we noted no significant non-compliance issues. However, during our procurement files review, 27, or 23% of the selected procurement files could not be located while the audit was in process. Subsequent to the completion of the fieldwork, Procurement informed us that they had located the missing files. The Deputy Executive Officers of Procurement and the Director of Purchasing issued memos to staffs enforcing compliance of the procurement file procedures. We will follow up on compliance to procurement files storage procedures in future audits in this area.

Financial Statement Audit

MAS provided consulting services to PricewaterhouseCoopers (PWC) on its audit of the FY05 Comprehensive Annual Financial Report (CAFR). One of our auditors reported to PWC during the course of their audit to provide audit assistance. The purpose of embedding the auditor was to gain knowledge of PWC's auditing practices and materiality levels and to transfer knowledge of audit issues and concerns. Once PWC completed this audit and issued an independent auditor report in December 2005, the auditor summarized

INTERNAL AUDITS

the information learned and was then assigned to complete other audits in the financial accounts area.

INFORMATION TECHNOLOGY AUDIT

For second quarter FY06, one audit report was issued on the Maintenance, Material, and Management System (M3) and 12 Information Technology (IT) projects are in process. This includes four audits that were in process from the FY05 audit plan, and eight audits in process from the FY06 audit plan.

The FY05 carryover audits include audits of Financial Information Systems, Transit Operations and Trends System, Drivers License Monitoring System, and the Supervisory Control and Data Acquisition System.

The eight audits in-process from the FY06 audit plan include: Change Management System, Disaster Recovery Plan for ITS, Disaster Recovery Plan for ATMS, Advanced Transportation Management System environment, and Budget Information and Accounting System. The Disaster Recovery Plan was split into two audits by functional areas.

These projects are listed in Attachment A, Appendix D. The audit finalized and issued in second quarter FY06 is summarized below:

Audit of the Maintenance, Material, and Management System

In January 2005, the Chief Executive Officer (CEO) requested that Management Audit Services (MAS) outsource an audit of M3. Thompson, Cobb, Bazilio & Associates, PC (TCBA) performed a System Development Life Cycle (SDLC) audit of the acquisition and implementation of the M3 System. The primary purpose of the audit was to assess the adequacy of the project management of the M3 System acquisition and implementation, including but not limited to system internal controls and security, functionality, system testing, costs incurred, overhead charged to the project and a gap analysis of systems requirements compared to the system received. One of our auditors was embedded in the audit to provide support and concurrently gain knowledge from this experience that will be applied in future audits of M3 and other system development projects.

The audit report noted that although the acquisition and implementation of the M3 System had some problems, the audit did not identify any material issues that would prevent a successful acquisition and implementation of the M3 System.

INTERNAL AUDITS

OPERATIONAL AUDIT

For second quarter FY06, three Controlled Self Assessments (CSAs) and one operational audit were completed. Twelve operational audits and four CSA reports are in process. Four audits in process are from the FY05 audit plan, including Gateway Pool Vehicles, Bus Operator Overtime, Operations Capital Projects, and Fleet Management. Eight audits are in process from the FY06 audit plan including Gateway Building Security, Post-Award Contract Administration, RRC Security, Filming, Diversity Program Requirements, Division Security, Call-for-Projects and Records Management. The Agency Wide Risk Assessment was completed this quarter.

The CSA group is currently working on four business units. The CSAs in process include Bus Operations, Regional Transportation Planning, Rail Warehousing, and Manpower Planning. In second quarter FY06, the CSAs for Contract Services, Customer Relations, and Pension & Benefits business units were finalized and signed-off.

These in-process operational audits are listed in Attachment A, Appendix E. The audit issued, and the consulting engagement performed during second quarter FY06 are summarized below:

Public Liability and Property Damage Claims Audit

Executive Officer of Risk Management requested an audit of public liability and property damage claims to verify whether 1) LACMTA and Hertz Claims Management (HCM) maintained an adequate system of controls over claims review, settlement and payment process, and 2) claims handling by LACMTA and HCM was consistent with accepted insurance industry standards. The audit was outsourced to Thompson, Cobb, Basilio & Associates (TCBA).

