

LYNX Board Audit Committee Agenda

Central Florida Regional Transportation Authority

455 N. Garland Ave.


2nd Floor Board Room

Orlando, FL 32801








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1. Call to Order

2. Approval of Minutes




-  Approval of June 23, 2005 Audit Committee Minutes (pg. 2-4)

3. Audit Agenda Items

- A.  Internal Audit Manual/Charter (pg. 5-53)
 - Presentation 
 - Attachment    
- B.  Center for Transit Leadership Overview (pg. 54-54)

4. Review of Board Package: 7/28/2005

Information Items
(For Review Purposes Only - No action required)

- C.  Dialysis Customer Analysis (pg. 56-62)
 - Attachment  

LYNX
Central Florida Regional Transportation Authority
Monthly Board Audit Committee Meeting

PLACE: **LYNX Central Station**
 455 N. Garland Avenue
 Board Room, 2nd Floor
 Orlando, FL 32801

DATE: **June 23, 2005**

TIME: **10:30 a.m.**

Audit Committee Members in Attendance:

Commissioner Atlee Mercer, Osceola County, LYNX Chair
Chairman Carlton Henley, Seminole County, LYNX V. Chair
George Gilhooley, FDOT
Fred Winterkamp, Orange County
Roger Neiswender, City of Orlando

Not in Attendance:

Mayor Buddy Dyer
Mayor Richard Crotty

Senior Staff and Legal Counsel in Attendance:

Albert Bustamante, General Counsel, Akerman Senterfitt
Linda Watson, CEO
Edward Johnson, Chief of Staff
Peggy Gies, Chief Marketing Officer
J. Marsh McLawhorn, Chief Government Affairs Officer
Sylvia Mendez, Chief Administrative Officer
Lisa Darnall, Interim Chief Operating Officer
Janice Keifer, Interim Director, Finance
Tracy Bridges, Government Affairs Assistant, Minute Recorder

1. Call to Order

Chairman Mercer called the meeting to order at 10:35 a.m.

2. Approval of Minutes

Motion: Vice Chair Henley moved to approve the minutes of the March 24, 2005, and May 26, 2005, Audit Committee Meetings, District Secretary Gilhooley seconded, and the motion passed unanimously.

3. Audit Agenda Items

A. Monthly Update – FY 2004 Management Letter Comments Follow-up – Blanche Sherman, Manager of Finance, provided an update on the progress of software implementation. Commissioner Mercer noted that these monthly updates are to help track key dates and are a reminder to the Board to monitor these items as well as a reminder to staff to be working on them.

4. Review of Board Package

Commissioner Mercer turned the meeting over to Ms. Watson to go through the remainder of the agenda. Ms. Watson began with a discussion of the Pension Plan.

Audit Information Item

Follow-up Information to Amalgamated Transit Union Local 1596 Pension Plan Quarterly Update

Ms. Nadine Schaal of Akerman Senterfitt gave a summary of the Collective Bargaining Unit's pension plan. A discussion ensued regarding some apparent inconsistencies between the Pension Plan Document and the Collective Bargaining Agreement and the impact they may have on the agency. The Committee shared concerns about their lack of oversight on fund distributions. Ms. Schaal confirmed that LYNX Board Members are eligible to be appointees on the Board of Union Trustees and noted that LYNX cannot go back to court to modify the Settlement Agreement unless the parties to the original lawsuit agree to it.

The Committee also addressed apparent inconsistencies in the disability provision of the pension plan. Chairman Mercer requested a letter be drafted and sent to the Pension Board of Trustees asking for clarifying language. Staff confirmed that there is an offset between the amount paid from Social Security and the pension plan.

Resolution Authorizing the Seventh Amendment to the Money Purchase Plan to comply with IRS Notice 2005-5 Relating to the Distribution Procedures for Small Accounts

Ms. Nadine Schaal reported that this amendment is being driven per a change in statute, requiring that employers put small pension distributions into an IRA if the employee fails to notify the employer of their preferred distribution option. Due to LYNX' administration vesting schedule this should not be an issue, but per statute the language must be adopted into the plan by December 31, 2005.

Cost Allocation Study Results

Alan Wulkan, Parsons Brinkerhoff, and Sharon Greene gave an update on the LYNX Cost Allocation Study. The study includes two phases: 1) developing an equitable cost allocation methodology among the funding partners and 2) proposing a dedicated transit-funding source for LYNX. After meeting with key community leaders and an Ad Hoc Committee of funding partners as well as reviewing allocation variables utilized by comparable transit systems, the study identified one, two and three - variable scenarios for consideration. It will now be up to the funding partners to come to an agreement on which methodology to adopt.

Phase two of the study is currently underway and should be completed in September or October. A final set of recommendations and a presentation to the Board will be made at that time.

Preliminary FY 2006 Proposed Operating & Capital Budgets

Linda Watson made a presentation on the proposed FY2006 budget. Ms. Watson highlighted key items that will impact the budget next fiscal year including: Commuter Rail, the ACCESS LYNX contract, the Union contract, diesel fuel and health care. Ms. Watson also noted that staff is looking at outsourcing as a means of cost savings for the agency.

The Committee asked for a report on the number of dialysis patients utilizing ACCESS LYNX, where they are located, where they receive dialysis, and if there are any other service-level alternatives available.

Meeting adjourned at 12:30 p.m.

LYNX Board Audit Committee Agenda

Audit Committee Agenda Item #2.A

To: LYNX Board Of Directors

From: **Linda Watson**
EXECUTIVE DIRECTOR
Robert Grossi
(Technical Contact)
Edward Johnson
(Technical Contact)

Phone: 407.841.2279 ext: 3017

Item Name: Internal Audit Manual/Charter

Date: 7/28/2005

Mr. Robert Grossi, LYNX Internal Auditor, will provide an overview of the Internal Audit Manual / Charter. The following documents are provided as attachments:

Internal Audit Charter

- Mission of Internal Audit
- Audit Scope
- Audits in Process and Planned Audits

Professional Standards

- Generally Accepted Government Auditing Standards (GAGAS)
- Generally Accepted Auditing Standards (GAAS)
- Code of Professional Conduct

Internal Audit Overview

- Types of audits
- Special reviews
- Assist external auditors

Internal Audit Manual

- Elements of the Internal Audit Manual
- Audit planning
- Evaluation of Management controls
- Working papers
- Audit Reports

LYNX

Internal Audit

Internal Audit Manual

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INTRODUCTION TO INTERNAL AUDIT

Mission Statement



The mission of the Office of Internal Audit is to provide comprehensive, independent, and proactive audit and non-audit coverage by examining and evaluating LYNX operations, contractors, and related agencies in order to safeguard LYNX assets and promote maximum accountability, efficiency and effectiveness.

Description and Scope of Operations

The scope of internal auditing encompasses every phase and sector of LYNX operations, and includes examining and evaluating the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The scope of internal auditing includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information and promoting effective control at reasonable costs.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have significant impact on operations and reports, and determining whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.

- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

Functions

- Conduct performance audits to assess program effectiveness and results, economy and efficiency, and the adequacy of internal controls.
- Perform revenue audits to help ensure that LYNX receives, in a timely manner, all revenues to which it is entitled.
- Perform audits of information systems hardware, applications, and related controls.
- Perform selected compliance audits to determine conformance with the requirements of contracts and agreements, Federal and State laws and/or Federal and State grants.
- Investigate any reported situation involving possible fraud, misappropriation or other irregularities in matter pertaining to the business of LYNX.
- Conduct special reviews or consulting services as requested by the Chief Executive Officer, Department Chiefs, or Division Managers.
- Assist external auditors in the annual audit of LYNX financial statements.

Office Organization

The Office of Internal Audit is responsible for the day-to-day operation of the office and directing audit assignments to ensure the goals of the office are met.

See Employee Job Descriptions for a complete description of the knowledge, skills and abilities required of the employees in the Office of Internal Audit.

Organizational Chart

See the LYNX Organization Chart.

Audit Board

LYNX has established an Audit Board comprised of the five members of the board of directors to advise LYNX on financial and audit matters. The purpose and duties of the Audit Board can be summarized into the following categories: Financial and Other Reporting Practices; Safeguarding the Independence of the Audit Process and Internal

Control; and Compliance with Laws, Regulations and Ethics as assigned by the Chief Executive Officer. The meetings of the Audit Board are open to the public. The Office of Internal Audit reports its activities to the Audit Board for consideration at board meetings and serves as board liaison with LYNX management.

Professional Standards and Conduct

The Office of Internal Audit adheres to all applicable professional standards. These standards result in a more professional office and a higher quality work product, as well as improved credibility with LYNX personnel. An audit organization in government should adhere to several different sets of standards.

Generally Accepted Government Auditing Standards

In 1972, the United States General Accounting Office (GAO) first published a book entitled Standards for Audit of Governmental Organizations, Programs, Activities and Functions. This was revised and clarified in 1981, 1994, 1999 and 2003. It is commonly referred to as the "Yellow Book". These standards were developed, in part, to help ensure full accountability and assist government officials and employees in carrying out their responsibilities. The GAO standards are available for review on the Internet at <http://www.gao.gov/govaud/ybk01.htm>. Audit staff should be familiar with these standards. A summary of GAO standards can be found at the end of this chapter.

Generally Accepted Auditing Standards

The first auditing standards were established by the AICPA in 1948. These standards have been frequently interpreted and extended in subsequent years through AICPA pronouncements, which are now known as Statements on Auditing Standards (SAS).

The auditing standards developed by the AICPA are largely oriented toward expressing an opinion on the fairness with which financial statements present financial position and results of operations. The AICPA standards are referenced in the "Yellow Book." Although the Office of Internal Audit typically does not express an opinion on financial statements, these auditing standards should be followed to the extent to which they are applicable.

Code of Professional Conduct

Office of Internal Audit staff are required by various professional codes of ethics and by office policy to exhibit a high level of professional conduct. The philosophy of the office is guided by the overall objective of making the maximum possible contribution toward improving the LYNX operations. If the office's activities are to have maximum impact, those who receive the reports must have confidence in the work product of the office. In other words, the office must have a reputation for conducting competent, independent, and unbiased audits and other reviews.

To acquire and maintain this reputation requires continuous effort by all staff members. It further rests with the professional development of each staff member.

Hence, professional certification (CPA, CIA, CISA) is strongly encouraged as proof of attainment of a level of professional competence.

