EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE
NOVEMBER 20, 2008

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2009 FIRST QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the first quarter report of Management Audit Services (Management Audit) for the period ending September 30, 2008.

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 on its audit activities. This report fulfills the requirement for the first quarter of FY 2009.

DISCUSSION

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management. Internal audit services include reviewing agency processes, functions and systems, and external audit services consist of reviewing compliance to contracts and memorandums of understanding (MOUs).

There are four groups in Management Audit: Operational and Financial Audit, Information Technology Audit, Compliance and Performance Audit, and Audit Support and Research Services.

Operational and Financial Audit is primarily responsible for all audits for Finance, Bus Operations, Rail Operations, and Communications. Compliance and Performance Audit is responsible for all audits in Administrative Services, Construction, Real Estate & Development, and Planning. Both of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Compliance and Performance Audit is also responsible for the Contract Audit and Grant Audit functions.

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Information Technology (IT) Audit has two focuses. One is to review IT Systems for adequate controls, effective performance and accuracy, and reliability of the data being processed. The other is to provide support services to other auditors to meet auditing standards requirements when reliance needs to be placed on IT systems. Audit Support and Research Services is responsible for administration, financial management, budget coordination, Pre-Qualification, audit follow-up and resolution tracking.

The summary of Management Audit activity for the quarter ending September 30, 2008 is as follows:

Internal Audits: Nine internal audits, three Control Self Assessments (CSA) and one audit memo were issued; 25 audits, one CSA and one consulting engagement were in process.

External Audits: 15 external audits were completed; 29 contract audits with a total value of $54.5 million and 25 grant audits with a total value of $293 million were in process.

Contractor Pre-Qualification: 196 Pre-Qualification applications and validations were received and 150 were approved. This represents a 61% increase in activity since the same time last year.

Audit Follow-up and Resolution: 41, or 41%, of all outstanding audit recommendations were completed and closed; 59 new audit recommendations were added.

Management Audit's FY 2009 first quarter report is included as Attachment A.

NEXT STEPS

Management Audit will provide the second quarter summary of FY 2009 audit activity to the Board at the February 2009 Executive Management and Audit Committee meeting.

ATTACHMENT

A.   Management Audit Services Quarterly Report to the Board for the period ending September 30, 2008

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Chief Auditor, Management Audit Services

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MANAGEMENT AUDIT SERVICES QUARTERLY REPORT TO THE BOARD

FIRST QUARTER
FY 2009

M Metro

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Summary of Audit Activity

During the first quarter of FY 2009, 28 audit projects were completed. These include:
- 1 financial audit
- 5 IT audits
- 3 operational audits
- 10 contract audits
- 5 grant audits
- 1 audit memo, and
- 3 Control Self Assessments (CSA)

The completed external audits are summarized on page three. Summaries of the internal audits begin on page four.

Seventy-nine audits, one CSA and one consulting engagement were in process as of September 30, 2008.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during first quarter FY 2009:
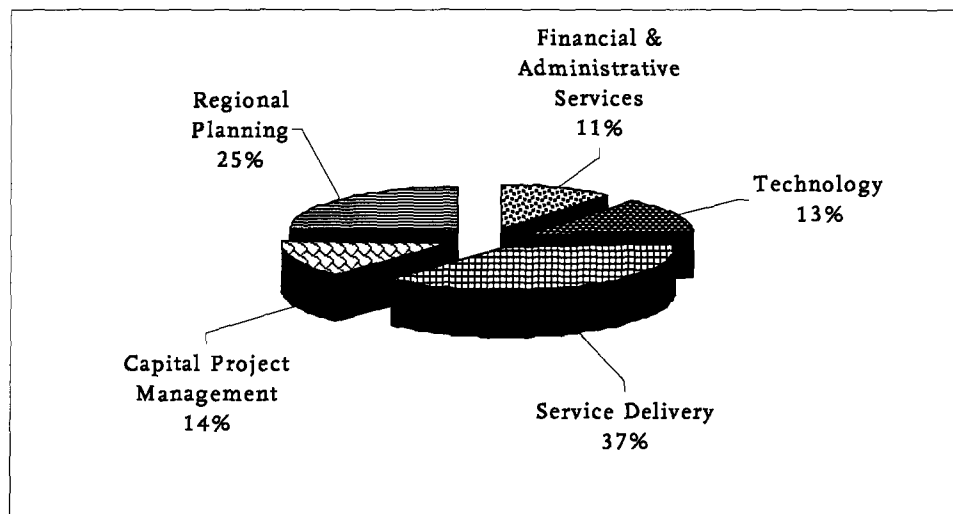
Results of activities managed by the Audit Support and Research Services group include:
- Forty-one or 41% of the recommendations were completed and closed during the quarter out of a total universe of 100. Fifty-nine audit recommendations were added during the first quarter; and
- 196 Pre-Qualification applications and validations were received and 150 were approved during the first quarter FY 2009.

