



## Board Report

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### FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 17, 2016

#### SUBJECT: MANAGEMENT AUDIT SERVICES FY 2016 YEAR-END REPORT

#### ACTION: RECEIVE AND FILE

#### RECOMMENDATION

RECEIVE AND FILE the year-end report of **Management Audit Services** for the period ending June 30, 2016.

#### ISSUE

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit Services (MAS) on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the fourth quarter of FY 2016.

#### DISCUSSION

Management Audit Services (MAS) provides audit support to the Chief Executive Officer (CEO) and his executive management. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in MAS: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking. The summary of MAS activity for the fourth quarter and for the fiscal year ending June 30, 2016 is as follows:

Internal Audits: 2 internal audits were completed for the fourth quarter; 8 reports were completed for the year. As of June 30, 2016, 15 internal audits were in process.

External Audits: 9 contract audits with a total value of \$26 million and 12 incurred cost audits with a total value of \$111 million were completed during fourth quarter. Forty-four contract pre-award audits with a total value of \$302 million and 35 incurred cost audits with a total value of \$232 million were completed for the year. Three contract pre-award audits and 35 incurred cost audits were in process.

Other Audits: 124 financial and compliance audits were completed by external certified public accountants (CPAs) during the year. MAS coordinated and managed the completion of these audits.

Audit Follow-up and Resolution: 27 recommendations were added and 9 recommendations were closed during the fourth quarter. Seventy-three recommendations were added and 32 recommendations were closed during the year. As of June 30, 2016, there were 87 open audit recommendations.

MAS' FY 2016 year-end report is included as Attachment A.

### **NEXT STEPS**

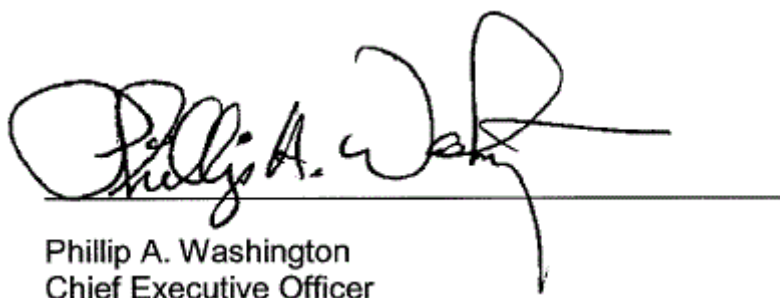
MAS will provide the first quarter summary of FY 2017 audit activity to the Board at the November 2016 Finance, Budget and Audit Committee meeting.

### **ATTACHMENTS**

Attachment A - Management Audit Services Year-End Report to the Board for the fiscal year ending June 30, 2016.

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Phillip A. Washington  
Chief Executive Officer

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

**Los Angeles County Metropolitan  
Transportation Authority**

***YEAR-END REPORT  
FY 2016***



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# EXECUTIVE SUMMARY

## FY16 Summary of Audit Activity

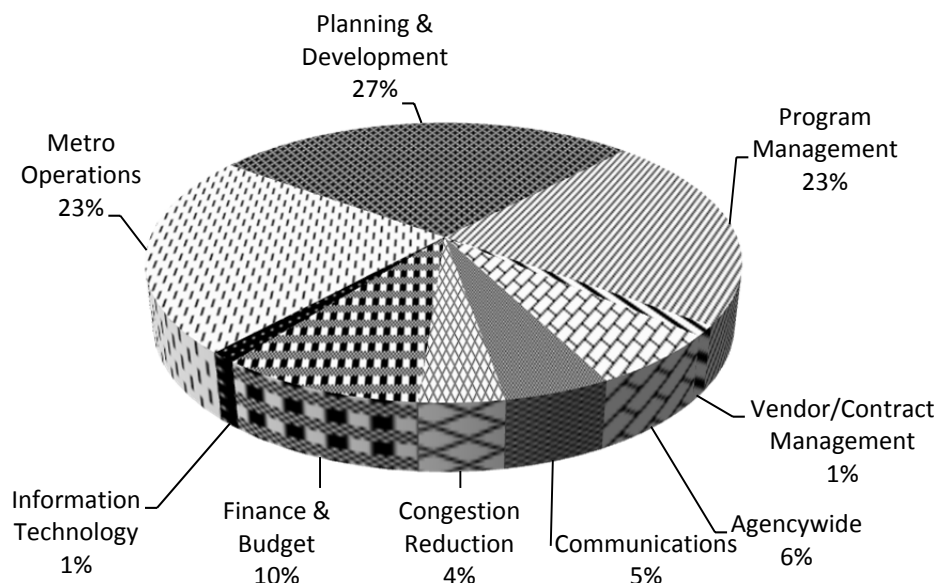
During FY 2016, we completed/managed 211 engagements consisting of 87 audits issued by MAS and 124 external CPA firms' reports. Details as follows:

- 17 audit reports issued in the first quarter;
- 12 audit reports issued in the second quarter;
- 35 audit reports issued in the third quarter;
- 23 audit reports issued in the fourth quarter;
- 124 financial and compliance audits issued during the fiscal year (mostly legally mandated such as Prop A & C, Measure R, STA, TDA, NTD, and other funds distributed to the cities and County of Los Angeles).

The work completed in the first, second, and third quarters of FY 2016 are summarized in the quarterly reports issued in January 2016, March 2016 and May 2016. The completed audits for fourth quarter include 2 internal audit reports, 9 contract pre-award audits and 12 incurred cost audits. The completed contract pre-award and incurred cost audits are summarized on page 2 and completed internal audits begin on page 3. Fifty-three audits were in process at the end of FY 2016.

Appendix A and B contain a list of all contract pre-award and incurred cost audit projects completed in FY 2016. Appendix C lists all internal audits completed during FY 2016. Appendix D lists all internal audits in process as of June 30, 2016.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during FY 2016:



# *EXTERNAL AUDITS*

## Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During FY 2016, we completed 44 audits, reviewing a net value of \$302 million. Auditors questioned \$19.7 million or 6.5% of the proposed costs. The 44 audits supported procurements in the following areas:

- 10 Program Management projects procurements;
- 9 Heavy Rail Technical and Engineering Consulting Services procurements;
- 6 Congestion Reduction projects procurements;
- 5 Elevator/Escalator Maintenance procurements;
- 3 Bus Purchase procurements;
- 3 Highway projects procurements;
- 4 Regional Planning projects procurements;
- 2 Technology systems procurements;
- 1 Metro Rideshare Program Support procurement; and
- 1 Transit Access Pass Project procurement;

Three contract pre-award audits were in process as of June 30, 2016.

Details on Contract Pre-Award Audits completed during FY 2016 are in Appendix A.

## Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, and various other transportation related projects, including Caltrans projects. The purpose of the audits is to ensure that grantees spend funds in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 35 audits during FY 2016. We reviewed \$232 million of funds and identified \$8.4 million of unused funds that may be reprogrammed by Planning and Development for other projects. Thirty-five incurred cost audits were in process as of June 30, 2016.

Details on Incurred Cost Audits completed during FY 2016 are in Appendix B.

