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Metropolitan Transportation Authority

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Metro

FINANCE, BUDGET AND AUDIT COMMITTEE
JUNE 19, 2013

SUBJECT: FY14 AUDIT PLAN

ACTION: ADOPT THE FY14 PROPOSED AUDIT PLAN

RECOMMENDATION

Adopt the FY14 Proposed Audit Plan.

ISSUE

At its January 2008 meeting, the Board adopted modifications to the FY07 Financial Stability Policy. The Financial Stability Policy requires Management Audit Services (Management Audit) to develop a risk assessment and an audit plan each year and present it to the Board. It also requires that the Finance, Budget and Audit Committee, as the audit committee for the agency, provide input and approval of the audit plan.

DISCUSSION

Instrumental to the development of the FY14 Audit Plan was completion of the FY13 agency-wide risk assessment. The agency-wide risk assessment is continually being refined and adjusted based upon events, issues identified during audits and agency priorities. The methodology used this year is similar to last year's risk assessment. The risk assessment continues to place a strong emphasis on the agency's internal control framework and vulnerability to fraud. We believe this year's risk assessment portrays the agency's risks in light of the changes to our risk environment and the challenges the agency faces in the next few years. The result is the FY14 Proposed Audit Plan (Attachment A).

This is the ninth year an audit plan has been developed and presented to the Board for input and adoption.

Policy Implications

An audit plan defines the work that will be completed or directed by Management Audit each fiscal year. It indicates both the depth and breadth of audit activities addressing

financial, operational and compliance risks for the agency. The audit plan also identifies the extent to which controls are being assessed by routine audit activities, addressed proactively through advisory services, or as a result of concerns from management.

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

In developing the plan, the hours included for each audit are an estimate. There are occasions where some reviews may take longer and therefore absorb more hours than proposed and in other cases, the audit will be completed in fewer hours than estimated. In addition, urgent requests arise that need audit support. When this occurs, the plan must be reassessed and Management Audit may supplement internal resources with outside consultants as long as there is funding and consultants available for the task. Therefore, not all planned audit work may be completed and the audit plan may be reassessed and adjusted during the year for unanticipated risks and work.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding for the annual audit plan will be included in the FY14 budget in Management Audit's cost centers and the appropriate projects throughout the agency.

ALTERNATIVES CONSIDERED

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

NEXT STEPS

Once the Board adopts the annual audit plan, Management Audit will develop the audit schedule for FY14. Management Audit will report to the Board quarterly on its progress in completing the annual audit plan.

ATTACHMENTS

A.   FY14 Annual Business Plan and Proposed Audit Plan

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Chief Auditor
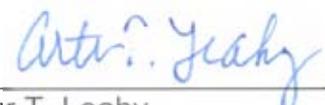
Arthur T. Leahy
Arthur T. Leahy
Chief Executive Officer

Los Angeles County
Metropolitan Transportation Authority

MANAGEMENT AUDIT SERVICES

FISCAL YEAR 2014
ANNUAL BUSINESS PLAN
AND
PROPOSED AUDIT PLAN

Metro

Management Audit Services

Fiscal Year 2014 Annual Business Plan
And Proposed Audit Plan

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Ⓜ Metro

Executive Summary

OVERVIEW

Annually, the Board requires Management Audit Services (Management Audit) to complete an agency-wide risk assessment and submit an audit plan to the Board for its input and approval.

An agency-wide risk assessment is the process of understanding an organization's strategic, operational, compliance and financial objectives to identify and prioritize threats/risks that could inhibit successful completion of these objectives. Risk assessments provide management with meaningful information needed to understand factors that can negatively influence operations and outcomes.

