



## Board Report

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File #: 2020-0735, File Type: Informational Report

Agenda Number: 6.

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### FINANCE, BUDGET AND AUDIT COMMITTEE NOVEMBER 18, 2020

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2021 FIRST QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE Management Audit Services (MAS) quarterly report for the period ending September 30, 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 Q1 of FY 2021.

#### **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 September 30, 2020 is as follows:

Performance Audits: Three reports were completed during the first quarter; and 9 projects were in progress.

Contract, Financial and Compliance Audits: Three contract, financial and compliance audits with a total value of \$41 million were completed during the first quarter; and 86 contract, financial and compliance audits were in progress.

Other Audits: One other audit was issued by external CPA firms.

Audit Follow-up and Resolution: Nine recommendations were closed during first quarter.

\*Note: MAS performs audit follow-up for the Office of Inspector General (OIG), which 23 OIG recommendations were closed during the reporting period.

The first quarter FY 2021 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**

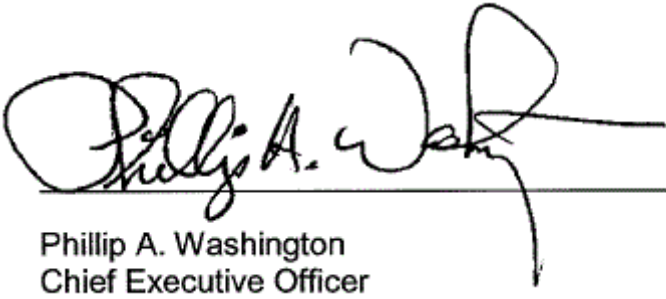
Management Audit Services will submit the Receive and File report for FY 2021 second quarter audit activity in February 2021.

## **ATTACHMENT**

### A. Management Audit Services First Quarterly FY 2021 Report

Prepared by: Monica Del Toro, Audit Support Manager  
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Reviewed by: Shalonda Baldwin, Chief Auditor, Interim  
(213) 418-3265



Phillip A. Washington  
Chief Executive Officer

# Quarterly Report to Metro Board of Directors

FY 2021 Quarter 1



**Metro**

**MANAGEMENT  
AUDIT SERVICES**

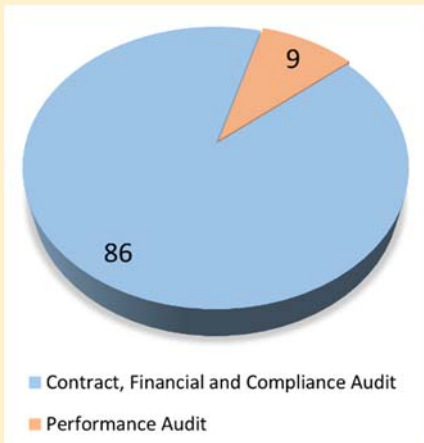
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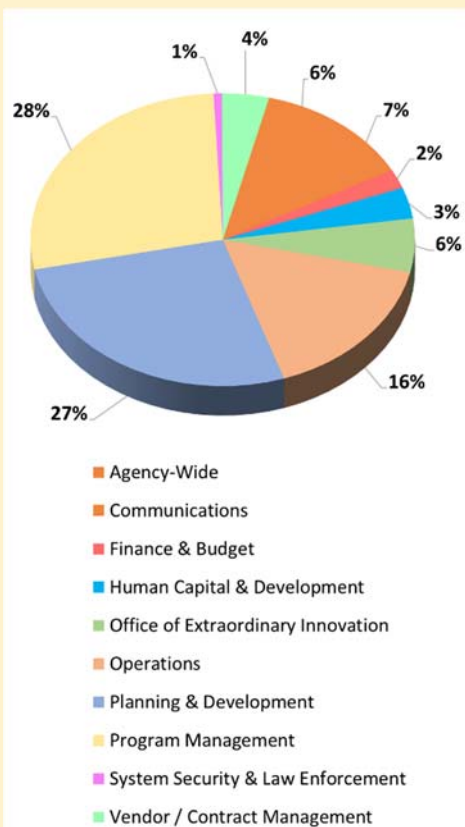
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# Executive Summary

