

Knabe/Lowenthal/O'Connor
Motion

The current FAP formula allocates the Los Angeles County's transit funds based on fare units (passenger revenue/base fare) and vehicle service miles of each Operator. This formula is used to represent the share of the County's transit service that each Operator provides to Los Angeles County residents based on audited information in its TPM report. While the current formula has worked to allocate funding levels to each Operator, it has discouraged Operators from raising base fares because it has the potential to reduce an agency's fare units. Furthermore, adoption of this change will allow for greater flexibility for all operators in restructuring fares.

We, therefore, move that the following change be made to the Formula Allocation Program (FAP).

FAP Funding Stability:

In the application of this FAP formula adjustment, all Operators' FAP dollar funding levels shall be held to a minimum of their FY 2007 dollar funding levels. Where necessary, funding to implement this provision shall come from the Proposition A 40% Discretionary Growth Over CPI Account. However, no additional funding will be allocated to an operator to mitigate against a reduction in funding from the fiscal year 2007 level, if this reduction is caused by a reduction in service level provided by that operator.

Application of FAP Formula:

- A. A new rule be added to the current FAP effective immediately for application to the FY 2009 Allocation Year (whose allocations are based on FY 2007 TPM data).

If an Operator increases its base fare anytime from July 1, 2006 forward, their **fare units** will be frozen at that Operator's fare unit level during the last full fiscal year of the old lower fare. It will remain at this level, until the new fare unit calculation based on the new higher fare becomes greater than the frozen level. After that point, their fare units will be calculated normally.

Example: If an Operator implements a fare increase on July 1, 2006, or anytime during FY 2007, their fare units will be frozen at the FY 2006 level until fare unit growth occurs. Thus the fare units utilized to calculate the FAP will be the higher of the fare units calculated using current TPM data or the fare units from the FAP calculation from the fiscal year prior to the fare increase.

If an Operator lowers their base fare anytime from July 1, 2006 forward, **their fare units will be frozen** at that Operator's fare unit level during the last full fiscal year of the old higher fare. Thus, an Operator could not trigger an increase in their fare units by lowering their base fare and would have no incentive to do so. Operators would be required to increase their base fare to an amount equal to or greater than the base fare established using FY 2006 TPM data to again calculate their fare units utilizing current TPM data.

- B. Los Angeles Department of Transportation's annual fare units calculation for the purpose of determining its annual FAP subsidy funded from the County's Proposition A Discretionary Growth Over CPI account be adjusted as described below.

Effective with the FY 2008 allocation year, the calculation of fare units for LADOT will be conducted utilizing a \$0.90 base fare for its eligible express services and a \$0.50 base fare for its eligible local services. LADOT's annual FAP subsidy allocation will continue to be funded from the County's Proposition A Discretionary Growth Over CPI account, which is the primary source of FAP funding designated by Metro for all Eligible Operators in the County. LADOT will also be subject to the proposed new FAP formula/distribution rules discussed above for all Included and Eligible Operators. This includes holding all of the other Eligible Operators to a minimum of their FY 2007 dollar funding levels.

Continuation of Current Transit Operating Funds:

- C. The LACMTA shall continue to allocate funds to the Included and Eligible Operators from the following sources for both the FAP and non-FAP programs:
- Transportation Development Act, Article 4 (includes Interest)
 - State Transit Assistance (includes interest)
 - Proposition A 40% Discretionary
 - Proposition A 40% Discretionary Interest
 - Proposition A 40% Discretionary Growth Over CPI
 - Proposition C 5% Security
 - Proposition C 40% Discretionary Municipal Operator Service Improvement Program (MOSIP)
 - Proposition C 40% Discretionary Transit Service Expansion (TSE)
 - Proposition C 40% Discretionary Bus System Improvement Plan (BSIP)/ Overcrowding Relief
 - Proposition C 40% Discretionary Base Restructuring
 - Proposition C 40% Discretionary Foothill Transit Mitigation
 - Proposition C 40% Discretionary Interest



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**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
JUNE 21, 2007**

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2007 THIRD QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the second quarter FY 2007 report of Management Audit Services for the period ending March 31, 2007.