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

RISK ASSESSMENT

Instrumental to the development of the FY14 Audit Plan was completion of the FY13 agency-wide risk assessment. The agency-wide risk assessment is continually being refined and adjusted based upon events, issues identified during audits and agency priorities. The methodology used this year is similar to last year's risk assessment; however, we have updated the categorization of risks to correspond with the CEO's nine key imperatives:
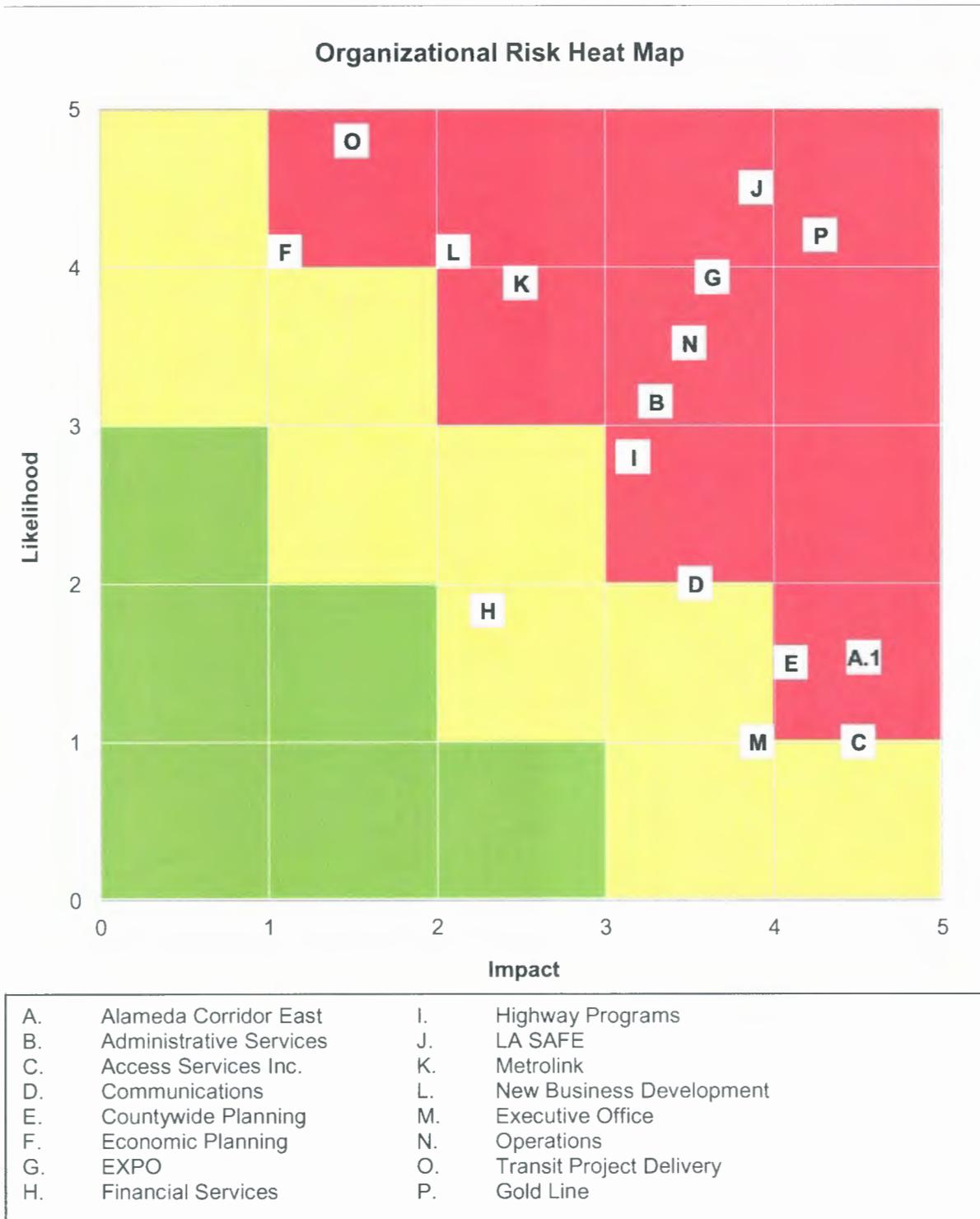1. Improve Metro bus and rail transit service,
2. Renewed focus on customer service,
3. Advance our bus and rail transit projects,
4. Advance the highway and freeway program,
5. Increase emphasis on safety and security, and
6. Civil Rights compliance.

The risk assessment continues to place a strong emphasis on the agency's internal control framework and vulnerability to fraud. We believe this year's risk assessment portrays the agency's risks in light of the changes to our risk environment and the challenges the agency faces in the next few years.

The risk environment continues to evolve with the focus this year on Measure R projects, along with the agency's ability to achieve all of its goals successfully with available staffing.

The agency-wide risk assessment process began by reviewing and analyzing key documents such as the annual budget, the Basic Financial Statements, status reports on major projects, past audit reports, open and late corrective actions to prior audit findings, and the transportation plans. We then completed an extensive assessment of

the different areas within the agency. We supplemented this assessment by interviewing key personnel to obtain additional information. All of this information was used to identify risks and concerns specific to individual cost centers as well as risks impacting the entire agency. In addition, similar to last year we evaluated risks related to five outside agencies that receive significant funding from MTA: Access Services Inc. (ASI), Alameda Corridor East (ACE), Exposition Authority (Expo), Pasadena Foothill Extension Authority (Foothill), and Metrolink. Risks were then scored using two factors, magnitude of impact and likelihood of occurrence. As in prior years, a heat map is still being used to display the overall risk assessment of the agency.

