Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2020-0293, **File Type:** Informational Report **Agenda Number:** 12.

FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 20, 2020

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2020 THIRD QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Management Audit Services (MAS) quarterly report for the period ending March 31, 2020.

ISSUE

MAS is required to provide a quarterly activity report to Metro's Board of Directors that includes information on audits that have been completed or in progress including information related to audit follow-up activities.

BACKGROUND

It is customary practice for Management Audit Services to deliver the quarterly audit report. This report covers Q3 of FY 2020.

DISCUSSION

MAS provides audit support to Metro's Chief Executive Officer (CEO) and the CEO's senior leadership team in support of the agency's ability to provide responsive, accountable and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency while external audits analyze contractors, cities and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups which are Performance Audit, Contract, Financial and Compliance Audit, and Audit Support. Performance Audit is mainly responsible for internal audits related to Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management including the Chief Executive Office and other internal areas. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning, Program Management and Vendor/Contract Management. MAS's functional units provide assurance to the public that internal processes and programs are being managed efficiently, effectively, economically, ethically, and equitably and that

desired outcomes are being achieved. This assurance is provided by the MAS's functional units conducting audits of program effectiveness; economy and efficiency, internal controls, and compliance. Audit Support is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

The summary of MAS activity for the quarter ending March 31, 2020 is as follows:

Internal Audits: Two internal audits were completed during the third quarter; and 11 internal audits were in progress.

Contract, Financial and Compliance Audits: Seven contract, financial and compliance audits with a total value of $6.8 million were completed during the third quarter; and 105 contract, financial and compliance audits were in progress.

Other Audits: 133 other audits were issued by external CPA firms.

Audit Follow-up and Resolution: Three recommendations were closed during third quarter.

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG), which 60 OIG recommendations were closed during the reporting period.

The third quarter FY 2020 report is included as Attachment A.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Receive and file for this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Management Audit Services will submit the Receive and File report for FY 2020 year-end audit activity in August 2020.

ATTACHMENT

A. Management Audit Services Third Quarterly FY 2020 Report

Prepared by: Monica Del Toro, Audit Support Manager
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Phillip A. Washington
Chief Executive Officer

Attachment A

MANAGEMENT AUDIT SERVICES
QUARTERLY REPORT TO THE BOARD

Los Angeles County Metropolitan Transportation Authority

Third Quarter FY 2020

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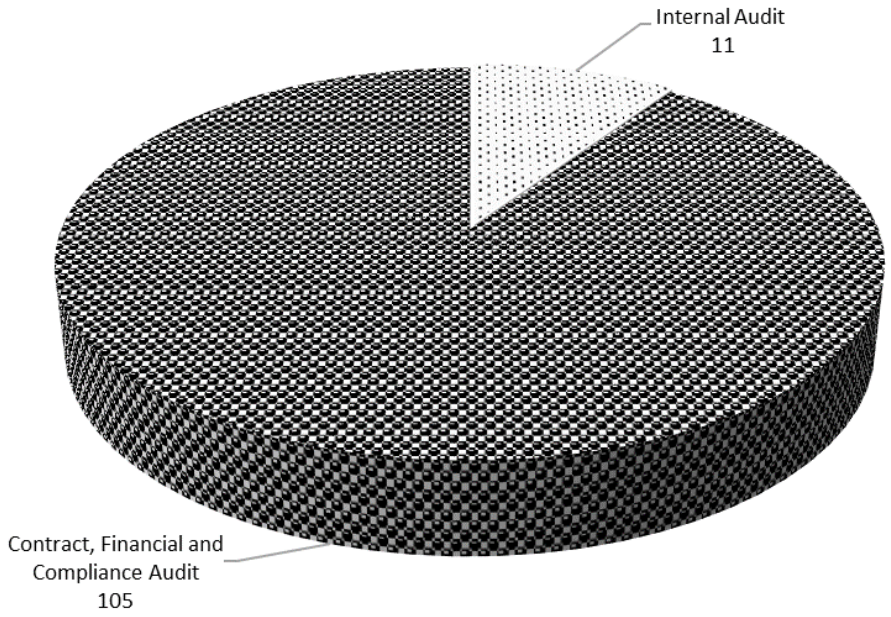
EXECUTIVE SUMMARY

Summary of In Progress Audit Activity

Management Audit Services (MAS) have 116 in progress projects as of March 31, 2020; which include 11 internal audits and 105 contract, financial and compliance audits. The in progress internal audits are listed in Appendix A.



There are 60 open audit recommendations as of March 31, 2020. In addition, there are 46 open OIG audit recommendations.

EXECUTIVE SUMMARY

Summary of Q3 Completed Audit Activity

MAS completed 142 projects and closed 63 recommendations during Q3 FY 2020, January 1 through March 31, 2020.

The projects comprised of two internal audits; seven contract, financial and compliance audits; 133 other audits and are as follow:

Internal Audits

- Performance Audit of Benefit Eligibility; and
- Performance Audit of Accident Prevention Practices.

Contract, Financial and Compliance Audits

- Three Independent Auditor's Report on Agreed-Upon Procedures of Civil Works Engineers' final indirect cost rate for fiscal years 2013, 2014 and 2015 for the I-710 Corridor Project Environmental Impact Report / Study;
- Independent Auditor's Report on Agreed-Upon Procedures of Civil Works Engineers' interim incurred cost for fiscal years 2013-2015 for the I-710 Corridor Project Environmental Impact Report / Study;
- Independent Auditor's Report on Agreed-Upon Procedures for the close-out incurred costs of City of Glendale's SR-134 Glendale Avenue Interchange Modification Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the close-out incurred costs of City of Torrance's ITS and Traffic Improvements Project; and
- Independent Auditor's Report on Agreed-Upon Procedures for the close-out incurred costs of City of Glendale's Ocean View Boulevard Traffic Signals Installation and Modification Project.