# *INTERNAL AUDITS*

Management Audit completed eight internal audit reports in FY 2016. Fifteen internal audits were in process as of June 30, 2016. A list of the internal audits in process is included in Appendix D.

Details of the two internal audits completed during the fourth quarter are listed below in the order of the magnitude of risks that their findings represent to the agency.

## *Performance Audit of Special Fare Programs*

The audit objective was to evaluate the adequacy and effectiveness of internal controls over Special Fare Programs.

We found that the controls over eligibility review process for Business Transit Access Pass (B-TAP) Program have improved since June 2015. Specifically, Metro now verifies that the businesses actually have the employees on their payroll prior to B-TAP cards issuance. However, we found control weaknesses in the Reduced Fare Programs such as inadequate monitoring over temporary Reduced Fare TAP card distribution, inadequate control over cash received for application fees, lack of independent review and inadequate documentation retention for eligibility proof. In addition, we found inadequate oversight over Metro Employee TAP Cards and B-TAP Program Pricing. Management agrees with the findings and has already taken steps to resolve some of the issues. Other corrective actions are still in progress.

## *Performance Audit of Business Interruption Fund (BIF)*

The audit objective was to determine compliance with administrative guidelines and fund and disbursement procedures.

We found the Business Interruption Fund is being administered in compliance with administrative guidelines and disbursement procedures. However, we found \$1.2 million in unrecorded grant expenditures because the Accounting Department records transactions as prepaid expenditures when providing funds to the program administrator and does not record the expenditures for funds disbursed by program administrator to the small businesses. During the audit, Accounting corrected the issue and recorded the grant expenditures paid by the program administrator to small businesses. Management concurred with our recommendation and is implementing corrective actions.

## *OTHER AUDITS*

Other audits completed during FY16 by external CPA firms include:

### Measure R Special Revenue Fund Audit – Issued November 2015

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Los Angeles County Metropolitan Transportation Authority (LACMTA) complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. BCA Watson Rice (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2015. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures.

### Proposition A and C Special Revenue Funds Audit – Issued November 2015

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by the LACMTA with the provisions of Propositions A and C. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2015. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Proposition A and Proposition C revenues and expenditures.

### Measure R Compliance Audit of the Cities and County – Issued December 2015

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the net revenues allocated to the Local Return Subfund during the fiscal year. For efficiency and effectiveness, we contracted with two firms (Simpson & Simpson and Vasquez & Company, LLP) to conduct the audits of Measure R sales tax revenues used by the 87 cities as well as the County of Los Angeles. The auditors found that the cities and county generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, the auditors did find a 2% rate of non-compliance, which the LACMTA will follow-up for corrective action. As required by law, Simpson & Simpson and Vasquez presented their audit report to the Measure R Oversight Committee in March 2016.

### Gateway Center & Union Station Properties Financial Statements and Independent Auditor's Reports – Issued January 2016

LACMTA acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.



## *OTHER AUDITS*

We contracted BCA to conduct an audit of the financial statements for these two entities for the year ended June 30, 2015. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

Access Services Schedule of Revenues and Expenditures and Report on Compliance with Requirements Applicable to Federal Transit Administration Section 5310 and Proposition C Discretionary in accordance with MOU No. P000ASI19 – Issued January 2016

Access Services (Access) administer the Los Angeles County Coordinated Paratransit Plan on behalf of the County's 44 public fixed route operators. Access provides approximately 3.1 million trips per year to more than 163,000 qualified disabled riders in a service area of over 1,950 square miles. In September 2014, LACMTA and Access executed an agreement to provide funding to Access during the period July 1, 2014 through June 30, 2015. Funding consisted of \$60,600,000 Regional Surface Transportation Program funds under FTA Section 5310 Program and \$68,513,472 of Proposition C Discretionary.

BCA conducted the audit of the Schedule of Revenues and Expenditures and Report on Compliance with Requirements Applicable to Federal Transit Administration Section 5310 and Proposition C Discretionary of Access under MOU P000ASI19 for the year ended June 30, 2015 and found that they present fairly, in all material respects.

PTSC-MTA Risk Management Authority Basic Financial Statements – Issued February 2016

In October 1998, the Public Transportation Services Corporation (PTSC) and the LACMTA entered into a joint powers agreement to create the PTSC-MTA Risk Management Authority (PRMA) for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA receives all of its funding from LACMTA and PTSC. As PTSC also receives its funding from LACMTA, PRMA is a component unit of the LACMTA and is included in LACMTA's financial statements as a blended component unit.

An audit of PRMA's financial statements by an independent CPA firm is required annually. We retained BCA to conduct the audit for the fiscal year ended June 30, 2015. BCA found that the financial statements present fairly, in all material respects, the position of PRMA as of June 30, 2015.

## *OTHER AUDITS*

### Basic Financial Statements – All parts Issued by March 2016

An audit of our financial statements by an independent CPA firm is required annually. We retained Crowe Horwath LLP to conduct the audit for the fiscal year FY15. The following reports include MTA's basic financial statements and following component audits for the year ended June 30, 2015.

- Basic Financial Statement Report;
- Independent auditors' SAS 114 letter covering required communications;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2015 which include:
  - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and
  - Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards as Required by OMB Circular A-133;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2015;
- Federal Funding Allocation Data for the L.A. County Small Operators (ID# 90166) for the fiscal year ended June 30, 2015;
- Transportation Development Act Operations Agency for the year ended June 30, 2015;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2015;
- State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2015 and 2014;
- Crenshaw Project Corporation basic financial statements and other supplementary information as of and for the period from March 23, 2012 through June 30, 2015; and
- Service Authority for Freeway Emergencies' financial statements and other supplementary information as of and for the years ending June 30, 2015 and 2014.

Crowe issued unmodified opinions on all audit reports; however, Crowe noted one finding in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The finding was related to lifetime benefits for some of Amalgamated Transit Union (ATU) employees not reflected in the prior period valuations prepared by the former actuarial firm, Mercer. The new actuarial firm, AON, recommended they should have been included and Management agreed. With the addition of the lifetime benefits, the calculation of prior Annual Required Contributions were understated and resulted in the Net OPEB (Other Post Employment Benefits) obligation liability being understated. Management has already resolved the issue.

## *OTHER AUDITS*

### Audited Financial Statements of Metro ExpressLanes – Issued June 2016

Metro ExpressLanes started as a one-year demonstration program to test innovations in order to improve existing transportation systems in three sub-regions: the San Gabriel Valley, Central Los Angeles, and the South Bay. An audit of the financial statements of Metro ExpressLanes, an enterprise fund of the LACMTA, was performed by Vasquez for the year ended June 30, 2015. Vasquez found that the financial statements present fairly, in all material respects.

### Consolidated Audit – Issued various dates

These financial and compliance audits are needed to ensure that the recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration guidelines. Vasquez & Company and Simpson & Simpson performed the audits of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund for various cities for the year ended June 30, 2015.