In Progress Audit  
as of September 30, 2020



Summary of Audit Activity by Department  
Reporting Period  
July 1, 2020 – September 30, 2020



## Summary of In Progress Audit Activity

Management Audit Services (MAS) have 95 in progress projects as of September 30, 2020; which include 9 performance audits and 86 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As the reporting period, there are 58 MAS open audit recommendations. In addition, there are 21 open OIG audit recommendations.

## Summary of Q1 Completed Audit Activity

MAS completed 7 projects and closed 32 recommendations. The projects comprised of 3 performance audits; 3 contract, financial and compliance audits; and 1 other audit issued by the contracted independent certified public accountant (CPA) firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The financial and compliance audits of Metro issued by the external CPA firms are highlighted on page 6. A summary of closed and open audit recommendations for MAS and OIG are included on page 7.

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# Performance Audits

This section includes performance audits done according to Generally Accepted Government Auditing Standards in addition to other types of projects performed by the Performance Audit team to support Metro. The other types of projects may include independent reviews, analysis or assessments of select areas. The goal of non-audit projects is to provide Metro with other services that help support decision making and promote organizational effectiveness.

## ***Performance Audit of Wayside Systems Engineering and Maintenance Training***

The audit objectives were to determine whether Wayside Systems documented and tracked existing and newly hired staff's completion of the required training courses (technical, safety/mandated) including required refresher courses; maintained required certification records per position and the records were current; and employees had the appropriate certification for their task assignment.

MAS found that newly hired Signal, Track, and Traction Power inspectors of Wayside Systems Engineering and Maintenance took the required training courses, and that the training curriculum for inspectors included the required technical training courses as outlined in the Preventative Maintenance Plan for Signal, Track, and Traction Power. In addition, we found that employees had the appropriate certificate for their task assignments. However, we found that a formal refresher training program was not in place, some training courses were not completed in a timely manner by employees, and that the supporting documentation for required training courses was not in a central location. In some instances, the supporting documentation was missing, specifically for the Track department. We identified opportunities to improve the training registration process, and the tracking of upcoming training courses, including maintaining all information in one centralized location.

Management concurred with all recommendations and is implementing the corrective actions.

## ***Assessment of Wayside Systems Engineering Maintenance Training***

MAS contracted with CodeRed Business Solutions Inc. to conduct an assessment of the Wayside Systems Engineering Maintenance. The objectives of the assessment were to review the Wayside Systems Engineering and Maintenance training for Track, Signal and Traction Power and to identify any potential risks to the validity, effectiveness, and quality of such training. This assessment includes five recommendations for three findings and eight recommended actions for eight Business Process Improvements along with a description of the benefits that can be derived if these opportunities are adopted by Wayside Systems Engineering and Maintenance.

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### ***Special Review of the CRRC MA Corporation (CRRC) Supply Chain***

MAS contracted with Talson Solutions, LLC (Talsol) to conduct a special review of the CRRC MA Corporation (the US subsidiary of China Railway Rolling Stock Corporation Ltd) Supply Chain. The objectives of the special review were to evaluate the completeness and accuracy of CRRC's statements provided to Metro on the non-use or limited use of mica in the carbody section and major systems of Metro's train equipment. Talson also assessed the CRRC California subsidiary's compliance with the California Transparency in Supply Chains Act of 2010. Talson identified two observations and four recommendations to assist Metro in managing CRRC and other suppliers.



