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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE  
APRIL 20, 2006**

**SUBJECT: FY07 ANNUAL AUDIT PLAN**

**ACTION: ADOPT THE PROPOSED FY07 ANNUAL AUDIT PLAN**

**RECOMMENDATION**

Adopt the proposed FY07 Annual Audit Plan (Attachment A).

**ISSUE**

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

Recommendations for improvements to the system of internal controls are requirements of various regularly scheduled and specifically directed audits that are performed in accordance with generally accepted government auditing standards, the Institute of Internal Auditors standards for the professional practice of internal auditing, and Information Systems Audit and Control Association auditing standards where appropriate. These recommendations, management's action plans and progress toward implementation will be periodically reported to the Board under separate cover.

**POLICY IMPLICATIONS**

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

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

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

## OPTIONS

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

## FINANCIAL IMPACT

Funding for the annual audit plan will be included in the FY07 budget in MAS's cost centers and the appropriate projects throughout the agency.

## DISCUSSION

Instrumental in developing the FY07 Annual Audit Plan was the agency wide risk assessment that was completed in December 2005 and presented to the Board in January 2006. 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.

Each area identified by the risk assessment was analyzed by MAS and discussed with executive management. Using this information, prior audit findings, requests by executive management and other relevant data, an initial 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. The initial assessment of hours required was analyzed and compared to audit resources available to complete the plan. The plan was then compared to a list of the Office of the Inspector General completed audits to eliminate any overlap of audit efforts. The proposed audits were also reviewed to determine whether to complete them using staff or

whether to outsource the audit. The decision to outsource is based on expertise required, resources available and cost to outsource.

Once the process was complete, the proposed audit plan was then reviewed with the CEO and his direct reports for their input and comments. The result is the proposed FY07 annual audit plan (Attachment A).

This is the second year an audit plan has been developed and presented to the Board for input and adoption. In April 2005, the FY06 Annual Audit Plan was the first audit plan to be presented to the Board and adopted.

### **NEXT STEPS**

Once the Board adopts the annual audit plan, MAS will develop the audit schedule for FY07. MAS will report to the Board quarterly on its progress in completing the annual audit plan.

### **ATTACHMENT**

A. FY07 Annual Audit Plan

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**MANAGEMENT AUDIT SERVICES**

**PROPOSED FY 2007  
ANNUAL BUSINESS AND AUDIT PLAN**



**Metro**

Management Audit Services  
Fiscal Year 2007 Business Plan

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## EXECUTIVE SUMMARY

### OVERVIEW

The FY07 audit plan identifies the audit priorities of Management Audit Services (MAS) for the next fiscal year. This year's audit plan is organized into the core business processes and resource management processes identified during the agency wide risk assessment:

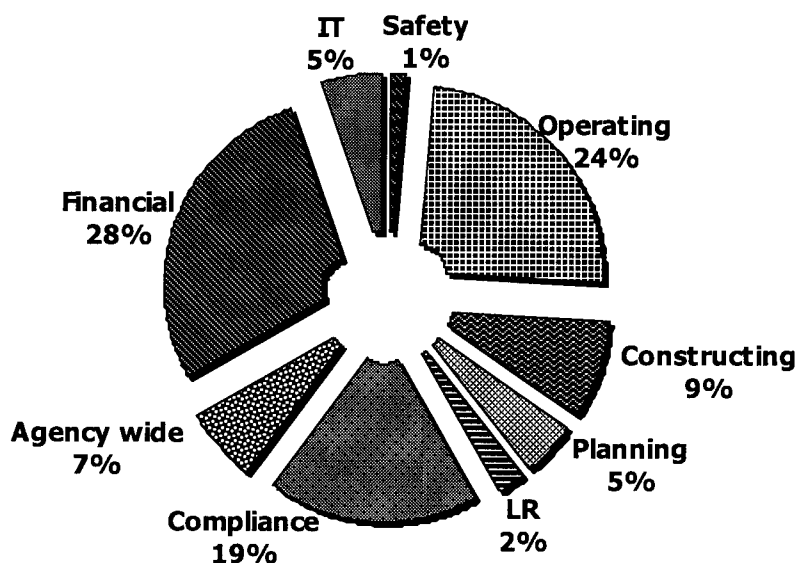
Core Business Processes – primary focus of the Agency:

- Planning Transportation for the region (Planning),
- Constructing new public transportation assets and routes (Constructing),
- Operating, managing and maintaining public transportation services (Operating),
- Maintaining compliance with legislative/regulatory requirements (Compliance), and
- Providing transportation safety and security (Safety).