In addition to the Measure R individual audit reports of the 88 cities and Los Angeles County, the auditors issued two summary audits on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines that were presented to the Measure R Oversight Committee as required by Ordinance. The auditors found that the cities and Los Angeles County generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, they did find 17 instances of non-compliance representing a 53% reduction from the 32 findings noted in the previous year. Questioned costs totaling \$1.5 million represents approximately 1% of the total funds reviewed. All of the findings have been resolved. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During FY 2016, 32 recommendations were completed and closed. At the end of this quarter, there were 87 outstanding audit recommendations. The table below summarizes the fourth quarter activity.

### Summary of MAS and External Audit Recommendations As of June 30, 2016

| Executive Area           | Closed   | Late     | Extended  | Not Yet Due/Under Review | Total Open |
|--------------------------|----------|----------|-----------|--------------------------|------------|
| Program Management       |          |          |           | 8                        | 8          |
| Labor/Employee Relations | 1        |          | 3         | 5                        | 8          |
| Finance and Budget       | 1        |          |           | 1                        | 1          |
| Information Technology   |          |          | 3         |                          | 3          |
| Metro Operations         | 6        | 1        | 14        | 14                       | 29         |
| Planning and Development | 1        |          | 15        |                          | 15         |
| Communications           |          |          |           | 22                       | 22         |
| Congestion Reduction     |          |          |           | 1                        | 1          |
| <b>Totals</b>            | <b>9</b> | <b>1</b> | <b>35</b> | <b>51</b>                | <b>87</b>  |

In addition to the above MAS and external audit recommendations, we closed 19 recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 11 outstanding OIG audit recommendations.\*

\*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study, Metro Policing and Security Workload and Staffing Analysis and Audit of Westside Purple Line Extension Section 2- Modification No. 52, as the management response and/or estimated completion dates are still pending.

## Appendix A

| <b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b> |  |                                       |                    |                       |
|---|--|---------------------------------------|--------------------|-----------------------|
| <b>Area</b>   | <b>Audit Number &amp; Type</b>                   | <b>Contractor</b>                     | <b>Requirement</b> | <b>Date Completed</b> |
| Information Technology  | 15-ITS-A02 - Attestation Agreed-upon Procedures  | Smartdrive Systems, Inc.              | Contractual        | 7/2015                |
| Program Management  | 16-CON-A01A - Attestation Agreed-upon Procedures | RNL Interplan Inc.                    | Contractual        | 8/2015                |
| Program Management  | 16-CON-A01B - Attestation Agreed-upon Procedures | Kimley-Horn and Associates, Inc.      | Contractual        | 8/2015                |
| Metro Operations  | 15-OPS-A08 - Attestation Agreed-upon Procedures  | New Flyer of America, Inc.            | Contractual        | 8/2015                |
| Metro Operations  | 15-OPS-A02 - Attestation Agreed-upon Procedures  | New Flyer of America, Inc.            | Contractual        | 8/2015                |
| Metro Operations  | 16-OPS-A01 - Attestation Agreed-upon Procedures  | Inland Transportation Services        | Contractual        | 9/2015                |
| Program Management  | 16-CON-A02 - Attestation Agreed-upon Procedures  | Regional Connector Constructors JV    | Contractual        | 11/2015               |
| Congestion Reduction  | 16-CEO-A01A - Attestation Agreed-upon Procedures | Xerox State and Local Solutions, Inc. | Contractual        | 11/2015               |
| Program Management  | 15-CON-A10 - Attestation Agreed-upon Procedures  | Maintenance Design Group              | Contractual        | 11/2015               |
| Planning & Development  | 16-PLN-A13 - Attestation Agreed-upon Procedures  | Ted Tokio Tanaka Architects           | Contractual        | 2/2016                |
| Finance & Budget  | 16-OMB-A01 - Attestation Agreed-upon Procedures  | Cubic Transportation Systems, Inc.    | Contractual        | 2/2016                |
| Congestion Reduction  | 16-CEO-A02A - Attestation Agreed-upon Procedures | Cambria Solutions, Inc.               | Contractual        | 2/2016                |

| <b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b> |  |                                      |                    |                       |
|---|--|--------------------------------------|--------------------|-----------------------|
| <b>Area</b>   | <b>Audit Number &amp; Type</b>                   | <b>Contractor</b>                    | <b>Requirement</b> | <b>Date Completed</b> |
| Program Management  | 16-CON-A05 - Attestation Agreed-upon Procedures  | Ghirardelli Associates, Inc.         | Contractual        | 2/2016                |
| Congestion Reduction  | 16-CEO-A02B - Attestation Agreed-upon Procedures | HNTB Corporation                     | Contractual        | 2/2016                |
| Program Management  | 16-CON-A12B - Attestation Agreed-upon Procedures | V&A, Inc.                            | Contractual        | 2/2016                |
| Program Management  | 16-CON-A06 - Attestation Agreed-upon Procedures  | MNS Engineers, Inc.                  | Contractual        | 2/2016                |
| Program Management  | 16-CON-A12A - Attestation Agreed-upon Procedures | HDR Engineering, Inc.                | Contractual        | 2/2016                |
| Program Management  | 16-CON-A04- Attestation Agreed-upon Procedures   | Regional Connector Constructors, JV  | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A05A - Attestation Agreed-upon Procedures | STV, Inc.                            | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A05B - Attestation Agreed-upon Procedures | Parsons Brinkerhoff, Inc.            | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A05C - Attestation Agreed-upon Procedures | Systems Consulting, LLC              | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A05D - Attestation Agreed-upon Procedures | Information Design Consultants, Inc. | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A05E - Attestation Agreed-upon Procedures | Virginkar & Associates, Inc.         | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A04A - Attestation Agreed-upon Procedures | LTK Engineering Services             | Contractual        | 3/2016                |

| <b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b> |  |                                 |                    |                       |
|---|--|---------------------------------|--------------------|-----------------------|
| <b>Area</b>   | <b>Audit Number &amp; Type</b>                   | <b>Contractor</b>               | <b>Requirement</b> | <b>Date Completed</b> |
| Metro Operations  | 16-OPS-A04B - Attestation Agreed-upon Procedures | Virginkar & Associates, Inc.    | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A04C - Attestation Agreed-upon Procedures | CH2M Hill, Inc.                 | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A04D- Attestation Agreed-upon Procedures  | Ramos Consulting Services, Inc. | Contractual        | 3/2016                |
| Program Management  | 16-HWY-A01 - Attestation Agreed-upon Procedures  | Guida Surveying, Inc.           | Contractual        | 3/2016                |
| Planning & Development  | 16-PLN-A21- Attestation Agreed-upon Procedures   | RBF Consulting                  | Contractual        | 3/2016                |
| Program Management  | 16-CON-A13 - Attestation Agreed-upon Procedures  | Cityworks Design                | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A06B- Attestation Agreed-upon Procedures  | Elite Escalator, Inc.           | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A06A- Attestation Agreed-upon Procedures  | Mitsubishi Electric U.S. Inc.   | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A06F - Attestation Agreed-upon Procedures | Elevators Etc.                  | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A06E - Attestation Agreed-upon Procedures | Excelsior Elevator Corporation  | Contractual        | 3/2016                |
| Metro Operations  | 16-OPS-A06C - Attestation Agreed-upon Procedures | Vintage Elevator Services, Inc. | Contractual        | 3/2016                |
| Program Management  | 16-HWY-A02 - Attestation Agreed-upon Procedures  | ACT Consulting Engineers, Inc.  | Contractual        | 5/2016                |