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# Contract, Financial & Compliance Audits

MAS staff completed 3 independent auditor's report on agreed-upon procedures of:

- Skanska Traylor Shea (STS, JV)'s Daily Rate Cost Proposals for Delay Compensation Rates for years 2015 and 2016 under the Westside Subway Extension Project, Section 1 – Design/Build;
- CRRC MA Corporation's Accounting and Billing System Internal Control Review for the Purchase of New Heavy Rail Vehicles; and
- HDR Engineering Inc.'s interim incurred cost for the period April 25, 2014 through December 30, 2017 for the Southern California Regional Interconnector Project.

MAS staff reviewed \$41 million of funds and identified \$1 million or 3% of funds that may be reprogrammed.

Details on Contract, Financial and Compliance Audits completed during Q1 FY 2021 are included in Appendix B.

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# Financial and Compliance Audits of Metro

The following highlights the financial and compliance audits of Metro completed by the external CPA firms include:

## ***Access Services' Deferred Revenue Support – Issued July 2020***

MAS contracted with BCA Watson Rice (BCA) to assist Metro in determining the total unused amount of the Deferred Revenue Support of Access Services (Access), if any, that should be returned to Metro or carried forward into a subsequent year's budget as per the Metro Memorandum of Understanding (MOU) for the fiscal year ended and as of June 30, 2019. BCA determined that the amount to be returned to Metro or available for budgetary needs in subsequent year(s) as stipulated in the MOU as of June 30, 2019 was \$3,711,539.

# Audit Support

## Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of September 30, 2020.

| MAS and External Audit Recommendations |        |      |          |                            |            |
|----------------------------------------|--------|------|----------|----------------------------|------------|
| Executive Area                         | Closed | Late | Extended | Not Yet Due / Under Review | Total Open |
| Finance & Budget                       | 3      |      |          |                            |            |
| Human Capital & Development            |        |      | 5        |                            | 5          |
| Operations                             | 6      | 5    | 8        | 21                         | 34         |
| Program Management                     |        |      | 1        |                            | 1          |
| Risk, Safety & Asset Management        |        |      | 1        | 3                          | 4          |
| Systems Security and Law Enforcement   |        |      | 6        | 3                          | 9          |
| Vendor/Contract Management             |        |      | 4        | 1                          | 5          |
| Total                                  | 9      | 5    | 25       | 28                         | 58         |

| OIG Audit Recommendations   |        |      |          |                            |            |
|-----------------------------|--------|------|----------|----------------------------|------------|
| Executive Area              | Closed | Late | Extended | Not Yet Due / Under Review | Total Open |
| Congestion Reduction        | 8      |      | 2        |                            | 2          |
| Human Capital & Development |        |      |          | 10                         | 10         |
| Operations                  |        |      | 2        | 7                          | 9          |
| Systems Security and Law    | 15     |      |          |                            |            |
| Total                       | 23     |      | 3        | 18                         | 21         |

Details of open audit recommendations for MAS and OIG are included in Appendix C and D.

## Appendix A

| <b>Performance Audit - In Progress Audits as of September 30, 2020</b> |                                                                        |                                                                                        |                                                                                                                                                                                                 |                                     |
|------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <b>No.</b>                                                             | <b>Area</b>                                                            | <b>Audit Number &amp; Title</b>                                                        | <b>Description</b>                                                                                                                                                                              | <b>Estimated Date of Completion</b> |
| 1                                                                      | 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. | 10/2020                             |
| 2                                                                      | 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 within SS&LE for selected positions.                                                               | 10/2020                             |
| 3                                                                      | Operations                                                             | 20-OPS-P02 Follow up Audit of Contracted Bus Services Project Management               | Evaluate if prior Contracted Bus Service Project Management corrective actions were implemented.                                                                                                | 11/2020                             |
| 4                                                                      | Human Capital & Development                                            | 21-HCD-P01 Telecommuting Consulting Project                                            | This engagement will compile information on best practices for this area, and verify selected information already collected by Metro that will inform policy decisions.                         | 11/2020                             |
| 5                                                                      | Operations                                                             | 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 within Operations for selected positions.                                                          | 12/2020                             |
| 6                                                                      | 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.                                                                                 | 12/2020                             |
| 7                                                                      | 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.                                                                  | 1/2021                              |
| 8                                                                      | Systems Security and Law Enforcement / Risk, Safety & Asset Management | 21-RSA-P02 Performance Audit of COVID Compliance                                       | This audit will determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.                                                   | 1/2021                              |
| 9                                                                      | 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.   | Project is on Hold                  |