TCBA's review found both LACMTA and HCM internal controls to be adequate. However, the audit report noted that while LACMTA's claims handling procedures review is being performed at a commendable to superior level for all categories reviewed, HCM's performance was found to need improvement in two of the eight categories reviewed. The two areas in need of improvement include excess reporting and staff supervision in training. The audit report noted that in the critical elements of claim settlement and reserving, both LACMTA and HCM demonstrated superior performance.

Agency Wide Risk Assessment

At the direction of the CEO, MAS initiated a competitive procurement process and selected KPMG, LLP (KPMG) to perform the agency wide risk assessment. This is the first time the agency has undergone a formal comprehensive risk assessment of its processes and functions.

INTERNAL AUDITS

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 assessment identified 62 auditable areas in the agency that will be incorporated into the FY07 and future audit plans.

AUDIT SUPPORT SERVICES

Contractor Pre-Qualification

California Public Utilities Code §130051.21 and Ordinance #4-05 of the Administrative Code require firms to be pre-qualified prior to doing business with the agency.

During the second quarter of FY06, 98 applications and validations were processed. Sixty-three applications and 25 validations were submitted, and ten applications were in process from the first quarter of FY06. Of the 98 processed, 87 firms were approved to do business with LACMTA, eight were closed as incomplete (applicants failed to respond to requests for information), and three applications were still in process as of December 31. The average processing time was 13 days for applications and three days for validations.

The applications processed during the second quarter of FY06 were in support of thirty different procurement actions, including contracts in construction, operations, and professional services.

Audit Follow-Up and Resolution

Audit Follow-Up and Resolution has continued to proactively work with management to ensure implementation of audit recommendations. During the second quarter of FY06, ten additional recommendations were completed and closed. This represents a 20% reduction in the total outstanding recommendations for the 2nd quarter.

In January 2005 a more proactive follow-up approach was implemented. Comparing the open audit recommendations as of December 31, 2004 to December 2005 demonstrates the effectiveness of the new approach, 71% of the open findings were closed during that time frame compared with 50% closed in the prior calendar year.

Following is a table summarizing the activity during the second quarter of FY 2006:

**Summary of MAS and External Audit Recommendations
As of December 31, 2005**

Executive Area	Closed or Completed in Oct.	Closed or Completed in Nov.	Closed or Completed in Dec.	Under Review	Extended	Not Yet Due	Total Open Recom.
Chief Financial Officer		2	3	1	7	1	9
Chief Comm. Officer				2	5	5	12
DCEO/COO	2	3		3	17		20
Totals	2	5	3	6	29	6	41

Appendix A

Contract Audit FY 2006 - Audits Completed During Second Quarter						
Area	Audit Number & Type	Contractor	Contract	Requirement	Date Completed	
Planning	06-J&S-01 - Pre-Award	Jones & Stokes	PS-4320-1699	Contractual	10/2005	
Operations	06-SWI-01 - Change	Stacy and Witbeck, Inc.	C0717	Legal	10/2005	
Operations	06-BAH-10 - Change	Booz, Allen & Hamilton, Inc.	PS-4610-1026	Contractual	11/2005	
Orange Line	06-SOJ-01 - Change	Shimmick/Obayashi, JV	C0675	Legal	12/2005	
Orange Line	06-SOJ-02 - Change	Shimmick/Obayashi, JV	C0675	Legal	12/2005	

Appendix B

Grant Audit FY 2006 - Audits Completed During Second Quarter						
Area	Audit Number & Type	Memorandum of Understanding	MOU Number	Requirement	Date Completed	
Planning	06GA-K01 - Closeout	Dominguez Channel Bicycle Trail - Phase I	MOU.P0002321	Contractual	12/2005	
Planning	B-020-05 - Closeout	Union Station Improvements Project	MOU.P0CATE99	Contractual	12/2005	
Planning	06GA-W04 - Closeout	UCLA Bruin Go! Transit Pass Demonstration	MOU.P0008311	Contractual	12/2005	
Planning	06-HDR-07 - Interim	Alameda Corridor East Project-HDR Engineering	MOU.P0004367	Contractual	12/2005	
Planning	B-031-05 - Closeout	Transit Store - Kiosks for 8 LANI Areas	MOU.P0002159	Contractual	12/2005	
Planning	B-019-04 - Closeout	Mission Meridian Multi-Use Transit Oriented Parking	MOU.P0006090	Contractual	11/2005	
Planning	05CA-K18 - Closeout	Fremont Avenue Widening & Improvement Project	MOU.P0002341	Contractual	10/2005	