| <b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b> |  |                            |                    |                       |
|---|--|----------------------------|--------------------|-----------------------|
| <b>Area</b>   | <b>Audit Number &amp; Type</b>                   | <b>Contractor</b>          | <b>Requirement</b> | <b>Date Completed</b> |
| Program Management  | 16-HWY-A03 - Attestation Agreed-upon Procedures  | Sarakki Associates, Inc.   | Contractual        | 5/2016                |
| Congestion Reduction  | 16-CEO-A04 - Attestation Agreed-upon Procedures  | OZ Engineering, LLC        | Contractual        | 5/2016                |
| Congestion Reduction  | 16-CEO-A03B - Attestation Agreed-upon Procedures | Z3, Inc.                   | Contractual        | 5/2016                |
| Congestion Reduction  | 16-CEO-A03A - Attestation Agreed-upon Procedures | IBI Group                  | Contractual        | 5/2016                |
| Metro Operations  | 16-OPS-A10 - Attestation Agreed-upon Procedures  | New Flyer of America, Inc. | Contractual        | 6/2016                |
| Metro Operations  | 16-OPS-A09 - Attestation Agreed-upon Procedures  | ARINC, Inc.                | Contractual        | 6/2016                |
| Planning & Development  | 16-PLN-A36A - Attestation Agreed-upon Procedures | TRC Solutions, Inc.        | Contractual        | 6/2016                |
| Planning & Development  | 16-PLN-A36B - Attestation Agreed-upon Procedures | GPA Consulting             | Contractual        | 6/2016                |



## Appendix B

| <b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b> |                                |  |                    |                       |
|--|--------------------------------|--|--------------------|-----------------------|
| <b>Area</b>  | <b>Audit Number &amp; Type</b> | <b>Grantee</b>                                   | <b>Requirement</b> | <b>Date Completed</b> |
| Program Management   | 15-PLN-A03 - Closeout          | City of Westlake Village                         | Contractual        | 7/2015                |
| Program Management   | 15-PLN-A04 - Closeout          | City of Westlake Village                         | Contractual        | 7/2015                |
| Planning & Development   | 14-PLN-A24 - Closeout          | County of Los Angeles                            | Contractual        | 7/2015                |
| Planning & Development   | 13-PLN-A20 - Closeout          | County of Los Angeles                            | Contractual        | 7/2015                |
| Planning & Development   | 14-PLN-A27 - Closeout          | County of Los Angeles                            | Contractual        | 8/2015                |
| Planning & Development   | 13-PLN-A18 - Closeout          | City of Los Angeles                              | Contractual        | 8/2015                |
| Planning & Development   | 13-PLN-A22 - Closeout          | City of Calabasas                                | Contractual        | 8/2015                |
| Planning & Development   | 14-PLN-A23 - Closeout          | County of Los Angeles                            | Contractual        | 8/2015                |
| Program Management   | 15-PLN-A28 - Closeout          | City of Glendale                                 | Contractual        | 9/2015                |
| Planning & Development   | 14-PLN-A34 - Closeout          | City of Los Angeles Department of Transportation | Contractual        | 11/2015               |
| Planning & Development   | 13-PLN-A05A - Closeout         | CH2M Hill, Inc.                                  | Contractual        | 11/2015               |

| <b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b> |                                |   |                    |                       |
|--|--------------------------------|---|--------------------|-----------------------|
| <b>Area</b>  | <b>Audit Number &amp; Type</b> | <b>Grantee</b>                              | <b>Requirement</b> | <b>Date Completed</b> |
| Planning & Development   | 15-PLN-A33 - Closeout          | Burbank-Glendale-Pasadena Airport Authority | Contractual        | 12/2015               |
| Planning & Development   | 15-PLN-A32 - Closeout          | City of Duarte                              | Contractual        | 12/2015               |
| Program Management   | 15-CON-A12B - Closeout         | DHS Consulting, Inc.                        | Contractual        | 12/2015               |
| Program Management   | 15-CON-A12B - Closeout         | ARCADIS U.S., Inc.                          | Contractual        | 12/2015               |
| Program Management   | 15-CON-A12C - Closeout         | EPC Consultants, Inc.                       | Contractual        | 12/2015               |
| Program Management   | 15-CON-A12A - Closeout         | ABA Global, Inc.                            | Contractual        | 12/2015               |
| Program Management   | 15-PLN-A08 - Closeout          | City of Los Angeles                         | Contractual        | 1/2016                |
| Program Management   | 13-PLN-A19 - Closeout          | Los Angeles County                          | Contractual        | 1/2016                |
| Program Management   | 15-PLN-A20- Closeout           | City of Montebello                          | Contractual        | 2/2016                |
| Program Management   | 11-PLN-G05 - Interim           | Caltrans                                    | Contractual        | 2/2016                |
| Program Management   | 15-PLN-A31 - Closeout          | City of Agoura Hills                        | Contractual        | 3/2016                |

| <b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b> |                                |                                  |                    |                       |
|--|--------------------------------|----------------------------------|--------------------|-----------------------|
| <b>Area</b>  | <b>Audit Number &amp; Type</b> | <b>Grantee</b>                   | <b>Requirement</b> | <b>Date Completed</b> |
| Program Management   | 15-PLN-A14 - Closeout          | City of Westlake Village         | Contractual        | 3/2016                |
| Planning & Development   | 16-PLN-A01 - Closeout          | Orangeline Development Authority | Contractual        | 5/2016                |
| Planning & Development   | 16-PLN-A11 - Closeout          | City of Azusa                    | Contractual        | 5/2016                |
| Program Management   | 14-PLN-A10 - Interim           | Caltrans                         | Contractual        | 5/2016                |
| Planning & Development   | 16-PLN-A06 - Closeout          | City of West Hollywood           | Contractual        | 5/2016                |
| Planning & Development   | 14-PLN-A25 - Interim           | Los Angeles County               | Contractual        | 5/2016                |
| Program Management   | 15-PLN-A34 - Closeout          | Caltrans                         | Contractual        | 5/2016                |
| Program Management   | 16-PLN-A02 - Closeout          | Caltrans                         | Contractual        | 5/2016                |
| Planning & Development   | 14-PLN-A31- Closeout           | City of Los Angeles              | Contractual        | 6/2016                |
| Planning & Development   | 16-PLN-A05 - Closeout          | City of El Monte                 | Contractual        | 6/2016                |
| Planning & Development   | 14-PLN-A02 - Closeout          | City of Los Angeles              | Contractual        | 6/2016                |

| <b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b> |                                |                     |                    |                       |
|--|--------------------------------|---------------------|--------------------|-----------------------|
| <b>Area</b>  | <b>Audit Number &amp; Type</b> | <b>Grantee</b>      | <b>Requirement</b> | <b>Date Completed</b> |
| Planning & Development   | 15-PLN-A06 - Closeout          | City of Los Angeles | Contractual        | 6/2016                |
| Planning & Development   | 16-PLN-A03 - Closeout          | City of Downey      | Contractual        | 6/2016                |