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 the third quarter of FY 2007.

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, 2007 is as follows:

Contract Audit – 35 audits were completed, and as of March 31, 2007, 45 audits were in process.

Grant Audit – three audits were completed, and sixty audits were in process with a total value of \$243 million.

Financial Audit, Information Technology Audit, and Operational Audit – seven audits, three controlled self assessments, and one consulting engagement were completed during the third quarter.

Contractor Pre-Qualification – 175 applications and validations were processed and 154 were approved.

Audit Follow-up and Resolution – 23, or 38%, of all outstanding audit recommendations were completed and closed. Six new audit recommendations were added.

MAS' FY 2007 Third Quarter report is included as Attachment A.

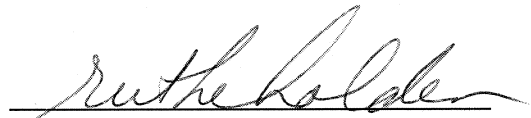
NEXT STEPS

Management Audit Services will provide a year-end summary of FY 2007 audit activity to the Board at the August 2007 Executive Management and Audit Committee meeting.

ATTACHMENT

- A. Quarterly Report on Management Audit Services activity for period ending March 31, 2007.

Prepared by: Ruthe Holden, Chief Auditor, MAS



Ruthe Holden
Chief Auditor, Management Audit Services



Roger Snoble
Chief Executive Officer

Los Angeles County Metropolitan Transportation Authority

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

**THIRD QUARTER
FY 2007**



Metro

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EXECUTIVE SUMMARY

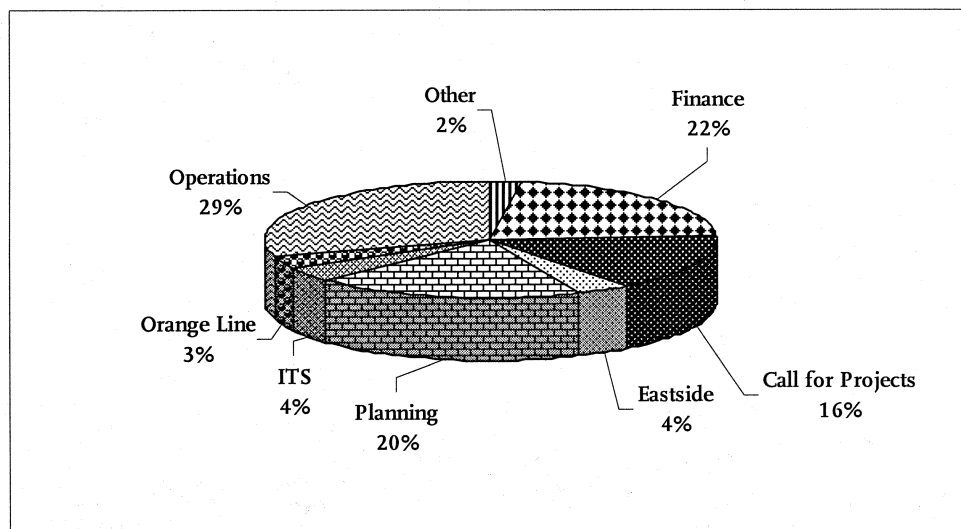
Overview

During the third quarter of FY 2007, 45 audits, three Control Self Assessments (CSAs) and one consulting engagement were completed.

The completed audits for third quarter include seven internal audit reports, 35 contract audits, and three grant audits. The completed contract and grant audits are summarized on page three and completed internal audits begin on page four.

One-hundred twenty-eight audits and one CSA report were in process as of March 31, 2007.

The following chart identifies the functional areas where Management Audit Services (MAS) focused staff time and efforts during third quarter FY 2007:



“Other” includes hours spent on projects for Communications and Accounting.

Audit Follow-up and Resolution has continued its more proactive approach to getting recommendations resolved. Twenty-three, or 38% of the recommendations were completed and closed during the quarter out of a total universe of 61. A total of six audit recommendations were added during the third quarter.

The pre-qualification group processed 175 applications and validations during third quarter FY 2007, which were in support of 36 different procurement actions.

