



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
MAY 18, 2006**

SUBJECT: MANAGEMENT AUDIT SERVICES FY06 THIRD QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the third quarter FY06 report of Management Audit Services for the period ending March 31, 2006.

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. This report fulfills the requirement for third 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 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 March 31, 2006 is as follows:

Contract Audit – nine audits were completed reviewing an absolute value of \$3.6 million and questioning an absolute value of \$340 thousand. As of March 31, 2006, twenty-four audits are in process with an absolute value of \$95 million.

Grant Audit – four audits were completed reviewing \$12 million and identifying \$630 thousand of funds that can be reprogrammed through the Call-for-Projects. Twenty-six are in process.

Financial Audit, Information Technology Audit, and Operational Audit – two audits completed, and two Controlled Self Assessments (CSAs) completed.

Contractor Pre-Qualification – 110 applications and validations were processed and 87 were approved.

Audit Follow-up and Resolution –20% of all outstanding audit recommendations were completed and closed. Twenty-eight new audit recommendations were added.

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

NEXT STEPS

Management Audit Services will provide a fourth quarter/year end summary of FY 2006 audit activity to the Board at the August 2006 Executive Management and Audit Committee meeting.

ATTACHMENT

- A. Quarterly Report on Management Audit Services activity for period ending March 31, 2006.

Prepared by: Ruthe Holden, Managing Director, MAS

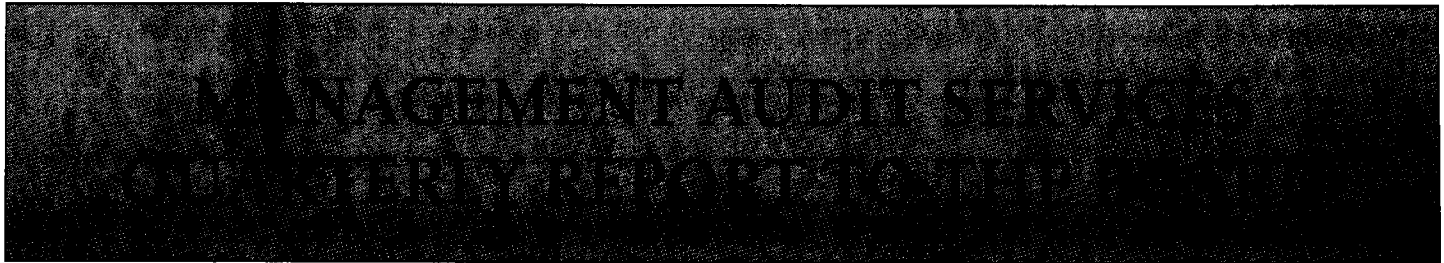


Ruthe Holden
Managing Director, Management Audit Services



Roger Snoble
Chief Executive Officer

Los Angeles County Metropolitan Transportation Authority



**THIRD QUARTER
FY 2006**

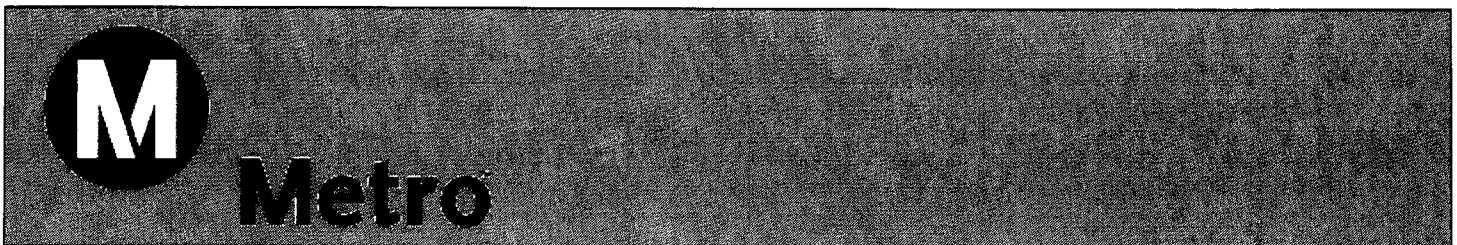
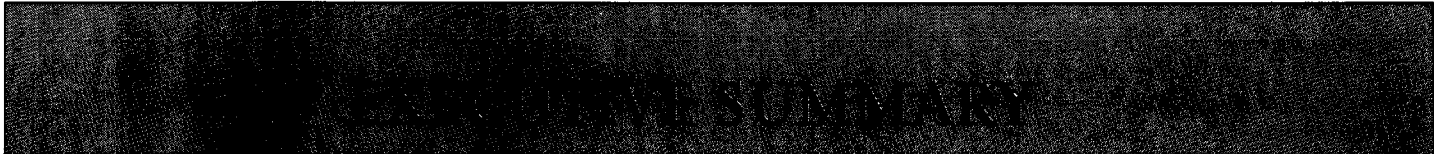