To assist in developing professional competence, each office staff member is encouraged to join and actively participate in professional organizations. The office will provide reimbursement for dues and meetings, depending on the amount of available funds. In addition, if a staff member becomes a member of a professional organization at LYNX expense, it is expected that the staff member will become active in that organization through regular attendance at the organization's meetings.

The Office of Internal Audit specifically requires every staff member performing audits to abide by the Institute of Internal Auditor's Code of Ethics. Each staff member must always be particularly aware of the need to behave in a professional and independent manner. The staff member should always be polite, attentive and cognizant of the need to maintain the perception of being professional and independent.

SUMMARY OF GAO STANDARDS

Audits should be conducted in compliance with Generally Accepted Government Audit Standards established by the Comptroller General of the United States. These standards are contained and detailed in the U.S. Comptroller General's Government Auditing Standards (1994 Revision), commonly referred to as the "Yellow Book." Each auditor is responsible for being familiar with Government Auditing Standards. The following is an excerpt of the topics covered by the Yellow Book.

GENERAL STANDARDS

- Independence
 - Personal impairments
 - External impairments
 - Organizational independence
- Professional judgment
- Competence
 - Technical Knowledge and Competence
 - Continuing Professional Education
- Quality Control and Assurance

FIELD WORK STANDARDS FOR FINANCIAL AUDITS

- AICPA Field Work Standards
- Auditor Communication
- Considering the Results of Previous Audits and Attestation Engagements
- Detecting Material Misstatements Resulting From Violations of Contract Provisions or Grant Agreements, or from Abuse
- Audit Documentation

REPORTING STANDARDS FOR FINANCIAL AUDITS

- AICPA Reporting Standards

- Reporting Auditors' Compliance with Generally Accepted Government Standards
- Reporting on Internal Control and on Compliance with Laws, Regulations and Provisions of Contracts or Grant Agreements
- Reporting Deficiencies in Internal Control, Fraud, Illegal Acts, Violations of Provisions of Contracts or Grants Agreements, and Abuse
- Reporting Views of Responsible Officials
- Reporting Privileged and Confidential Information
- Report Issuance and Distribution

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS

- Planning
 - Program Significance
 - Understanding the Program
 - Considering Internal Control
 - Designing the Audit to Detect Violations of Legal and Regulatory Requirements, Contract Provisions, or Grant Agreement, Fraud, and Abuse
 - Identifying Audit Criteria
 - Considering the Results of Previous Audits
 - Identifying Sources of Audit Evidence
 - Considering Work of Others
 - Assigning Staff and Other Resources
 - Communicating with Management and Others
 - Preparing the Audit Plan
- Supervision
- Evidence
 - Tests of Evidence
 - Audit Findings
 - Audit Documentation

REPORTING STANDARDS FOR PERFORMANCE AUDITS

- Form
- Report Contents
 - Objectives, Scope, and Methodology
 - Findings
 - Conclusions
 - Recommendations
 - Statement on Compliance with GAGAS
 - Reporting Views of Responsible Officials
 - Reporting Privileged and Confidential Information
- Report Quality Elements
 - Timely
 - Complete
 - Accurate
 - Objective
 - Convincing
 - Clear

- Concise
- Report Issuance and Distribution

GENERAL APPROACH

This chapter will provide an overview of the objectives and a step-by-step approach that encompasses most engagements conducted by this office.



Nature and Objectives

Internal auditing is an independent appraisal activity within an organization for the review of operations as a service to management. Audit examinations may be described as evidence-gathering engagements which utilize a variety of investigative techniques, including inquiry, inspection, scrutiny, analysis, survey, and review. It is also important for the results to be reported in an accurate, effective and timely manner.

Specific techniques utilized on any particular engagement depend upon the objectives of the examination. Some may have very limited objectives, such as to determine compliance with a particular ordinance or statute. Audits of divisions and departments, however, involve much broader objectives. The basic objectives of Internal Audit encompass the concept of accountability prescribed in the GAO audit standards, as follows (paraphrased):

(Government Stakeholders) want to know whether (1) government resources are managed properly and used in compliance with laws and regulations, (2) government programs are achieving their objectives and desired outcomes, and (3) government services are being provided efficiently, economically, and effectively. (GAGAS 2003 Section 1.11 (paraphrased))

The Yellow Book goes on to state the following:

Financial audits contribute to making governments more accountable for the use of public resources. The auditors, in providing an independent report on whether an entity's financial information is presented fairly in

accordance with recognized criteria, provide users with statements concerning the reliability of the information.

Performance audits also contribute to governments' accountability for the use of public resources and the delivery of services. Performance audits provide an independent assessment of the performance and management of government programs against objective criteria or an assessment of best practices and other information.

Performance audits provide information to improve program operations, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

GAO standards provide certain flexibility to tailor audits to specific needs. Therefore, certain modifications are necessary due to the nature of Internal Audit. For example, since external auditors are employed by LYNX to express an opinion on LYNX financial statements, the Office of Internal Audit has minimal need to examine LYNX financial statements to determine whether they are fairly presented overall. The following objectives are established for the Office of Internal Audit and should be considered when planning each engagement.

Performance Audit Objectives

1. Address the effectiveness of a program or activity, including whether it is achieving its goals and objectives.
2. Address the economy and efficiency of a program or activity, including whether it is acquiring and using its resources in the most productive and cost effective manner.
3. Address the adequacy and functionality of the internal controls established by a program or activity to safeguard LYNX assets.
4. Address the conformance of the operations of a program or activity to applicable laws, regulations, policies, and industry standards.

Fraud Investigations

1. Investigate any suspected acts of fraud, misappropriation or other irregularity.

Information Systems Audit Objectives

1. Assist LYNX management in the effective design, development, and testing of management information systems and applications.
2. Ensure that existing systems function effectively and provide accurate and reliable information to LYNX employees and management.

Compliance Audits

1. Ensure that the LYNX and its contractors comply with required Federal, State and local rules, regulations and guidelines. This may include reviews of grants, awards, and other financial assistance.

Special Reviews

1. Perform non-audit (or “consulting”) services at the request of LYNX management. These reviews include an assessment of a particular function or activity where the level of involvement is limited and does not rise to the level normally experienced during an audit.

The Office of Internal Audit will periodically perform a formalized risk assessment of the audit “universe” to determine an audit plan. This plan will be presented to LYNX management for review and comment.

PREPARATION FOR FIELDWORK

Adequate preparation is a prerequisite to getting the engagement off to a smooth start. There are essentially two processes in preparing for fieldwork: pre-engagement planning and the entrance conference.

Pre-engagement Planning

Before beginning an assignment, it is important to determine procedures to be applied, and when, why, and by whom they will be performed. This planning not only requires knowledge of Internal Audit policies and techniques, but also extensive and up-to-date knowledge of the operations of the auditee/client. Although planning is virtually a continuous process, pre-engagement planning is specific and is perhaps the most important aspect of overall engagement planning. The Office of Internal Audit accomplishes pre-engagement planning through the use of a Planning Program. The objectives of the Planning Program include: assess control environment and identify risks, ascertain any issues of concern to management and define the objectives, scope and methodology of the project. The Planning Program is not required on every engagement but its use should be considered during pre-engagement planning.

During this time, the auditor should also consider the significance of any computer-generated or computer-processed data on the audit being undertaken and how to best use computer assisted auditing techniques.

Pre-engagement planning results in the development of the audit program. An audit program is required for all engagements. The audit program involves determining the most critical aspects of the examination, and, hence, the primary audit tests and/or procedures to be conducted. In addition, the audit program should be accompanied by a time line indicating the hours necessary and target dates for the performance of various phases of the engagement.

Entrance Conference

Among the first steps to be taken in starting an engagement is to contact the management (department director or division manager) of the unit to be audited or studied to inform them of the engagement. The auditee or client should not only be informed that an engagement is imminent, but if possible, should be told the nature and purpose of the engagement, the need for working space for the staff, and any assistance to be provided by the auditee/client.

An entrance conference involving auditee/client management, Internal Audit, and other staff should be scheduled before fieldwork begins. This is a standard procedure to be carried out and documented on all engagements. The documentation should be in the form of a working paper memo that summarizes the location and date of the conference, names of participants, subjects discussed, and agreements reached.

Entrance conferences provide a means for LYNX management to become acquainted with the Office of Internal Audit and to develop a cooperative relationship. Lack of cooperation is often due to a related lack of understanding as to the nature and purpose of the engagement. Thus, one of the most important objectives of the entrance conference is to explain the basis, scope, and purpose of the impending engagement so that there can be no question as to the overall motives and objectives of the Office of Internal Audit.

PERFORMANCE OF FIELDWORK

The primary objective of fieldwork for operational, compliance and information systems audits is to obtain sufficient competent evidential matter through inspection, observation, inquiries, and confirmations to afford a reasonable basis for a conclusion regarding the financial or other transactions under examination. In addition, the objectives of these audits (operational, compliance and information system audits) should also encompass the objectives of performance audits, as defined in the Yellow Book, which are to obtain sufficient, competent, and relevant evidence to afford a reasonable basis for the auditor's judgments and conclusions regarding the organization, program, activity, or function under review.

Proper Attitude

Although audit programs are essential to properly plan, control, and coordinate fieldwork, there is an inherent possibility that those who carry them out may do so without being aware of other conditions. It is important that auditors are constantly alert and inquisitive at all times. Experience has shown that some of the most important findings have been the result not of the specific technique or procedure applied, but rather of the alert manner in which the auditor performed the procedure. Important findings also frequently result from impromptu procedures performed by a naturally curious auditor. For these reasons, it is very important that the auditor work as much as possible at the auditee/client's work site.

Just as staff should be alert and inquisitive in performing fieldwork, they should be courteous and considerate to auditee/client personnel. Most of these individuals do not perform substandard work and very few are fraudulent. Thus, staff should not normally embark on an audit with the expectation of finding serious improprieties or approach personnel with a suspicious attitude. Rather, audits should be approached with a healthy degree of skepticism, whereby the auditor strives to learn about operations and report competently and objectively on his/her findings.

Working Papers

Working papers are an indispensable part of fieldwork and are required by generally accepted government auditing standards. They are the means by which the staff records procedures and measurement techniques that have been performed and evidence that has been obtained. As such, working papers provide documentary evidence of the fieldwork performed and represent the primary means by which supervisors review the work of the staff and by which outsiders (external auditors, reviewers) may determine what work has been performed, and may evaluate the quality of the work performed by the Office of Internal Audit.

Because working papers are expected to provide the basic record of all work performed and evidence developed, it cannot be overemphasized that auditors should be careful to document everything they do and all information learned during the course of an engagement. It is sometimes easy to forget to record the results of seemingly insignificant, non-programmed steps (impromptu oral inquiries or conversations, etc.), yet information acquired from such events ultimately proves to be significant.