EXECUTIVE SUMMARY

Update on Changes to Auditing Standards

As mentioned last quarter the Government Accountability Office (GAO) has issued the 2007 Government Auditing Standards (commonly referred to as the “Yellow Book”), which supersedes the 2003 version. The January 2007 version contains the final revisions to the standards, except for the quality control and peer review sections, which is still undergoing peer review and comments. The effective date for the 2007 revision of Government Auditing Standards is for financial and attestation engagements for periods beginning on or after January 1, 2008, and for performance audits beginning on or after January 1, 2008. Early implementation is encouraged. Certain standards issued by the American Institute of Certified Public Accountants’ (AICPA) Auditing Standards Board that were incorporated into the Government Auditing Standards have earlier effective dates.

The Government Auditing Standards have been updated to emphasize the critical role of government audits in achieving credibility and accountability in government, with an increased focus on the ethical principals of auditors. This revision also clarifies and expands the standards to recognize that professional standards set by the Public Accounting Oversight Board (PCAOB), the International Auditing and Assurance Standards Board (IAASB), the Institute of Internal Auditors (IIA) can be used in conjunction with Government Auditing Standards. There is an increased emphasis on audit quality and ethics and extensive updates and revisions to the performance audit standards, attestation audit standards and financial audit standards.

One of the more significant AICPA standards that have been incorporated into Government Auditing Standards is Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. SAS 112 requires the auditor to communicate control deficiencies that are significant deficiencies or material weaknesses in internal controls. It provides new terminology for defining what a control deficiency, a significant deficiency and a material weakness is, and conforms those definitions to PCAOB Audit Standard No. 2. The new definitions are much broader in scope and are more likely to identify a greater number of significant and/or material deficiencies in controls than were previously reported. The reason for this is the definition for significant deficiency changed from “a reportable condition...relating to a significant deficiency...that adversely impacts...the financial statements.” The new definition is “a control deficiency or combination of control deficiencies that adversely impact the entity’s....financial data reliability...such that there is more than a **remote likelihood** that a **misstatement** of the entity’s financial statements that is more than inconsequential will not be **prevented or detected**.” The new definition focuses on the controls’ ability to prevent or detect versus the old definition which focused on an actual misstatement that adversely impacted the financial statements. SAS 112 also now requires the auditor to consider the potential magnitude of a control deficiency rather than the actual magnitude. In addition, under SAS 112 auditors have less latitude and will require more evidence and documentation from management to support their conclusions about the effectiveness of internal controls. SAS 112 is effective for Metro’s FY07 financial statements.

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.

During third quarter FY 2007, 35 audits were completed. Thirty of the completed audits were cost proposal audits for three corridor projects, three were compliance audits, one was a Buy America audit for an Operations project, and the other was a cost proposal audit for an Operations project. As of March 31, 2007, 45 audits were in process.

For contract actions negotiated during third quarter FY 2007 (including open audit findings from prior quarters) the agency avoided \$61 thousand in cost based on questioned costs from audit findings.

During the quarter, approximately 57% of Contract Audit's effort was in support of Planning, 48% for the corridor projects alone. The rest of the audit effort was split between Operations, Eastside and Orange Line audit support.

Details on Contract Audits completed during third quarter FY 2007 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, including 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 three audits during third quarter FY 2007. We identified \$430 thousand of unused funds that can be reprogrammed by Countywide Planning for other projects. Sixty audits with a total value of \$262 million were in process as of March 31, 2007.

Details on Grant Audits completed during third quarter FY 2007 are in Appendix B.

INTERNAL AUDITS

Financial Audit

For the third quarter of FY 2007, three audits were completed. The audits are summarized below.

Five financial audits were in process as of March 31, 2007. They are: Accounts Payable, Inventory Management, Mechanics Overtime, Petty Cash, and Expenditure Reporting.

The five audits in process are listed in Appendix C.

Audit of the Bank Reconciliation and Account Analysis Process

The audit assessed 246 general ledger accounts that record the balance and activity for our accounts at financial institutions. The audit included a statistical sample of bank account reconciliations and account analyses for the July through October 2005 period.