Resource Management Processes - provide supporting services to Core Business processes:

- Financial Management (Financial)
- Information Technology (IT)
- Human Resources (HR), and
- Labor Relations (LR)

The FY07 audit plan by core business and resource management process is summarized below. A detailed list of audits is included in Appendix A.



The internal audits listed were selected primarily based on the results of the agency wide risk assessment completed in December 2005 and presented to the Board in January 2006. Audits identified as critical or high risk during the agency wide risk assessment were selected for the FY07 audit plan limited by the resources available to complete them.

The planned audits for Contract and Grants Audit unit were identified based on discussions with project staff and associated budget authorized to complete the work. Any additional work needed or unplanned audits requested will need to be outsourced to CPA firms and funded by the project.

The majority of MAS services are to complete assurance work on “hard controls”, such as segregation of duties, limiting access to agency assets, accurate original entries and transactions, and compliance to regulations, contracts, and memorandums of understanding. However, business process improvement is an area the Chief Executive Officer (CEO) has requested MAS to also focus on within the agency. Starting in FY07, audits will assess whether business process improvements can be achieved. In addition, approximately 10% of audit efforts will be specifically focused on business process improvement.

MAS also provides Control Self Assessment (CSA) services to the agency. 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. MAS auditors update the CSA report during the planning stage of an audit.

The FY07 plan also includes 2000 hours or 6.5% of available hours for special projects requested by the CEO (Appendix A, Line 60). These hours are reserved for emerging issues where the CEO needs audit resources to review and provide recommendations to correct a problem or to provide information about a specific issue.

#### Mission

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

#### Standards

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





### FY07 Audit 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 the FY07 audit plan include:

- Support Agency-wide Initiatives
- Promote Effective Corporate Governance
- Ensure Accounting, Financial Reporting and Agency Metrics are Timely and Accurate
- Identify Cost Savings Opportunities
- Drive Business Process Improvement

### Objectives and Core Functions

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

- Providing recommendations to protect and safeguard the agency's resources and assets,
- Providing assistance to improve and streamline processes and operations,
- Providing assurance services regarding the effectiveness of the internal control systems and processes,
- Testing financial transaction to verify accuracy and completeness of accounting entries,
- Providing assistance during contract/MOU negotiations in determining whether contract prices are fair and reasonable,
- Completing legally mandated audits to determine compliance to regulations,
- Pre-qualifying vendors in compliance with law and LACMTA'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 for an acceptable level of risk to management for all key business processes.

### Audit Resources

MAS is constrained by available staff resources and budgeted professional services dollars. In FY07, the proposed audit plan is based on the available staffing and budget resources.

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

Based on the current economic environment caused by new federal laws (Sarbanes-Oxley Act), auditors are in high demand and vacant positions are extremely difficult to fill. We currently have one vacancy and if there are any retirements or resignations, we expect that

they will not be filled within the normal timeframe. If this occurs, all planned audit work may not be completed.

## **SIGNIFICANT PLANNED ACTIVITIES**

### Continuous Controls Monitoring

As part of the drive towards business process improvement, MAS has included a continuous controls monitoring (CCM) project in the FY07 audit plan. Continuous controls monitoring is an independent review of electronic data from our databases. CCM can compare and analyze data from multiple systems across the agency to predefined parameters and provide summary reports of any exceptions. It can check and validate transactional data to identify errors, fraud, and inefficiencies. CCM can be used to analyze many areas including purchase to payment cycle, general ledger information, inventory management, and procurement card purchases.

MAS will pilot a CCM project next fiscal year and if it proves successful, expand CCM in following years.

### Follow-up on Prior Audit Findings

One of the suggestions for improvement from MAS' quality assessment review completed in FY06 was more aggressive follow-up on prior audit issues and findings. MAS has identified the areas audited and the recommendations made for audits completed in the last several years. FY07 audits will include procedures to review the implementation of prior recommendations and comment in the report on the current status of the audit findings.

### Audit Tracking and Follow-up

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

Beginning in March 2005, MAS assumed responsibility for a monthly reporting to the Board on all outstanding audit issues. These reports are issued as Board boxes 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.

# Proposed FY07 Annual Audit Plan

## INTRODUCTION

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

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

The proposed FY07 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 FY07 plan is based on 30,415 direct audit hours to be provided by 18 audit professionals. The audit hours for the Managing Director 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 and 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 and the CEO’s request.