Other Audits

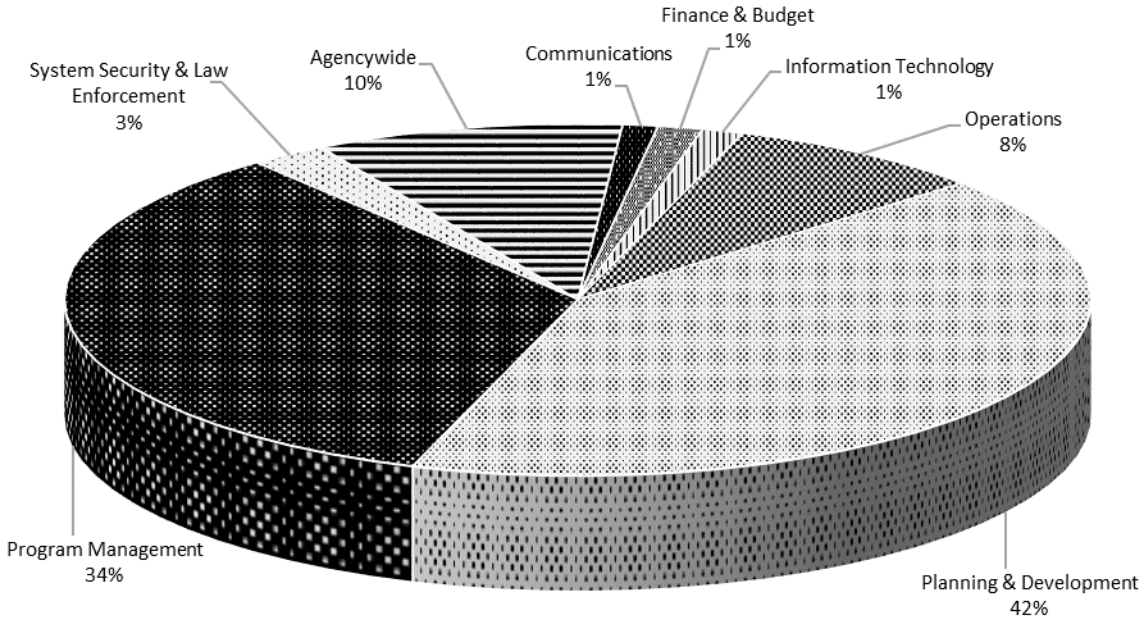
- 133 other audits issued by external Certified Public Accountant (CPA) firms.

Audit Follow-Up:

- Three recommendations were closed during the third quarter. In addition, MAS closed 60 OIG recommendations.

EXECUTIVE SUMMARY

The following chart identifies the functional areas which MAS staff focused efforts during Q3 FY 2020:



The internal audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The other audits issued by external CPA firms are highlighted on page 6. A summary of closed and open audit recommendations for MAS and OIG are included on page 9.

INTERNAL AUDITS

The following two internal audits were issued in Q3 FY 2020:

Performance Audit of Benefit Eligibility
The audit objective was to determine whether eligibility verification was performed by the Pension and Benefits department for all new hires, qualified events and open enrollments.

MAS found that in general, eligibility verification was properly performed for all new hires, qualified events and open enrollments with some exceptions. Specifically, we found that dependent's eligibility verification was properly performed for all new hires, qualified events and open enrollments in a timely manner by the Pension and Benefits department for 20 of the 26 total samples tested. However, there were six instances where manual processes and controls were inadequate to prevent errors and fully comply with the HR11 Policy and the Standards for the Internal Control in the Federal Government (Green Book). Management concurred with all recommendations and is implementing the corrective actions.

Performance Audit of Accident Prevention Practices
The audit objective was to assess progress made in six key areas since MAS issued Report No. 10-OPS-O06 for Bus Accident Prevention in September 2012 and identify improvement opportunities that may reduce accidents.

MAS found that Metro has made progress since September 2012 in transportation accident prevention. For example, the Operations department established the Transportation Directive 12-004 Hard Time Suspensions, and in most instances was aligned with the Directive. Also, a systematic tracking pilot was launched to report and track unsafe conditions including all near misses and hazardous conditions; and three firms were retained for the development and implementation of a safety engagement and recognition program. However, we did note one repeat finding related to the Field Observation and Feedback Program from the previous audit. In addition, we identified improvement opportunities related to the key performance indicators and safety incentives in place. Management concurred with all recommendations and are implementing corrective actions.

CONTRACT, FINANCIAL AND COMPLIANCE AUDITS

MAS' Contract, Financial and Compliance Audit unit conducts audits of Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, including various other transportation related projects and Caltrans projects. The purpose of the Contract, Financial and Compliance Audit is to ensure that funds are expended in accordance with the terms of the grants and/or contracts including federal cost principles.

MAS staff completed seven contract, financial and compliance audits during Q3 FY 2020. MAS staff reviewed $6.8 million of funds and identified $340 thousand or 5% of funds that may be reprogrammed.

Details on Contract, Financial and Compliance Audits completed during Q3 FY 2020 are included in Appendix B.

FINANCIAL AND COMPLIANCE AUDITS OF METRO

Financial and compliance audits of Metro completed during Q3 FY 2020 by external CPA firms include:

Consolidated Audit – Issued various dates

These financial and compliance audits are needed to ensure that the recipients (e.g. 88 cities) of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The Consolidated Audit includes financial and compliance audits for the fiscal year ended June 30, 2019 for Prop A & C, Measure R, Measure M and other programs.