All working papers should include an index, “overall memorandum,” and finding sheets. Finding sheets should be written in sufficient detail so that they can become the basis for the audit report draft. Because the quality of the working papers (both technical and substantive) directly reflects on the professionalism and ability of the office, it is vital that they be of the highest quality.

“Pre-Exit” Conference

Prior to ending the fieldwork and finalizing the finding sheets that will be used to prepare the audit report, the auditor should conduct a “Pre-Exit” conference with the auditee. In this meeting, the auditor should discuss each of the findings with auditee and determine whether the auditee has concerns or objections with these findings. If so, the auditor should document these objections and consider whether it is necessary to alter the finding to more accurately reflect the conditions observed or include and address the objections of the auditees in the body of the report.

PREPARATION OF REPORT

Once the fieldwork is complete, the primary concern of the engagement becomes the report. The various stages of the reporting process are described below:

Preparation of Initial Report Draft

Upon completion of fieldwork, it is the responsibility of the auditor to develop a draft of the report. This draft should be an organized compilation of the findings noted in the working papers. The typical audit report may have a combination of sections, some of which are required (R) and some optional (O) depending on the nature of engagement. These sections are:

Memorandum of Transmittal (R)

Executive Summary (O)

Background (O)

Findings and Recommendations (including Auditee/Client Response) (R)

Follow-up to Prior Audit (O), and

Exhibits (O).

The report is the product by which the professional competence of the staff is ultimately judged; consequently, it must be of the highest quality in every detail, including not only form and content, but also wording and punctuation.

Management Reviews

Management has the collective responsibility for reviewing the draft and working papers and documenting this review through the use of review notes that become a part of the working papers. After this review, the report goes back for a final review prior to the exit conference. The draft made as a result of this review will normally be considered the "exit draft" which should be included in working papers and noted as such by stamping "DRAFT" on each page of the report. The exit draft is provided to the auditee/client so that they can become familiar with the findings and recommendations prior to the exit conference.

Exit Conference

It is the policy of the Office of Internal Audit to hold a conference with auditee/client management prior to issuing the report. This is commonly referred to as the "exit conference" and normally involves the Office of Internal Audit staff along with top-level management of the auditee/client. Essentially two reasons exist for the exit conference:

1. To provide an additional opportunity to "test" the validity and accuracy of the information presented in the report.
2. To help ensure auditee/client management understands the findings and recommendations.

Care must be exercised to ensure that the auditee/client is the "first to know" the findings and recommendations.

Discussion at the exit conference primarily involves the findings and recommendations portion of the report. Auditees/clients will sometimes challenge the validity of the findings or the feasibility of the recommendations. Although recommendations must never be made lightly, some management recommendations may be based on stronger

evidence than others. Also, initial evidence is sometimes found to be in error or incomplete. Consequently, changes in the report may occur as a result of the exit conference. These changes will be communicated to management through a “post-exit” draft to which they will formally respond.

Issuance of Final Report

Auditees/clients are usually requested to provide written responses to the recommendations within 2 weeks of receiving the “post-exit” draft. The auditee/client should be encouraged to include in the response an “action plan” for implementing the recommendations. In cases where the auditee/client does not provide responses, the report may be issued without responses at the discretion of the Office of Internal Audit. In cases in which the response is unusually lengthy, irrelevant, or inappropriate the Office of Internal Audit may delete or edit the response. If the response is misleading or does not address the whole situation, a comment may be added to the report after the response.

FOLLOW-UP REVIEW

Normally, all audits will have a follow-up review performed. This should be completed within 12 months after issuance of the final report. The follow-up review will verify the status of each recommendation and will include a report that lists every recommendation and identifies a "current status" to every recommendation.

The overall aim of the follow-up review is to solicit from the auditee or client its assessment of the present status of recommendations made in the previous report. The current strategy for performing follow-up reviews is to emphasize that the responsible party for implementing our recommendations is not the auditor but the auditee. Therefore, a matrix of the audit recommendations is sent to the auditee or client with a memorandum asking for the auditee or client to indicate the current status of recommendations made and the implementation date of these recommendations. Then, the auditor can quickly and effectively interview the auditee/client, gather any additional evidence desired to conclude on the status of each recommendation.

When beginning the follow-up review, the auditor should first read (or re-read) the report, paying particular attention to the Auditee/Client Responses to the report. This should be used as a basis for structuring any inquiries and to understand the level of concurrence with each recommendation. Most status determinations will be based on inquiries. Written summaries of this inquiry process will serve as documentation. The information obtained in the inquiry process will be used to identify whether any other documentation is desired.

A standard audit program will be used. This program will reference a matrix of the original recommendations. The matrix will be used as both the attachment to the draft report and the “lead” working paper. This working paper will cross-reference to the appropriate working papers that support and provide evidence for the conclusions regarding the status of each recommendation.

Each year, the Office prepares a summary of the outstanding audit recommendations that have not been fully implemented. This summary is sent to the Executive Director and other interested parties in an effort to ensure that all possible and necessary actions have been considered to address each recommendation made by the Office.

AUDIT PLANNING

Audit planning not only assists in developing an audit strategy, but it also determines the nature, timing, and extent of audit procedures necessary to carry out the strategy.

Adequate audit planning is required by the “Yellow Book” as well as the Institute of Internal Auditors, and is essential if effective and efficient audits are to be conducted. Planning is an on-going process. However, this chapter has attempted to divide planning into two types to be used for discussion purposes. They are preaudit planning and planning during fieldwork.

PREAUDIT PLANNING

Preaudit planning is probably the most important and most extensive type of audit planning. Its objective is the development of a formal audit program. This planning is often referred to as "survey". The following discusses the various aspects of preaudit planning. The tool used to perform this important step is the Planning Program. In addition, Auditors should re-familiarize themselves with the requirements of the Yellow Book before initiating the planning process so that every effort is made to adhere to these standards.

Gaining Knowledge of the Auditee

A key ingredient in audit planning is knowledge of the auditee, and the increase of that knowledge is the focus of much of the survey work. Examples of procedures that may be used to gain knowledge of the auditee and to aid in planning the examination are:

1) Review prior year's working papers, correspondence files, budgets, external audit report, related Lynx policies and procedures, selected websites (NALGA, Orange County Audit, other colleague sites), etc.

2) Brainstorm with other staff (and possibly other Transit Authorities' personnel) who may have knowledge of matters that may affect the examination, including the “stakeholders” of the organization or program under review.

3) Inquire about current auditee plans or developments and any legal or regulatory requirements placed on the auditee.

4) Prepare a Planning Memorandum presenting leading issues and opportunities for the project.

5) Define the project's proposed objectives, scope, and methodology, commenting on the rationale and risk factors used to determine areas for review.

6) Discuss the project's proposed objectives, scope and methodology with both audit management and auditee management.

Setting the Scope and Objective of the Review

As previously indicated, the scope of most audits includes financial, compliance, and management objectives. The planning phase of the audit should identify areas potentially worthy of review, such as sensitive expenditures or operational areas. Some other considerations in determining the proper scope of the audit include: the needs of the potential users of the audit report; the legal and regulatory requirements of the area under review; and the current state of the management controls over the area under review. At the conclusion of this consideration process, a statement of the scope of the audit should be prepared for discussion with the Office of Internal Audit. This statement should be in sufficient detail to include the period, depth and coverage of the work planned to be conducted.

Areas listed for review should be listed in the audit program as the major objectives of the review. It should be emphasized that the audit program does not automatically limit the review to those areas. The audit program can be readily amended at any stage with the approval of the Office of Internal Audit.

Completing the Independence and Confidentiality Statement

During the planning process, the auditor should ensure that each individual expected to be involved in the audit completes the Independence and Confidentiality Statement.

Preparing the Audit Program

The audit program is required on all engagements. It is the result of the audit planning process. It represents an agreement between the audit staff and Office of Internal Audit regarding the objectives and approach of the related audit engagement.

Format of the Audit Program

Audit staff should use their ingenuity in identifying areas for review and related procedures. The "Yellow Book" requires certain items to be considered in the planning of a performance audit. A partial list of these considerations includes the following: a) an understanding of the area to be audited; b) legal and regulatory requirements; c) management controls; d) criteria needed to evaluate matters subject to audit; e) significant findings and recommendations from previous audits; and f) potential sources of data that could be used as audit evidence.

Audit programs should be prepared before any related fieldwork is performed. Audit programs are an integral part of the audit planning process and audit work should not be attempted without the benefit of such guidelines and instructions.

Preparation of Time Budgets and Time Lines

A time budget/timeline is required to be included with the audit program for selected engagements. Other smaller scale projects may not need a time budget/timeline. If this is the case, the auditor should have this decision approved by the Office of Internal Audit. The primary purposes of the time budget/timeline are:

1. A planning tool for scheduling and planning audit engagements.
2. A planning tool for the Office of Internal Audit in scheduling the various tasks of each audit engagement.
3. A control to ensure audits are conducted efficiently.

The time budget/timeline should be prepared on a consistent and reasonable basis. When preparing the time budget/timeline, the auditor should determine a format that enables him or her to reasonably determine the audit hours by area, to record actual hours by area, and to effectively monitor the work that is being performed. Usually, this can be best done by establishing a budget for each audit program step.

A reasonable amount of time should be assigned to each area. The time budget should provide a reasonable standard of accomplishment as well as assurance that all areas can and will be reasonably completed. In some cases, a project may not need a timeline. This may be due to the size of the review or the fact that the review must take place within a very short time frame.

The time budget/timeline represents a commitment by the auditor to perform a professional audit within the approved time constraints (based on factors known at the time of preparation of the time budget and time line). Such revisions, are sometimes due to failure to consider all factors and conditions, but may be caused by unknown factors and conditions discovered during fieldwork and may require narrative documentation and justification relating to each area of the proposed revision.

PLANNING DURING FIELDWORK

Planning is an ongoing process. The result of the preaudit planning process is tentative and subject to revision. The audit program is based on general knowledge of the auditee gathered in a short time span, and once audit fieldwork begins, knowledge becomes more extensive and more specific. It is not unusual for this new knowledge to require a change in planned audit procedures, time budgets and time lines.

Changing the Audit Program

If unforeseen events or new knowledge occurs, a change in the audit program may be needed. This may be due to a change in audit objectives or additional audit objectives or may involve a need for additional staff or hours. When a significant change in the basic audit objectives, the time budget, or allotted staff is needed, Internal Audit should consult with audit supervision and amend the audit program, outlining the reasons why the changes are necessary.