Based on the tests performed, we conclude that the internal controls over the bank reconciliation and account analysis process are adequate. However, we noted one instance in the 25 accounts sampled, where the bank reconciliation was not performed in a timely manner. Because of implications SAS 112 will have on next year's A-133 audit and Comprehensive Annual Financial Report (CAFR), Management will ensure that the bank reconciliation process will be done timely and in compliance with Accounting Procedures.

Closeout Audit of 2004-2005 STIP Planning, Programming & Monitoring Program

This audit was outsourced to Simpson & Simpson. The audit included a review of the Agreement, grantee's invoices, and Metro accounting and grants records to determine whether the costs related to STIP were allowable costs under the terms of the Agreement and the Federal Acquisition Regulation (FAR).

The audit found that the costs were presented fairly in all material respects, and that the costs related to the STIP PPM program were in conformity with the terms of the MOU and FAR. The audit recommends that the project be closed-out using \$3,661,780 as the final price for the 2004-2005 Agreement allocation.

INTERNAL AUDITS

Financial Audit

Compliance Audit of the FY 2007 Cost Allocation Plan

The audit focused on compliance with OMB Circular A-87 requirements, accuracy of the financial data used in the calculation of the direct and indirect cost rates, review of the supporting cost allocation methodology documents, and assessment of the reasonableness of the cost allocation methodology.

The audit determined that Metro is in compliance with all applicable OMB Circular A-87 requirements. Metro adheres to the requirements defined within OMB Circular A-87 for determination and documentation of a Cost Allocation Plan, un-allocable expenses were excluded, and the basis for cost allocation is reasonable and distributes cost equitably.

INTERNAL AUDITS

Information Technology Audit

For the third quarter FY 2007, two audit reports were issued. The audits are summarized below.

Eleven Information Technology (IT) audit projects are in process. Five audits are in process from the FY 2006 audit plan: Oracle Human Resources, Budget Information and Accounting System, Supervisory Control & Data Acquisition Firewall, Software Licensing Procedures, and Compliance to Software License Agreements. Six audits in process from the FY 2007 audit plan include: Oracle Change Management, Wireless System, Continuous Monitoring, Procurement Card, Vendor Master File, and Payroll E-Time.

The 11 audits in process are listed in Appendix D.

Audit of Payroll Interface Systems

The audit evaluated the accuracy and completeness of payroll data as fed by the front-end payroll interface systems for SCMS for pay period June 19, 2005 through October 8, 2005, and TOTS for pay period June 19, 2005 through July 2, 2005, and also assessed the appropriateness of access to the systems to process payroll input.

There are no significant reportable issues relating to the accuracy and completeness of payroll data from LIMS that was processed from TOTS and SCMS. However, during the audit we noted that timely reconciliations were not being completed by the Operation's Service Performance and Analysis Group. The Director agreed with our finding and immediately implemented our recommendation to resolve this issue.

Audit of Physical Access to Train Control & Communications Room

The audit examined the physical access to TC&C rooms and cabinets located at the Red, Green, Blue, and Gold Lines remote locations. TC&C communication rooms and cabinets house local control panel and communication equipment that allow for remote monitoring of mission critical functions at the Rail Operations Control (ROC). Mission critical functions include train movement in Metro Red Line tunnels, station electrical power, rail traction power, station and tunnel ventilation, fire detection devices and gas monitoring devices, station elevators and escalators operation, security systems, and rollup gates.

Two areas of weakness were identified and noted in our report: 1) controls for the management of physical keys and key cards for the Red, Blue and Green Lines require strengthening; 2) the physical access controls are not adequate for safeguarding the communication resources at the communication cabinets for the Gold Line. Management concurred with the findings and has developed a corrective action plan.

INTERNAL AUDITS

Operational Audit

For the third quarter of FY 2007, two audit reports were issued. Also, three CSAs and one consulting engagement were completed. The CSAs were for Equipment Maintenance – RRC Support Shops, Facility Services Maintenance, and Non-Equipment Maintenance. The consulting engagement reviewed capital project best practices. The audits are summarized below.