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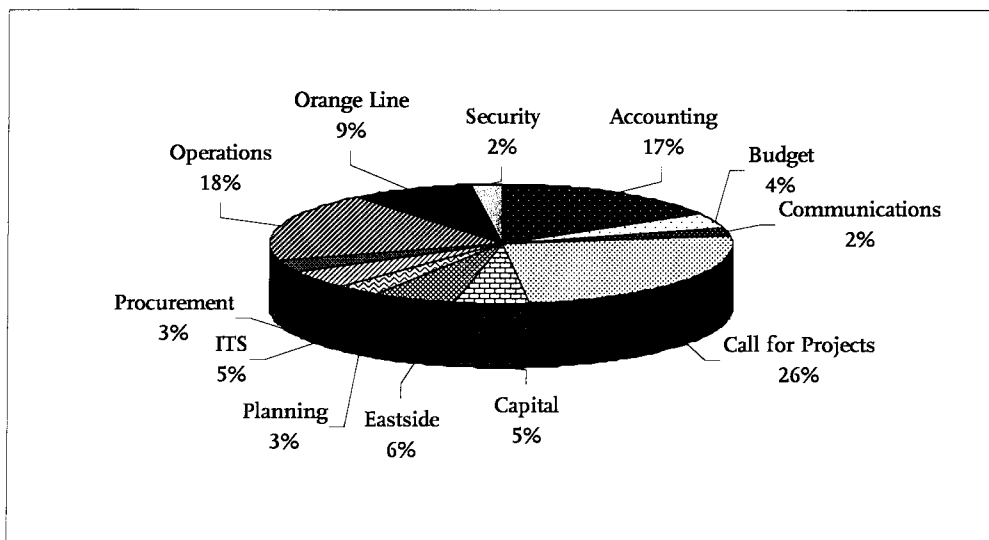
Introduction

During the first three quarter of FY06, 42 audits were completed; 12 audits were issued in the first quarter, 15 audits were issued in the second quarter, and 15 audits were issued in the third quarter. In addition, six Control Self-Assessments (CSAs) were completed, one in the first quarter, three in the second quarter, and two in the third quarter. The Agency Wide Risk Assessment was completed in second quarter FY06 and auditors worked on three consulting engagements, one in first quarter, one in second quarter, and one in the third quarter.

The work completed in the first and second quarters of FY06 is summarized in the quarterly reports issued in November 2005 and February 2006. The completed audits for third quarter include two internal audit reports; nine contract audits, four grant audits and one special request for consulting services to Procurement. The completed internal audits and CSA's are summarized beginning on page four. The completed Contract and Grant audits are summarized on page three.

Eighty-six audits and three CSA reports were in process at the end of the third quarter. Six of the audits in process are from FY05, four of which are in draft report stage and final reports should be issued in the next few months. The rest of the in process audits are from the FY06 audit plan.

The following chart identifies the functional areas where MAS focused staff time and efforts during the third quarter:



EXECUTIVE SUMMARY

Audit Follow-up and Resolution has continued its more proactive approach to getting recommendations resolved, resulting in 20% (14) of the open recommendations being closed in the third quarter. A total of 28 audit recommendations were added during the same timeframe.

The pre-qualification group experienced a slight decline in activity compared to the same period last year. The 110 applications and validations processed during the third quarter were in support of twenty-three different procurement actions.

In the last nine months, MAS has made significant advancement in our efforts to streamline and reengineer our processes. Auditors have mastered the audit workpaper software, TeamMate. Concurrently, conversion of our paper files into an electronic searchable format has been very successful. We have uploaded about 85% of our audit workpapers, reports, and reference materials from the last several years. MAS staff has been able to access these documents from their workstations saving both time and resources.

Highlight of the Quarter – Quality Assurance Review

Government Auditing Standards (GAS) section 3.49 requires that each audit organization performing audits in accordance with GAS should have an appropriate internal quality control system in place and should undergo an external quality assessment review (QAR). In addition, Institute of Internal Auditors (IIA) also requires an audit department to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. The IIA requires periodic internal as well as external quality assessments and ongoing internal monitoring.