EXECUTIVE SUMMARY

Agency Wide Risk Assessment

In January 2005, the Board approved the Financial Standards requiring an annual risk assessment be completed for the agency. Management Audit has begun the process of updating last year's risk assessment.

Risk assessments are a means of providing management with information needed to understand factors that can negatively influence operations and outcomes. The agency wide risk assessment is the process of identifying the possibility that events will occur that will be harmful and/or will be detrimental to the achievement of the agency's strategic goals. Not all risks are equal. Some are more likely than others to occur, and some will have a greater impact than others if they occur. So, once risks are identified, their probability and significance must be assessed.

The risk assessment process is an ongoing one. Internal and external threats constantly develop, presenting new hazards to the agency. Change itself is a risk, and management must continually adapt its processes and practices to manage its changing risks to a comfortable level.

The agency wide risk assessment is a formal process that captures risks and issues identified during prior audits as well as information available in key documents published by the agency. This data is analyzed and used during interviews with management, staff and other interested parties to:

- Identify threats that could adversely affect critical operations and assets;
- Estimate the likelihood that such threats will materialize and their potential impact;
- Identify and rank the value, sensitivity, and criticality of the operations and assets that could be affected should a threat materialize.

The assessment of risk is an important planning step in developing the annual audit plan. The information gathered from this risk assessment will be used to develop the FY 2010 annual audit plan, which will be presented to the Board in 4th quarter FY 2009.

EXTERNAL 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. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During first quarter FY 2009, ten audits were completed, reviewing a net value of $11.7 million of which $630 thousand was questioned. Seven of these completed audits were for Planning projects, two were for Operations projects and one was a Buy America audit for Operations. As of September 30, 2008, 29 audits were in process with a total dollar value of $54.5 million.

During the quarter, approximately 30% of Contract Audit efforts supported Planning completing pre-award audits in support of corridor projects. The rest of the audit effort for this group supported Operations projects.

Details on Contract Audits completed during first quarter FY 2009 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 transportation related projects, including Alameda Corridor East and CalTrans projects. The purpose of the audits is to ensure that grantees spend funds in accordance with the terms of the grants and federal cost principles.

Grant Audit completed five audits during first quarter FY 2009. They reviewed $46.5 million and identified $4.1 million of unused funds that may be reprogrammed by Countywide Planning for other projects. Twenty-five audits with a total value of $293 million were in process as of September 30, 2008.

Details on Grant Audits completed during first quarter FY 2009 are in Appendix B.

INTERNAL AUDITS

For the first quarter of FY 2009, a total of nine internal audit reports, three CSAs and one audit memo were issued. The CSAs were completed for Fuel Management, Corporate Safety – Environmental, and Driver Safety. The audit memo was issued for the Rail Car Maintenance Audit. This audit was from the FY 2008 audit plan. After initial planning, we determined that risk to the agency was low so, per policy, the audit was stopped and a memo was issued cancelling the audit.

Twenty-five internal audits, one CSA and one consulting engagement were in process as of September 30, 2008. The internal audits and CSA in process are listed in Appendix C.