Seven Operational audit projects were in process as of March 31, 2007. They include: Accident Management Process, Bus Warranty Administration, Cell Phone Utilization, ADA Compliance, Rail Service Interruption, M3 Utilization, and Scheduled Bus Performance. One CSA is in process, Equipment Maintenance – RRC Power Plant.

The seven audits and control self assessment in process are listed in Appendix E.

Audit of Call for Projects Business Process

The audit assessed 111 projects. These included 63 projects from FY06 that were identified as ready for an interim or close out audit, and 48 projects from FY05 for which audits had been completed.

During the course of the audit, we found that Countywide Planning and Development adequately implemented controls for the Call for Projects process, except in the area of maintenance and organization of project files. We sampled 30 of 111 project files and found certain required documents were missing, such as Board reports authorizing funding or modifications, quarterly expenditure reports, and close-out audit reports. One of the 30 files could not be located. Further, project files were not organized in a consistent manner. The Chief Planning Officer is working with ITS to establish an electronic file management system, and will consider project manager handbook training.

Audit of the Metro Gold Line Eastside Extension Los Angeles Crematorium Site Environmental Process Review

The audit was distributed to Board members in January 2007.

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 third quarter FY 2007, 175 applications and validations were processed. This represents a 19% increase from second quarter, and a 45% increase from first quarter FY 2007. One-hundred eight applications and 67 validations were submitted, and 31 applications were in process from the end of second quarter FY 2007. Of the 175 processed, 154 firms were approved to do business with LACMTA, two were closed as incomplete, and 50 applications were still in process as of March 31. The average processing time was 26 days for applications and two days for validations. The applications processed during third quarter FY 2007 were in support of 36 different procurement actions, including contracts in construction, operations, and professional services.

Audit Follow-Up and Resolution

During the third quarter, six new audit recommendations were added to the outstanding audit recommendations list, and 23 additional recommendations were completed and closed out of a universe of 61 representing a 38% reduction in the total outstanding recommendations. Below is a table summarizing the recommendations closed or completed during the third quarter, as well as the open recommendations as of March 31, 2007.

**Summary of MAS and External Audit Recommendations
As of March 31, 2007**

| 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. |
|--|-----------------------------|-----------------------------|-----------------------------|--------------|----------|-------------|-------------------|
| Chief Financial Services Officer | | | 2 | | | 1 | 1 |
| Chief Administrative Services Officer | | | | 1 | 10 | | 11 |
| Chief Executive Officer | | 3 | | | | | |
| Chief Real Property Management & Development | | | | 1 | 1 | 2 | 4 |
| Chief Communications Officer | | 3 | | | | | |
| Chief Planning Officer | 5 | | 1 | | | 7 | 7 |
| Chief Operating Officer | 3 | 2 | 4 | | 11 | 4 | 15 |
| Totals | 8 | 8 | 7 | 2 | 22 | 14 | 38 |

Appendix A

| Contract Audit FY 2007 - Audits Completed During Third Quarter | | | | | |
|--|-----------------------------|--|-------------|----------------|--|
| Area | Audit Number & Type | Contractor | Requirement | Date Completed | |
| Operations | 07-CTS-C01 - Change | Cubic Transportation Systems, Inc. | Legal | 1/2007 | |
| Operations | 07-ASC-C01 - Change | Automated Switching and Controls, Inc. | Legal | 2/2007 | |
| Orange Line | 07-SOJ-08 - Change | Shimmick/Obayashi, JV | Legal | 2/2007 | |
| Operations | 07-HKS-C01 - Cost Proposal | HK Systems, Inc. | Contractual | 2/2007 | |
| Planning | 07-NAB-C01 - Buy America | NABI | Contractual | 2/2007 | |
| Planning | 07-COR-C01A - Cost Proposal | Iteris, Inc. | Contractual | 2/2007 | |
| Planning | 07-COR-C01B - Cost Proposal | DMJM + Harris | Contractual | 2/2007 | |
| Planning | 07-COR-C01C - Cost Proposal | Gruen Associates | Contractual | 3/2007 | |
| Planning | 07-COR-C01D - Cost Proposal | Paragon Partners | Contractual | 3/2007 | |