## Appendix B

| <b>Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2020</b> |                    |                                     |                       |                       |
|---------------------------------------------------------------------------------------------|--------------------|-------------------------------------|-----------------------|-----------------------|
| <b>No.</b>                                                                                  | <b>Area</b>        | <b>Audit Number &amp; Type</b>      | <b>Auditee</b>        | <b>Date Completed</b> |
| 1                                                                                           | Program Management | 18-CON-A14 - Agreed-Upon Procedures | HDR Engineering, Inc. | 8/2020                |
| 2                                                                                           | Operations         | 20-OPS-A01 - Agreed-Upon Procedures | CRRC MA Corporation   | 9/2020                |
| 3                                                                                           | Program Management | 20-CON-A01 - Agreed-Upon Procedures | Skanska Traylor Shea  | 9/2020                |

## Appendix C

| Open Audit Recommendations as of September 30, 2020 |                                      |                                                                                                              |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                          |                          |
|-----------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                 | Area                                 | Audit Number & Title                                                                                         | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Original Completion Date | Extended Completion Date |
| 1                                                   | Operations                           | 17-OPS-P07 Performance Audit of the Track Allocation Process                                                 | 4a       | <p>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.</p> <p><b>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.</b></p>                                                                                                             | 6/30/2019                | 12/31/2020               |
| 2                                                   | Operations                           | 17-OPS-P07 Performance Audit of the Track Allocation Process                                                 | 4b       | <p>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.</p> <p><b>Update: Pending completion of recommendation 4a.</b></p>                                                                                                                                                                                                                                                                                                                            | 6/30/2019                | 12/31/2020               |
| 3                                                   | Systems Security and Law Enforcement | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 1a       | <p>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.</p> <p><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                         | 6/30/2020                | 12/31/2020               |
| 4                                                   | Vendor/Contract Management           | 18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP) | 1b       | <p>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.</p> <p><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b></p> | 10/30/2020               | 4/30/2021                |

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

## Appendix C

| Open Audit Recommendations as of September 30, 2020 |                            |                                                                                                               |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                          |                          |
|-----------------------------------------------------|----------------------------|---------------------------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                 | Area                       | Audit Number & Title                                                                                          | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Original Completion Date | Extended Completion Date |
| 5                                                   | 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.<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>                                                                          | 4/30/2020                | 10/31/2020               |
| 6                                                   | 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.<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>                                                                                                                           | 7/31/2020                | 1/31/2021                |
| 7                                                   | 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.<br><b>Update: Metro is negotiating Essential Use designation with SCE, DWP &amp; CPUC as a basis for utility emergency service agreements.</b> | 3/31/2020                | 11/30/2020               |
| 8                                                   | 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.<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>                                                                                | 10/30/2020               | 4/30/2021                |
| 9                                                   | 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.<br><b>Update: Operations' staff prepared a partial LIP retroactive pay calculation; remaining paid calculation is still in progress.</b>                                                                                                                                                            | 12/31/2019               | 11/30/2020               |