The purpose of the review is to determine compliance with GAS and to provide recommendations for improvement. The review MAS underwent was done in accordance with guidelines for external quality assurance reviews endorsed by American Public Transportation Association (APTA). These guidelines specify that a review should be appropriately comprehensive and suitably designed in relation to the organizational structure of the reviewed audit organization.

MAS underwent a peer review in 2001 for the period ending December 31, 2000. The most recent peer review was completed in January 2006 for the fiscal year ending June 30, 2005 and a report dated February 3, 2006 was issued to the Chief Executive Officer and Chairman of the Board.

EXECUTIVE SUMMARY

For the 2006 QAR, APTA's Internal Audit Committee assigned three audit officials from Washington Metropolitan Area Transit Authority, New York Metropolitan Transportation Authority, and Bay Area Rapid Transit. As part of their review, they interviewed the Chief Executive Officer, the Deputy Chief Executive Officer, the Deputy Inspector General, senior management, and MAS management and staff. In addition, they reviewed MAS' organizational reporting structure, training records, and workpapers and reports completed during the period reviewed. Compliance to GAS was evaluated according to ten quality assurance criteria specified by APTA as important elements of an internal quality assurance program.

The review concluded that MAS substantially complies with professional auditing standards and practiced effective internal audit quality control procedures during the period reviewed, which means that policies and procedures existed that were judged to be in accordance with GAS. Further, they observed improvement in the audit process since the June 30, 2005 reporting period. In addition, the QAR made several useful suggestions for improvement that MAS has already implemented or is in the process of implementing.

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.

For the third quarter FY06, nine audits were completed, reviewing a net value of \$3.6 million and questioning a net value of \$340,000. Six of these completed audits were for the Eastside project, one was for Orange Line, and the others were for Operations and a capital project. In addition, Contract Audit completed one special request for Procurement for consulting services on the Regional Transit Access Pass (TAP) Service Center bid price analysis. As of March 31, 2006, 24 audits were in process with an absolute value of \$95 million dollars.

For all negotiations completed to date in FY06 (including open audit findings from prior quarters) Contract Administrators were able to avoid cost to the agency of \$1.47 million based on questioned costs from audit reports, which resulted in a sustention rate of 76.46%.

Approximately 27% of Contract Audit's efforts went to support the Eastside project and 40% to Orange Line. The rest of the audit effort was split between Operations and other capital projects.

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

GRANT AUDIT

Grant Audit conducts audits for Countywide Planning's Call-for-Projects program, federally funded transportation programs, and various other grantees for transportation related projects. These include the Alameda Corridor East and CalTrans. The purpose of the audits is to ensure that money is spent in accordance with the terms of the grants or contracts and Federal cost principles.

Grant Audit completed four audits during the quarter, reviewing in excess of \$12 million. We identified \$630,000 of funds that can be reprogrammed by Countywide Planning for other projects. Twenty-six audits with a total value of \$55 million were in process as of March 31, 2006.

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

INTERNAL AUDITS

FINANCIAL AUDIT

For the third quarter FY06, twelve audits are in process, including one from the FY05 audit plan, ten from FY06 audit plan, and one special request audit approved by the CEO. The audit in process from FY05 is for the Review of DBE Program. This audit is in the draft report stage and will be finalized in the next couple months. The ten 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, Inventory, Accounts Payable, and Investment Policy. 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. The CEO requested an audit of the Immediate Needs Transportation Program. This audit was outsourced to Thompson, Cobb, Bazilio & Associates and is expected to be completed in May 2006. The financial audits in process are listed in Appendix C.

INFORMATION TECHNOLOGY AUDIT

For third quarter FY06, two audit reports were issued, Advanced Transportation Management System (ATMS) Disaster Recovery Plan (DRP), and Drivers License Monitoring System (DLMS).

As part of the FY06 audit plan, MAS reviewed the Physical Access Security to ITS and Bus Operations Computer and Communication Resources. The audit was concluded and no report was issued because the risk to LACMTA was determined to be minimal. MAS will review this periodically to verify that the risk to the agency has not changed.

Eleven Information Technology (IT) audit projects are in process. This includes two audits in process from the FY05 audit plan, and nine audits in process from the FY06 audit plan. The FY05 carryover audits include audits of the Transit Operations and Trends System and the Supervisory Control and Data Acquisition System. Both of these audits are in the draft stage and will be finalized in the next couple of months. The nine audits in process from the FY06 audit plan include: Change Management System, Disaster Recovery Plan for ITS, Advanced Transportation Management System environment, Budget Information and Accounting System, Physical Access Security for Rail Operations, Payroll, Oracle Human Resources, Software Licensing Procedures, and Supervisory Control & Data Acquisition Firewall. The IT audits in process are listed in Appendix D.