Appendix A

| Contract Audit FY 2007 - Audits Completed During Third Quarter | | | | | |
|--|-----------------------------|------------------------------------|-------------|--------|--|
| Planning | 07-COR-C01H - Cost Proposal | Transportation Management & Design | Contractual | 3/2007 | |
| Planning | 07-COR-C01F - Cost Proposal | Bullock & Associates, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C01I - Cost Proposal | Lenax Construction Services Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C01G - Cost Proposal | Wagner Engineering & Survey, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C01E - Cost Proposal | Terry A. Hayes Associates | Contractual | 3/2007 | |
| Planning | 07-COR-C02 - Cost Proposal | Consensus Planning Group, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C03B - Cost Proposal | Terry A. Hayes Associates | Contractual | 3/2007 | |
| Planning | 07-COR-C03D - Cost Proposal | Jenkins/Gales & Martinez, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C03A - Cost Proposal | PB Americas, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C03C - Cost Proposal | Wilbur Smith Associates | Contractual | 3/2007 | |

Appendix A

| Contract Audit FY 2007 - Audits Completed During Third Quarter | | | | | |
|--|-----------------------------|-----------------------------------|-------------|--------|--|
| Planning | 07-COR-C03E - Cost Proposal | Camp, Dresser & McKee, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C05B - Cost Proposal | Paragon Partners | Contractual | 3/2007 | |
| Planning | 07-COR-C03F - Cost Proposal | RAW International, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C05A - Cost Proposal | Wagner Engineering & Survey, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C05C - Cost Proposal | Iteris, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C05D - Cost Proposal | Gruen Associates | Contractual | 3/2007 | |
| Planning | 07-COR-C05E - Cost Proposal | PBS&J, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C05F - Cost Proposal | IBI Group | Contractual | 3/2007 | |
| Planning | 07-COR-C05G - Cost Proposal | Cambridge Systematics, Inc. | Contractual | 3/2007 | |
| Planning | 07-COR-C03G - Cost Proposal | Fehr and Peers Associates, Inc. | Contractual | 3/2007 | |

Appendix A

Contract Audit FY 2007 - Audits Completed During Third Quarter

| | | | | |
|----------|-----------------------------|--------------------------------|-------------|--------|
| Planning | 07-COR-C04 - Cost Proposal | The Lee Andrews Group | Contractual | 3/2007 |
| Planning | 07-COR-C05H - Cost Proposal | JMDiaz, Inc. | Contractual | 3/2007 |
| Planning | 07-COR-C05I - Cost Proposal | C&C Aerial Mapping Corporation | Contractual | 3/2007 |
| Planning | 07-COR-C05K - Cost Proposal | URS Corporation | Contractual | 3/2007 |
| Planning | 07-COR-C06A - Cost Proposal | The Robert Group | Contractual | 3/2007 |
| Planning | 07-COR-C05J - Cost Proposal | LSA Associates, Inc. | Contractual | 3/2007 |

Appendix B

Grant Audit FY 2007 - Audits Completed During Third Quarter

| Area | Audit Number & Type | Contractor | Requirement | Date Completed |
|----------|--------------------------------------|------------|-------------|----------------|
| Planning | MOU No. P0000409A - Closeout | Caltrans | Contractual | 2/2007 |
| Planning | MOU No. P0008410 (1 of 2) - Closeout | Caltrans | Contractual | 2/2007 |
| Planning | MOU No. P0008410 (2 of 2) - Closeout | Caltrans | Contractual | 2/2007 |