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

## Appendix C

| Open Audit Recommendations as of September 30, 2020 |                                      |                                                                                                               |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                          |                          |
|-----------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                 | Area                                 | Audit Number & Title                                                                                          | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Original Completion Date | Extended Completion Date |
| 10                                                  | 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.<br><b>Update: ITS / Operations implemented a revised automated fix. Testing is in progress to confirm that the fix is working correctly.</b>                                                          | 12/31/2019               | 11/30/2020               |
| 11                                                  | 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.<br><b>Update: ITS / Operations implemented a revised automated fix. Testing is in progress to confirm that the fix is working correctly.</b>                                                                                                                                      | 12/31/2019               | 11/30/2020               |
| 12                                                  | 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.<br><b>Update: ITS / Operations implemented a revised automated fix. Testing is in progress to confirm that the fix is working correctly.</b>                                                                                                             | 12/31/2019               | 11/30/2020               |
| 13                                                  | 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                |                          |
| 14                                                  | 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".<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b> | 7/31/2020                | 1/29/2021                |
| 15                                                  | 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.<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>                                                                                                                                            | 7/31/2020                | 1/29/2021                |

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



## Appendix C

| Open Audit Recommendations as of September 30, 2020 |                                      |                                                                                   |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                          |
|-----------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                 | Area                                 | Audit Number & Title                                                              | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Original Completion Date | Extended Completion Date |
| 16                                                  | 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.<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b>                                                                                                                           | 7/31/2020                | 1/29/2021                |
| 17                                                  | Operations                           | 19-OPS-P02 Performance Audit of the Rail Communications Systems                   | 9 Total  | The recommendations included in this report address findings in Metro's Operational System.<br><b>Update: As of September 2020, 3 of 12 recommendations was closed.</b>                                                                                                                                                                                                                                                                                                               | On-going                 |                          |
| 18                                                  | Operations                           | 19-OPS-P03 Performance Audit of the SCADA Security Controls                       | 11 Total | The recommendations included in this report address findings in Metro's Operational System.<br><b>Update: As of September 2020, 2 of 13 recommendations was closed.</b>                                                                                                                                                                                                                                                                                                               | On-going                 |                          |
| 19                                                  | 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                | 9/30/2020                |
| 20                                                  | 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                | 9/30/2020                |
| 21                                                  | 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                | 9/30/2020                |
| 22                                                  | 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                | 9/30/2020                |
| 23                                                  | 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                | 9/30/2020                |

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

## Appendix C

| Open Audit Recommendations as of September 30, 2020 |                                      |                                                                                                   |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                          |                          |
|-----------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                 | Area                                 | Audit Number & Title                                                                              | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Original Completion Date | Extended Completion Date |
| 24                                                  | 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.<br><b>Update: Before the COVID-19 pandemic, plans were in place to deploy an elevated campaign on the benefits of a robust FOF program and the importance of compliance. This effort will be re-started as soon as resources are again available.</b>                                                                                                                                                                                                                      | 3/31/2020                | 9/30/2020                |
| 25                                                  | 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 Transit Safe 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                |                          |
| 26                                                  | 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 Transit Safe.                                                                                                                                                                                                                                                                                                                                                                                                                      | 12/31/2021               |                          |
| 27                                                  | 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                |                          |
| 28                                                  | 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                |                          |
| 29                                                  | 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                |                          |
| 30                                                  | Systems Security and Law Enforcement | 19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan | 1        | We recommend that Emergency Management collaborate with SS&LE to establish at least three new locations to accommodate emergency back-up SS&LE command centers. As a suggestion, not more than one facility should be close to Gateway Plaza. The other two should be far enough away from Gateway and from each other that there is little risk that a wide area emergency could affect all three locations.<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b> | 7/30/2020                | 1/29/2021                |