Using the Audit Program

The primary reason for preparing an audit program is to provide a means of guiding and controlling an engagement. Written audit objectives provide a measure of guidance and supervision for fieldwork. They provide audit staff overall directions on work to be accomplished. The time budget and approved staff assignments provide limits or controls on the resources to be expended in completing audits.

To effectively control time, it is necessary for the auditors to monitor time accumulation and to regularly communicate time budget status to the audit management.

REVIEW AND EVALUATION OF PROGRAMS AND ACTIVITIES

One of the most important aspects of an audit engagement is understanding and reviewing the auditee's programs and activities, including their internal controls. This is required by generally accepted government auditing standards for performance audits.

UNDERSTANDING A PROGRAM OR ACTIVITY UNDER REVIEW

The “Yellow Book” offers important guidance regarding an auditor’s understanding of a program or activity under review. Toward this end, GAGAS identifies several individual aspects of a program or activity that should be considered during the audit:

Laws, regulations, and provisions of contracts or grant agreements: the programs, activities and functions of LYNX are created by local ordinance, government policies and procedures or through the annual LYNX Budget process. It is important to become familiar with the applicable ordinances, policies and procedures set forth for an entity under review. In addition, other Federal and State laws, agreements or grant provisions may also govern the activities of these programs, functions or activities.

Purpose and Goals: Equally important is to identify the purpose and goals of the entity under review. The Yellow Book defines purpose as “the result or effect that is intended or desired from a program’s operation.” It is the policy of LYNX that each division, office and/or department prepares a business plan that outlines its function

and goals. Reviewing this information will grant the auditor insight into the criteria management uses to assess its own performance.

Internal Control: This term is used to identify the plan of organization, methods and procedures used by an entity to meet its mission, goals and objectives. Consideration of this area is very important and is addressed later in this section.

Other program elements to consider: efforts (the resources that are put into a program or activity), outputs (goods or services provided or produced by a program or activity) and outcomes (the accomplishments or results of a program). The Business Plans prepared by LYNX departments, offices and divisions often address each of these elements.

CONSIDERING INTERNAL CONTROL

The "Yellow Book" states:

"Internal control, in the broadest sense, includes the plan of organization, methods, and procedures adopted by management to meet its missions, goals, and objectives. It includes the processes for planning, organizing, directing, and controlling program operations. It includes the systems for measuring, reporting, and monitoring program performance."

The auditor, in the evaluation of internal controls, should be reviewing the elements of internal controls significant to the audit objectives to determine whether they are satisfactory. Some examples of internal controls outlined in generally accepted government auditing standards (paraphrased) are:

Effectiveness and Efficiency of Program Operations: Controls over program operations include policies and procedures that management has implemented to reasonably ensure that a program meets its objectives. Understanding these controls can help auditors understand the program operations that convert efforts to outputs or outcomes.

Validity and Reliability of Data: Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. Understanding these controls can help auditors (1) assess the risk that the data gathered by the entity may not be valid and reliable and (2) design appropriate tests of the data.

Compliance with Applicable Laws and Regulations and Provisions of Contracts or Grant Agreements: Controls over compliance include policies and procedures that management has implemented to reasonably ensure that program implementation is consistent with laws, regulations, provisions of contracts or grant agreements.

Understanding the controls relevant to compliance with those laws and regulations can help auditors assess the risk of illegal acts.

Safeguarding resources: Controls over the safeguarding of resources include policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse. Understanding these controls can help auditors plan economy and efficiency audits.

COMPLIANCE WITH LAWS AND REGULATIONS, CONTRACT PROVISIONS OR GRANT AGREEMENTS

The "Yellow Book" states:

“When laws, regulations, or provisions of contracts or grant agreement are significant to audit objectives, auditors should design the audit methodology and procedures to provide reasonable assurance of detecting violations that could have a significant effect on the audit results.”

Most audit reviews will include tests to ensure that laws and regulations are being followed. However, when the auditor concludes that the significance of laws, regulations, etc. to the audit objectives is not significant, this should be documented in the working papers. This can be done in the "overall memorandum". The auditor should periodically refresh his or her understanding of the provisions of the Yellow Book regarding this area.

The "Yellow Book" also states (paraphrasing):

Auditors should be also be alert to situations or transactions that could be indicative of fraud. When information comes to the auditors' attention (through audit procedures, allegations received through fraud hotlines, or other means) indicating that fraud may have occurred, auditors should consider whether the possible fraud could significantly affect the audit results.

Auditors should exercise due professional care in pursuing indications of possible fraud so as not to interfere with potential investigations, legal proceedings, or both. Under some circumstances, laws, regulations, or policies require auditors to report indications of certain types of illegal acts to law enforcement or before extending audit steps and procedures. Auditors may also be required to withdraw from or defer further work on the audit or a portion of the audit in order not to interfere with an investigation.

Abuse is distinct from illegal acts and other noncompliance. When abuse occurs, no law, regulation, contract provision, or grant agreement is violated. Rather, the conduct of a government program falls far short of societal expectations for prudent behavior. Auditors should be alert to situations or transactions that could be indicative of abuse. When information comes to the auditors' attention indicating that abuse may have occurred, auditors should consider whether the possible abuse could significantly affect the audit results.

Auditors should extend the audit steps and procedures, as necessary, to determine if the illegal act or abuse occurred and, if so, to determine its effect on the audit results. However, because the determination is so subjective, auditors are not expected to provide absolute assurance of detecting it.

An audit made in accordance with GAO standards provides reasonable assurance of detecting abuse, but it does not guaranty the discovery of illegal acts violations of contracts or grant agreements, or fraud. Nor does the subsequent discovery of illegal acts or abuse committed during the audit period necessarily mean that the auditors' performance was inadequate, provided the audit was made in accordance with these standards.

EVALUATION OF MANAGEMENT CONTROLS

One approach to performing an evaluation is to ask the following questions:

- What types of errors or irregularities can occur?
- How and when will these errors or irregularities be detected?
- How and when will these errors or irregularities be corrected?
- Are the potential errors or irregularities significant in volume or amount?

Another approach is for the auditor to put him/herself in the place of someone in the system who wanted to commit fraud or abuse. From this perspective, the auditor should look for ways to "beat the system".

It should be noted that the auditor should always keep in mind the cost effectiveness of controls. For example, it does not make sense to implement a control costing \$15,000 to eliminate a risk of \$5,000. The control should not be more costly than the risk it is to control. It should always be remembered that even the best of management controls can be circumvented by collusion that manipulates the system so that it does not function as intended.

WORKING PAPERS

The purpose of this chapter is to present guidelines regarding content, preparation, handling, indexing, and reviewing working papers.

The importance of properly prepared and maintained working papers cannot be over emphasized. Working papers are the written records of virtually every aspect of an engagement from preliminary planning, to reporting, to post-planning. They should include all the information necessary to adequately conduct the engagement and to support the report. Auditors preparing working papers should note that they are exempt from public inspection until the audit report is issued. Florida Statutes section 119.07 (6) (y) states in part, the following:

Audit workpapers and notes related to such audit report are confidential and exempt from the provisions of subsection (1) and s. 24(a), Art. I of the State Constitution until the audit is completed and the audit report becomes final.

PURPOSES OF WORKING PAPERS

The overall objective of working papers is to aid the auditor in providing reasonable assurance that an adequate audit was conducted in accordance with generally accepted government auditing standards. Specifically, the working papers should contain sufficient information to enable an experienced auditor, having no previous connection with the audit, to ascertain from them the evidence that supports the auditor's significant conclusions and judgments.

Audit working papers are the primary means of documenting that adequate audit work was conducted. If the need arises, the Office of Internal Audit must be able to demonstrate that the audit was well-planned and properly supervised, that competent and sufficient evidence was accumulated, and that the audit report was proper considering the results of the audit.

The working papers are instrumental in the preparation of the report. They not only provide support for information and findings to be included in the report, but also provide a basis for identifying the scope of the engagement and any overall conclusions reached.

Finally, the working papers are the primary frame of reference used by management to evaluate whether sufficient competent evidence was accumulated to justify the findings and recommendations contained in the audit report.

CONTENT AND PREPARATION

Indexing

A standard indexing system provides a complete list of the type of working papers that may be included in each set of working papers.

Basic Working Paper Preparation Requirements

For working papers to be effective in providing a record of all procedures and techniques performed, as well as of the resulting findings and conclusions, it is important that they be prepared in a clear and complete manner. The following requirements should be met:

- Each working paper should have a heading which gives the auditee or client name, an adequate description of the working paper, a statement of purpose and source.
- Each working paper should be properly indexed in the upper right corner and should be initialed and dated by the person completing the work. The initialing and dating should be done at the time of completion of the working paper. Supervisors and audit management should also initial and date the working paper in the upper right corner upon completion of the review.
- Each working paper should be designed, spaced, and prepared in a sufficiently clear, readable, and self-explanatory manner that supervisors can readily review and evaluate the work performed. Bulky working papers (contracts, long documents) should be moved to a section at the end of the working papers. When a procedure results in more than one page, each page should be numbered to clearly indicate it is part of a series (e.g. 2 of 4 , 3 of 4, etc.).
- Each working paper should stand alone as a completed product. The related audit step should be fully completed, all work should be fully disclosed (by using tick marks with explanations or other means), and all relevant cross-references should be indicated. All unanswered questions, exceptions or findings should be explained or resolved.
- Conclusions reached on completion of each audit segment should be clearly stated in the related working papers. These conclusions should represent the opinion of the auditor doing the work, be relevant to the objectives of the work, and be well supported and not go beyond the scope of the work performed or the expertise of the person rendering the opinion.

Auditee or Client Assistance in Working Paper Preparation

The preparation of certain working papers by the auditee or client is a desirable means of reducing time spent by the auditors on an engagement. The auditee or client can occasionally assist by providing information and preparing schedules, but the validity and reliability of the working papers must be verified and documented by the auditor when it is significant to the audit objectives.

Use of Tick Marks

The work performed should always be clearly indicated on the working papers. This is generally accomplished in three ways:

1. Written statement in the form of a memo.
2. Initialing the steps in the audit program.
3. Notation directly on the working paper schedules.

Notations directly on the working papers are performed using tick marks. Tick marks are symbols written adjacent to the detail on the body of the working papers. Each notation (tick mark) must be clearly explained at the bottom of the page. For example, if in a test of fixed assets the auditor uses "✓" to indicate the item was located, he/she needs to show the following at the bottom of the page:

✓ = Physically located item, no exception.