MAS contracted with two firms, Simpson & Simpson, CPAs (Simpson) and Vasquez & Company (Vasquez), to conduct the financial and compliance audits of the following programs for the year ended June 30, 2019:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
  - Proposition A Local Return
  - Proposition C Local Return
  - Measure M Local Return
  - Measure R Local Return
  - Transit Development Act (TDA) Article 3, Article 4 and Article 8 Programs
  - Proposition A Discretionary Incentive Program
- Prop A Discretionary Incentive Grant
  - Antelope Valley Transit Authority
  - Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, Torrance
  - Transit System Funds
  - Measure M 20%
  - Measure R 20%
- Proposition A Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena
- Fare Subsidies Programs
  - Immediate Needs Transportation Program (INTP)
  - Support for Homeless Re-Entry (SHORE) Program
  - Low-Income Fare is Easy (LIFE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT

FINANCIAL AND COMPLIANCE AUDITS OF METRO

Local Return

Proposition A and C

Vasquez and Simpson found that the County and Cities, with the exception of the City of South El Monte, complied, in all material respects, with the Guidelines and Requirements in the Ordinances that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2019.

The auditors found 56 instances of non-compliance for Proposition A and C, consisting of 36 minor findings related to untimely form submittals. Twenty findings with questioned costs totaling $2 million for Proposition A and $2.4 million for Proposition C represent approximately 1% of each total fund reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

Measure R

Vasquez and Simpson found that the County and Cities, with the exception of the City of South El Monte, complied in all material respects, with the Guidelines and Requirements in the Ordinance that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2019.

The auditors found 23 instances of non-compliance for Measure R, consisting of 13 minor findings related to untimely form submittals. Ten findings with questioned costs totaling $2 million for Measure R represent approximately 2% of the total amount reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

Measure M

Vasquez and Simpson found that the County and Cities, with the exception of the City of South El Monte, in all material respects, with the Guidelines and Requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2019. The Measure M Local Return audit results were presented to the Measure M Independent Taxpayer Oversight Committee (MMITOC) on March 4, 2020.

The auditors found 20 instances of non-compliance for Measure M, consisting of 14 minor findings related to untimely form submittals. Six findings with questioned costs totaling $856 thousand for Measure M represent less than 1% of the total amount reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

FINANCIAL AND COMPLIANCE AUDITS OF METRO

Non-Local Return
The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; eight findings for Metrolink program and sixteen findings for the TDA Article 3 program. Fifteen compliance findings were also identified in Fare Subsidies Programs; ten in the Immediate Needs Transportation Program (INTP) and five in the Low-Income Fare is Easy Program. Metro Program Managers are working with the funds recipients to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

A receive and file report with additional details on the Consolidated Audit will be brought to the committee in the coming months.

Metro ExpressLanes Fund Financial Statements – Issued February 2020
MAS contracted with BCA Watson Rice LLP (BCA) to conduct an audit of the financial statements of Metro ExpressLanes, an enterprise fund of Metro, for the period July 1, 2019 to January 31, 2020. BCA found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes Fund as of January 31, 2020, and the changes in the fund's financial position and cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

AUDIT SUPPORT

Audit Follow-Up and Resolution

The tables below summarize the audit recommendations closed during Q3 FY 2020 and open recommendations as of March 31, 2020. Details of open audit recommendations for MAS and OIG are included in Appendix C and D.

MAS and External Audit Recommendations

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Communications			1		1
Finance & Budget			1	3	4
Human Capital & Development				5	5
Operations	1		10	25	35
Planning and Development	2				
Program Management				1	1
Risk, Safety & Asset Management				5	5
Systems Security and Law Enforcement				5	5
Vendor/Contract Management				4	4
Total	3		12	48	60

OIG Audit Recommendations

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Communications	4				
Human Capital & Development	1			10	10
Operations	34		6	11	17
Systems Security and Law Enforcement	21			19	19
Total	60		6	40	46