## Appendix C

| <b>Internal Audit FY 2016 - Audits Completed During Fiscal Year</b> |   |   |                       |
|---|---|---|-----------------------|
| <b>Area</b>   | <b>Audit Number &amp; Title</b>                         | <b>Description</b>  | <b>Date Completed</b> |
| Finance & Administration  | 10-ACC-F04 - Chart of Accounts                          | Verify that the Chart of Accounts adequately reflects the current business process and reporting needs. | 7/2015                |
| Metro Operations  | 13-OPS-P02 - Non-Revenue Vehicle Usage (Agencywide)     | Evaluate efficiency and effectiveness of bus division non-revenue vehicle usage.                        | 8/2015                |
| Metro Operations  | 13-OPS-P06 - Contracted Bus Services                    | Evaluate the efficiency and effectiveness of contracted bus services contracts.                         | 12/2015               |
| Vendor / Contract Management  | 13-ADM-P01 - FP Process                                 | Assess efficiency and effectiveness and timeliness of Procurement's RFP processes.                      | 1/2016                |
| Metro Operations  | 13-OPS-P04 - Operations KPI Audit                       | Evaluate the accuracy and completeness of Operations KPIs.  | 1/2016                |
| Vendor / Contract Management  | 13-CEO-P01 - Cost Estimating Process                    | Assess efficiency and effectiveness and timeliness of Procurement's cost estimating process.            | 3/2016                |
| Vendor / Contract Management  | 16-VCM-P02 - Annual Audit of Business Interruption Fund | Annual required audit of Business Interruption Fund program.  | 5/2016                |
| Communications  | 16-COM-P01 - Audit of Special Fares Programs            | Evaluate the effectiveness of internal controls over special fare programs.                             | 6/2016                |

## Appendix D

| <b>Internal Audit FY 2016 - Progress Towards Completing Audit Plan</b> |  |  |                                     |
|--|--|--|-------------------------------------|
| <b>Area</b>  | <b>Audit Number &amp; Title</b>                                  | <b>Description</b>   | <b>Estimated Date of Completion</b> |
| Vendor / Contract Management   | 13-ADM-O02 - Automated Storage and Retrieval System Phase I & II | Evaluate the adequacy of internal controls over the Automated Storage and Retrieval System (ASRS).   | 8/2016                              |
| Planning & Development   | 14-EDD-P01 - Real Estate Property Management Follow-up           | Evaluate accuracy and completeness of tracking real estate properties in Real Property Management System.  | 8/2016                              |
| Agencywide   | 16-AGW-P03 - Overtime Usage                                      | Evaluate the accuracy, efficiency and effectiveness of overtime usage.   | 9/2016                              |
| Vendor / Contract Management   | 12-ADM-I01 - Contract Information Management System              | Assess the system implementation process to acquire, design, test and implement the Contract Information Management System that meets specific functionalities required by the MTA | 9/2016                              |
| Finance & Budget   | 10-ACC-F01 - Accounts Receivable                                 | Validate adequacy of current policies and procedures.  | 9/2016                              |
| Congestion Reduction   | 16-CEO-P02 - 511 follow-up audit                                 | Follow Up on 511 audit.  | 9/2016                              |
| Metro Operations   | 16-OPS-P01 - Wayside System                                      | Evaluate effectiveness of maintenance of the Rail track & signaling systems.   | 10/2016                             |
| Program Management   | 16-CON-P04 - Quality Assurance                                   | Effectiveness and efficiency of quality assurance processes.   | 10/2016                             |
| Metro Operations   | 16-OPS-P02 - Rail Overhaul and Maintenance                       | Evaluate the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program.  | 10/2016                             |
| Metro Operations   | 16-OPS-P03 Performance Audit of Accident Prevention Program      | Evaluate effectiveness of accident prevention practices  | 10/2016                             |
| Vendor / Contract Management   | 16-VCM- P01 - Audit of P Card                                    | Evaluate compliance to P-card purchase requirements.   | 10/2016                             |

| <b>Internal Audit FY 2016 - Progress Towards Completing Audit Plan</b> |   |  |                                     |
|--|---|--|-------------------------------------|
| <b>Area</b>  | <b>Audit Number &amp; Title</b>   | <b>Description</b>   | <b>Estimated Date of Completion</b> |
| Program Management   | 16-CON-P01 - Performance Audit of Indefinite Delivery / Indefinite Quantity (IDIQ) Type Contracts | Determine the efficiency and effectiveness of the administration of IDIQ Contracts.                            | 11/2016                             |
| Metro Operations   | 16-OPS-P05 Performance Audit of Division Practices  | Evaluate effectiveness of division management practices  | 11/2016                             |
| Program Management   | 12-CON-P03 - I-405 Follow-up  | Verify if management's corrective actions from the prior audit were implemented and resulting in improvements. | 12/2016                             |
| Program Management   | 10-CPC-K02 - Third Party Utility Relocation Agreement Efficiency                                  | Assess the adequacy and effectiveness of the Third Party Utility Relocation.                                   | 12/2016                             |

## Appendix E

| Open Audit Recommendations |                        |  |          |   |                          |                          |
|----------------------------|------------------------|--|----------|---|--------------------------|--------------------------|
| No.                        | Area                   | Audit Number & Title                                 | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 1                          | Operations             | 11-OPS-006 - HASTUS                                  | 1        | We recommend the Chief Operations Officer require the Scheduling department to: Upgrade to 2013 HASTUS and change their current practices to fully utilize the ATP module to calibrate route runtimes and trip-specific operational layover requirements to feed back into key scheduling processes.                                | 6/30/2016                | 12/31/2016               |
| 2                          | Operations             | 11-OPS-006 - HASTUS                                  | 2        | We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all ATP features.   | 6/30/2016                | 12/31/2016               |
| 3                          | Operations             | 11-OPS-006 - HASTUS                                  | 3        | We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all AP features. a. Develop the requirements to utilize AVL data to supplement missing data from the APC. b. Customize the current ATP module to improve its functionality until the proposed 2013 upgrade can be accomplished. | 6/30/2016                | 12/31/2016               |
| 4                          | Operations             | 11-OPS-006 - HASTUS                                  | 4        | We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the higher minimum of either 1) the United Transportation Union Labor Agreement, or 2) an operational minimum layover time.  | 6/30/2016                | 12/31/2016               |
| 5                          | Operations             | 11-OPS-006 - HASTUS                                  | 5        | We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution.   | 6/30/2016                | 12/31/2016               |
| 6                          | Operations             | 11-OPS-006 - HASTUS                                  | 6        | We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Developing a more robust, realistic deadhead matrix and use the matrix during the vehicle blocking process to globally optimize its bus system schedules.   | 6/30/2016                | 12/31/2016               |
| 7                          | Operations             | 11-OPS-006 - HASTUS                                  | 7        | We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the maximum number of vehicle groups possible for any given trip.  | 6/30/2016                | 12/31/2016               |
| 8                          | Operations             | 11-OPS-006 - HASTUS                                  | 8        | We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Training Schedulers to use Minbus advanced features.  | 6/30/2016                | 12/31/2016               |
| 9                          | Operations             | 11-OPS-006 - HASTUS                                  | 11       | We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions.   | 6/30/2014                | 12/31/2016               |
| 10                         | Operations             | 11-OPS-006 - HASTUS                                  | 12       | We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts  | 6/30/2014                | 12/31/2016               |
| 11                         | Operations             | 11-OPS-006 - HASTUS                                  | 13       | We recommend the Chief Operations Officer transition to HASTUS for scheduling rail service. The plan should include transition milestones and estimated completion dates.   | 6/30/2016                | 12/31/2016               |
| 12                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 4        | Document existing procedures to improve internal control and oversight of grantees/sub-recipients   | 6/30/2015                | 6/30/2016                |
| 13                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 5        | Activities at high risk for error and non-compliance should be identified and procedures documented for consistent implementation across all modes and project managers.  | 6/30/2015                | 6/30/2016                |
| 14                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 7        | Proceed with development of grants management module in the FIS system.   | 12/31/2015               | 12/31/2016               |