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

## Appendix C

| Open Audit Recommendations as of September 30, 2020 |                                      |                                                                                                   |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                          |                          |
|-----------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                 | Area                                 | Audit Number & Title                                                                              | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Original Completion Date | Extended Completion Date |
| 31                                                  | Systems Security and Law Enforcement | 19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan | 3        | We recommend that Emergency Management should coordinate with SS&LE to facilitate training and add the additional details to the SS&LE COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions.                                                                                                                                                                                                                                                     | 7/30/2021                |                          |
| 32                                                  | Systems Security and Law Enforcement | 19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan | 4        | We recommend that Emergency Management should coordinate with SS&LE to create a Standard Operating Procedures 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; and reference and attach all COOP-related SOPs as Appendices to the COOP.<br><b>Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.</b> | 7/30/2020                | 1/29/2021                |
| 33                                                  | Systems Security and Law Enforcement | 19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan | 7        | We recommend that Emergency Management should coordinate with SS&LE to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update (See COOP Appendix M).                                                                                                                                                                                                                                                                                                                            | 7/31/2021                |                          |
| 34                                                  | Vendor/Contract Management           | 17-VCM-P02 Performance Audit of Change Order Internal Controls                                    | 1        | We recommend that Vendor / Contract Management consider providing supplemental guidance to ACQ-2 Manual Chapter 14-11 Change Orders J to define what is considered a "significant sum" when there is a difference between the negotiated price adjustment, Metro's Independent Cost Estimate, and the prenegotiation position that must be explained.                                                                                                                                                                                 | 12/31/2020               |                          |
| 35                                                  | Operations                           | 19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training              | 1a       | We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to perform a training needs assessment to accurately determine the number of Instructors required to ensure that formal refresher training is provided regularly within the Signal, Track, and Traction Power departments.                                                                                                                                                                                              | 7/31/2021                |                          |
| 36                                                  | Operations                           | 19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training              | 1b       | We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to develop a Formal Refresher Training that supports the technical competence of maintenance personnel and supports the improvement of system reliability of assets. Refresher Training should be focused on areas where the increasing number of failures or repeat write-ups are occurring within the Signal, Track, and Traction Power departments.                                                                  | 2/28/2021                |                          |

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

## Appendix C

| Open Audit Recommendations as of September 30, 2020 |            |                                                                                      |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                          |
|-----------------------------------------------------|------------|--------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                 | Area       | Audit Number & Title                                                                 | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Original Completion Date | Extended Completion Date |
| 37                                                  | Operations | 19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training | 1c       | We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to develop Key Performance Indicators that identify leading indicators. The information from the Key Performance Indicators should be utilized to help develop Technical Refresher Training courses.                                                                                                                                                                   | 12/31/2020               |                          |
| 38                                                  | Operations | 19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training | 2a       | We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to make use of the OTTS as a monitoring and notification system control for upcoming employee training to help ensure that Wayside employees complete all required training on time.. This should lead to a system implementation that would notify employees and managers about upcoming training requirements based on a 30-60-90-day outlook. | 12/31/2020               |                          |
| 39                                                  | Operations | 19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training | 2b       | We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to expand the reporting and documentation capabilities of the OTTS in order to maintain a more complete training record and have training records stored in a centralized location to help ensure that Wayside employees complete all required training on time.                                                                                 | 12/31/2020               |                          |
| 40                                                  | Operations | 19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training | 2c       | We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to remind Supervisors or leads to verify the currency of training and certifications prior to scheduling crew work assignments to help ensure that Wayside employees complete all required training on time.                                                                                                                                     | 12/31/2020               |                          |

## Appendix D

| OIG Open Audit Recommendations as of September 30, 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                    | 7 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.<br><b>Update: As of May 2020, 110 of 117 recommendations were closed.</b>                                                                                                     | Pending                  |                          |
| 2                                                       | 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                | 12/31/2020               |
| 3                                                       | 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                | 12/31/2020               |
| 4                                                       | 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                |                          |
| 5                                                       | 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                |                          |
| 6                                                       | 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                |                          |
| 7                                                       | 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                |                          |
| 8                                                       | 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                |                          |