Overall Memorandum

Upon completion of fieldwork, the auditor should document that all the objectives were met through the use of an "overall memorandum." This memorandum should summarize all work performed, conclusions reached and major findings. The "overall memorandum" is a useful tool to "step back" from the audit to evaluate whether all objectives of the fieldwork were accomplished. This memo can be written at the same time that the auditor performs a "self-review" as described in the next section.

WORKING PAPER REVIEW GUIDELINES

To assure quality audits, working papers must be reviewed. These reviews should be conducted at various levels to ensure all errors are corrected and all incomplete work is completed, and to document proper supervision in accordance with generally accepted government auditing standards. Types of reviews are as follows:

Self-Review

All auditors should review their own working papers. This review should be made keeping in mind the goals of making sure he or she has done a good job, the work satisfies the objectives, and that subsequent reviewers can accept the work without requiring additional work. This is the best review as it "cleans-up" the working papers for subsequent reviewers. Among the questions the auditor should ask are:

- Is my work complete? Are there any unresolved items?
- Does my work provide clear documentation of work performed and conclusions reached?
- Is my work free of mechanical errors?
- Are all pages referenced, initialed and dated?
- Are my conclusions supported by the working papers?
- Can I readily locate any part of the work without already knowing where it is?

Supervisory Review

The Office of Internal Audit has the responsibility of regularly reviewing the work of other team members. Working papers of the team should generally be reviewed once at the conclusion of fieldwork. Interim period reviews are also encouraged, depending upon the complexity of the engagement. In the review of staff working papers, the reviewer should consider the following questions:

- Has the staff member carried out my instructions?
- Do his/her working papers clearly document the work performed and conclusions reached?
- Are conclusions adequately supported by the working papers?
- Were the objectives obtained?
- How does this staff member's work fit into the overall engagement, and are there implications for other areas?
- Has the auditor documented additional work that can or should be referred to the external auditor or other outside party?
- What areas of his work need improvement and how can I best communicate these areas?

It should be emphasized that the supervisory review of working papers should occur not only after work on the particular work program segment is completed, but also on an interim basis. Interim reviews can be either formal or informal, depending upon the complexity of the engagement and necessary working papers. The primary objectives of the interim reviews are to aid the supervisor in keeping well informed on the current status of the engagement and to ensure the work remains on track and on time. The auditor should pay less attention to mechanical defects (such as referencing, etc.) and more to substantive areas, since the working papers are not yet complete.

Internal Audit Director's Review (If applicable)

Adequate staff supervision requires a review of the working papers by the Office of Internal Audit. This review is a significant quality control procedure in all engagements. The Office of Internal Audit's questions should include the following:

- Was there an adequate study and evaluation of management controls?
- Were the timing and extent of audit tests appropriately related to our conclusions as to management controls?

- Were all necessary procedures carried out?
- Was adequate attention given to all material items and were all potentially significant problems thoroughly investigated?
- Do the working papers constitute a clear record of what was done, by whom, and when?
- Are findings and conclusions adequately and clearly supported by the working papers?
- Are the working papers free of incomplete procedures, unanswered questions, etc.?
- Can information be readily located and traced in the working papers?
- Have we developed objective findings with a proper evaluation of the existing condition and possible alternatives?
- Have office policies been followed with respect to: Indexing and filing? Use of programs? Time lines and budgets?
- Has the team done a good job, and are the working papers in good order?
- Are there sensitive areas in the engagement, and if so, would the working papers enable the office to defend itself successfully if the report were challenged?
- Do the working papers contain any indication of carelessness, lack of attention to detail or negligence?
- Are the team members developing satisfactorily, and are any of them ready for increased responsibility?

The Office of Internal Audit's review should be made as quickly as possible after completion of fieldwork. This review may also be conducted in conjunction with a review of the first report draft.

Documenting the Working Paper Review

Documentation of the review of working papers is necessary to keep track of the review and leave a record of the reviews done. Normally, documentation of working papers includes two items:

1. The reviewer writes his initials and the date on each working paper reviewed.
2. The reviewer records questions, deficiencies, or comments that are referred to as "Review Notes."

Answers to review notes should be made in the right margin of the paper. The auditor's initials and date should accompany each response. A response should be made to every question, and should not only be a reference to a working paper. In addition, any changes necessary to working papers should be made to ensure that the wording is accurate. After review notes are answered, the reviewer will "clear" the review notes by marking through them if the resolution is deemed to be satisfactory. Answering review notes will frequently involve the performance of additional work and the updating or addition of working papers.

Other Conditions to Look For In A Review

A reviewer should always be alert for mechanical defects. While these matters may not seem important, omission may reduce the credibility of the work performed. Possible shortcomings in this regard are:

- Working papers not properly headed
- Working papers not initialed and dated by the preparer and/or the reviewer
- Tick marks not explained
- Incomplete statements
- Cross-references omitted, including cross-references to finding sheets.

In addition to a review for mechanical defects, a review should include a review of substantive matters. The substantive matters should relate to the basic objectives of the engagement, the audit program, and the resulting evidence produced to achieve those objectives. Questions relating to substantive matters could include:

- Is any information omitted that is required for the report?
- Is any evidence omitted that should be retained to show that the audit program was carried out? This could include failure to follow-up on confirmations not received, written representations not obtained, or prescribed standard forms not used.
- Is there any evidence of questionable value contained in the working papers? Unsigned confirmations, contracts that are different from originals, and obscure references to discussions with the auditee or client are of dubious value. The auditor should be specific and state whether they talked to a clerk instead of an executive, for example.
- Are conclusions clearly stated where appropriate? Is the evidence obtained in support of each conclusion significant? Can evidence be readily traced from the report draft?

WORKING PAPER FINALIZATION

After the report is issued, the auditor in charge of the engagement will compile all working papers and review them for completeness, including a Quality Assurance checklist. After closing, the working papers should be filed in the file room. The Clerical Assistant is responsible for filing the working papers according to the office filing plan.

AUDIT REPORTS

This chapter presents guidelines to aid in preparation of audit reports.

It is primarily through the Audit Report that the Office of Internal Audit discloses the results of its work and has the overall impact on improving LYNX operations. Thus, it is of the utmost importance that great care be taken to ensure reliability, clarity, and competence of the office's reports.

BASIC CONTENTS OF AUDIT REPORTS

The office's audit reports consist of several parts, depending on the nature of the audit or review.

A **Memorandum of Transmittal** that indicates the nature and scope of the audit, audit objectives and methodology, and an overall conclusion on conditions found. This memo should also state the title of the report and that the audit was made in accordance with generally accepted government auditing standards. If any standards were not followed, this statement should be qualified and an explanation made of the reason.

An **Executive Summary** that summarizes significant findings. This is required on all regular division/department audits and significant special reviews. It is optional on smaller reports. The executive summary should also comment on the audit scope, objectives, methodology, and the auditors' consideration of the management controls.

A **Background** on the history, organization and description of major functions of the auditee or program. When computer-generated data is used in the background section, the sources of this information should be identified.

A **Summary of Recommendations and Responses** section that summarizes each recommendation and the associated response from the auditee for ease of reference.

A **Issues and Recommendations** section that identifies specific audit findings and includes the auditee's verbatim responses to those findings. The auditors should also

use this section to report any noteworthy accomplishments of the area under audit and any issues needing further study.

An optional **Cover Sheet** that states a title of the report and lists the auditors involved in the audit. This title should also be included on the memorandum of transmittal. The title of the audit report should include whether the engagement was an "Audit", "Review", "Follow-Up Audit", etc. In most cases the title "Audit" is most appropriate. When the scope of a project is limited to a great extent, it may be important to distinguish the report as different from an audit by titling the project a "Review." The full title should be brief and yet describe the major focus of the engagement. It is important to be consistent in the naming of the report. If an audit was performed, the report should be named accordingly. When special circumstances, such as investigative work or examining cash handling practices, call for the scope of the work be limited, this should be so stated in the Memorandum of Transmittal and the report should still be named an "audit."

A discussion of the structure of each of these areas follows.

MEMORANDUM OF TRANSMITTAL

The first major part of the typical audit report is the memorandum of transmittal that includes the nature, scope, and overall comments on the engagement.

Dating and Addressing the Memorandum

Two dates should be included on the memorandum. The first date is the date of the exit conference and the second date is the date the report was issued. The exit conference date is the date through which the auditor can be held responsible for being reasonably knowledgeable of the audited operation. It should be noted that the dates used on the overall report cover title page will be the same dates as those on the memorandum.

The memorandum will usually be addressed to the department director, with copies to the applicable division manager, the Chief Executive Director, the CFO, and Chief of Staff. Copied individuals may be determined depending on how the report affects their duties.

Explanation of Work Performed

Since the memorandum should contain a clear indication of work performed, the first paragraph (and additional paragraphs, if necessary) is devoted to identifying the nature and scope of the examination. The following is an example of a normal first paragraph (sometimes referred to as the "scope" paragraph):

The Office of Internal Audit has performed an audit of the Vehicle Maintenance Division for the period October 1, 2001 through December 31 2002. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such

tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Overview

A paragraph should be included which gives an overview of the division or program being audited. This paragraph will vary significantly depending on the nature of the engagement and the results thereof; usually, some indication or opinion should be given by the Auditor as to the overall adequacy of procedures and operations. An example might be:

Although procedures were generally found to be adequate, we noted several areas in which improvements are needed. We strongly encourage the _____ to implement our recommendations as soon as possible.

In some cases, this "overview" paragraph may be moved to the Executive Summary.

Appreciation

The final paragraph of the memorandum should always express appreciation to the auditee. The standard wording is:

We would like to express our appreciation to the officials and employees of _____ for their courtesy and cooperation during this audit.

BACKGROUND AND EXECUTIVE SUMMARY

The Background is a narrative indicating the history, organization, and nature of the operations of the auditee. Some of the program objectives may be taken from Lynx's Budget Book. This section should normally not exceed one page.

The Executive Summary should briefly state the audit scope, objectives, methodology and consideration of internal controls. Some model language to use to report audit scope, objectives, methodology and consideration of management controls is:

The Office of Internal Audit has reviewed the policies and procedures used to collect cash and report cash collected. This report will present our findings, conclusions and recommendations for improvement. During the course of this review, we reviewed all aspects of the operation and all locations used to collect cash including: _____. We experienced no scope limitations and reviewed the cash collected in the audit period of <date> to <date>. The details of this report will explain

the management control issues encountered and the results of our review of these controls.