Appendix C

Financial Audit FY 2006 - Progress Toward Completing Audit Plan				
Area	Audit Number & Title	Summary of Findings	Risk	Estimated Date of Completion
Chief Financial Officer/Procurement	04IA-001 – DBE Program Review	This audit was in process in FY05. It will assess internal controls over the establishment of DBE goals. This audit is in the draft report stage.	High	1/2006
Chief Financial Officer/Accounting	06-ACC-002 – Credit and Collections	This audit is part of the FY06 audit plan. It will review adequacy of internal controls and sample test to determine if transactions comply with policies and procedures.	Medium	2/2006
Chief Financial Officer/Accounting	06-ACC-007 – General Ledger	This audit is part of the FY06 audit plan. It will review adequacy of internal controls, and test sample of bank reconciliation and account analyses.	High	2/2006
Chief Financial Officer/Procurement Chief Capital Construction/Chief Planning Officer	05IA-P17-00 – Encumbrances	This audit is part of the FY06 audit plan and will determine whether encumbrances are being closed out timely and in compliance with agency policy; and review closeout process for efficiency and effectiveness.	Medium	3/2006
Chief Planning Officer	04IA-005 – ADA Paratransit Services	This audit was in process in FY05. It will assess the cost management and efficiency of Los Angeles area paratransit program provided by Access Services. This audit is in draft report stage.	High	3/2006
Chief Planning Officer/Planning	06-INT-001 – Immediate Needs Transportation Program	This audit is a special request by the CEO to respond to a Board motion. Audit is currently being outsourced to a CPA firm.	High	3/2006

Financial Audit FY 2006 - Progress Toward Completing Audit Plan				
Area	Audit Number & Title	Summary of Findings	Risk	Estimated Date of Completion
Chief Planning Officer/Grants Chief Financial Officer/Grant Accounting Chief Capital Management Officer/Program Management	06-PPA-010 – Grants Process	This audit is part of the FY06 audit plan and will review the adequacy of internal controls for grant process, test sample of grants and federal/state reports for compliance to policies and procedures, and review economy and efficiency of process between accounting and planning.	High	4/2006
Chief Financial Officer/Accounting Deputy Chief Executive Officer/Operations	06-ACC-008 - Payroll Cycle	This audit is part of the FY06 audit plan. It will include comprehensive testing of all payroll hour input systems to verify accuracy and completeness of payroll data, sample test payroll transactions and payroll exceptions to compliance with policies and procedures, and review adequacy of internal controls.	High	4/2006
Chief Financial Officer/Accounting, Material Management, Real Estate; Chief Operations Officer/Vehicles	06-ACC-004 – Fixed Assets	This audit is part of the FY06 audit plan and will sample test the fixed assets included in the FTA biannual fixed asset report for accuracy and completeness; and to follow up on OIG audit findings.	Medium	5/2006

Appendix C

Financial Audit FY 2006 - Progress Toward Completing Audit Plan				
Area	Audit Number & Title	Summary of Findings	Risk	Estimated Date of Completion
Chief Financial Officer/Office of Management & Budget	06-OMB-005 – Budgeting	This audit is part of the FY06 audit plan. It is to audit to evaluate the effectiveness and efficiency of the processes used in developing the agency's annual operating budget.	Medium	6/2006
Chief Financial Officer/Inventory Management	06-PMM-003 - Inventory Purchasing and Receiving	This audit is part of the FY06 audit plan. It will include sample test inventory amounts to general ledger to determine the accuracy of account balance, review level of inventory to agency policy to determine if amount of inventory is at optimal levels, and review of adequacy of internal controls over inventory purchasing, receiving, and disbursement.	High	6/2006

Information Technology Audit FY 2006 - Progress Toward Completing Audit Plan				
Area	Audit Number & Title	Audit Subject	Risk	Estimated Date of Completion
Chief Financial Officer/Financial Information Systems-ITS	04IT-001 – Financial Information Systems Environment	This audit was in process in FY05. The objective of this audit is to assess the adequacy and effectiveness of internal controls established for safeguarding the Financial Information System and the related data against unauthorized use, disclosure, modification, damage or loss. This audit is in the draft report stage.	High	3/2006
Chief Operations Officer/Transit Operations & Trends Systems-ITS	03IT-008 – Transit Operations & Trends System Environment	This audit was in process in FY05. It will assess the adequacy and effectiveness of internal controls established against unauthorized use, disclosure, modification, damage or loss. This system is responsible for timekeeping and scheduling of the bus and rail operators at divisions. This audit is in draft report stage.	High	3/2006
Chief Operations Officer/Safety	05IT-002 – Drivers License Monitoring System	This audit was in process in FY05. Determine whether adequate and effective internal controls are established for safeguarding data against disclosure, unauthorized use, or modification and to ensure compliance with the terms of the contract with the State of California DMV system. This audit is in the draft report stage.	Medium	1/2006