| Open Audit Recommendations |                        |  |          |  |                          |                          |
|----------------------------|------------------------|--|----------|--|--------------------------|--------------------------|
| No.                        | Area                   | Audit Number & Title                                 | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 15                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 8        | Coordinate FIS module development with a more comprehensive grants management database system for tracking grants within the RGM Unit. Consider using a user-friendlier "Windows-based" environment for the grants management database.  | 12/31/2015               | 12/31/2016               |
| 16                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 9        | Inventory and evaluate current "shadow systems" to help determine project manager requirements. This may provide useful information for the creation of a centralized database.  | 12/31/2015               | 12/31/2016               |
| 17                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 10       | Develop protocols on who can update the data and how often.  | 12/31/2015               | 12/31/2016               |
| 18                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 11       | Develop a high-level summary of grants for Metro executive staff and Board members based on their need for that information.   | 12/31/2015               | 12/31/2016               |
| 19                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 12       | Consider revising its organizational structure to provide clearer definition of responsibilities, improved levels of supervision and review, and improved management control and oversight. One possible structure would be around the key functions or elements of grants management. | 6/30/2015                | 6/30/2016                |
| 20                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 13       | Develop teams around each of these key elements, with a supervisor responsible for managing and directing each team's activities.  | 6/30/2015                | 6/30/2016                |
| 21                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 19       | Develop a process to ensure implementation of timely and appropriate corrective actions to address closeout activities such as final reporting, project closeouts and other events that affect the closeout process.   | 6/30/2015                | 12/31/2016               |
| 22                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 20       | Designate an individual to serve as the grant closeout liaison.  | 6/30/2015                | 12/31/2016               |
| 23                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 21       | Create a tool, such as an "Aging Report" to enable the liaison to quickly identify a critical event and to perform necessary updates to close the grant.   | 6/30/2015                | 12/31/2016               |
| 24                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 26       | Inventory individual roles and responsibilities and develop procedures for transfer of knowledge and cross training of other team members.   | 6/30/2015                | 6/30/2016                |
| 25                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 27       | Develop a process focused less on modal specialization and adopt a model whereby a greater number of team members are trained across a wider spectrum of activities and modes.   | 6/30/2015                | 6/30/2016                |
| 26                         | Planning & Development | 13-PLN-P01 - Grants Management and Call for Projects | 28       | Establish formal training; verify that processes are consistent but sufficiently flexible to accommodate variations in managing grants and projects.   | 6/30/2015                | 6/30/2016                |
| 27                         | Congestion Reduction   | 12-HCP-P01 - Metro Freeway Service Patrol            | 3        | Develop goals and objectives, and reinstitute performance measurements, for the oversight of the Metro Freeway Service Patrol Program  | 5/30/2016                |                          |
| 28                         | Information Technology | 14-ADM-P01 - Mobile Devices                          | 2        | We recommend that the Chief Information Officer implement appropriate Mobile Device Management software to manage all mobile devices and enforce security  | 9/30/2015                | 10/31/2016               |
| 29                         | Information Technology | 14-ADM-P01 - Mobile Devices                          | 3        | We recommend that the Chief Information Officer expand ITS wireless Device and Service policies and procedures to include written security requirements for mobile devices.  | 9/30/2015                | 10/31/2016               |

| Open Audit Recommendations |                            |  |          |  |                          |                          |
|----------------------------|----------------------------|--|----------|--|--------------------------|--------------------------|
| No.                        | Area                       | Audit Number & Title                   | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 30                         | Information Technology     | 14-ADM-P01 - Mobile Devices            | 4        | We recommend that the Chief Information Officer implement a device management platform that will provide adequate device level security controls.  | 9/30/2015                | 10/31/2016               |
| 31                         | Operations                 | 13-OPS-P02 - Non-Revenue Vehicle Usage | 1        | We recommend the Executive Director, Maintenance, require Non-Revenue Fleet management to perform a one-time analysis to establish a baseline for the optimum fleet size for the non-revenue fleet based on mission needs, vehicle utilization, life cycle costs, etc.   | 11/30/2015               | 6/30/2016                |
| 32                         | Operations                 | 13-OPS-P02 - Non-Revenue Vehicle Usage | 2        | We recommend the Executive Director, Maintenance, require Non-Revenue Fleet management to monitor the assignment and usage of non-revenue vehicles fleet.  | 11/30/2015               | 6/30/2016                |
| 33                         | Operations                 | 13-OPS-P02 - Non-Revenue Vehicle Usage | 5        | We recommend the Executive Director, Maintenance direct Non-Revenue to customize the M3 Motor Pool application to improve its functionality to track and report overnight usage for all department pools.  | 11/30/2015               | 6/30/2016                |
| 34                         | Labor / Employee Relations | 13-OPS-P02 - Non-Revenue Vehicle Usage | 6        | We recommend the Executive Director, Employee and Labor Relations direct General Services to fully utilize M3 Motor Pool application to track and report overnight usage for General Services Pool vehicles.   | 9/30/2015                | 4/30/2016                |
| 35                         | Labor / Employee Relations | 13-OPS-P02 - Non-Revenue Vehicle Usage | 7        | We recommend the Executive Director, Employee and Labor Relations direct General Services to immediately cancel all unknown key card assignments.  | 9/30/2015                | 4/30/2016                |
| 36                         | Labor / Employee Relations | 13-OPS-P02 - Non-Revenue Vehicle Usage | 8        | We recommend the Executive Director, Employee and Labor Relations direct General Services to recertify all key card assignees and implement a process to manage key card assignments.  | 3/31/2016                |                          |
| 37                         | Labor / Employee Relations | 13-OPS-P02 - Non-Revenue Vehicle Usage | 9        | We recommend the Executive Director, Employee and Labor Relations direct General Services to update GEN 17 to provide specific guidelines for the assignment and use of complementary key cards.   | 6/30/2016                |                          |
| 38                         | Labor / Employee Relations | 13-OPS-P02 - Non-Revenue Vehicle Usage | 12       | We recommend the Executive Director, Employee and Labor Relations direct General Services to provide training to TCU / Maintainers on GEN 16 requirements to overnight use of pool vehicles.   | 12/31/2015               | 4/30/2016                |
| 39                         | Operations                 | 13-OPS-P06 - Contracted Bus Service    | 1        | We recommend the Executive Director, Transportation, to require Contracted Services to: develop a Contract Monitoring System that includes but is not limited to: a. A Contract Administration Plan that specifies the performance outputs of the statement of work and describes the methodology to conduct monitoring or surveillance. The extent and frequency of monitoring activities should be based on an assessment of risk related to each contractor and the impact if the work is not performed adequately. b. Written policies and procedures that serve as a guide to ensuring consistent, high quality contract monitoring process. c. A centralized location for receiving and maintaining contractors' submittals and reports by utilizing Metro's existing web based SharePoint system. | 10/31/2016               |                          |
| 40                         | Operations                 | 13-OPS-P06 - Contracted Bus Service    | 3        | We recommend the Executive Director, Transportation, to require Contracted Services to include in Policy and Procedures: a statement that documentation of decisions, requiring executive approval and authorization, be maintained. All modifications of contractual terms must be in writing and executed by the Contract Administrator, as the CEO's designee, in compliance with the contract.   | 10/31/2016               |                          |