The following internal audits were issued in the first quarter FY 2009. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

Bus Operator Safety Training
The audit focused on internal controls for the Bus Operator safety training and associated compliance requirements. There were three issues identified during the audit.
1. Because Operations Central Instruction (OCI) was not monitoring Bus Instructor certification requirements, 26 or 31% of the Instructors used to train the bus operators did not have the Department of Transportation, Transportation Safety Institute certificates required by State law;
2. Some of the Bus operators with avoidable accidents are not being retrained in a timely manner; and
3. Some Training records were not accurately input into OCI's database.
We also noted that Bus Operators are receiving the required safety training courses and the training selection process for Operators is in compliance with Operations Safety System Program Plan.

The Chief Operations Officer recognized that corrective actions needed to be taken immediately and developed a management action plan to address these issues. OCI has notified the divisions that Transit Operations Supervisors lacking the required certificates will be precluded from bidding on assignments in which the duties require that they provide training intended to be credited as Department of Transportation Verification of Transit Training approved. In addition, OCI held a series of training classes in July 2008 for the 26 instructors who did not have current required certificates. Also, 14 Transit Operations Supervisors from the divisions were included in the training sessions. An Operation Training and Tracking System notification tracking process has been developed and implemented in July 2008 to notify the proper individuals of expiring certificates as well as forward the required certification documentation to Human Resources. OCI will monitor the certification requirements quarterly and will notify any individuals with lapsing certificates.

INTERNAL AUDITS

Also, OCI is currently working to establish an oversight process for division instruction staff to improve communication, tracking of training and timeliness of training. OCI in coordination with division instruction, will monitor scheduling and completion of post accident training. Additionally, OCI is attempting to add a notification flag to the training database that will red flag OCI and division instruction at specific intervals after an "avoidable" determination was entered in the system until the retraining class has been completed. Further, OCI is modifying their training database to provide input edits that will ensure more accurate input of data into the training database.

Most of these corrective actions will be completed by the end of 2008.

Property Management and Rent Collection Controls
This audit focused on the adequacy of internal controls for rental property management and prompt collection of rents. Property rental records and rental income collections were reviewed for the period June 2007 through January 2008. We found that there are significant internal controls weaknesses related to property management and rent collection processes. There were five issues identified during the audit.
  1. 52% of the rental agreements reviewed were not adjusted to market rates as required;
  2. Real Estate does not maintain a vacant property listing;
  3. All of the reviewed rental files were missing the required inspection documentation;
  4. The Real Estate lease database was still incomplete; and
  5. There were a significant number of past due rental income receivables.
The inadequate internal controls in Real Estate is an ongoing issue with different problems being reported in 5 separate audits spanning the last 12 years issued either by Management Audit or the Inspector General's Office. Two of the reports dealt specifically with issues identified as a problem in this report. Real Estate has indicated each time that they would correct the issues noted and cited lack of resources as a cause. Because these are ongoing issues, we recommended that the Chief, Real Property Management and Development should consider outsourcing rental property inspection and rent collection.

Real Estate management maintains these conditions exist because of the widespread geographical area that Real Estate Officers are responsible for and insufficient staff to maintain the administrative workload. In addition, prior to 2008 department resources were devoted to seeking new lease business. However, to correct the issues noted in the audit, Real Estate has developed a matrix which scheduled 375 revenue agreements for market rate adjustments in 2008. They will prioritize these agreements and complete appraisals using both in-house and outside fee appraisers. In addition, Real Estate will work with Information Technology Services department to develop a vacant property listing report by January 2009. Also, staff has been directed to complete and document all required property inspections. Real Estate management will periodically monitor the files to verify the required inspections have been completed. Real Estate notes in reference to the incomplete database audit finding, that significant progress has been made in developing the Real Property

INTERNAL AUDITS

Management Information Systems. Real Estate management states that the system is now partially operational and they expect it to be fully operational by the end of 2008. In regards to the increase in past due accounts, Real Estate is working with Accounting to revise rent collection and delinquency procedures, to improve invoicing control by using the Real Property Management Information System, and to provide tenants the opportunity to pay using Electronic Funds Transfer. Further, changes to the billing and categorization process will be made to give more accurate depiction of the collection activity in the future.