Information Technology Audit FY 2006 - Progress Toward Completing Audit Plan				
Area	Audit Number & Title	Audit Subject	Risk	Estimated Date of Completion
Chief Operations Officer/Wayside Engineering	05IT-001 – Supervisory Control & Data Acquisition (SCADA)	This audit was in process in FY05. Determine the adequacy and effectiveness of internal controls for the SCADA System. We are particularly concerned with unauthorized access and unwarranted disruption of rail activities and functions the system support. This audit is in the draft report stage.	Medium	3/2006
Chief Financial Officer/Information Technology Services	06-ITS-001 – Audit of Change Management System	This audit is part of the FY06 plan. The objective of the audit is to determine the adequacy and effectiveness of internal controls to ensure any change to the system hardware, software, database or communication network are documented, authorized, tested and performed in a segregated and controlled environment.	High	3/2006
Chief Financial Officer/Information Technology Services	06-ITS-010 – Audit of ITS Disaster Recovery Plan	This audit is part of the FY06 plan. The objective of the audit is to ensure the contingent operation of LACMTA's transportation systems in the event of an emergency or disaster.	High	1/2006
Chief Operations Officer - Information Technology Services	06-OPS-017- Audit of Advanced Transportation Management System Disaster Recovery Plan	This audit is part of the Disaster Recovery Plan Audit in the FY06 plan. The objective of the audit is to verify whether the Advanced Transportation Management System DRP is current, complete and effective to ensure the continuity of LACMTA operations.	High	1/2006

Appendix D

Information Technology Audit FY 2006 - Progress Toward Completing Audit Plan				
Area	Audit Number & Title	Audit Subject	Risk	Estimated Date of Completion
Deputy Chief Executive Officer - Rail Operations	06-MRL-002 – Audit of Advanced Transportation Management System (ATMS) Division System Environment	This audit is part of the FY06 plan. The objective of the audit is to determine the adequacy and effectiveness of internal controls pertaining to the ATMS computing environment to ensure the secure, contingent, and effective bus operation.	High	2/2006
Chief Financial Officer/OMB – ITS	06-OMB-005 – Audit of Budget Information and Accounting System	This audit is part of the FY06 plan. The objective of the audit is to review the adequacy and effectiveness of internal controls programmed into Budgeting system to ensure data is accurate, timely, and kept confidential during budgeting process.	Medium	2/2006
Chief Financial Officer - ITS	06-ITS-008 - Audit of Payroll System	This audit is part of the FY06 plan. This is an integrated audit with the Internal Audit group to assess the adequacy and effectiveness of internal controls in Payroll Central. The objective of the IT audit is to test payroll transactions and exceptions to compliance with policies and procedures.	High	6/2006
Chief Financial Officer - ITS	06-ITS-011 - Audit of Physical Access Security for Bus Operations	This audit is part of the FY06 plan. The objective of this audit is to assess the adequacy and effectiveness of physical access controls for safeguarding the computer resources in ITS and Bus Operation divisions.	High	3/2006

Appendix D

Information Technology Audit FY 2006 - Progress Toward Completing Audit Plan				
Area	Audit Number & Title	Audit Subject	Risk	Estimated Date of Completion
Deputy Chief Executive Officer - Rail Operations	06-OPS-018 - Audit of Physical Access Security for Rail Operations	This audit is part of the FY06 plan. The objective of the audit is to assess the adequacy and effectiveness of physical access controls for safeguarding the Supervisory Control And Data Acquisition (SCADA) computer resources.	High	3/2006