Appendix A

Internal Audit - In Progress Audits as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Description**	**Frequency**	**Requirement**	**Estimated Date of Completion**
1	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan (COOP)	Evaluate the adequacy of System Security and Law Enforcement's COOP and Standard Operating Procedures (SOPs) to support mission essential functions during emergencies.	2nd Time; Last Audit 9 years ago	Per FY18 Audit Plan	4/2020
2	Vendor/Contract Management	17-VCM-P02 Performance Audit of Change Order Internal Controls	Evaluate the adequacy and effectiveness of internal controls over the Contract Change Order Process, and to evaluate the utilization of Key Information by VCM.	First Time	Per FY17 Audit Plan	4/2020
3	Human Capital & Development / Finance & Budget	17-OMB-P04 Performance Audit of Position Reconciliation Process	Evaluate the adequacy of the Position Reconciliation Process between the cost centers, Human Capital & Development and Office of Management and Budget.	2nd Time; Last Audit 9 years ago	Per FY17 Audit Plan	4/2020
4	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase I	Determine whether existing and newly hired employees of Wayside Systems Engineering & Maintenance completed the required training (technical, safety, and mandated) including required refresher courses; required certification per position is current; and employees have the right certification for the tasks assigned.	First Time	Per FY19 Audit Plan	5/2020
5	Operations	20-OPS-P03 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase 2	Review and evaluate the adequacy of the rail engineering & maintenance technical, safety, and mandated training provided to Wayside Track, Signal and the Traction Power units.	First Time	Per FY19 Audit Plan	5/2020
6	Operations	20-OPS-P04 Performance Audit of Contract Compliance for Parkwood Maintenance Contracts	Determine Parkwood's compliance and required performance with contractual terms and conditions for select areas for the period from November 15, 2015 (contract inception) to October 30, 2019.	First Time	Per FY20 Audit Plan	5/2020
7	Operations / Systems Security and Law Enforcement	18-AGW-P01 Performance Audit of Internal Controls over Overtime Payments for AFSCME	Evaluate adequacy of the internal controls over overtime payments for AFSCME union employees for selected positions.	2nd Time; Last Audit 2 years ago	Per FY18 Audit Plan	5/2020
8	Operations / Risk, Safety / Environmental Compliance	20-OPS-P01 Performance Audit of Personal Protective Equipment for Maintenance	Determine the adequacy of training and utilization of personal protective equipment by Metro workers performing clean-ups of Metro facilities impacted by activities of homeless individuals.	First Time	Per FY18 Audit Plan	6/2020
9	Agency-Wide	20-CEO-P01 CRRC Supply Chain Special Review	A limited review of CRRC's use of assemblies, parts and supplies containing any quantity of the mineral mica in the manufacture of the HR4000 heavy rail cars procured by Metro. This engagement will also evaluate the transparency of the sourcing of any mica used by CRRC to determine whether any child or forced labor might be involved at the upstream (mining) end of the supply chain.	First Time	Per FY20 Audit Plan	6/2020
10	Agency-Wide	20-ITS-P01 Performance Audit of IT Security Awareness	Evaluate the extent of information technology security awareness for selected business units within the Agency.	First Time	Per FY20 Audit Plan	7/2020

Appendix A

Internal Audit - In Progress Audits as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Description**	**Frequency**	**Requirement**	**Estimated Date of Completion**
11	Communications / Finance & Budget	20-COM-P01 Performance Audit of Expanded Discount Programs	Determine the adequacy and effectiveness of internal controls over the expanded discount (special fares for patrons) programs.	2nd Time; Last Audit 3 years ago	Per FY18 Audit Plan	8/2020

Appendix B

Contract, Financial and Compliance Audit - Audits Completed During Third Quarter						
No.	**Area**	**Audit Number & Type**	**Auditee**	**Frequency**	**Requirement**	**Date Completed**
1	Planning & Development	17-PLN-A17A - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
2	Planning & Development	17-PLN-A17B - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
3	Planning & Development	17-PLN-A17C - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
4	Planning & Development	17-PLN-A17D - Agreed-Upon Procedures	Civil Works Engineers	Once	V/CM Policy and Contract Terms	1/2020
5	Program Management	19-HWY-A03 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.MR310.16 terms	1/2020
6	Planning & Development	19-PLN-A17 - Closeout	City of Torrance	Once	Per Project Manager's request and FA. 920000000F3312 terms	2/2020
7	Program Management	19-HWY-A12 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.310.17 terms	3/2020

Appendix C

Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
1	Communications	16-COM-P01 Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement. **Update: Closed as of April 2020.**	3/31/2017	12/31/2019
2	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4a	We recommend the Chief Operations Officer consider directing Rail Operations to add more fields in the electronic Track Allocation Request Form to assist Rail Operations Controllers in minimizing some of their manual entries. For example, the Track Allocation Request Form could be further configured to include a check box indicating if the schedule was activated or not, as well as the time and date it was activated, and a drop down menu to include reasons for schedule modification. **Update: This recommendation is about 30% complete. Operations is developing an electronic Track Allocation Form/Schedule, integrating System Generated Special Events Calendar, generating an electronic Work Permit, and generating System Reports.**	6/30/2019	4/30/2020
3	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4b	We recommend the Chief Operations Officer consider directing the Track Allocation Coordinator to measure effectiveness of schedules by periodically assessing whether crews that were scheduled to access the ROW actually accessed the ROW. This will provide visibility to the stakeholders as well as assist the Track Allocation Coordinator in modifying future schedules. This periodic review will only be possible once the data from the newly implemented log has been collected. **Update: Pending completion of recommendation 4a.**	6/30/2019	4/30/2020
4	Finance & Budget	16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program	4	We recommend that Accounts Payable coordinate with Information Technology Systems and the Agency Program Coordinator to automate the approval process to improve processing time of P-Card statements as well as authentication of the approvers. **Update: Accounting staff met with ITS to discuss the approval process automation project for P-Card. Based on current workload, approval workflow, testing and user training will be implemented by March 31 2020.**	8/30/2019	3/31/2020
5	Systems Security and Law Enforcement	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1a	We recommend that the Emergency Management Unit collaborate with the business units, starting with V/CM, to ensure that the business unit COOPs, and all related documents (e.g., SOPs), include the essential content necessary to support the agency-wide program.	6/30/2020	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix C

Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
6	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	1b	We further recommend that over the next 12 to 18 months, V/CM should consider focusing its efforts on completing and including the following content with Emergency Management's support and guidance: criteria for COOP activation and relocation decisions; flow charts and decision trees; step-by-step instructions applicable to Gateway or agency-wide emergencies; names, titles and contact details such as phone numbers and emails for all continuity personnel (e.g., Advance Team, CMG, and successors); distribution and logistics dependencies, such as MEFs, mission essential systems, records, databases, supplies and equipment; mission essential records and database storage locations.	10/30/2020	
7	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	2	We recommend that V/CM management review and reassess the COOP and SOPs periodically to verify that any resulting updates are implemented, including updating V/CM's COOP contact details in the event of key personnel changes.	4/30/2020	
8	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	3	We recommend that V/CM management work with Emergency Management to arrange for COOP execution training by an emergency management expert concurrently with each annual update.	7/31/2020	
9	Program Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	4	We recommend that the Chief Program Management Officer take the lead role in collaborating with all responsible parties, such as V/CM, Project Delivery Third Party Coordination, County Counsel, etc., to establish agreements with utility companies to guarantee service continuity and restoration in emergency situations.	3/31/2020	
10	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	5	We recommend that V/CM management consider referencing all the existing COOP-related SOPs to the COOP and/or attaching them as appendices to the COOP, doing the same to the SOPs under development as they are completed.	10/30/2020	
11	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	5	We recommend Operations management immediately perform all the needed corrections for underpayments and overpayments for all LIP eligible hours from July 1, 2017 to date. **Update: Operations' staff prepared a detailed LIP retroactive pay calculation; however, adjustments will need to be made once the automated fix is complete.**	12/31/2019	3/31/2020

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix C

Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
12	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	6	We recommend Operations management, after completing recommendation number 5 above, partner with ITS to perform periodic true ups to determine any over/underpayment, and submit required corrections to Payroll regularly and in a timely manner until calculations can be automated. **Update: ITS / Operations has implemented an automated fix; pending MAS testing to confirm success.**	12/31/2019	3/31/2020
13	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	7	We recommend Operations management reinforce the training with the Division Staff to properly record all LIP eligible hours and pay codes including special conditions for non-certified Line Instructors. **Update: ITS / Operations has implemented an automated fix; pending MAS testing to confirm success.**	12/31/2019	3/31/2020
14	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	8	We recommend Operations management collaborate with ITS, in consultation with Employee and Labor Relations, to assess possibilities to automate LIP calculations and reporting as practical in either HASTUS or the Payroll system. **Update: ITS / Operations has implemented an automated fix; pending MAS testing to confirm success.**	12/31/2019	3/31/2020
15	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	12	We recommend Operations management immediately partner with ITS department in determining any underpayments due to fallback hours, and make timely corrections necessary for all holidays starting May 2018 to date. **Update: Management prepared an underpayment calculation. MAS validated the calculation on a test basis. The retroactive pay correction is now pending Rail management approval to pay.**	9/30/2019	3/31/2020
16	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	1	We recommend that Emergency Management should coordinate with Payroll to facilitate training and add the additional details to Finance (Payroll)'s COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions.	2/28/2021	
17	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	2	We recommend that Emergency Management should coordinate with Payroll to create an SOP template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors. Advance team references should state "provided by ITS".	7/31/2020	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix C

Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
18	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	3	We recommend that Emergency Management should coordinate with Payroll to review and assess the COOP and SOPs annually and verify that any resulting updates are implemented.	7/31/2020	
19	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with Payroll to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update.	7/31/2020	
20	Finance & Budget	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	5	We recommend that Payroll management update the SOP contact details as requested by Emergency Management on a periodic basis, e.g., quarterly or semi-annually, or when Accounting Administration issues a revised organization chart with changes to Payroll key personnel.	7/31/2020	
21	Finance & Budget	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	6	We recommend that Payroll management add language for the roster of trained personnel (Appendix E): "ITS will assign personnel at the backup site".	8/30/2020	
22	Finance & Budget	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	7	We recommend that Payroll management consolidate all the COOP-related SOP information into one document. The existing COOP-related SOPs should be referenced and attached as appendices to Finance (Payroll)'s COOP, and SOPs under development should be referenced to and attached as they are completed.	7/31/2020	
23	Operations	19-OPS-P02 Performance Audit of the Rail Communications Systems	12 Total	The recommendations included in this report address findings in Metro's Operational System. **Update: As of April 2020, 1 of 12 recommendations was closed.**		
24	Operations	19-OPS-P03 Performance Audit of the SCADA Security Controls	13 Total	The recommendations included in this report address findings in Metro's Operational System.		
25	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	1	We recommend that the Pension and Benefits department management complete the update of their written HR policy to reflect the procedural changes already in effect as of January 1, 2019.	6/30/2020	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix C

Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
26	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	2	We recommend that the Pension and Benefits department management reduce the possibility of human error occurring in the data entry/invoice preparation process for employee benefits by documenting review process procedures in the policy manual for (i) manual entries that are made into the PTSC/MTA and Carrier systems, (ii) monthly reconciliations for billing and (iii) regular periodic audits comparing PTSC/MTA system entries against Carrier systems, being performed.	6/30/2020	
27	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	3	We recommend that the Pension and Benefits department management identify other techniques to further reduce the possibility of human error occurrence.	6/30/2020	
28	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	4	We recommend that the Pension and Benefits department management develop an e-mail template that could be used to inform employees as inquiries are made, about what plan changes are allowable during mid-year, to supplement guidance already provided in the Benefits Enrollment Guides.	6/30/2020	
29	Human Capital & Development	19-BEN-P01 Performance Audit of Benefit Eligibility	5	We recommend that the Pension and Benefits department management develop a written procedure for properly communicating with employees if errors are made on plan change forms. The communication should be properly documented and retained in the employee's file.	6/30/2020	
30	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	1	We recommend that the Chief Risk, Safety & Asset Management Officer implement oversight over the FOF program including the Local Safety Committee (LCS).	3/31/2020	
31	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	2	We recommend that the Chief Risk, Safety & Asset Management Officer raise awareness of the FOF program.	3/31/2020	
32	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	3	We recommend that the Chief Risk, Safety & Asset Management Officer develop additional input controls in the TransitSafe System, by designating required FOF form fields as mandatory, including Supervisors sign-off to review for accuracy of information, to prevent the close out of FOF records without completion of all required fields and to ensure quality of information is maintained.	7/31/2020	
33	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	4	We recommend that the Chief Risk, Safety & Asset Management Officer incorporate recommendation #3, above, in the upcoming replacement system of TransitSafe.	12/31/2021	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix C

Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
34	Operations	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	5	We recommend that the Chief Operations Officer continue the monitoring of staff compliance with the guidelines in Transportation Directive 12-004, Hard Time Suspensions, with any exceptions to this directive being explained and documented.	2/28/2020	
35	Operations	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	6	We recommend that the Chief Operations Officer consider using a combination of leading and lagging indicators to evaluate the Accident Prevention Program's success.	7/31/2020	
36	Operations	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	7	We recommend that the Chief Operations Officer consider separate measures for avoidable and unavoidable accidents/incidents codes per division to properly evaluate the division's performance instead of measuring the division only on combined avoidable and unavoidable accident data.	7/31/2020	
37	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	8	We recommend that the Chief Risk, Safety & Asset Management Officer formally request the Transportation division management to consider allocating a meaningful and equitable Safety Incentive Budget for the Accident Prevention Program.	7/31/2020	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix D

OIG Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
1	Operations	17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety	9 Total	The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. **Update: As of January 2020, 108 of 117 recommendations were closed.**	Pending	
2	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	9	Set priorities based on Metro's asset assessment as soon as it is completed to reduce delay incidents.	6/30/2019	4/30/2020
3	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	25	Consider converting some P2000 cars running on the MBL/Expo lines back to the MGL operation if the ATO/ATP packages removed earlier are still available. The critical float will be the P2000 MGL cars with their line specific ATO/ATP equipment.	12/31/2020	
4	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	52	Establish a process and a criterion for replacement of existing signal installations that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource to this end when it is finished, this system of prioritization should be formalized and implemented in current signal procedures.	6/30/2019	4/30/2020
5	Operations	18-AUD-03 Review of Metro Rail Service Disruptions	57	Establish a process and a criterion for replacement of existing traction power equipment that includes useful life of installation, failure rate, obsolescence, service needs, and available funding. While the Metro asset inventory will provide an important resource when it is finished, this system of prioritization should be formalized and implemented in current signal procedures.	6/30/2019	4/30/2020
6	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	4	We recommend that Operations Management consider the engineering adjustments necessary for improved safety of operators or others associated with battery resets that might occur by operators regardless of the new guidelines to cease operator battery resets.	11/30/2019	9/30/2020
7	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	5	We recommend that Operations Management consider if battery hatches should be locked the way hatches inside the buses are to prevent unauthorized access.	11/30/2019	9/30/2020
8	Operations	19-AUD-07 OIG Spot Check - Bus Operator Battery Reset Practices	6	We recommend that Operations Management consider if further research on what circumstances or problems are corrected by a soft software reset versus a full battery reset, if it is possible to mitigate risks for software diagnostic damages in the event of a battery reset, and if considering the time it takes for a mechanic to arrive, it might be more efficient to allow the performance of the appropriate reset in those cases.	11/30/2019	9/30/2020

Appendix D

OIG Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
9	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	3	The Metro SSLE Department should consider providing more detailed information on reported crime to distinguish between violent crime and property and petty crime. **Update: Closed as of April 2020.**	Pending	
10	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	4	The Metro SSLE Department should collect and report response time information for all three categories of calls for service. **Update: Closed as of April 2020.**	Pending	
11	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	5	The Metro SSLE Department should use the GPS function and data generated to provide reliable and meaningful information on the amount of time contracted law enforcement officers spend on various parts of the Metro System. **Update: Closed as of April 2020.**	Pending	
12	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	6	The Metro SSLE Department should work with the contract law enforcement agencies to review, revise and adopt Key Performance Indicators (KPI) including baseline or target levels of performance for each KPI. **Update: Closed as of April 2020.**	Pending	
13	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	9a	LAPD should submit the required payroll records with the monthly invoice. **Update: Closed as of April 2020.**	Pending	
14	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	10a	LAPD should submit the list of maximum fully burdened hourly rates for each labor classification for overtime in accordance with the contract requirements. Also, the escalation rate included in the calculation of the maximum fully burdened hourly rates should not exceed the maximum escalation rate stipulated in the contract. **Update: Closed as of April 2020.**	Pending	
15	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	10b	Metro SSLE Department should work with LAPD to ensure that the list of maximum fully burdened hourly rates complied with the contract requirements. Metro should also review the billing rates for overtime for all invoices to determine the extent of overbillings for FY 2018. **Update: Closed as of April 2020.**	Pending	
16	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	11a	LAPD should submit the list of maximum fully burdened hourly rates for all labor classifications in accordance with the contract requirements. For any additional labor classifications not identified in the list of maximum fully burdened hourly rate, LAPD should submit a revised list to Metro for approval prior to incurring the cost. **Update: Closed as of April 2020.**	Pending	
17	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	12a	LAPD should return the overbilled and overpaid amount of $3,874.99 to Metro. **Update: Closed as of April 2020.**	Pending	