Real Estate has also agreed to consider outsourcing certain property management functions if the corrective actions do not effectively address the deficiencies.

Inventory Management
The purpose of this audit was to review the adequacy and effectiveness of the inventory management controls. There were five issues identified during this audit.
1. Inactive inventory monitoring is not adequate;
2. Inventory turnover rates are not consistent with Inventory Management Policies and Procedures;
3. Investment and consumption profile for Class C inventory is not consistent with Inventory Management Policy and Procedures;
4. Classification of the active inventory items is not consistent with Inventory Management Policies and Procedures; and
5. Minimum/Maximum inventory level adjustment process is not adequate.
We also noted that inventory management controls were adequately designed to balance the goals of high service level and low inventory investment.

Inventory Management has agreed to establish a structured monitoring process to ensure consistent and accurate use of the minimum/maximum system and a monitoring process to ensure that the existing controls are consistently being applied. In addition, the procedures used to identify and process inactive and obsolete inventory will be evaluated and updated as well as the current practices used to classify inventory items. Policies and procedures specific to inactive rail inventory will be developed and published. The feasibility of a vendor managed program will be analyzed within the constraints of required competitive processes and the Vendor Managed Inventory segment of the Supplier Management Program will be further developed.

Audit of Financial Information System - Vendor Master File
The audit focused on the review of vendor records in the Vendor Master File to evaluate whether the internal controls ensured that the records are accurate, complete and secured. There were 5 issues identified during this audit.

INTERNAL AUDITS

1. 49% or 21,017 active vendor records are missing key information (the tax identification number) required by the Internal Revenue Service. 20,161 of these records were created before 2003. The Supplier Registration online system now in place requires a vendor to submit the tax identification number; however, vendor numbers requested in-house do not require a tax identification number.
2. There is an inconsistent naming convention used by Vendor Services staff that has caused duplicate vendors to be input into the system.
3. 7.6% or 3,263 vendor records have social security numbers entered in the tax identification number field. This field is not masked and can be viewed by anyone with access to the Financial Information System "MTA Inquiry". This field should be available only on a "need-to-know" basis.
4. 56% or 24,233 vendors are not doing business with the agency. In addition, 7,638 different vendor names are included under one vendor number, which is used for one-time payments such as customer refunds. However, we found that some vendors under this number have been paid multiple times within the last five years. Also, vendor file maintenance is performed once a year or when requested. The once a year maintenance process does not include inactivating and purging vendors such as one-time vendors.
5. Current Vendor Service Desk Procedures do not require authorization from specific levels of management for the addition, deletion, and update of vendor records. Therefore, anyone can request that the vendor information be changed, such as their address. This issue was also identified in a prior audit report.

Some of the issues were corrected during the audit. These include:
1. Vendor Services implemented a new on-line supplier registration system requiring vendors to input their own data. If the vendor creates a new record that is a duplicate of an existing vendor, then an email is sent to the vendor notifying them that they are already registered.
2. Staff has been trained on the new system and this process has been communicated to all users in other departments.
3. In addition, Vendor Services has corrected the data identified in finding number 4, and set up vendors that were included in the one-time vendor numbers that were receiving multiple payments.
4. The Desktop procedures have been updated to include specific procedures for establishing suppliers under this one-time vendor number.

In addition, corrective actions that are still in process include:
1. Procurement and Material Management staff has agreed to review and correct the vendor data as part of the daily business process;
2. In regards to access to individuals' social security numbers, Vendor Services has already sent a request to Information Technology Services to restrict visibility of this field to Vendor Services and Accounts Payable staff only;

INTERNAL AUDITS

3. Also, Procurement and Material Management will modify existing desk procedures and train staff to create new vendors; and
4. In addition, an in-house form for vendor creation has been developed for departments that request vendor set up. These items should all be completed early in 2009.