It is important that the scope and methodology used in the audit are reported accurately and in some detail, so that the report reader will know both what was included in the scope and what was not included in the scope. In addition, all significant findings should be mentioned. It is assumed that most executive managers read and refer to the Executive Summary, so it is necessary for it to be complete.

ISSUES AND RECOMMENDATIONS

The Issues and Recommendations section is the main section of the report. Every documented concern, problem or impropriety should be included in this section. This section can also include noteworthy accomplishments of the auditee. The findings should be grouped by subject area and a numbering system should be used for ease of reference by the reader. The subject areas will vary from audit to audit, depending on the nature of problems found.

It should be stressed that each finding should "stand on its own" and should be written with objectivity, clarity, completeness, and accuracy and should be as convincing as possible. Yet, every finding must be written so that anyone can understand the nature of the problem. To word the finding perfectly, it will be necessary to prepare each finding from the finding sheets. The finding sheets are to serve as a source of the information included in the report.

Findings

Care should be taken when drafting audit findings to see that they contain the various and necessary elements (condition, criteria, cause, and effect). It is essential that audit findings be fully documented in the working papers. This is accomplished through the use of a standardized finding sheet.

Findings that are unsound, illogical, not well supported or poorly worded can have a negative impact upon the credibility of the office. For this reason, it is important for the auditor to discuss findings with the auditee to confirm details and conclusions prior to drafting the report. This should be done in a "Pre-Exit" conference with the auditee. It is also important to quantify findings and give examples as often as possible. This will serve to illustrate the seriousness of the problem to the reader. For example, instead of saying "deposits are not made on a timely basis," we should go further and say: "the average time lag between date of receipt and date of deposit was six days. We noted one instance in which a \$10,000 check was not deposited for two weeks after receipt."

When appropriate, the findings section of the audit report should also endeavor to report items that highlight the successful and noteworthy practices of the auditee.

Recommendations

The second part of each audit finding is the recommendation regarding how to correct the situation discovered. Recommendations should be clear and concise, but also be specific and helpful. The following general guidelines are offered in this regard:

1. The recommendation should be specific. We should avoid general recommendations such as "controls be strengthened", etc., unless we go on to indicate how we think controls can be strengthened. Avoid using the term: "consider." Instead use action verbs such as: "report," "accomplish," "correct."
2. If possible, we should pinpoint our recommendations to specific individuals (by position) whom we expect to take action.
3. Recommendations should not include new material, thoughts, or information that has not been developed in the description of the finding.

Auditee Responses

Since the findings and recommendations are presented from the auditor's viewpoint, it is considered beneficial to also present the auditee's viewpoint to provide a fuller perspective to the reader. This is also required by "Yellow Book" standards. Thus, it is desirable to present the auditee's response as the third part to the finding.

Auditee responses should be requested from auditee management and provided in writing by the auditee within two weeks after any reports revisions are sent to the auditee after the exit conference. If responses are not received within two weeks, a decision will be made by the Office of Internal Audit whether to issue the report without responses. This decision will largely be based on whether there appears to be a good faith effort by the auditee. Some auditees may require more time due to the complexity of the report or their organizational reporting structure. It is the policy of the Internal Audit unit to include the auditee responses verbatim in the final audit report.

Infrequently, "inappropriate" responses are received from auditees. Inappropriate responses are contradictory (deny the facts), irrelevant, unnecessarily lengthy, or demeaning. In these cases, the Office of Internal Audit reserves the right to change the form and content of the response. An inappropriate response may be deleted or edited to maintain a professional work product. In cases where the response contains factual errors, is misleading, or does not address the issue, the Office of Internal Audit should consider the need for a rebuttal. It is the philosophy of this office to make all efforts to not rebut the auditee.

After the exit conference with the auditee, the auditor must correct any error, misstatement, or omission that occurred in the draft of the report. However, a finding should not be changed or deleted unless it is evident that a change or deletion is absolutely required. Many findings are not clear-cut, and there is room for reasonable disagreement. In these instances, the finding should usually be included in the final report and the auditee allowed to present the other side in the auditee response.

Auditees' Noteworthy Accomplishments and Issues Needing Further Study

When appropriate, the findings and recommendations section of the audit report can also be utilized to report any significant accomplishments of the auditee. In addition, this section can be used to report any issues needing further study and to refer these issues to the proper LYNX department, division or office for further consideration.

Report Finalization

A sequential numbering system has been devised for the reports. The number will consist of two parts. The first two digits represent the last two digits of the fiscal year end in which the audit report is issued. The last two or three digits represent the sequential number for the report as follows: revenue audits - FY-01R; information systems audits - FY-01E; all others - FY-01. Report numbers are assigned by the auditor in-charge at the time of issuance of the final report.

CHAPTER NOT USED

CHAPTER NOT USED

EMPLOYEE POLICIES

This chapter has been designed for the exclusive use of employees of the Office of Internal Audit.

The policy set forth herein is not meant as a substitute for LYNX Policies and Procedures or to conflict with LYNX Policies and Procedures. Rather its purpose is to explain specific office policies that are not fully explained in the LYNX Policies and Procedures manual.

PROFESSIONAL DEVELOPMENT

Training and Development

Staff are expected to keep abreast of current developments in their profession and are encouraged to participate in continuing education programs. During a normal year, the Office of Internal Audit will provide every staff member the opportunity to participate in appropriate external training programs, and may provide more based on the need to meet "Yellow Book" standards, individual need and available funds. For training attended at the employee's initiative, the Office of Internal Audit will consider providing time off and paying some or all of the expenses, depending on the extent to which the training will benefit the office. As needed, employees are expected to prepare for training and do other required work on personal time.

If an employee attends an outside training program, this employee may be requested to submit any course materials received, and possibly to present some of the acquired knowledge to the rest of the staff. For accurate tracking of continuing professional education hours obtained, the staff will retain all confirmations, course outlines or certificates of completion for the courses they attend.

Professional Certification

The extent to which the Office of Internal Audit makes a contribution toward improving Lynx operations ultimately depends on the professional development of each person associated with the office. In this regard, members of the staff are expected to strive for professional certification. This indicates attainment of a minimum level of professional competence and, therefore, enhances credibility. This policy also serves to benefit each employee in the pursuit of a successful career.

The office does not reimburse the expenses for sitting for an examination. However, time will be provided to attend each part of an examination and this time will be considered as time worked; grades or some other confirmation of test attendance may be required if deemed necessary by management.

Professional Affiliation

The office will pay for membership in one professional organization per fiscal year if it is directly related to the employee's profession. An extra membership may be allowed for staff members who are professionally certified, subject to budgetary limitations. The office will also pay for the annual permit to practice for CPAs, and certification fees for CIAs and CISAs.

In addition to membership fees, reimbursement will be provided for meal costs at luncheon and dinner meetings of professional organizations subject to budgetary limitations and in accordance with applicable law and the LYNX Policies and Procedures manual. The Office will not pay dues to an organization that has a local chapter unless the member attends at least two of the organization's meetings during the year. Internal Audit staff members may be reimbursed for attendance at paid professional dinner meetings, subject to budgetary limitations.

TRAVEL

Attendance at Local Seminars

For any local training/seminar, an employee will be reimbursed for lunch, if lunch is not included with the cost of the seminar or otherwise provided at no charge to the employee. For any local training/seminar, an employee will not be reimbursed for mileage to and from the seminar location. The personal benefit of the training/seminar is considered to offset the incremental costs of local travel. Training locations within a 20 mile radius of Lynx will be considered local. The cost of telephone calls to maintain contact with the office also will not be reimbursed.

Out of Town Travel

The per diem rate for a meal will only be reimbursed to the employee if the employee has incurred an out-of-pocket expense for the meal. As stated in LYNX Policy, if a meal is included in the cost of the seminar or is provided by the airline or hotel, the per diem rate for the meal will not be reimbursed. The seminar agenda or the airline ticket will be used to determine the meals provided. Snacks, hors d'oeuvres, etc., are not considered meals. Mileage will be reimbursed for the number of miles to the destination from either the office or the employee's home, whichever is less. If the travel involves driving to the airport, mileage will be reimbursed for the number of miles between the airport and the office or the airport and home, whichever is less.

Local Travel

Normally mileage reimbursement will not include local travel from the employee's home to the office or from the employee's home to the auditee/client's work location. It will be considered the employee's job location for the days assigned. There will be an exception made if the travel miles between home and the auditee/client exceed normal commuting miles between home and the office.

OTHER

Confidentiality

The staff is exposed to, or has access to, records or information of a confidential or sensitive nature. All staff is expected to maintain strict confidentiality regarding anything learned during the course of an audit. Florida Statutes provide some guidance regarding the confidentiality of audit working papers. See Florida Statute 119.07 (6) (y). The statute states that the audit report and working papers are confidential until the audit is completed and the audit report is final. This applies not only to communications with media representatives, but also to communications with auditee personnel, other LYNX employees, and family and friends. Anyone requesting to discuss confidential matters should be referred to the Office of Internal Audit which will disclose the information if judged to be public information not exempt from disclosure.

Independence

As auditors, we are required to be independent, both in fact and in appearance, from our auditees/clients. It is important, therefore, that office staff exercise discretion in establishing relationships with other LYNX personnel. Staff must be aware that some actions may not affect actual independence, but they could very easily affect the appearance of independence, and, therefore, should be avoided.

Auditors are not to be placed in situations in which they feel unable to make objective professional judgments. Auditors should not audit areas in which they recently served in an operational or consulting capacity. Any possible conflict of interest or bias, whether real or implied, should be reported to the Office of Internal Audit, where the proper action, if any, will be determined. Any possible conflict of interest should be documented in the working papers and a decision made to disclose the impairment in the audit report or reassign the auditor to another engagement.

The Office of Internal Audit requires that each auditor assigned to an engagement sign an affidavit attesting to compliance with independence and confidentiality standards and that this form be included in the engagement working papers.

LYNX

Internal Audit Charter

Mission

To provide comprehensive, independent, and proactive audit and non-audit coverage by examining and evaluating LYNX operations, contractors and related agencies in order to safeguard LYNX assets and promote maximum accountability, efficiency and effectiveness.