Organizational Risk Heat Map

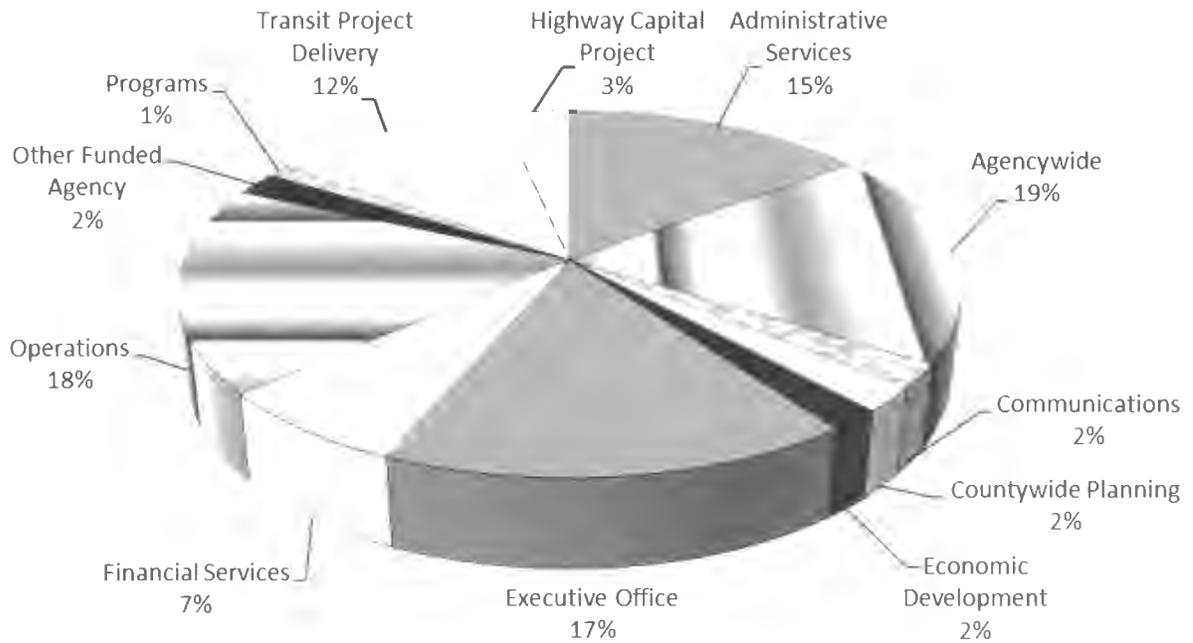|		
A.	Alameda Corridor East	I.	Highway Programs
B.	Administrative Services	J.	LA SAFE
C.	Access Services Inc.	K.	Metrolink
D.	Communications	L.	New Business Development
E.	Countywide Planning	M.	Executive Office
F.	Economic Planning	N.	Operations
G.	EXPO	O.	Transit Project Delivery
H.	Financial Services	P.	Gold Line

High Risk Areas

The top internal risks include aging infrastructure, key information systems and completion of multiple corridor projects within the same timeframe. The top external risks include Metrolink, Access Services, the Expo Phase 2 and Gold Line extension Projects.

1) Ability to hire qualified technical staff, little to no increase in support staffing and increased efforts needed for Measure R projects are pervasive concerns that surfaced in most of the risk assessment discussions. The lean support staffing combined with multiple complex Measure R funded projects is one of the key risk the agency faces. This risk is higher because multiple, major rail transit projects such as Crenshaw/LAX, Westside Subway Extension and Regional Connector will be competing for services from a limited pool of project support staff. There have been ongoing discussions with Executive staff to address these concerns and to shift available resources to key risk areas, but the ability of the support staff to provide oversight to these projects is still considered a key risk. This risk has impacted the overall scoring of several departments including Operations, Transit Project Delivery, Countywide Planning, Administration, and Financial Services, ,.

2) Operations' overall risk score is impacted by aging infrastructure coupled with a significant amount of deferred maintenance that is being addressed in the current budget but is still considered a risk to achieving some of the CEO's key goals.

3) Risks impacting the overall scoring of key information systems were identified in the Information Technology risk assessment. The lean staffing in the support areas is also seen in Information Technology Services. Several key information systems have been identified with "single points of failure", meaning some systems have only a single individual with extensive knowledge of that system. This impacts coordination of services, disaster recovery planning, backup and strong central internal controls.

4) Metrolink's risk ranking is based upon recent reports that cite concerns regarding availability of financial information, OCTA's review of Metrolink's Internal Audit function, write-off of obsolete inventory and lack of ongoing internal audits. Metrolink continues to struggle with timely support of external auditor's documentation requirements.

5) Access Services' risk ranking increased because of Increased costs in their current budget, and projected increase in passengers that will need to use Access Services in the future as the "baby boomers continue to age.

6) Expo Phase 2 and Gold Line extension's risk rankings have decreased from last year because of changes that MTA has implemented to increase oversight and collaboration with both agencies. However, because of the potential for cost overruns, both agencies are still considered to be high risk.