Appendix D

OIG Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
18	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	13a	LAPD should submit the prevailing Cost Allocation Plan (CAP) rate together with the list of maximum fully burdened hourly rates for overtime. **Update: Closed as of April 2020.**	Pending	
19	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	14a	LAPD should submit to Metro in a timely manner the monthly Summary of Problem-Oriented Policing projects. **Update: Closed as of April 2020.**	Pending	
20	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	15a	LAPD should provide the equipment in the quantities listed in Exhibit E of the contract. **Update: Closed as of April 2020.**	Pending	
21	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	17a	LASD should issue an additional credit amount of $1,699.68 to Metro. **Update: Closed as of April 2020.**	Pending	
22	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	18a	LASD should submit to Metro in a timely manner the report for number of cases referred for follow-up investigation and the subsequent disposition. **Update: Closed as of April 2020.**	Pending	
23	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	18b	Metro SSLE Department should work with LASD to resolve any issues regarding the required reports. Also, Metro should continue monitoring LASD's submission of reports to ensure all the required reports were submitted in a timely manner and with complete information to allow Metro to determine the calculation of the reported figures. **Update: Closed as of April 2020.**	Pending	
24	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	20a	LBPD should inform Metro the amount expected to exceed the estimated cost specified in the contract for each year before incurring the costs. **Update: Closed as of April 2020.**	Pending	
25	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	21a	LBPD should submit the daily summary of assignments for all hours worked and payroll records with the invoices. **Update: Closed as of April 2020.**	Pending	
26	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	22a	LBPD should return to Metro the overbilled and overpaid amount of $14,643.89. **Update: Closed as of April 2020.**	Pending	
27	System Security and Law Enforcement	19-AUD-10 Metro Security Performance Review Fiscal Year 2018 Report	23	Metro SSLE Department should review the billing methodology specified in the contract for equipment cost and determine whether the contract should be revised. **Update: Closed as of April 2020.**	Pending	

Appendix D

OIG Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
28	Operations	20-AUD-02 Audit of the Graffiti/Landscaping/Trash Maintenance on the Gold and Orange Lines Right-of-Ways	2	Require the Gold Line Metro PM to perform periodic spot checks to verify the crew members providing trash/vegetation and graffiti abatement services.	2/28/2020	
29	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	1	We recommend that the General Services Department Management develop written policies and procedures covering the use of cable television services.	1/31/2021	
30	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	2	We recommend that the General Services Department Management develop a standard form to be completed by user departments for requesting and justifying the business purpose for cable television.	1/31/2021	
31	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	3	We recommend that the General Services Department Management develop a tracking system to document and monitor the user departments and location of cable television receivers and outlets.	1/31/2021	
32	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	4a	We recommend that the General Services Department Management work with the ITS Department to schedule and conduct a physical count to identify all active cable television lines (and their locations) at Metro's Gateway Building and departments that have cable television service. For departments that have a business need for cable television, require them to complete a request/approval form.	1/31/2021	
33	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	4b	We recommend that the General Services Department Management work with the ITS Department to schedule and conduct a physical count to identify all active cable television lines (and their locations) at Metro's Gateway Building and departments that have cable television service. Cancel any cable television services that cannot be identified to a department and/or has no business purpose.	1/31/2021	
34	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	5	We recommend that the General Services Department Management cancel the internet service on sub-account 320469395; and if there is a legitimate business need for a separate internet account, direct the user department to request internet service under the ITS internet account with Spectrum.	1/31/2021	

Appendix D

OIG Open Audit Recommendations as of March 31, 2020						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
35	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	6	We recommend that the General Services Department Management ensure that fees for cable television services are paid through the appropriate account (50504).	1/31/2021	
36	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	7	We recommend that the General Services Department Management consider working with Spectrum to eliminate all the sub accounts and create one account that includes only those active cable lines that have been identified as having a legitimate business purpose.	1/31/2021	
37	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	8	We recommend that the General Services Department Management research and determine if there are more effective and efficient methods available for providing cable television service in the Gateway building.	1/31/2021	
38	Human Capital & Development	20-AUD-04 Review of Controls Over Cable Television Services at Metro's Gateway Building	9	We recommend that the General Services Department Management consider placing labels on televisions that have cable service, stating "For Business Purpose Only: No appropriate content should be broadcasted."	1/31/2021	

Los Angeles County
Metropolitan Transportation Authority

Item 12

Management Audit Services
FY 2020 Third Quarter Report

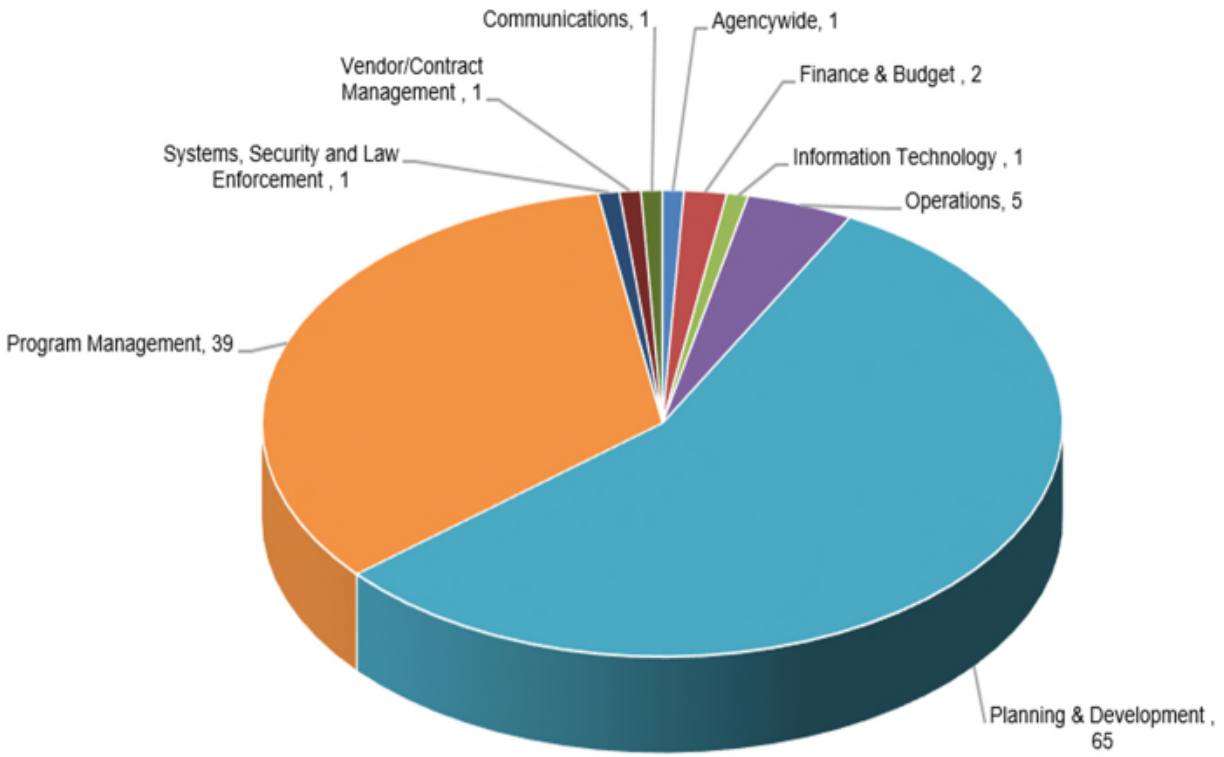
Finance, Budget & Audit Committee
May 20, 2020