Audit Scope

The scope of internal auditing encompasses every phase and sector of LYNX operations, and includes examining and evaluating the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The scope of internal auditing includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information and promoting effective control at reasonable costs.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have significant impact on operations and reports, and determining whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

PROFESSIONAL STANDARDS:

Generally Accepted Government Auditing Standards

In 1972, the United States General Accounting Office (GAO) first published a book entitled Standards for Audit of Governmental Organizations, Programs, Activities and Functions. This was revised and clarified in 1981, 1994, 1999 and 2003. It is commonly referred to as the "Yellow Book". These standards were developed, in part, to help ensure full accountability and assist government officials and employees in carrying out their responsibilities. The GAO standards are available for review on the Internet at <http://www.gao.gov/govaud/ybk01.htm>. Audit staff should be familiar with these standards. A summary of GAO standards can be found at the end of this chapter.

Generally Accepted Auditing Standards

The first auditing standards were established by the AICPA in 1948. These standards have been frequently interpreted and extended in subsequent years through AICPA pronouncements, which are now known as Statements on Auditing Standards (SAS).

The auditing standards developed by the AICPA are largely oriented toward expressing an opinion on the fairness with which financial statements present financial position and results of operations. The AICPA standards are referenced in the "Yellow Book." Although the Office of Internal Audit typically does not express an opinion on financial statements, these auditing standards should be followed to the extent to which they are applicable.

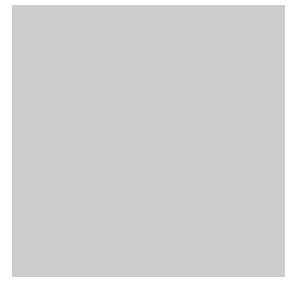
Code of Professional Conduct

Office of Internal Audit staff are required by various professional codes of ethics and by office policy to exhibit a high level of professional conduct. The philosophy of the office is guided by the overall objective of making the maximum possible contribution toward improving the Lynx operations. If the office's activities are to have maximum impact, those who receive the reports must have confidence in the work product of the office. In other words, the office must have a reputation for conducting competent, independent, and unbiased audits and other reviews.

To acquire and maintain this reputation requires continuous effort by all staff members. It further rests with the professional development of each staff member. Hence, professional certification (CPA, CIA, CISA) is strongly encouraged as proof of attainment of a level of professional competence.

To assist in developing professional competence, each office staff member is encouraged to join and actively participate in professional organizations. The office will provide reimbursement for dues and meetings, depending on the amount of available funds. In addition, if a staff member becomes a member of a professional organization at the Lynx's expense, it is expected that the staff member will become active in that organization through regular attendance at the organization's meetings.

The Office of Internal Audit specifically requires every staff member performing audits to abide by the Institute of Internal Auditor's Code of Ethics. Each staff member must always be particularly aware of the need to behave in a professional and independent manner. The staff member should always be polite, attentive and cognizant of the need to maintain the perception of being professional and independent.



Internal Audit Overview

The mission of Internal Audit is to provide comprehensive, independent, and proactive audit and non-audit coverage by examining and evaluating LYNX operations, contractors, and related agencies in order to safeguard LYNX assets and promote maximum accountability, efficiency and effectiveness.

Internal Audit Functions

- Conduct performance audits to assess program effectiveness and results, economy and efficiency, and the adequacy of internal controls.
- Perform revenue audits to help ensure that LYNX receives in a timely manner all revenues to which it is entitled.
- Perform audits of information systems hardware, applications, and related controls.
- Perform selected compliance audits to determine conformance with the requirements of contracts and agreements, Federal and State laws and/or Federal and State grants.
- Investigate any reported situation involving possible fraud, misappropriation or other irregularities in matter pertaining to the business of LYNX.
- Conduct special reviews or consulting services as requested by the Chief Executive Officer, Department Chiefs, or Division Managers.
- Assist external auditors in the annual audit of LYNX financial statements.

Internal Audit Manual

The Internal Audit manual describes the Office of Internal Audit's approach to performing its mission by outlining the scope of its operations including the office organization and general approach. More detailed sections outlining the activities required by the "Yellow Book" as well as the Institute of Internal Auditors are also included.

Elements of the Internal Audit Manual

Audit Planning

Audit planning assists in developing an audit strategy, and helps to determine the nature, timing, and extent of audit procedures necessary to carry out the strategy. Planning consists of preaudit planning and planning during fieldwork.

Review and Evaluation of Management Controls

An important aspect of an audit engagement is understanding and reviewing the auditee's programs and activities, including their internal controls. This is required by generally accepted government auditing standards for performance audits. The knowledge acquired is to be used to evaluate the effectiveness and efficiency of program operations, and the validity and reliability of data.

Working Papers

The overall objective of working papers is to aid the auditor in providing reasonable assurance that an adequate audit was conducted in accordance with generally accepted government auditing standards.

Audit Reports

The Audit Report is the primary means through which the Office of Internal Audit discloses the results of its work and has the overall impact on improving LYNX operations. The Audit Reports issued will normally include: Memorandum of Transmittal, Executive Summary, Background, Summary of Recommendations and Responses, and an Issues and Recommendations section.

The Internal Audit Manual provides general guidelines for the Office of Internal Audit. It does not include detailed auditing standards contained in the "Yellow Book" or does it specify the exact work to be performed on audit engagement. It is intended to provide uniformity and consistency to audit function.

Internal Audit Charter

The LYNX Internal Audit Charter describes the mission and audit scope of the Office of Internal Audit, including examining and evaluating the adequacy and effectiveness of the organization's system of internal controls and the quality of performance in carrying out assigned responsibilities.

Audits in Process:

- A. Disadvantaged Business Enterprise Program
- B. Equal Employment Opportunity Program
- C. Cellular Phone Usage
- D. Accounts Payable
- E. Road Ranger Program

Possible Future Audits:

- A. Paratransit Program
- B. Maintenance Programs
- C. Customer Service
- D. Inventory
- E. Employee Expense Reports

LYNX Board Audit Committee Agenda

Audit Committee Agenda Item #2.B

To: LYNX Board Of Directors

From: Linda Watson
EXECUTIVE DIRECTOR
Edward Johnson
(Technical Contact)

Phone: 407.841.2279 ext: 3017

Item Name: Center for Transit Leadership Overview

Date: 7/28/2005

Edward Johnson, Chief of Staff, will provide an overview of his participation in the Eno Transportation's Center for Leadership Training Program held in Washington, DC on July 10 – 15, 2005.

The rigorous six-day training program prepares senior managers to tackle the challenges and assume the responsibility that comes with serving in top leadership positions in the transit industry. Some of the assignments focus on articulating the business of transit, understanding multiple and different perspectives, setting goals and measuring performance, qualities of a CEO, managing the media, and building & developing a strong leadership team.

LYNX Board Audit Committee Agenda

Audit Committee Information Item #.C

To: LYNX Board Of Directors

From: **Ellisa Darnall**
Interim Chief Operating Officer
William Hearndon
(Technical Contact)

Phone: 407.841.2279 ext: 3036

Item Name: Dialysis Customer Analysis

Date: 7/28/2005

Dialysis Customer Questions posed by the LYNX Board of Directors at the June 2005 Board Meeting:

How many dialysis customers do we transport? 548 total; 249 Medicaid, 217 TD, and 82 ADA.

How many customers travel beyond the closest facility? 281 total; 152 Medicaid, 77 TD, and 52 ADA.

What is the associated cost of providing services to dialysis customers? Each dialysis customer travels twice a day, three days per week. At an average one-way trip cost of \$27, the program spends approximately \$8,424 per dialysis customer per year. This equates to approximately \$4.6 Million per year spent to provide services to dialysis customers; one-third of the total paratransit budget.

What is the associated cost of providing services beyond the closest facility? There is an estimated expense to MV Transportation of approximately \$341,000 (approximately 11,000 hours of service) to provide services beyond the closest facility. In addition, there is an estimated expense to MV of approximately \$775,000 (approximately 25,000 hours of service) to provide dedicated services to dialysis facilities (originally estimated at \$465,000 by MV).

In which jurisdictions do they reside? 372 Orange County, 105 Seminole County, and 71 Osceola County. Reference attached chart for municipality breakdowns.

Where do they travel to for dialysis services? There are 15 dialysis facilities in Orange County, 3 in Osceola County, and 3 in Seminole County.

What are other alternatives to the high level of service provided to the dialysis customers?

LYNX Board Audit Committee Agenda

Stop providing dedicated routes for dialysis facilities; enforce Medicaid's closest provider requirement; work with the facilities to better schedule their treatments; provide vehicles for the dialysis facilities to transport their own customers; force conditional customers to use fixed route for the trip to the facility.

Additional analysis information and maps are attached.



MV Transportation
The Standard of Excellence
Since 1976

4502 Meredith Woods Street
San Antonio, TX 78249-1410
Tel: (210) 48-1233
Fax: (210) 568-4442
cbryan@mvtransit.com

Orlando Lynx

Analysis of Dialysis and Medicaid Routing

July 2005

Overview

The purpose of this analysis was to estimate the impact of enforcing the rule requiring Medicaid and TD riders to go to the closest dialysis center and the impact of restricting runs to predominately serve individual dialysis centers.

The analysis shows substantial savings in both time and mileage can be achieved by removing scheduling restrictions which favor having runs dedicated to individual dialysis centers. These savings are further enhanced when trips are changed to reflect the closest dialysis center.

Analysis

There are currently 548 Medicaid and TD dialysis active subscription trips (see Attachment 1). Of these, 330 are not traveling to the closest dialysis center. 281 travel more than one mile further than the closest dialysis center.

The following methodology was used for the simulations.

1. Tuesday, April 26th was selected to represent typical Tuesday – Thursday – Saturday dialysis service. Wednesday April 20th was selected to represent typical Monday - Wednesday – Friday dialysis service.
2. These days were copied to a simulation day and all actual times and odometers removed. No Show and Cancel at Door trips were also removed from the routes since the drop offs for these trips were never completed.
3. All non-routed Lynx trips were also removed (routes LA, OMH, etc.).
4. Hours and miles were then calculated to create a baseline for "As Scheduled".
5. All KID and Stretcher trips were frozen to preserve their routing during simulations and prevent other trips from being routed with them.
6. Trips were then batched using current weights. Minimal manual scheduling was conducted after batching to meet or exceed the minimum on-time performance goal of 94% and keep taxi/unscheduled trips the same or lower than on the control day.