AUDIT PLAN

For purposes of the audit plan, the agency has been organized into 10 departmental functions and 5 other agencies funded by MTA. The FY14 audit plan is summarized as follows:

Pie chart segments:
- Programs 1%
- Transit Project Delivery 12%
- Highway Capital Project 3%
- Administrative Services 15%
- Other Funded Agency 2%
- Agencywide 19%
- Operations 18%
- Communications 2%
- Countywide Planning 2%
- Economic Development 2%
- Financial Services 7%
- Executive Office 17%

A detailed list of audits is included in Appendix A.

Audit Plan Strategy

The audit plan leveraged the information obtained during the agency-wide risk assessment process and included audits in those areas identified as critical or high risk to the agency.

The strategic goals for developing and implementing the audit plan include:
1. Improve Metro bus and rail transit service,
2. Renewed focus on customer service,
3. Advance our bus and rail transit projects,
4. Advance the highway and freeway program,
5. Increase emphasis on safety and security, and
6. Civil Rights compliance.

Most of the projects selected for the FY14 audit plan have multiple strategic goals. The following chart summarizes the audits by the primary strategic goal.

Advance the highway & freeway program 23%

Increase emphasis on safety & security 4%

Civil Righst compliance 4%

Improve Metro bus & rail transit service 24%

Advance our bus & rail transit projects 36%

Renewed focus on customer service 9%
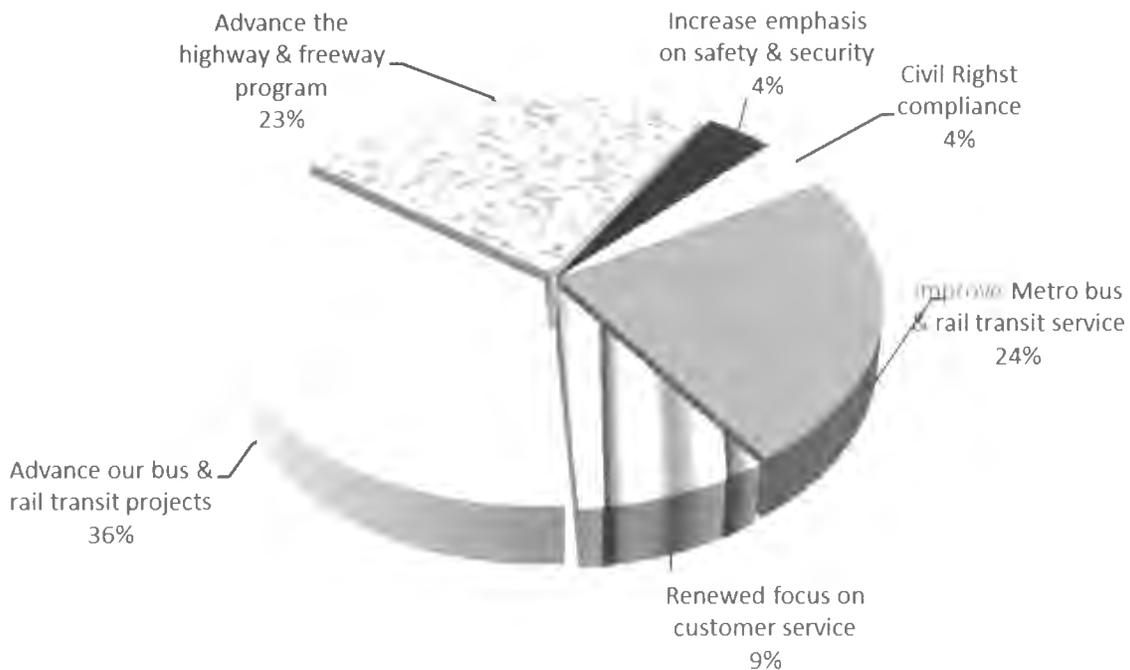
Audit Resources

Management Audit is constrained by available staff resources and budgeted professional services dollars. In FY14, the audit plan is based on budgeted staffing and resources.

In developing the plan, the hours included for each audit are an estimate. There are occasions where some audits may take longer and therefore absorb more hours than proposed and in other cases, the audit will be completed in fewer hours than estimated. In addition, urgent requests arise that need audit support. When this occurs, the plan must be reassessed and Management Audit may supplement internal resources with outside consultants as long as there is funding and consultants available for the task.

Therefore, all planned audit work may not be completed and the audit plan may be reassessed and adjusted during the year for unanticipated risks and work.