The IT audits finalized and issued during third quarter FY06 are summarized below:

INTERNAL AUDITS

Audit of the Advanced Transportation Management System Disaster Recovery Plan

The primary purpose of the audit was to assess the contingency plan adequacy for the transportation information using criteria specified in Information Systems Audit and Control Foundation's Control Objectives for Information and Related Technology. The ATMS computer room had an inappropriate fire suppression system that could put the equipment at risk. LACMTA management has since replaced the existing water sprinklers with an appropriate fire suppression system. In addition, at the time of the audit, the ATMS DRP was in draft and still required management review and approval. Management is in the process of finalizing the ATMS DRP.

Audit of the Drivers License Monitoring System

The primary purpose of the audit was to assess the security controls over California's Department of Motor Vehicle's Direct Access system and LACMTA's Drivers License Monitoring System (DLMS). In addition, MAS reviewed compliance to California Vehicle Code (CVC) Section 1808 that requires certain employers to participate in the California DMV Pull Notice Program. This program prohibits the assignment of operators with major licensing violations. Seven operators drove buses in violation of CVC Section 1808. The audit also found that DLMS is inconsistently used among the operating Divisions. The Deputy Chief Executive Officer responded to these issues immediately by revising the DLMS User Manual and directing his staff to use DLMS daily to promptly remove operators with violations from active duty.

OPERATIONAL AUDIT

For third quarter FY06, two Controlled Self Assessments (CSAs) were completed. Thirteen operational audits and three CSA reports are in process. Three of the audits in process are from the FY05 audit plan, including Bus Operator Overtime, Operations Capital Projects, and Fleet Management. Ten 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, Farebox Vaulting, Major Construction Projects, Fare Media Process and Records Management. The operational audits in process are listed in Appendix E.

The CSA group is currently performing assessments on three business units. The CSAs in process include Bus Operations, Manpower Planning, and Service Planning. In third quarter FY06, the CSAs for Regional Transportation Planning and Rail Warehousing were finalized and signed-off.

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 third quarter of FY06, 110 applications and validations were processed. Eighty-one applications and 26 validations were submitted, and three applications were in process from the second quarter of FY06. Of the 110 processed, 87 firms were approved to do business with LACMTA, three were closed as incomplete (applicants failed to respond to requests for information), and 20 applications were still in process as of March 31. The average processing time was eight days for applications and two days for validations. An appeal hearing was held for a firm denied last year. The review committee reversed the denial, and the firm was subsequently approved.

The applications processed during the third quarter of FY06 were in support of twenty-three different procurement actions, including contracts in construction, operations, and professional services.

Audit Follow-Up and Resolution

The more proactive follow-up approach implemented last year continues to yield more timely agreed-upon corrective actions.

During the third quarter of FY06, 14 additional recommendations were completed and closed. This represents a 20% reduction in the total outstanding recommendations.

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

**Summary of MAS and External Audit Recommendations
As of March 31, 2006**

| Executive Area | Closed or Completed in Jan. | Closed or Completed in Feb. | Closed or Completed in Mar. | Under Review | Extended | Not Yet Due | Total Open Recom. |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|----------|-------------|-------------------|
| EO Finance | | | | 3 | | 1 | 4 |
| EO Procurement & Material Management | 1 | | | 2 | 4 | 5 | 11 |
| Chief Executive Officer | | | | | 2 | 3 | 5 |
| Chief Comm. Officer | | 2 | 1 | 8 | 1 | | 9 |
| DCEO/COO | 4 | 4 | 2 | 2 | 16 | 8 | 26 |
| Totals | 5 | 6 | 3 | 15 | 23 | 17 | 55 |