Appendix E

Operational Audit FY 2006 – Progress Toward Completing Audit Plan				
Area	Audit No. & Title	Audit Subject	Risk	Estimated Date of Completion
Chief Financial Officer/Administration	05IA-007 – Gateway Pool Vehicles	This audit was in process in FY05. It will determine compliance with non-revenue passenger vehicle policy. This audit is postponed until installation of the M3 System is complete.	High	6/2006
Chief Operations Officer/Security	06-SEC-001 – Gateway Building Security	This audit is in the FY06 audit plan and tested compliance with policies & procedures related to physical security at Gateway Bldg. Fieldwork is complete. The report is being drafted.	High	1/2006
Chief Financial Officer/Procurement	06-PMM-002 – Audit of Post-Award Contract Administration	This audit is in the FY06 audit plan. It is a performance audit to evaluate the adequacy of internal controls over the administration of contracts following the contract award. There has been a departmental entrance conference and the audit is in the survey stage.	Medium	6/2006
Chief Operations Officer	03IA-017 – Bus Operator Overtime	This audit was in process in FY05. It will determine whether adequate controls have been established regarding bus operator overtime. The audit was limited to the San Fernando Valley Service Sector. This audit is in the draft report stage.	Medium	3/2006
Chief Operations Officer	05IA-014 – Operations Capital Projects	This audit was in process in FY05. It will evaluate the Operations Capital Projects for efficiency and effectiveness.	Medium	6/2006

Appendix E

Operational Audit FY 2006 – Progress Toward Completing Audit Plan				
Area	Audit No. & Title	Audit Subject	Risk	Estimated Date of Completion
Administration	06-ADM-003- Records Management	This audit is in the FY06 audit plan. It is a performance audit to evaluate the compliance with federal and state requirements and effectiveness and efficiency review process to industry best practice. There has been a departmental entrance conference and the audit is in the survey stage.	High	5/2006
Chief Planning Officer	06-TDI-004 Call For Projects	This audit is in the FY06 audit plan. It is a performance audit to evaluate the adequacy of internal controls and project management process of the periodic call-for-Projects. There has been a departmental entrance conference and the audit is in the survey stage.	Medium	6/2006
Chief Operations Officer/Security	06-SEC-005 – RRC Security	This audit is in the FY06 audit plan and tested compliance with policies & procedures related to physical security at RCC. Fieldwork is complete. The report is being drafted.	High	1/2006
Chief Communications Officer	06-CMS-006 – Filming	This audit is part of the FY06 audit plan and tested adequacy of controls and improve the filming process. Fieldwork is complete. The report is being drafted.	Medium	1/2006

Appendix E

Operational Audit FY 2006 – Progress Toward Completing Audit Plan			
Area	Audit No. & Title	Audit Subject	Estimated Date of Completion
Chief Financial Officer/Procurement	06-DEO-010 – Diversity Program Requirements	This audit is part of the FY06 audit plan. It will audit performance audit to determine whether Federal Reporting requirements are consistent with staffing levels. There has been a departmental entrance conference and the audit is in the survey stage.	4/2006
Chief Operations Officer/Security	06-SEC-009 – Division Security	This audit is in the FY06 audit plan and tested compliance with policies & procedures related to physical security at the Divisions. Fieldwork is complete. The report is being drafted.	High
Chief Operations Officer	05IA-001 – Fleet Management	This audit was in process in FY05. This audit will assess the adequacy of internal controls related to the Fleet Deployment Plan.	High
Chief Executive Officer	06-001-CEO – Agency Wide Risk Assessment	Agency Wide Risk Assessment – Outsourced to KPMG to complete formal, comprehensive risk assessment analysis. The risk assessment is complete.	High
Chief Operations Officer	05SA-006 – Bus Operations (CSA)	Organizational objectives, risks, and controls are identified and documented. Draft under Operations management review.	High
Chief Planning Officer	05-SA-003 Regional Transportation Planning (CSA)	Organizational objectives, risks, and controls are identified and documented. Draft under RTP management review.	High

Appendix E

Operational Audit FY 2006 – Progress Toward Completing Audit Plan				
Area	Audit No. & Title	Audit Subject	Risk	Estimated Date of Completion
Chief Operations Officer	06-PMM-015 Rail Warehousing (CSA)	Organizational objectives, risks, and controls are to be identified and documented. Initial meeting with management has been conducted.	-	6/2006
Chief Operating Officer	06-OAD-016 Manpower Planning (CSA)	Organizational objectives, risks, and controls are to be identified and documented. Initial meeting with management has been conducted.	-	6/2006