AUDIT PLAN AREAS

Internal Audits
The internal audits were selected based on the results of the FY13 agency-wide risk assessment. Areas identified as critical or high risk during the agency-wide risk assessment were given priority when identifying potential audits for the FY14 audit plan. Since there are more risks than available resources, resources were the key factor in selecting the number of risks and areas to audit. MTA has the authority to audit the five outside agencies that receive significant funding from the MTA, which includes; ASI, ACE, Expo, Foothill and Metrolink. We have included an audit for ASI, since audits were completed or are in process from last fiscal year for Expo, Foothill, ACE, and Metrolink

Fifteen technology systems have been identified by management as critical to completing core business processes. They are:
1) *Infrastructure (includes Email, Web proxy & Internet)*
2) *HASTUS (formerly TOAST) – Scheduling system*
3) *Financial Information System (FIS)*
4) *Payroll*
5) *Maintenance and Materiel Management System (M3)*
6) *Human Resources*
7) *Driver's License Monitoring System (DLMS)*
8) *Transit Safety Tracking*
9) *Universal Fare System (UFS)*
10) *Advanced Transportation Management System (ATMS)*
11) *Supervisory Control and Data Acquisition (SCADA)*
12) *Vector System*
13) *Vehicle Accident Monitoring System (VAMS)*
14) *Rail Incident Management system (RIMS)*
15) *TransitSafe*

Beginning in FY09, Management Audit started focusing audit resources on these systems. This emphasis will continue in FY14 and future audit plans until the controls over all modules have been assessed. In selecting potential FY14 audits, Management Audit identified areas that would provide assurance that the critical system's internal controls are adequate and working effectively and that the system is providing timely and accurate information to management.

The majority of Management Audit's projects are focused on completing assurance work on "hard controls", such as segregation of duties, safeguarding agency assets, accurate original entries and transactions, and compliance with regulations, contracts, and memorandums of understanding (MOUs). However, business process improvement is also an important focus for the agency. Therefore, the FY14 audit plan

contains projects that assess whether greater efficiencies can be achieved and where appropriate provide recommendations for business process improvements.

In addition, this year we have included a large audit to complete a holistic evaluation of all agency revenue sources.

We continue to use AuditExchange software to increase the amount of transaction reviews without using a lot of staff resources. This software allows Management Audit to program queries on data tables to perform 100% review of transactions to pre-set criteria. In this year's audit plan, 750 hours of staff time have been set aside to review exceptions identified during the monitoring of these scripts to identify systemic issues that need management review and correction. Additional queries will be programmed each year based on available funding. We will prioritize the areas that will be programmed based on several factors including risk ranking, management concerns and areas that are most vulnerable to fraud.

Contract & Grant Audits
Grant audits review costs associated with MOU's issued under the Call for Projects program and contract audits review costs proposed or incurred on contracts and change orders issued by Procurement. The planned audits were identified based on discussions with project managers and contract administration staff, analysis of Call for Project's audit universe and Financial Information Systems' (FIS) data for contract audits. The universe of audits was balanced against the associated budget authorized to complete the work. Any additional work required beyond what is planned in the FY14 audit plan or unplanned audits requested will need to be outsourced to consultant firms and funded by the project. The grant audit work was completely outsourced in FY13 and will continue to be outsourced in FY14 because of audit staff reductions.

The MOU's selected to audit are either projects that expect to be finished next fiscal year or in the case of longer term projects whether an audit has been completed in the last two years.

Currently, contract audits requested for I-405, Corridor Projects and Congestion Reduction Demonstration Project are the highest priority. The next highest priority is pre-award audits for all other projects, and incurred cost and closeout audits have the lowest priority when assigning work. Because staffing in Management Audit has been reduced, the incurred cost and closeout audits will use external staffing if there are available project funds. As these records get older and project management is either reassigned or leaves the agency, there is significant risk to MTA's ability to negotiate and close out cost reimbursable contracts.

Special Request Audits
The FY14 plan also includes 3100 hours or 11.5% of available hours for special projects requested by the CEO (Appendix A, Line 42). These hours provide some flexibility in the audit plan to respond to emerging issues where the CEO needs audit resources to review and provide recommendations to correct a problem or to provide information about a specific issue.

Also, in order to comply with Government Accountability Office's Generally Accepted Government Auditing Standards and Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing (Standards), this year the self-assessment will be completed with audit management and external sources. The Standards require the audit activity adopt a process to monitor and assess the overall effectiveness of the audit quality process. The work will assess compliance to the Standards and to Management Audit's Charter, mission statement, objectives, audit policy manual, supervision, and staff development. In addition, the internal quality assurance review assesses our effectiveness and promotes continuous improvement within Management Audit. This internal review will also help prepare Management Audit for the external quality assurance review mandated by the Standards that is scheduled for Fall of 2014.

OTHER PLANNED ACTIVITIES

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

Beginning in March 2005, Management Audit assumed responsibility to report to the Board on all outstanding audit issues. These reports include all outstanding audit findings and a summary of the findings closed. Both the CEO and Management Audit continue to focus on this area to ensure that any significant risks to the agency are addressed in a timely manner.