Appendix A

| Contract Audit FY 2006 - Audits Completed During Third Quarter | | | | | | |
|--|-----------------------------------|--|--------------|-------------|----------------|--|
| Area | Audit Number & Type | Contractor | Contract | Requirement | Date Completed | |
| Eastside | 06-LRT-01 - Change | Eastside LRT Constructors | C0803 | Legal | 1/2006 | |
| Eastside | 05CA-J36 - Interim/Costs Incurred | Jenkins/Gales & Martinez, Inc. | PS-4310-0964 | Contractual | 1/2006 | |
| Eastside | R-002-04 - Interim/Costs Incurred | Electrical Building Systems, Inc. | PS-4310-0964 | Contractual | 1/2006 | |
| Eastside | R-004-04 - Interim/Costs Incurred | E2 Consulting Services, Inc. | PS-4310-0964 | Contractual | 1/2006 | |
| Eastside | 06-LRT-02 - Change | Eastside LRT Constructors | C0803 | Legal | 2/2006 | |
| Operations | 06-NES-01 - Cost Proposal | Nationwide Environmental Services, Inc. | OP-344-0662 | Contractual | 2/2006 | |
| Eastside | 06-LRT-04 - Change | Eastside LRT Constructors | C0803 | Legal | 3/2006 | |
| Capital | 06-BEC-01 | Brutoco Engineering and Construction, Inc. | C0671 | Legal | 3/2006 | |
| Orange Line | 06-SOJ-04 - Change | Shimmick/Obayashi, JV | C0675 | Legal | 3/2006 | |

| Grant Audit FY 2006 - Audits Completed During Third Quarter | | | | | | |
|---|----------------------|---|------------------------|-------------|----------------|--|
| Area | Audit Number & Type | Memorandum of Understanding | MOU Number | Requirement | Date Completed | |
| Planning | B-023-05 - Closeout | HOV Lanes on Rte 605 - Orange County Line to South Street | MOU.P0000363 /P0004290 | Contractual | 2/2006 | |
| Planning | B-028-05 - Closeout | Chinatown Gateway Monument | LOA.P0006213 | Contractual | 2/2006 | |
| Planning | 06LA-C09 - Closeout | Victory/Oxnard Bus Priority Treatments | P0002121 | Contractual | 1/2006 | |
| Planning | 06-CBM-01 - Closeout | Alameda Corridor East - CBM Consulting | MOU.P0004367 | Contractual | 1/2006 | |

Appendix C

| Financial Audit FY 2006 - Progress Toward Completing Audit Plan | | | | |
|--|---|---|--------|------------------------------|
| Area | Audit Number & Title | Summary of Findings | Risk | Estimated Date of Completion |
| Executive Officer Procurement & Material Management | 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 | 4/2006 |
| Executive Officer Finance | 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 | 5/2006 |
| Executive Officer Finance | 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 | 5/2006 |
| Executive Officer Proc. & Mat. Mngmt./ 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 | 5/2006 |
| 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 |

Appendix C

| 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 Executive Officer Finance/Grant Accounting Chief Capital Management Officer/P 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 | 6/2006 |
| Executive Officer Finance/Accounting Chief Operations Officer | 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 | 6/2006 |
| Executive Officer Finance/Accounting, Executive Officer Procurement & Material Management, Executive Officer Real Property, 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 | 6/2006 |

Appendix C

| Financial Audit FY 2006 - Progress Toward Completing Audit Plan | | | | |
|--|--|---|--------|------------------------------|
| Area | Audit Number & Title | Summary of Findings | Risk | Estimated Date of Completion |
| Executive Officer Finance/OMB | 06-OMB-005 – Budget Process | 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 |
| Executive Officer Procurement & Material Management/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 | 8/2006 |
| Executive Officer Finance/Accounting | 06-ACC-009 - Accounts Payable | This audit is part of the FY06 audit plan. It will include sample test transactions for compliance to policies and procedures, incorrect payment amounts, and wrong vendor paid; verify the adequacy of internal controls over the processing of accounts payable. | High | 6/2006 |
| Executive Officer Finance/Finance and Treasury | 06-FIN-005 - Investment Policy | This audit is part of the FY06 audit plan. It will include sample test of transactions to verify the accuracy of what is being reported to the Board (in compliance with California Government Code 53646, LACMTA issues a quarterly report on compliance to LACMTA investment policies). | Medium | 6/2006 |

Appendix D

| Information Technology Audit FY 2006 - Progress Toward Completing Audit Plan | | | | |
|--|---|--|--------|------------------------------|
| Area | Audit Number & Title | Audit Subject | Risk | Estimated Date of Completion |
| 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 | 5/2006 |
| 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 | 6/2006 |
| Executive Officer Procurement & Material Management/ITS | 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 | 5/2006 |
| Executive Officer Procurement & Material Management/ITS | 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. This audit is in the draft report stage. | High | 5/2006 |