Appendix C

Financial Audit FY 2007 - Progress Toward Completing Audit Plan

| Area | Audit Number & Title | Description | Risk | Estimated Date of Completion |
|--|-----------------------------------|---|------|------------------------------|
| Executive Officer Finance | 06-ACC-009 - Accounts Payable | Completion of FY06 audit in process. Performance audit to test sample transactions for compliance to policies and procedures, and accuracy of payments. | High | 5/2007 |
| Executive Officer Procurement and Material Management | 06-PMM-003 - Inventory Management | Completion of FY06 audit in process. Performance audit to verify adequacy of internal controls over inventory purchasing, receiving, and disbursement. | High | 5/2007 |
| Executive Officer Finance | 06-ACC-08B - Mechanics Overtime | Performance audit to validate mechanics overtime authorization process. | High | 5/2007 |
| Executive Officer Finance | 07-ACC-F03 - Petty Cash | Performance audit to review internal controls over the handling of petty cash funds. | High | 6/2007 |
| Executive Officer Finance | 07-ACC-F05B-Expenditure Reporting | Performance audit to review OMB and Accounting expenditure reporting methodologies. | High | 6/2007 |

Appendix D

Information Technology Audit FY 2007 - Progress Toward Completing Audit Plan

| Area | Audit Number & Title | Description | Risk | Estimated Date of Completion |
|--|---|--|--------|------------------------------|
| Executive Officer Finance/ITS | 06-ITS-004 Oracle Human Resources | Completion of FY06 audit in process. Assess Oracle HR security controls. | High | 5/2007 |
| Executive Officer Finance/ITS | 06-OMB-005 - Budget Information Accounting System | Completion of FY06 audit in process. Assess the adequacy of controls for processing budget information. | Medium | 5/2007 |
| Executive Officer Procurement & Material Management/ITS | 06-MRL-I07 - SCADA Firewall | Completion of FY06 audit in process. Assess the internal controls implemented in the firewall system for the SCADA network. | High | 5/2007 |
| Agency-wide | 06-ITS-009 - Software Licensing Procedures | Completion of FY06 audit in process. Determine if policies and procedures for software purchases are adequate. | High | 4/2007 |
| Agency-wide | 06-ITS-012 - Compliance to Software License Agreements | Completion of FY06 audit in process. Assess compliance with vendor licensing agreements and copyright laws. | High | 4/2007 |
| Executive Officer Procurement & Material Management/ITS | 07-ACC-I04 - Oracle Change Management | Validate the formal change management process and assess the adequacy of controls in managing changes to Oracle applications. | High | 5/2007 |

Appendix D

| Information Technology Audit FY 2007 - Progress Toward Completing Audit Plan | | | | | |
|--|---------------------------------------|--|------|------------------------------|--|
| Area | Audit Number & Title | Description | Risk | Estimated Date of Completion | |
| Agency-wide | 07-ITS-I06 - Wireless System | Assess the confidentiality, integrity and availability of the wireless network. | High | 5/2007 | |
| Agency-wide | 07-ITS-I09 - Continuous Monitoring | Independent mechanism to automatically monitor internal control effectiveness embedding audit "best practices" in the business operations . | High | 6/2007 | |
| Financial | 07-PMM-I10 - Procurement Card | Assess procurement card policies, procedures and controls and determine compliance with policies and procedures. | High | 6/2007 | |
| Financial | 07-ACC-I08 - FIS - Vendor Master File | Validate internal controls of the vendor master file and that the data in the file are accurate, complete, and duplicate vendors do not exist. | High | 6/2007 | |
| Agency-wide | 07-ACC-I05 - Audit of Payroll E-Time | Validate internal controls of new E-Time System. | High | 6/2007 | |

Appendix E

Operational Audit FY 2007 - Progress Toward Completing Audit Plan

| Area | Audit Number & Title | Description | Risk | Estimated Date of Completion |
|-----------|--|--|----------|------------------------------|
| Safety | 07-OPS-001 - Accident Management Process | Validate the process for monitoring and reviewing bus driver accidents and determine that system performance continues to meet transportation safety requirements. | Critical | 5/2007 |
| Operating | 07-OPS-013 - Bus Warranty Administration | Perform an internal control review validating that bus facilities maintenance program requirements are being met. | High | 5/2007 |
| Operating | 07-OPS-005 - Cell Phone Utilization | Conduct an internal control review to validate agency compliance to cell phone policy. | Low | 4/2007 |
| Operating | 07-OPS-003 - ADA Compliance | Validate that Metro complies with ADA requirements. Review the requirements of the contract with Access Services, and validate that Access Services is complying with contract requirements. | High | 5/2007 |