Project Management of Consolidated and Annual Financial Audits
In 2009, Management Audit assumed the responsibility for managing the entire agency's planned audits by external auditors. We have included 220 hours of staff time to provide assistance to KPMG for the Annual Financial Audit and the National Transit Database audits. Audit management time is also provided to ensure these audits are completed within the scope and schedule of the contracts.

MANAGEMENT AUDIT SERVICES FRAMEWORK

In order to ensure our work is consistently reliable, independent and objective, Management Audit completes work under the framework of our Board approved Audit Charter. The Audit Charter includes Management Audit's mission, the standards we must comply with, and our department's objectives and core function.

Mission
Our mission is to provide highly reliable, independent, objective assurance and consulting services designed to add value and improve operations. The department accomplishes this by bringing a systematic, disciplined approach to evaluating and

recommending improvements to the effectiveness of risk management, controls and governance processes.

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

Objectives and Core Functions
As summarized in our Audit Charter, the primary objective of Management Audit is to assist the CEO and his management team with their important business and financial decisions by:
- Providing recommendations to protect and safeguard the agency's resources and assets;
- Providing assistance to improve and streamline processes and operations;
- Providing assurance services regarding the effectiveness of the internal control systems and processes;
- Testing financial transactions to verify accuracy and completeness of accounting entries;
- Providing assistance during contract/MOU negotiations by determining whether contract/MOU amounts are fair and reasonable;
- Completing legally mandated audits to determine compliance to regulations; and
- Tracking and reporting on all outstanding external and internal audit findings.

In addition, Management Audit's objective is to foster a system and environment that supports the highest level of integrity and ethical conduct and provides assurance of an acceptable level of risk to management for all key business processes.

INTRODUCTION

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

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

The FY14 audit plan included in Appendix A is based on IIA's definition and attempts to provide a balanced and effective review of the entire agency constrained by Management Audit resource limitations. Our FY14 plan is based on 26,850 direct audit hours to be provided by 11 budgeted audit professionals, two entry-level trainees and two interns. The audit hours for the Chief Auditor and her management team are not included in the direct audit hours.

This is the CEO's audit plan being presented to the Board for approval. The CEO has the discretion based on agency need or Board direction to reprioritize audit resources. We are dedicated to completing our audit plan while continuing to be flexible and responsive to the agency's needs.

ALLOCATION OF AUDIT RESOURCES

The direct audit hours are allocated as follows:
- 8,470 hours (32%) for new audits,
- 3,100 hours (12%)for CEO requested projects, and
- 15,280 hours (57%) for audits which are still in process.

OUTSOURCED & CO-SOURCED AUDITS

Based on industry best practices, we outsource some of the audits. On some of the work that we outsource, Management Audit now includes at least one staff auditor on the contracted work (co-sourcing) so that information is transferred internally. In addition, on some audits, staff auditors manage the work and external consultants are added to provide subject matter expertise.

This methodology trains internal auditors in specialized areas and ensures Management Audit receives the specialized expertise needed at the most economical price. The audits that we plan on either outsourcing or co-sourcing have been identified in the FY14 detailed listing of audits.

APPENDIX A

DETAILED LISTING OF AUDIT

SUMMARY OF PROPOSED FY14 AUDIT PLAN

OPERATIONS AUDITS

1. Performance Audit of Bus Buys Contract
2. Review of Contracted Bus Services
3. Accuracy & Completeness of Operations KPIs
4. Utilization of ATMS Capabilities
5. System-wide SCADA Review
6. Operator Training & Qualifications System
7. Fuel/Gasoline Usage
8. Rail Overhaul & Maintenance
9. Wayside System

OVERSIGHT & AGENCY-WIDE

1. Estimating Process
2. Revenue Collection
3. Fare Enforcement Proof of Payment
4. Agency Compliance to Civil Rights
5. Continuity of Operations Plan
6. Agency Safety Program (in process)
7. Utilization of Consultants vs. staff
8. Labor Relations Grievance Process
9. Non-Revenue Vehicles usage – Agency-Wide

OTHER FUNDED AGENCIES

1. ASI Efficiency, Effectiveness, Economy & Oversight
2. Gold Line Agency (in process)
3. CalTrans Agreement I-5
4. Consolidated & STIP audits

HIGHWAYS

1. 511 System IT Controls

PLANNING

1. Fund Exchange Agreements
2. Grants Audit (in process)
3. Call for Projects Audits

ECONOMIC DEVELOPMENT

1. Real Estate Property Management Follow Up

CONSTRUCTION

1. Incurred Cost audits of cost reimbursable contracts

ADMINISTRATION

1. Construction Change Order Process – Efficiency & Effectiveness
2. Automated Parking System
3. Mobile Device Usage
4. Efficiency & Effectiveness of MOU & RFP Process
5. Cost of Utilities Audit (Telecommunications, Electricity, Gas)
6. Parts Movement & Management (ASRS, Store Rooms, CMF, Divisions)
7. CIMS (on-going)
8. Material Inspection Process
9. Performance Audit of Gateway Plaza Modernization Project
10. Buy America audits
11. Pre-award audits