Compliance to Software License Agreements
The audit focused on compliance to software licensing agreements. The audit reviewed computers that were connected to the enterprise network and the Design Studio network. Computers connected to the Advanced Transportation Management System, the Supervisory Control and Data Acquisition system, and the Universal Fare System were excluded from this audit, they will be reviewed in a future audit. There were two issues identified during the audit.

1. 68% (35) of the 51 computers reviewed have at least one software program that does not have a license or documentation supporting that it was purchased for use on that computer. Some department users claim that Information Technology Services installed the software and, therefore, they are unable to provide proof of purchase. Information Technology Services records did not indicate that these computers had the specific software installed by them. In other instances, software was either downloaded from the Internet as a free trial, acquired through donation from a user, or the user did not know where the software came from.
2. For the Macintosh computers belonging to the Communications department:
   a. 5 of the 19 computers did not have a license or supporting documentation for at least one of the software programs installed on the computers;
   b. 79% or 15 of the computers had Microsoft software installed but the department only had valid Microsoft licenses for 8 computers. In addition, these computers were not included in the report sent to Microsoft by Information Technology Services as required by the enterprise agreement.
   c. A server and 13 Macintosh computers were not asset tagged for inventory purposes. Communications staff bypassed internal procedures and picked the computers up from the receiving department, therefore, circumventing the asset tagging and tracking process.

These issues are a result of decentralized information technology and inadequate monitoring of computers. Information Technology Services maintains a list of software inventory but the list is not comprehensive. In addition, there is no evidence of monitoring or oversight to ensure the agency is in compliance with the law.

During the audit, management took immediate action by working with Information Technology Services to address the issues noted. Software with no evidence of licensing has been removed from the identified computers.

INTERNAL AUDITS

The Chief Information Officer will work with the other strategic business units to develop a plan to incorporate all computers owned by the agency into the Information Technology Services tracking and monitoring process.

Audit of E-Time System
The audit focused on the review of the internal controls to ensure that the system is capturing erroneous entries, validation controls are configured as described, and to ensure that the validation controls comply with the current Contract Bargaining Agreements and Human Resources policies. Two issues were identified during the audit.
1. Programmed edits and validations are not working; and
2. Contract Bargaining Agreement rules and Human Resource policy are not programmed into E-Time to prevent incorrect input of time.

Management has agreed with the recommendations and is implementing a new process that will strengthen the controls. Management has submitted a request to Information Technology Services to enhance the E-Time system input and validation controls and will investigate the feasibility of creating a database to effectively and efficiently monitor bereavement, jury duty and Family Medical Leave.

Oracle Human Resources System Security
The audit focused on the Oracle Human Resources' database security controls to verify that the potential risk of unauthorized access to confidential information is minimized.

Opportunities to improve security controls over the Oracle Human Resources' database in the areas of use of database administration, account management, roles and privileges and monitoring were identified. Management concurred with the findings and took actions to mitigate the risks and all issues identified were corrected during the audit.

Budget Information & Analysis System
The audit focused on the review of the Budget Information & Analysis System edit, validation and security controls for the period FY 2006 through FY 2007.

Edits and validation controls are adequate. However, Budget Information & Analysis System security access requires strengthening to ensure only authorized users can access and view data during the budget period. Management has agreed with the recommendations and has already implemented a new process that will strengthen the controls.

Preventative Safety Training for High Risk Rail Professions
Based on our review and testing we found the internal controls over Safety Training for High Risk Rail Professions are adequate.

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 first quarter FY 2009, 196 applications and validations were submitted, 147 and 49 respectively, and 140 applications and two validations were in process from the end of FY 2008. Of the 338 active files, 150 firms were approved to do business with Metro, 67 were closed and 117 applications and four validations were still in process as of September 30.

The applications processed during first quarter FY 2009 were in support of 39 different procurement actions, including contracts in construction, operations, and professional services.

Audit Follow-Up and Resolution

During the first quarter, 59 new audit recommendations were added to the outstanding audit recommendations list, and 41 recommendations were completed and closed out of a total universe of 100 representing a 41% reduction in the total outstanding recommendations. The table below summarizes the first quarter activity.