Analysis of Booked Trips for April 26, 2005

	As Scheduled	Simulation 1	Variance
Total Trips	1638	1638	0.00%
Trips Scheduled	1625	1629	0.25%
Trips Unscheduled/Taxi Trips	13	9	-30.77%
OTP (Non Taxi)	85.8%	98.3%	14.57%
OTP Appt. (Non Taxi)	87.2%	98.4%	12.86%
Hours Productivity			
Total Hours	1349.00	1274.50	-5.52%
Garage Deadhead	113.80	91.10	-19.95%
Service Hours	1235.20	1183.40	-4.19%
Total Deadhead	312.21	272.20	-12.82%
Slack Time > 1 Hour	139.78	255.61	82.87%
Total Slack Time	338.93	370.63	9.35%
Trips/Srv Hour	1.32	1.38	4.63%
Trips/Tot Hour	1.20	1.28	6.11%
Miles Productivity			
Total Miles	21150.00	20087.00	-5.03%
Non-Srv Miles	3564.00	2378.00	-33.28%
Service Miles	17586.00	17709.00	0.70%
Total Deadhead	8978.94	7736.21	-13.82%
Srv Miles/Trip	10.82	10.87	0.45%
Tot Miles/Trip	13.02	12.33	-5.26%
Avg Trip Length	5.30	6.12	15.58%

Analysis of Booked Trips for April 20, 2005

	As Scheduled	Simulation 1	Variance
Total Trips	1604	1604	0.00%
Trips Scheduled	1597	1597	0.00%
Trips Unscheduled/Taxi Trips	7	7	0.00%
OTP (Non Taxi)	88.5%	94.9%	7.29%
OTP Appt. (Non Taxi)	86.9%	94.5%	8.77%
Hours Productivity			
Total Hours	1362.12	1271.36	-6.66%
Garage Deadhead	113.82	84.36	-25.88%
Service Hours	1248.30	1187.00	-4.91%
Total Deadhead	314.32	285.57	-9.19%
Slack Time > 1 Hour	163.56	175.48	7.29%
Total Slack Time	368.60	314.80	-14.60%
Trips/Srv Hour	1.28	1.35	5.16%
Trips/Tot Hour	1.17	1.26	7.14%
Miles Productivity			
Total Miles	20720.00	19481.00	-5.98%
Non-Srv Miles	3554.00	2420.00	-31.91%
Service Miles	17166.00	17061.00	-0.61%
Total Deadhead	8933.98	7628.45	-14.61%
Srv Miles/Trip	10.75	10.68	-0.61%
Tot Miles/Trip	12.97	12.20	-5.98%
Avg Trip Length	5.15	5.91	14.58%

Simulation 1 shows the results of not restricting routes to predominately serve individual dialysis centers. The current scheduling practice is to "reserve" runs servicing dialysis centers to maximize driver familiarity with the passenger base and improve overall service to the center.

The result is improved customer service, but less efficient routing. The analysis shows 74.5 hours could be saved on a typical Tuesday and 90.76 hours could be saved on a typical Wednesday.

This translates into 495.78 hours per week or over 25,000 hours per year.

In addition, mileage on each day was reduced by over 5% which could potentially result in 350,000 less overall miles per year.

Analysis of Booked Trips for April 26, 2005

	As Scheduled	Simulation 2	Variance
Total Trips	1638	1638	0.00%
Trips Scheduled	1625	1630	0.31%
Trips Unscheduled/Taxi Trips	13	8	-38.46%
OTP (Non Taxi)	85.8%	98.5%	14.86%
OTP Appt. (Non Taxi)	87.2%	99.1%	13.64%
Hours Productivity			
Total Hours	1349.00	1237.60	-8.26%
Garage Deadhead	113.80	92.40	-18.80%
Service Hours	1235.20	1145.20	-7.29%
Total Deadhead	312.21	263.69	-15.54%
Slack Time > 1 Hour	139.78	265.23	89.75%
Total Slack Time	338.93	394.31	16.34%
Trips/Srv Hour	1.32	1.42	8.19%
Trips/Tot Hour	1.20	1.32	9.34%
Miles Productivity			
Total Miles	21150.00	18878.00	-10.74%
Non-Srv Miles	3564.00	2354.00	-33.95%
Service Miles	17586.00	16524.00	-6.04%
Total Deadhead	8978.94	7426.80	-17.29%
Srv Miles/Trip	10.82	10.14	-6.33%
Tot Miles/Trip	13.02	11.58	-11.02%
Avg Trip Length	5.30	5.58	5.37%

Analysis of Booked Trips for April 20, 2005

	As Scheduled	Simulation 2	Variance
Total Trips	1604	1604	0.00%
Trips Scheduled	1597	1597	0.00%
Trips Unscheduled/Taxi Trips	7	7	0.00%
OTP (Non Taxi)	88.5%	97.1%	9.70%
OTP Appt. (Non Taxi)	86.9%	96.0%	10.50%
Hours Productivity			
Total Hours	1362.12	1242.60	-8.77%
Garage Deadhead	113.82	74.50	-34.55%
Service Hours	1248.30	1168.10	-6.42%
Total Deadhead	314.32	7491.96	2283.55%
Slack Time > 1 Hour	163.56	186.00	13.72%
Total Slack Time	368.60	301.60	-18.18%
Trips/Srv Hour	1.28	1.37	6.87%
Trips/Tot Hour	1.17	1.29	9.62%
Miles Productivity			
Total Miles	20720.00	19190.00	-7.38%
Non-Srv Miles	3554.00	2234.00	-37.14%
Service Miles	17166.00	16956.00	-1.22%
Total Deadhead	8933.98	7491.96	-16.14%
Srv Miles/Trip	10.75	10.62	-1.22%
Tot Miles/Trip	12.97	12.02	-7.38%
Avg Trip Length	5.15	5.93	14.97%

For Simulation 2, we updated Medicaid and TD dialysis trips with their closest center. Trips were then batched with the same parameters as Simulation 1.

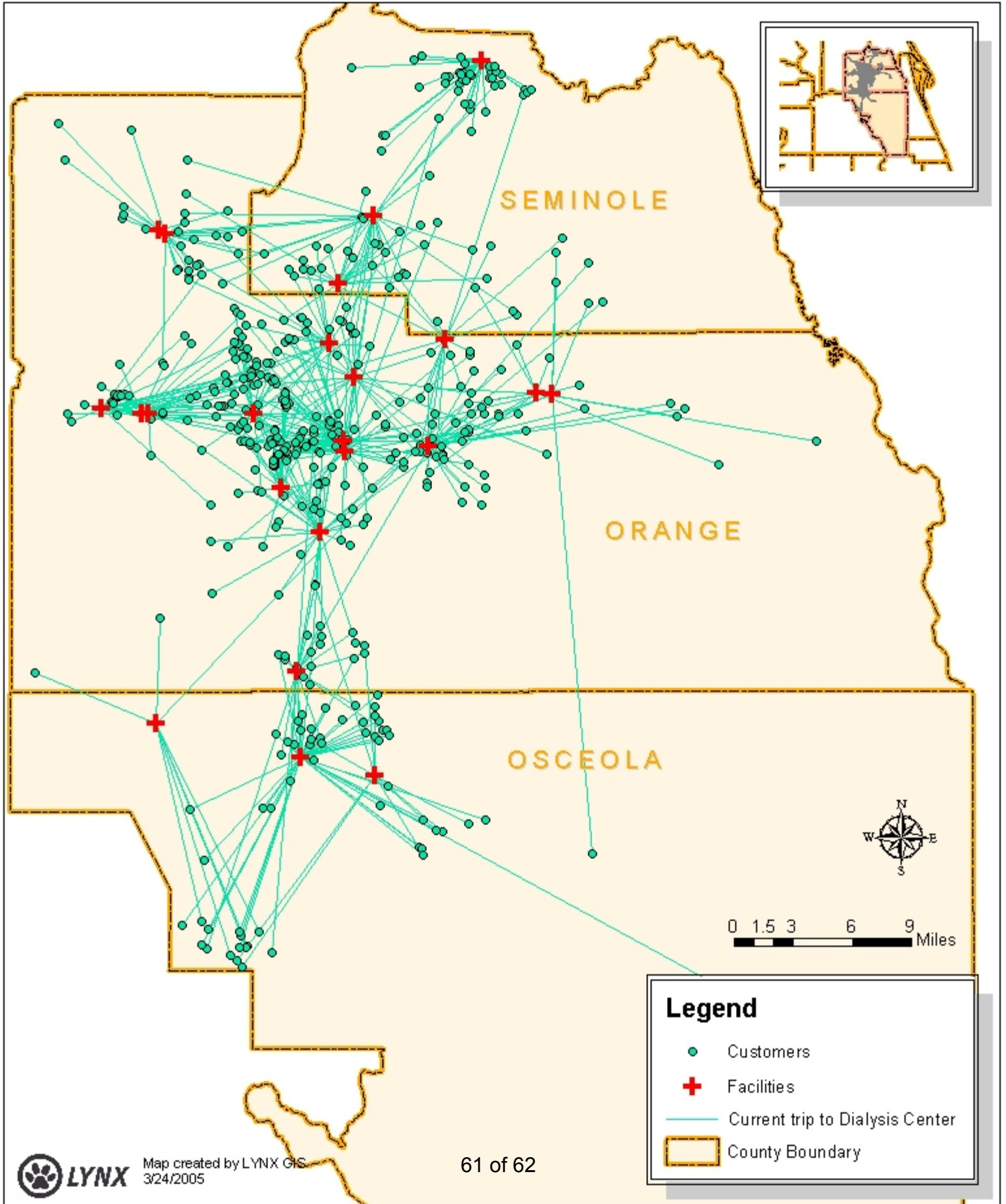
If Medicaid and TD clients were forced to go their closest center and run restrictions were removed, this could result in a reduction of 111.4 hours on a typical Tuesday and 119.52 hours on a typical Wednesday. This translates into 692.76 hours per week or over 36,000 hours per year.

Mileage under this simulation was reduced by 7 to 10 percent. This could potentially result in a reduction of over 590,000 miles per year.

Dialysis Customers Home Location

City	COUNTY			Grand Total
	ORANGE	OSCEOLA	SEMINOLE	
ALTAMONTE SPRINGS			14	14
APOPKA	7			7
CASSELBERRY			4	4
EATONVILLE	4			4
EDGEWOOD	1			1
KISSIMMEE		18		18
LAKE MARY			2	2
LONGWOOD			10	10
MAITLAND	6			6
OCOE	14			14
ORANGE UNINCORPORATED	212			212
ORLANDO	111			111
OSCEOLA UNINCORPORATED		39		39
OVIEDO			6	6
SANFORD			38	38
SEMINOLE UNINCORPORATED			28	28
ST CLOUD		14		14
WINTER GARDEN	14			14
WINTER PARK	3			3
WINTER SPRINGS			3	3
Grand Total	372	71	105	548

Current Trips to Dialysis Centers



Optimal Trips to Dialysis Centers