FINANCE

1. Accounts Receivable (in process)
2. Chart of Accounts (in process)
3. Payroll System
4. A/P Continuous Audit
5. Payroll Continuous Audit
6. PCard Continuous Audit
7. KPMG Audit support

FY14 Proposed Audit Plan

Ref #	Audit Subject	Area	Justification	Risk	Hours Needed	Co-source	Audit Plan Strategic Goal
1	Bus Buys Contract Performance Audit	Operations	Evaluate the efficiency and effectiveness of Bus Buy Contracts.	High	400		3
2	Contracted Bus Services Performance Audit	Operations	Evaluate the efficiency and effectiveness of contracted bus services contracts.	High	300		2
3	Operations KPI Audit	Operations	Evaluate the accuracy and completeness of Operations KPIs.	High	300		1
4	Audit of Operations IT System Integrations - ATMS Utilization	Operations	Evaluate the efficiency and effectiveness operation IT systems integration and utilization.	High	100	Co-Source	1
5	Access Services Performance & Oversight Audit	Other Funded Agency	Evaluate the efficiency, economy and effectiveness oversight and operations.	High	500	Co-Source	6
6	SCADA Systemwide General and Application Controls Audit	Operations	Evaluate systemwide security for SCADA light rail and heavy rail operations and follow up on implementation of prior audit findings.	High	700	Co-Source	1
7	Rail Overhaul and Maintenance Audit	Operations	Efficiency and effectiveness of the Blue Line, Green Line and Red Line Overhaul and Refurbishment Projects.	High	350		3
8	Audit of Wayside System	Operations	Evaluate effectiveness of maintenance of the rail right of ways.	High	200		1
9	Gold Line Performance Audit	Transit Project Delivery	Performance Audit to evaluate efficiency and effectiveness of gold line project management.	High	300	Co-Source	3
10	Audit of Operations Training and Qualifications System	Operations	Evaluate efficiency and effectiveness of Operations training and qualification systems.	High	500		2
11	Audit of Non-Revenue Vehicle Usage - Agencywide	Agencywide	Evaluate efficiency and effectiveness of bus division non-revenue vehicle usage.	High	500		1
12	Audit of 511 System Integration and Information Technology Controls	Highway Capital Projects	Evaluate efficiency and effectiveness of 511 information technology controls and of implementation of prior audit findings.	High	500	Co-Source	2
13	Construction Change Order Process	Transit Project Delivery	Efficiency and effectiveness of the construction change order process including effectiveness of estimating process.	High	500		3
14	Parking Revenue Contract Performance	Operations	Evaluate efficiency, effectiveness and oversight of agencywide parking system contracts.	High	500		3&4
15	Audit of Caltrans Funding Agreement MOU P0004292 to design and construct I-5 Widening at Orange County Line	Highway Capital Projects	Performance audit to evaluate the accuracy, completeness and compliance of project cost to MOU requirements.	High	300		4
16	Audit of Fund Exchange Agreement Process	Countywide Planning	Evaluate efficiency and effectiveness of the Funds Exchange Agreement Process including compliance with terms of agreement.	High	500		4
17	Fuel/Gasoline Usage	Operations	Evaluate efficiency and effectiveness of gasoline usage and related controls including identifying potential cost savings.	High	500		3&4

Ref #	Audit Subject	Area	Justification	Risk	Hours Needed	Co-source	Audit Plan Strategic Goal
18	Consolidated Audit	Programs	Financial and Compliance of Proposition A and C, Measure R local return funds, 1B Transit Modernization, Transit Security funds, Rider Relief Transportation Programs, TDA Program and EZ Pass Program.	High	200	Outsource	3
19	STIP	Programs	Financial and Compliance audit for State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring.	High	80	Outsource	3 & 4
20	Audit of Accounts Receivable	Financial Services	Validate adequacy of current policies and procedures; compliance with policies and procedures; appropriate segregation of duties exist.	High	250		3 & 4
21	Audit of Chart of Accounts	Financial Services	Review the current chart of accounts to verify that it adequately reflects the current business process and reporting needs.	High	250		3 & 4
22	Payroll System	Financial Services	Evaluate payroll system efficiency and effectiveness and information technology controls.	High	450		3&4
23	Audit of Mobile Devices	Administrative Services	Evaluate efficiency and effectiveness of cell usage related controls for personal usage.	High	500		1 & 3
24	Accounts Payable Continuous Auditing	Financial Services	Continuous monitoring of Accounts Payable Transaction exceptions.	High	250		1 & 3
25	Payroll Continuous Auditing	Financial Services	Continuous monitoring of Payroll exceptions.	High	250		1 & 3
26	PCard Continuous Auditing	Administrative Services	Continuous monitoring of workers Compensation Activity exceptions.	High	250		1 & 3
27	KPMG Audit Support	Financial Services	Management Audit Support to the agency external audit process.	High	220		1 & 3
28	Estimating Process	Executive Office	Efficiency and effectiveness of the of estimating process.	High	500		3
29	Audit of Revenue Collection	Executive Office and Communications	Perform a holistic exam of the quality, accuracy and timeliness of revenue collection. Assess adequacy of internal controls over revenue processes that contribute to the capture, management and collection of revenue. Determine if MTA has an adequate and effective system of internal controls over revenue to ensure processing of revenue is adequate, accurate and complete.	High	1000	Co-Source	1
30	Audit of MOU and RFP Process	Administrative Services	Assess efficiency and effectiveness and timeliness of Procurement's RFP and MOU processes; RFP and MOU practices validate against best practice. Identify opportunities to streamline the procurement processes.	High	300		3 & 4