| Open Audit Recommendations |            |  |          |  |                          |                          |
|----------------------------|------------|--|----------|--|--------------------------|--------------------------|
| No.                        | Area       | Audit Number & Title                               | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 41                         | Operations | 13-OPS-P06 - Contracted Bus Service                | 4        | We recommend the Executive Director, Transportation, to require Contracted Services to consult with County Counsel on their concerns regarding the liquidated damages provisions in the current contracts. Based on the outcome either reassess liquidated damages and collect amounts owed to Metro during the suspended period or issue contract amendments to change the liquidated damages provisions. | 1/31/2016 (LATE)         |                          |
| 42                         | Operations | 13-OPS-P06 - Contracted Bus Service                | 6        | We recommend the Executive Director, Transportation, to require Contracted Services to develop procedures for monitoring contractors performance, including, but not limited to, spot checks, periodic inspections, random sampling of routine functions, based on the risk identified in the Contract Administration Plan and the analyses of contractors monthly submittals.                             | 6/30/2016                |                          |
| 43                         | Operations | 13-OPS-P06 - Contracted Bus Service                | 7        | We recommend the Executive Director, Transportation, to require Contracted Services to develop a comprehensive checklist of review tasks for each procedure used to conduct the contractors review, document deficiencies identified and corrective actions taken.   | 6/30/2016                |                          |
| 44                         | Operations | 13-OPS-P06 - Contracted Bus Service                | 12       | We recommend the Executive Director of Transportation, require that Contracted Services follow-up variances and anomalies in KPI data and results with contractor to determine their cause and ensure that any necessary corrective actions have been implemented.   | 3/31/2016                |                          |
| 45                         | Operations | 13-OPS-P06 - Contracted Bus Service                | 13       | We recommend the Executive Director of Transportation, require that Contracted Services identify KPIs as measurements for contractors' performance within future contracts.  | 6/30/2016                |                          |
| 46                         | Operations | 13-OPS-P06 - Contracted Bus Service                | 14       | We recommend the Executive Director of Transportation, require that Contracted Services document follow-up of exceptions, cited in both CHP and QA inspection reports, and corrective actions taken.   | 5/31/2016                |                          |
| 47                         | Operations | 13-OPS-P04 - Operations Key Performance Indicators | 2        | We recommend that the Chief Operations Officer works with ITS to determine whether the ATMS incident number can be carried over to the VAMS.   | 9/30/2016                |                          |
| 48                         | Operations | 13-OPS-P04 - Operations Key Performance Indicators | 3a       | We recommend that the Chief Operations Officer explore the feasibility of capturing rail miles automatically, similar to the capture of bus mileage data, Fleetwatch System, by implementing a wireless access point on all rail cars. In the interim, require Rail Operations to fully utilize the ITS developed Web Application to semi-automate the collection of all Rail mileage data.                | 8/30/2016                |                          |
| 49                         | Operations | 13-OPS-P04 - Operations Key Performance Indicators | 4        | We recommend that the Chief Operations Officer develops standard operating procedures (SOP) to require operations to notify M3 whenever there are codes updates/changes for failures that have been implemented in ATMS and are to be picked up by M3.   | 3/31/2016                |                          |
| 50                         | Operations | 13-OPS-P04 - Operations Key Performance Indicators | 5        | We recommend that the Chief Operations Officer requires SPA to work with ITS to pull data directly from M3.  | 4/1/2016                 |                          |
| 51                         | Operations | 13-OPS-P04 - Operations Key Performance Indicators | 6        | We recommend that the Chief Operations Officer requires SPA to continue to work with ITS to develop a Business Intelligence software application that includes a customizable interface with the ability to pull data from multiple sources.   | 6/30/2017                |                          |

| Open Audit Recommendations |                    |  |          |  |                          |                          |
|----------------------------|--------------------|--|----------|--|--------------------------|--------------------------|
| No.                        | Area               | Audit Number & Title                               | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 52                         | Operations         | 13-OPS-P04 - Operations Key Performance Indicators | 7        | We recommend that the Chief Operations Officer requires data owners to validate the data supporting KPIs for accuracy and completeness.  | 4/30/2016                |                          |
| 53                         | Operations         | 13-OPS-P04 - Operations Key Performance Indicators | 8        | We recommend that the Chief Operations Officer require that Executive Management adjust KPI targets and document the process used.   | 6/30/2016                |                          |
| 54                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 1        | We recommend that Estimating Management develop comprehensive policies and procedures that at a minimum should include: a) Clear definition of the role of the Cost Estimating department in the following areas: preparation of independent cost estimates including thresholds when the estimating department is responsible in preparing the cost estimates, review, validation and approval of cost estimates, involvement in budget planning phase b) Standard process and format including the requirement to use Work Breakdown Structure (WBS) to be used by consultants, contractors and internal staff.                | 3/31/2017                |                          |
| 55                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 2        | Communicate the policies and procedures to staff, consultants and users.   | 3/31/2017                |                          |
| 56                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 3        | Evaluate resources to meet the role and responsibilities of cost estimating department.  | 3/31/2017                |                          |
| 57                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 4        | Collaborate with procurement and program management in revising the naming convention on policies and procedures.  | 3/31/2017                |                          |
| 58                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 5        | We recommend that Estimating Management evaluate the training needs for estimating staff based on the changes of agency's risk, and ensure knowledge is transferred as staff retired.  | 3/31/2017                |                          |
| 59                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 6        | Based on the training need assessment, evaluate the required resources for training and develop a training program.  | 3/31/2017                |                          |
| 60                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 7        | Consider adding the training requirements in the policy and procedures.  | 3/31/2017                |                          |
| 61                         | Program Management | 13-CEO-P01 - Cost Estimating Process               | 8        | We recommend that Estimating Management provide estimating guidelines and formats when utilizing two independent estimates, so that they may be compared productively. Guidelines should be developed that cover estimating approach, methodology, Work Breakdown Structures (WBS) and cost account structure.   | 3/31/2017                |                          |
| 62                         | Communications     | 16-COM-P01 - Special Fares Programs                | 1        | We recommend that the Customer Programs and Services Department encourage walk-in customers to submit application form for permanent card. For those who still do not turn in application form, require them to complete a temporary card request form "short form" which will serve as a record for the customer who was issued temporary cards on that day. This form can be useful in reconciling the number of issued temporary cards by customer representatives to the records collected for the day. Customer information on the "short form" can also be used to assess the reasonableness of cards issued to customers. | 8/1/2016                 |                          |
| 63                         | Communications     | 16-COM-P01 - Special Fares Programs                | 2        | We recommend that the Customer Programs and Services Department reconcile the number of all issued temporary cards by the customer representatives against number of records retained such as applications received for permanent card, temporary card requests, and card replacements on a daily basis.   | 8/1/2016                 |                          |