Summary of MAS and External Audit Recommendations
As of September 30, 2008

Executive Area	Closed or Completed in July	Closed or Completed in Aug.	Closed or Completed in Sep.	Under Review	Extended	Not Yet Due	Total Open Recom.
Chief Financial Services Officer	2	3				2	2
Chief Administrative Services Officer	5	6	7		8	21	29
Chief Real Property Management & Development						6	6
Chief Planning Officer	2		4		3	1	4
General Mgr. Rail Operations		1			1		1
Chief Operating Officer	3	8				12	12
Chief Capital Management Officer						5	5
Totals	12	18	11		12	47	59

Appendix A

Contract Audit FY 2009 - Audits Completed During First Quarter

Area	Audit Number & Type	Contractor	Requirement	Date Completed
Bus Operations	08-NAB-C03 - Buy America	Noth America Bus Industries	Contractual	7/2008
Planning	08-ITE-C01D - Pre-Award	FirstCall Office Solutions, Inc.	Contractual	7/2008
Planning	08-ITE-C01F - Pre-Award	Global Installation & Maintenance, Inc.	Contractual	7/2008
Planning	08-ITE-C01G - Pre-Award	Urban Transportation Associates	Contractual	7/2008
Planning	08-ITE-C01B - Pre-Award	Crosstown Electrical & Data, Inc.	Contractual	7/2008
Planning	08-ITE-C01C - Pre-Award	Econolite Control Products Inc.	Contractual	7/2008
Planning	08-ITE-C01E - Pre-Award	Telvent Farradyne, Inc.	Contractual	7/2008
Planning	08-ITE-C01A - Pre-Award	Iteris, Inc.	Contractual	7/2008
Operations	09-MCM-C01 - Pre-Award	MCM Integrated Systems, Inc.	Contractual	9/2008
Operations	09-HUZ-C01 - Pre-Award	Huitt-Zollars, Inc.	Contractual	9/2008

Appendix B

Grant Audit FY 2009 - Audits Completed During First Quarter

Area	Audit Number & Type	Grantee	Requirement	Date Completed
Planning	06-CHM-02 - Closeout	CH2MHill	Contractual	7/2008
Planning	08-CAH-G01 - Closeout	City of Agoura Hills	Contractual	7/2008
Planning	08-FHT-G01 - Closeout	Foothill Transit	Contractual	8/2008
Planning	08-LAC-G01 - Closeout	Los Angeles County Department of Public Works	Contractual	8/2008
Planning	07-CAL-G15 - Interim	Caltrans	Contractual	8/2008

Appendix C

Internal Audit FY 2009 - Progress Toward Completing Audit Plan

Area	Audit Number & Title	Description	Risk	Estimated Date of Completion
Technology	07-ACC-I04 - Audit of Oracle Change Management	Validate the formal change management process and assess the adequacy of controls in managing changes to Oracle applications.	High	11/2008
Financial & Administrative Management	07-PMM-I10 - Procurement Card	Assess preprocurement card policies, procedures and controls and determine compliance with policies and procedures.	High	10/2008
Technology	08-CEO-I01 - Audit of Information Privacy	Evaluate internal controls over systems, databases and processes that collect data subject to privacy acts.	High	1/2009
Technology	08-ACC-I03 - HR/M3 Payroll Interface	Validate whether payroll input systems internal controls are working properly.	High	11/2008
Technology	08-OPS-I02 - Audit of TOAST	Evaluate system design for internal controls for Transit Operator activity Scheduling and Tracking (TOAST).	High	3/2009
Technology	08-ITS-101 - Audit of Backup and Recovery Management	Evaluate backup procedures and controls for crtical information.	High	3/2009
Service Delivery	09-COM-I01 - Audit of Passenger Comments Management Systems	Evaluate internal controls in tracking passenger complaints.	High	4/2009