Ref #	Audit Subject	Area	Justification	Risk	Hours Needed	Co-source	Audit Plan Strategic Goal
31	Real Estate Property Management Follow-up	Economic Development	Evaluate accuracy and completeness of tracking real estate properties in Real Property Management System. Determine if database records reconcile with Accounting records. Assess revenues booked tie with property leases. Evaluate effectiveness of monitoring leases, concessions, bill boards, parking etc. Follow up on prior audit findings.	High	450		3
32	ITS Telecommunications Audit- Utilities Cost Audit	Administrative Services	Assess the adequacy and effectiveness of internal controls surrounding ITS' management of telecommunications. Assess accuracy of telecom, wireless and network services monthly bills including the validation that telecom services billed are actually installed, being used and invoiced at the correct rates.	High	450	Co-Source	5
33	Management and Movement of Parts and Supplies	Administrative Services	Evaluate the adequacy of internal controls over the Automated Storage and Retrieval System (ASRS) Manager Computer System that supports moving, storing and retrieval of Metro's bus and rail inventory from the receiving docks to fleet maintenance locations throughout the agency. Follow up on inventory audit and evaluate the efficiency and effectiveness of material inspection process and accuracy of inventory balance recorded on books	High	1300		1, 3& 4
34	Audit of Civil Rights Programs	Executive Office	Evaluate agencywide compliance to civil rights programs and whether they are accomplishing their goals and purposes in accordance with regulatory requirements.	High	500		6
35	Audit of Continuity of Operations Plan	Executive Office	Assess the adequacy of plan to restore essential operations and functions after an emergency of such magnitude that normal day-to-day operations become non-functional. Assess oversight over development of coordinated emergency preparedness development, planning, organizing, equipping, training, and evaluation including compliance with the State Emergency Management System (SEMS) and National Incident Management System (NIMS) guidelines.	High	400		1
36	Audit of Contract Information Management System	Administrative Services	Assess the system implementation process to acquire, design, test and implement the Contract Information Management System that meets specific functionalities required by the MTA business processes.	High	250		3 & 4
37	Audit of Safety Program	Executive Office	Evaluate efficiency and effectiveness of Safety program and accuracy of reported metrics.	High	450		5
38	Use of Consultants verses staff	Agencywide	Evaluate the efficient and efficient use of Consultants verses Full-Time Equivalents.	High	500		3&4

FY14 Proposed Audit Plan

Ref #	Audit Subject	Area	Justification	Risk	Hours Needed	Co-source	Audit Plan Strategic Goal
39	Audit of Gateway Plaza Modernization Contract	Administrative Services	Evaluate the cost, schedule, oversight and performance of the Gateway Modernization Project.	High	500		3&4
40	Audit of Overtime Usage	Executive Office	Evaluate the use of Overtime	High	500		1
41	Audit of Compliance to Administrative Payroll Codes	Agencywide	Evaluate compliance with administrative payroll codes	High	500		1
42	Labor Relations Grievance Processing	Executive Office	Adequacy and effectiveness of Grievance Programs.	High	500		1 & 2
43	Audit of Fare Enforcement Proof of Payment	Executive Office	Efficiency, effectiveness and accuracy of the fare payments.	High	550		2
44	Incurred Cost Audits	Transit Project Delivery	Perform an Incurred Cost for Cost Type component of Project.	High	1975		3 & 4
45	Buy America Audits	Operations	Pre-award Post award Delivery Buy America audits for rolling stock required by Federal Regulations for 500 Bus Buy.	High	475		3
46	Pre-Award Audits	Agencywide	Pre-award audits for unplanned project activity related to new acquisitions, change orders, non-competitive procurements, projects subject to Caltrans pre-award requirements.	High	3000		3 & 4
47	CEO Special Requests		Special audits requested by the Chief Executive Officer.	High	3100		
	MAS GRAND TOTAL				**26850**		