Appendix D

| Information Technology Audit FY 2006 - Progress Toward Completing Audit Plan | | | | |
|--|--|---|--------|------------------------------|
| Area | Audit Number & Title | Audit Subject | Risk | Estimated Date of Completion |
| Chief Operations 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 | 5/2006 |
| Executive Officer Finance/OMB Executive Officer Proc. & Mat. Mngmt./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 | 6/2006 |
| Executive Officer Procurement & Material Management/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 Operations 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 | 5/2006 |

Appendix D

Information Technology Audit FY 2006 - Progress Toward Completing Audit Plan

| Area | Audit Number & Title | Audit Subject | Risk | Estimated Date of Completion |
|---|--|---|--------|------------------------------|
| Executive Officer Procurement & Material Management/ITS | 06-ITS-004 - Audit of HRMIS (Name changed to Oracle HR) | The objective of this audit is to assess the adequacy and effectiveness of logical security access controls for safeguarding the confidentiality and integrity of data in HRMIS. | Medium | 5/2006 |
| Chief Operations Officer/Systems Engineering | 06-MRL-007 - Audit of Supervisory Control and Data Acquisition Firewall System | The objective of this audit is to assess the adequacy and effectiveness of internal controls implemented in the firewall system which protects the SCADA network from the public Internet and other private networks. | High | 6/2006 |
| Executive Officer Procurement & Material Management/ITS | 06-ITS-009 - Audit of Software Licensing Procedures | The objective of this audit is to assess the adequacy of policies and procedures for software purchases to ensure the agency complies with vendor licensing agreements and copyright laws. | High | 6/2006 |

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/Security | 06-SEC-001 – Gateway Building Security | This audit is in the FY06 audit plan. It tested compliance with policies & procedures related to physical security at Gateway Bldg. Fieldwork is complete. This audit is in the draft report stage. | High | 4/2006 |
| Executive Officer Procurement & Material Management | 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 stop/go 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 | 6/2006 |
| 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. This audit is in the stop/go stage. | Medium | 6/2006 |
| Administration | 06-ADM-003- Records Management | This audit is in the FY06 audit plan. It is a performance audit to evaluate compliance with federal and state requirements, and effectiveness and efficiency review process to industry best practices. There has been a departmental entrance conference and the audit is in the stop/go stage. | High | 5/2006 |

Appendix E

| Operational Audit FY 2006 – Progress Toward Completing Audit Plan | | | | |
|---|---|---|--------|------------------------------|
| Area | Audit No. & Title | Audit Subject | Risk | Estimated Date of Completion |
| 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 the 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. It tested compliance with policies & procedures related to physical security at RCC. Fieldwork is complete. The audit is in the draft report stage. | High | 4/2006 |
| Chief Communications Officer | 06-CMS-006 – Filming | This audit is part of the FY06 audit plan. It tested the adequacy of controls in the filming process. Fieldwork is complete. The audit is in the draft report stage. | Medium | 4/2006 |
| Executive Officer Procurement & Material Management | 06-DEO-010 – Diversity Program Requirements | This audit is part of the FY06 audit plan. It is a 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 stop/go stage. | High | 4/2006 |
| Chief Operations Officer/Security | 06-SEC-009 – Division Security | This audit is in the FY06 audit plan. It tested compliance with policies & procedures related to physical security at the Divisions. Fieldwork is complete. The audit is in the draft report stage. | High | 4/2006 |

Appendix E

| Operational Audit FY 2006 – Progress Toward Completing Audit Plan | | | | |
|---|--|---|------|------------------------------|
| Area | Audit No. & Title | Audit Subject | Risk | Estimated Date of Completion |
| Chief Capital Management Officer | 06-CON-007 - Major Construction Projects | This audit is in the FY06 audit plan and evaluates the adequacy of internal controls over processes used in managing capital projects. This audit is in the survey stage. | High | 6/2006 |
| Chief Communications Officer | 06-CVS-008 - Fare Media Process | This audit is in the FY06 audit plan and evaluates the security and controls to protect fare media. This audit is in the survey stage. | High | 6/2006 |
| 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 | 5/2006 |
| Chief Operations Officer | 05SA-006 – Bus Operations (CSA) | Organizational objectives, risks, and controls are identified and documented. Draft under Operations management review. | - | 4/2006 |
| Chief Operations 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 and the document is being drafted. | - | 6/2006 |
| Chief Operations Officer | 06-OAD-017 Service Planning (CSA) | Organizational objectives, risks, and controls are to be identified and documented. Initial meeting with management has been conducted and the document is being drafted. | - | 6/2006 |