Appendix C

Internal Audit FY 2009 - Progress Toward Completing Audit Plan

Area	Audit Number & Title	Description	Risk	Estimated Date of Completion
Technology	09-OPS-I02 - Audit of HASTUS	Evaluate information technology internal controls within HASTUS (Horaires et Assignations pour Systeme de Transport Urbain et Semi-urbain) bus schedules and transmission to M3 via ATMS.	High	1/2009
Technology	08-ACC-I05 - FIS Environment	Evaluate internal controls are adequate and effective that safeguard financial systems and data from unauthorized use, disclosure, modification or deletion and that backup are adequate to ensure the unwarranted disruption.	High	3/2009
Technology	09-OPS-I03 - ATMS General Controls	Evaluate internal controls are adequate and effective to ensure systems and data are safeguarded from unauthorized use, disclosure, modification or deletion and that backup are adequate to ensure the unwarranted disruption.	High	4/2009
Financial & Administrative Management	06-OMB-O05 - Budgeting Process	Evaluate effectiveness and efficiency of of budgeting processes.	High	2/2009

14

Appendix C

Internal Audit FY 2009 - Progress Toward Completing Audit Plan

Area	Audit Number & Title	Description	Risk	Estimated Date of Completion
Financial & Administrative Management	08-ACC-F02 - SAS 70	Validate controls for the inclusion of Statement of Auditing Standards #70 (SAS 70) reporting in contract language and monitoring of the reports received.	High	11/2008
Financial & Administrative Management	08-OPS-O01 - Balanced Scorecard	Validate accuracy, completeness, consistency and timliness of the metrics provided to manage agency business.	Critical	11/2008
Safety	07-OPS-O02 - Disaster: Response & Recovery	Validate existence, currency and adequacy of disaster recovery planning.	High	12/2008
Service Delivery	08-CBO-K03 - Follow-up Audit Bus Operator 8/80 Requirement	Follow-up on prior audit issues regarding the 8/80 bus operator work time requirements.	High	12/2008
Service Delivery	08-CSA-O04 - M3 Time Keeping	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.	High	1/2009

Appendix C

Internal Audit FY 2009 - Progress Toward Completing Audit Plan

Area	Audit Number & Title	Description	Risk	Estimated Date of Completion
Service Delivery	08-OPS-O02 - Payroll Code Usage	Review actual usage of payroll codes in comparison with contract bargaining agreements, regulatory requirements and policy.	Critical	12/2008
Service Delivery	08-OPS-O10 - Bus Passby Complaint Study	Consulting assignment that is reviewing the impact of signage changes on bus passby complaints.	High	12/2008
Service Delivery	08-OPS-O11 - Day Pass	Follow-up on prior audit issues. Evaluate procedures governing controls over Day Pass sales to determine whether they are effective.	High	10/2008
Service Delivery	09-OPS-O01 - M3 Warranty Management	Validate whether key business process impacted by M3 system are effective and efficiently. Evaluate effectiveness of input controls.	High	12/2008
Financial & Administrative Management	09-OPS-O02 - Solar Energy Projects	Sustainability Audit - Evaluate return on investment of solar energy project. Verify utility rebates received.	High	1/2009

Appendix C

Internal Audit FY 2009 - Progress Toward Completing Audit Plan

Area	Audit Number & Title	Description	Risk	Estimated Date of Completion
Service Delivery	09-OPS-O05 - Bus Preventive Maintenance Program	Evaluate preventative maintenance compliance with state and federal requirements. Review efficiency and effectiveness of process.	High	2/2009
Service Delivery	09-OPS-O06 - Purchased Transportation	Review contract performance and contract terms. Determine accuracy of billing and conformance to contract terms and conditions.	High	12/2008
Service Delivery	08-OPS-O06 - Fare Media Stock Room	Review adequacy of segregation of duties and internal controls over distribution and collection of fare media at the stockroom.	High	10/2008
Governance	09-ECD-01 - Real Estate Acquisition Environmental Review Process	Evaluate whether procedures used to acquire real estate provides the agency with adequate protection for potential environmental issues.	High	12/2008
Capital Project Management	08-CLK-04 - Compliance to Environmental Laws	Evaluate agency's compliance with environmental laws, and validate whether a portfolio of applicable environmental laws have been captured, and are current, accurate and complete.	High	6/2009