| Open Audit Recommendations |   |                                     |          |   |                          |                          |
|----------------------------|---|-------------------------------------|----------|---|--------------------------|--------------------------|
| No.                        | Area  | Audit Number & Title                | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 64                         | Communications                                | 16-COM-P01 - Special Fares Programs | 3        | We recommend that the Customer Programs and Services Department periodically monitor records of walk-in customers from short forms collected for any potential abuse (i.e. customer seems to be back every few weeks for temporary cards but never turn in application for permanent card).                           | 8/1/2016                 |                          |
| 65                         | Communications                                | 16-COM-P01 - Special Fares Programs | 4        | We recommend that the Customer Programs and Services Department implement an independent review to reconcile the total processing fees collected and the application forms received on a daily basis by the customer representatives to help ensure all cash collected from the customers are accounted and recorded. | 9/1/2016                 |                          |
| 66                         | Communications                                | 16-COM-P01 - Special Fares Programs | 5        | We recommend that the Customer Programs and Services Department establish a mandatory independent review of Reduced Fare application eligibility approvals processed by the Customer Service Agents.  | 9/1/2016                 |                          |
| 67                         | Communications                                | 16-COM-P01 - Special Fares Programs | 6        | We recommend that the Customer Programs and Services Department rotate the independent reviewer(s) periodically.  | 9/1/2016                 |                          |
| 68                         | Communications                                | 16-COM-P01 - Special Fares Programs | 7        | We recommend that the Customer Programs and Services Department improve the document retention process so the batched eligibility documents are easily accessible.  | 9/1/2016                 |                          |
| 69                         | Communications                                | 16-COM-P01 - Special Fares Programs | 8        | We recommend that the Customer Programs and Services Department collaborate with TAP operation to explore feasibility of system enhancement to allow the eligibility supporting documentation along with the application form to be stored electronically.  | 9/1/2016                 |                          |
| 70                         | Communications                                | 16-COM-P01 - Special Fares Programs | 9        | We recommend that the Customer Programs and Services Department retain the hardcopy eligibility supporting documentation in storage for minimum of one year until electronic system implementation is completed.  | 9/1/2016                 |                          |
| 71                         | Labor / Employee Relations                    | 16-COM-P01 - Special Fares Programs | 10       | We recommend that the HR department to identify the cardholders immediately for the missing 3,019 active cards, or deactivate Metro Employee TAP Cards that are not linked to a current Metro employee.   | 7/31/2016                |                          |
| 72                         | Labor / Employee Relations                    | 16-COM-P01 - Special Fares Programs | 11       | We recommend that the HR Department maintain an inventory log to record the receipts and distribution of the Metro employee cards, and perform physical count periodically to ensure the log reconciles with the inventories on hand.   | 7/31/2016                |                          |
| 73                         | Finance & Budget                              | 16-COM-P01 - Special Fares Programs | 12       | We recommend that the TAP Operations retain inventory request forms and receipts issued by HR to establish the accountability for the cards physically transferred to HR.   | 7/31/2016                |                          |
| 74                         | Labor / Employee Relations & Finance & Budget | 16-COM-P01 - Special Fares Programs | 13       | We recommend that the HR Department and TAP Operations collaborate periodically (at least annually) to reconcile the lists of active Metro Employee TAP cards and current Metro employees to ensure all active cards are assigned to current Employees.   | 7/31/2016                |                          |
| 75                         | Communications                                | 16-COM-P01 - Special Fares Programs | 14       | We recommend the Communications Department recalculate the level of service annually at contract renewal to ensure proper program pricing to our customers.   | 3/31/2017                |                          |
| 76                         | Communications                                | 16-COM-P01 - Special Fares Programs | 15       | We recommend the Communications Department to maintain an accurate count of authorized/issued B-TAP cards, and reconcile the count against the list of active B-TAP cards periodically to help ensure all active B-TAP cards have been paid and authorized for issue.   | 9/30/2016                |                          |

| Open Audit Recommendations |                |                                     |          |   |                          |                          |
|----------------------------|----------------|-------------------------------------|----------|---|--------------------------|--------------------------|
| No.                        | Area           | Audit Number & Title                | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 77                         | Communications | 16-COM-P01 - Special Fares Programs | 16       | We recommend the Communications Department to implement a formal detailed review where the price is recalculated and employment status is verified for accuracy on a sample basis. This review should be performed periodically by individual(s) independent of the sales team to assess the reasonableness, eligibility and accuracy of the customer data and program pricing. | 3/31/2017                |                          |
| 78                         | Communications | 16-COM-P01 - Special Fares Programs | 17       | We recommend the Communication Department to define roles and responsibilities, and implement adequate control to ensure that I-TAP Program meets its purpose and requirements.   | 9/30/2016                |                          |
| 79                         | Communications | 16-COM-P01 - Special Fares Programs | 18       | We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making in the continuation of the pilot programs.  | 9/30/2016                |                          |
| 80                         | Communications | 16-COM-P01 - Special Fares Programs | 19       | We recommend the Communications Department to define the program ownership, and clarify the roles and responsibilities to ensure the program performance is monitored and evaluated.  | 3/31/2017                |                          |
| 81                         | Communications | 16-COM-P01 - Special Fares Programs | 20       | We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making.  | 3/31/2017                |                          |
| 82                         | Communications | 16-COM-P01 - Special Fares Programs | 21       | We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement.   | 3/31/2017                |                          |
| 83                         | Communications | 16-COM-P01 - Special Fares Programs | 22       | We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance.  | 3/31/2017                |                          |
| 84                         | Communications | 16-COM-P01 - Special Fares Programs | 23       | We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements.   | 3/31/2017                |                          |
| 85                         | Communications | 16-COM-P01 - Special Fares Programs | 24       | We recommend the Communications Department to implement periodic review (at least annually) of YOTM cardholders to ensure their eligibility.  | 3/31/2017                |                          |
| 86                         | Communications | 16-COM-P01 - Special Fares Programs | 25       | We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management.   | 3/31/2017                |                          |
| 87                         | Communications | 16-COM-P01 - Special Fares Programs | 26       | We recommend the Communications Department to revisit the program purpose and assess the pricing model to generate the optimal program revenue.   | 3/31/2017                |                          |