Metro

In Progress Audits Summary

- 116 Audit Engagements
  - 105 Contract, Financial and Compliance Audit
  - 11 Internal Audit

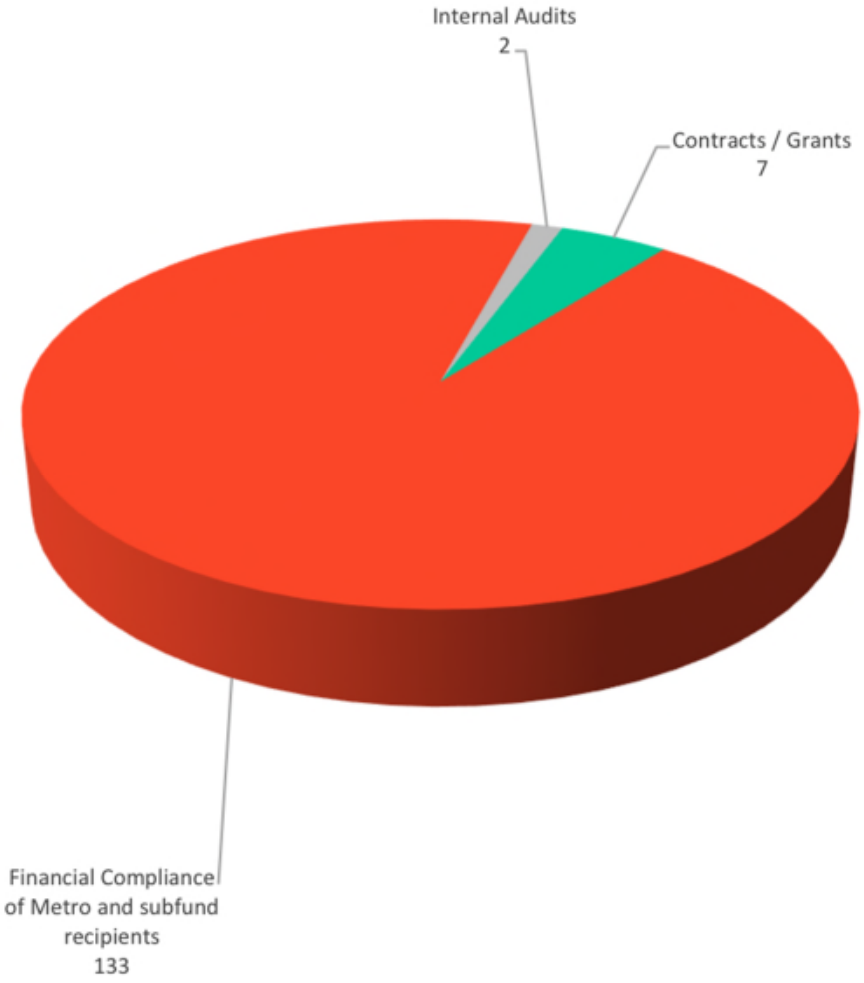
Projects in Support of:



Metro

Completed Audits Summary

- Internal Performance Audits
  - Benefits Eligibility
  - Accident Prevention Practices
  - Management Concurrence
  - Three Business Improvements
- Contract, Grant and Financial Audits
  - Reviewed $6.8M of funding
  - Identified $350K (5%) for reprogramming



Reporting as of March 31, 2020

Metro

Financial and Compliance Audits Highlight

Financial and Compliance – Metro

- Prop A and C
- Measure R
- Measure M
- Metro ExpressLanes Fund Financial Statement

Metro complied in all material respects

Financial and Compliance – Subrecipients

- County and 88 Cities (Subrecipients)
- Comprehensive Consolidated Report (Fall 2020)

County and Cities complied in all material respects

*Exception
City of South El Monte

***Reporting year end June 30, 2019**

Metro

Financial and Compliance Audit Exception

- City of South El Monte
  - Extension granted by Metro OMB through 3/31/2020
  - Extension approved by State Controller Office through 6/30/2020
- Next Steps
  - Auditors Vasquez & Co continue outreach and audit of City of South El Monte
  - Ongoing monitoring and coordination of MAS and OMB
  - Continued reporting to Oversight Committees

Metro

Thank you