## ALLOCATION OF AUDIT RESOURCES

The direct audit hours are allocated as follows:

- 22 internal audits, including embedding staff in 2 outsourced audits,
- 6 CSAs,
- 11 IT audits including embedding staff in 2 outsourced audits,
- 25 Contract Audits,
- 60 Grant Audits, and
- 3,125 hours for FY06 audits that are still in process.

## OUTSOURCED AUDITS

Based on industry best practices, we are changing the way we outsource some of the audits in the FY07 plan. Instead of embedding auditors with an external auditor so that information is transferred back to MAS, we will instead use consultants to plan the audit engagement and provide supervisory feedback during fieldwork. MAS auditors will assist the consultant in the planning phase and will complete all of the fieldwork with supervision from the consultant.

This methodology trains internal auditors in specialized areas and ensures MAS receives the specialized expertise needed at the most economical price. The audits that we plan to utilize this methodology include the Wireless Systems audit and Universal Fare System audit.

Because of the complexity of the project and the technical knowledge required throughout the project, some of the outsourced audits will be done in the more traditional manner. Projects such as Continuous Monitoring will be outsourced to a vendor and one or more of our audit staff will be embedded in the project to provide assistance and gain some expertise during the assignment.



# Proposed FY07 Annual Audit Plan

## APPENDIX A

### DETAILED LISTING OF AUDITS

PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
1	Planning	North County Combined Hwy. Corridor Study SR 138 - Closeout	Other Capital Projects	Contractual Requirement	Medium	240		
2	Planning	North County Combined Hwy. Corridor Study I-5 & SR 14	Other Capital Projects	Contractual Requirement	Medium	320		
3	Planning	I-710 Major Corridor Study	Other Capital Projects	Contractual Requirement	Medium	320		
4	Planning	101 Corridor Study - PS-4340-0992 - Closeout	Other Capital Projects	Contractual Requirement	Medium	240		
5	Planning	Call For Projects	Planning	Completion of FY06 audit in process. Evaluate the adequacy of internal controls and project management process of periodic call for projects.	Medium	300		
	<b>Planning Total</b>					<b>1,420</b>		
6	Constructing	Major Construction Program Management	Construction	Completion of FY06 audit in process. Construction/Capital Project Procurement Process audit. Review methodology applied to procurements and compare to industry best practices. Validate that controls are effectively followed.	High	100		
7	Constructing	Gold Line Eastside Extension - Audit Requirements - Change Order Audits, Precaward, & Interim Audits of Cost Reimbursable Contract	Gold Line Eastside Extension	Legal & Contractual Requirement	High	1,750		
8	Constructing	Metro Orange Line Change Order Audits, Closeout Audits of Cost Reimbursable Contract	Metro Orange Line	Legal & Contractual Requirement	High	140		
9	Constructing	Metro Orange Line Canoga Park-Change Order Audit	Metro Orange Line	Legal Requirement	High	40		
10	Constructing	Wilshire BRT Project	Other Capital Projects	Contractual Requirement	Medium	600		
	<b>Constructing Total</b>					<b>2,630</b>		
11	Operating	Maintenance and Material Management - Work Order Management	ITS	Determine that security controls are in place and working as designed in the key business and IT processes in managing work orders.	High	450		2005 M3

PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
12	Operating	Universal Fare System (UFS)	ITS	Identify/define key business and IT processes and determine that control requirements are integrated into the key processes and that control activities are appropriately designed to meet these requirements.	High	450	Outsourced included in FY07 budget	
13	Operating	Universal Fare System - Change Orders and Interim Audits TAP - Consulting Services	Operations	Contract requirement	Medium	350		
14	Operating	Equipment Maintenance	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area. The documentation will be reviewed and approved by appropriate levels of user management.	High	300		
15	Operating	Warranty Processing Center	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area. The documentation will be reviewed and approved by appropriate levels of user management.	High	300		
16	Operating	Facilities Services Maintenance	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area. The documentation will be reviewed and approved by appropriate levels of user management.	High	300		
17	Operating	UFS Project	Operations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area. The documentation will be reviewed and approved by appropriate levels of user management.	High	300		
18	Operating	Family & Medical Care Leave	Operations	Identify key functional areas where the impact of agency policies is or could be significant. Validate that the functional areas are in compliance with the provisions. Determine areas of improvement.	Critical	425		

PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
19	Operating	Rail Service Interruption and Contingency Planning	Operations	Validate adherence to policies for serving and assisting rail ridership when there is a service interruption. Understand procedures for notifying customers of service disruption and alternative transportation services and validate that these procedures are being adequately followed.	Critical	425		
20	Operating	Transit Services Disaster recovery	Operations	Validate existence, currency and extensiveness of disaster recovery planning for transit services. Determine if plan is adequately disseminated and understood within the agency and is regularly tested. Confirm that processes are adequate to ensure the plan is continually updated.	Critical	425		
21	Operating	Business Continuity Planning	Operations	Identify existence and currency of business continuity plan; Validate that the process to update the plan is adequate and performed timely. Review the level of stakeholder involvement. Verify that all relevant business processes and critical supporting systems have been identified and included.	Critical	425		
22	Operating	Bus Maintenance Service	Operations	Evaluate maintenance compliance requirements to ensure service sectors are following bus maintenance requirements, including quality control, and effective and efficient deployment. Validate monitoring process and that metrics are timely, accurate and effective.	High	425		1999
23	Operating	Bus facilities maintenance	Operations	Perform an internal control review validating that bus facilities maintenance program requirements are being met. Determine areas of improvement.	High	425		1999
24	Operating	Major Equipment Maintenance	Operations	Perform an internal control review validating that major equipment maintenance program requirements are being met. Determine areas of improvement.	High	425		1999
25	Operating	M3	Operations	Conduct system utilization audit to validate that key functions are being used. Determine areas of improvement.	Critical	525		
26	Operating	SCADA Firewall	Operations	Completion of FY06 audit in process. Assess the internal controls implemented in the firewall system for the SCADA network.	High	200		

PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
27	Operating	Scheduled Bus Performance	Operations	Integrated audit to evaluate the efficiency and effectiveness of bus performance process. Validate bus performance metrics are accurate, complete and timely available. Validate if HASTUS system is effective in scheduling bus operators.	Critical	875		
28	Operating	ADA Compliance	Operations	Validate that Metro complies with ADA requirements. Review the requirements of the contract with Access Services to determine Service Level Agreements for Route & Service responsiveness, vehicle maintenance, security and safety. Validate that Access Services is appropriately complying with contract requirements.	High	425		
<b>Operating Total</b>						<b>7,450</b>		
29	Compliance	Alameda Corridor East	TDI	LACMTA Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High	1,020		
30	Compliance	Calls-for-Projects MOUs	Chief Planning Officer/ TDI	LACMTA Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High	2,820		
31	Compliance	Funding program compliance audit	OMB Programming & Policy Analysis	Compliance review to validate funding source regulations and requirements are being met.	Critical	425		
32	Compliance	North American Bus Industries Buy America Audit	Operations	Legal Requirement	Medium	140		
33	Compliance	Caltrans - In-house	TDI	LACMTA Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High	1,260		
34	Compliance	Caltrans - Outsource	TDI	LACMTA Board Policy to Audit Prop C Memorandums of Understanding for Calls for Project.	Medium to High		Outsourced included in FY07 budget	
<b>Compliance Total</b>						<b>5,665</b>		
35	Safety	Accident Management Process	Operations	Validate the process for monitoring and reviewing bus driver accidents. Determine that system performance continues to meet transportation safety requirements.	Critical	425		
<b>Safety Total</b>						<b>425</b>		
36	Financial	Financial Statement Audit	Accounting	Embed Management Audit Services auditor in PricewaterhouseCoopers external audits to provide audit service assistance to PWC.	High	450	Outsourced included in FY07 budget	2005
37	Financial	Petty Cash	Accounting	Performance audit to review internal controls over the handling of petty cash funds.	High	350		2002



PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
38	Financial	Accounts Payable	Accounting	Completion of FY06 audit in process. Performance audit to test sample transactions for compliance to policies and procedures, incorrect payment amounts, and wrong vendor paid.	High	200		MAS 2001, OIG 2005 review of dup. prmts. only
39	Financial	Accounts Receivable	Accounting / ITS	Integrated audit to validate adequacy of internal controls. Determine areas of improvement.	High	850		
40	Financial	Payroll E-Time	Accounting/ITS	Validate internal controls of new E-time system.	High	450		
41	Financial	Employee Benefits Calculations/Processes	Benefits / Accounting	Validate accuracy of benefit assumptions and calculations, including post employment benefits tracking of COBRA deductions. Verify that benefits are in compliance with appropriate regulatory and agency policies. Validate internal controls.	High	500	Outsourced included in FY07 budget	
42	Financial	Fare Media Process	Communications	Completion of FY06 audit in process. Performance Audit to evaluate the security and controls in place to protect fare media from the time it is printed until the asset is no longer the responsibility of the agency.	High	300		
43	Financial	Payroll	Financial/ITS	Completion of FY06 audit in process. Integrated audit to assess the adequacy of effectiveness of internal controls in Payroll Central.	High	650		
44	Financial	FIS Environment	ITS	Completion of FY06 audit in process. General controls review of FIS client/server environment.	High	250		

PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
45	Financial	Continuous Monitoring	ITS	Provide an independent mechanism to automatically monitor internal control effectiveness embedding audit "best practices" in the business operations so that management gain independent assurance of the integrity of transactions underlying financial reporting and mitigate risks of ineffective or missing controls within the application systems. An auditor will review systemic issues identified by the Continuous Monitoring system to determine whether processes need to be modified or improved. Follow-up review of Drivers License Monitoring Process will be completed on this project.	High	575	Outsourced included in FY07 budget	
46	Financial	Financial Reporting System Audit - Oracle Change Management Audit	ITS	Validate the formal change management process and assess the adequacy of internal controls in managing changes to critical Oracle applications from cradle to grave.	Critical	450		
47	Financial	FIS - Vendor Master File	ITS	Validate internal controls of vendor master file and that the data in the file are accurate, complete and duplicate vendors do not exist.	High	500		
48	Financial	Capital Budget Process	OMB	Performance audit to evaluate the effectiveness and efficiency of the processes used in developing the agency's annual capital budget.	High	600		
49	Financial	Expenditure Reporting	OMB/IT	This is integrated audit with Information Technology audit group to validate that capital project expenditures are accurately, completely and timely posted to appropriate project/funding accounts; that application/systems for expenditure processing conform to business/project requirements; and that internal controls are adequate and effective.	High	850		
50	Financial	Inventory	Procurement	Completion of FY06 audit in process. Performance audit to verify adequacy of internal controls over inventory purchasing, receiving, and disbursement. Review level of inventory to agency policy to determine accuracy of account balance. Review level of inventory to agency policy to determine if amount of inventory is at optimal levels.	High	250		

PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
51	Financial	Procurement Card	Procurement	Performance audit to identify procurement card policies, procedures, and controls. Determine compliance with policies and procedures and adequate monitoring.	High	425		2003
52	Financial	Investment Review	Treasury	Carryover from FY06. In compliance with California Government Code 53646, LACMTA issues a quarterly report on compliance to LACMTA investment policies. Test the transactions and verify the accuracy of what is being reported to the Board. Verify that agency investment policy development considered applicable regulations, benefits and risks of investment approaches.	High	425		New
53	Financial	Pension Funding Process	Treasury	Performance audit to validate that pension funding meets current and upcoming labor contract requirements. Validate that a process is in place to timely notify the agency of potential under funding of pension/benefit programs and that the agency takes timely and appropriate action steps to mitigate this risk.	Critical	425		
	<b>Financial Total</b>					<b>8,500</b>		
54	IT	Database & Storage Administration	ITS	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area. The documentation will be reviewed and approved by appropriate levels of user management.	High	300		
55	IT	Network Operating System Security Audit - Windows 2003	ITS	Determine the adequacy and effectiveness of network security in order to safeguard LACMTA's information against unauthorized use, disclosure, modification, damage or loss.	Critical	425		2001

PROPOSED FY07 ANNUAL AUDIT PLAN

Ref #	Core Business Unit	Audit Subject	Area	Justification	Risk	Hours Needed	Outsource	Year Last Audited
56	IT	Wireless Systems Audit	ITS	Carryover from FY06. Determine whether appropriate access controls are in place to prevent unauthorized entry a which could result in unavailability of critical systems leading to delay in bus transit operations or unsafe rail operating conditions.	High	450	Outsourced included in FY07 budget	
57	IT	Cell Phone Utilization	ITS	Conduct an internal control review to validate that program requirements are being met. Validate blackberry issuance complies with agency policy.	Medium	425		
	<b>IT Total</b>					<b>1,600</b>		
58	Labor Relations	Labor Relations	Labor Relations	Control Self Assessment to document the business objectives, risks, controls, residual risks and action plans to mitigate any unacceptable residual risks identified for this area. The documentation will be reviewed and approved by appropriate levels of user management.	High	300		
59	Labor Relations	Labor Relations	Operations	Consulting Engagement - Lessons learned for Contract Negotiations. Review agency procedures for reviewing union agreements, interpreting agreement provisions and ensuring agreement understanding by appropriate managers and staff. Assess process for confirming agreement understanding with respective unions. Validate that negotiating risks were properly captured and tracked against to ensure risks were properly mitigated.	Critical	425		New
	<b>Labor Relations Total</b>					<b>725</b>		
60	Agency Wide			CEO Special Request Hours		2,000		
	<b>Grand Total</b>					<b>30,415</b>		