## Appendix D

| OIG Open Audit Recommendations as of September 30, 2020 |                             |                                                                                         |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          |                          |
|---------------------------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| No.                                                     | Area                        | Audit Number & Title                                                                    | Rec. No. | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Original Completion Date | Extended Completion Date |
| 9                                                       | 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                |                          |
| 10                                                      | 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                |                          |
| 11                                                      | 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                |                          |
| 12                                                      | 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                |                          |
| 13                                                      | 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                |                          |
| 14                                                      | Congestion Reduction        | 20-AUD-06 Review of LA Metro's Freeway Service Patrol Program                           | 6        | LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.                                                        | 10/1/2020                | 7/1/2021                 |
| 15                                                      | Congestion Reduction        | 20-AUD-06 Review of LA Metro's Freeway Service Patrol Program                           | 9        | LA Metro FSP could strengthen its ability to enforce its two-beat limitation policy. We recommend that LA Metro consider including language within the agreements with tow companies that specifically prohibits a company from operating more than two beats or from having a controlling interest in another company that operates FSP tow trucks in LA County. This would include limitations on companies sharing drivers, offices, and other operation functions. This would give LA Metro more legal basis to pursue a fraudulent contractor. | 6/1/2020                 | 12/31/2020               |

## Management Audit Services

# FY 2021 First Quarter Report

Finance, Budget & Audit Committee  
November 18, 2020

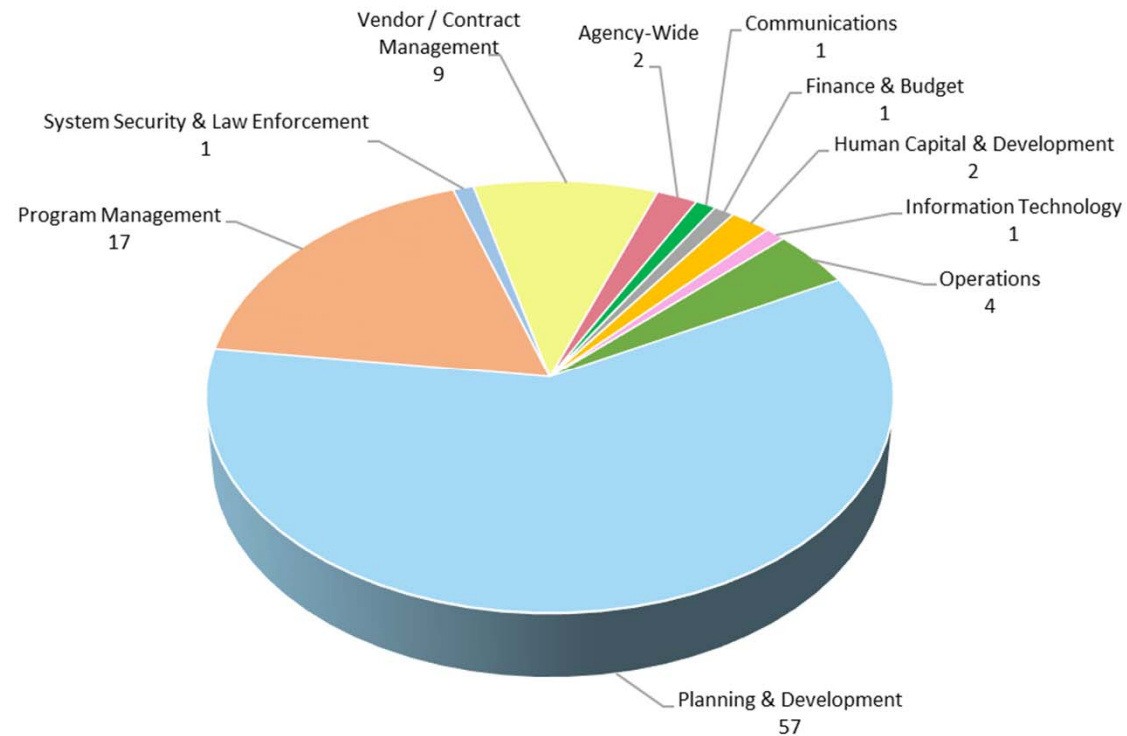


MANAGEMENT  
AUDIT SERVICES

# Summary of In Progress Audit Activity

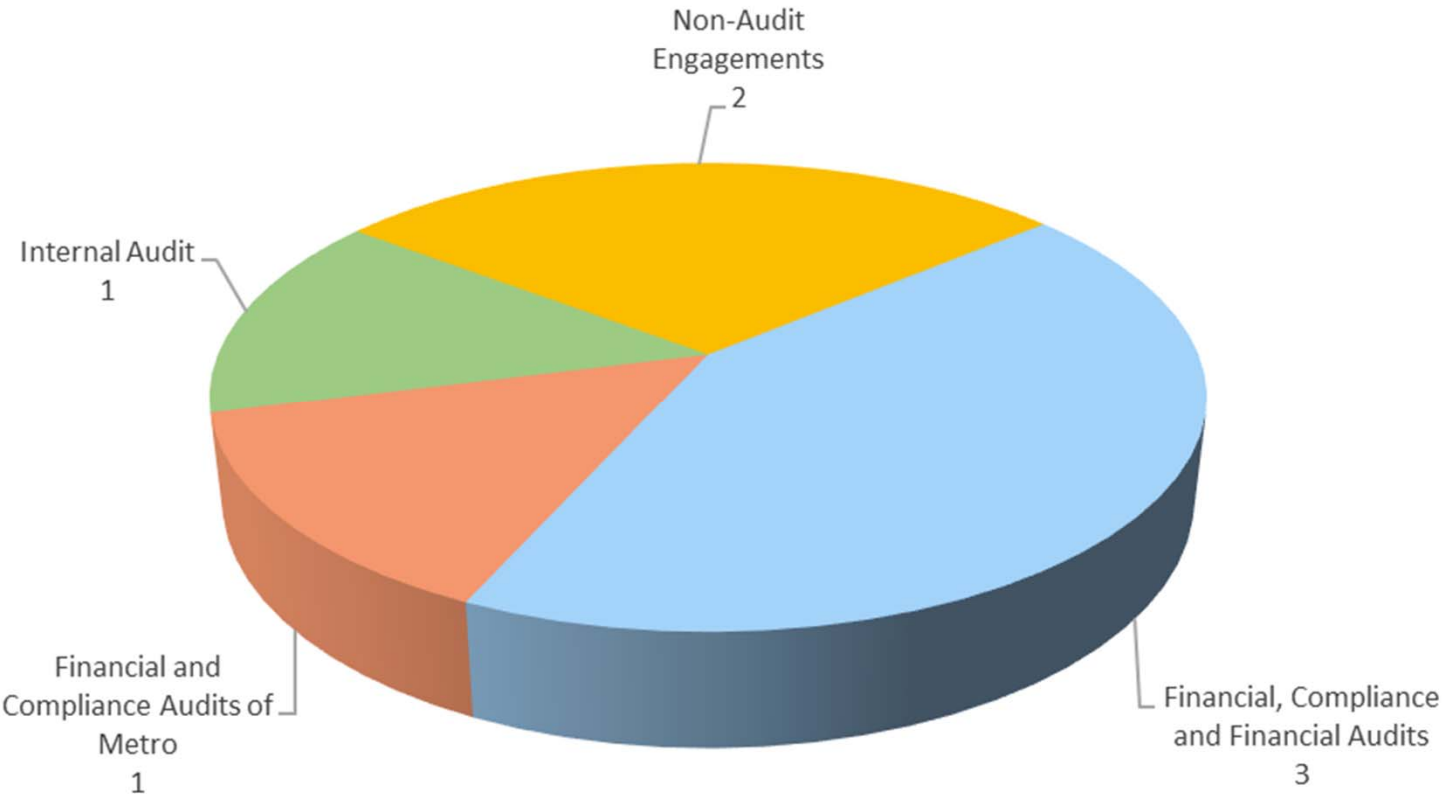
- 95 Audit Engagements
  - 9 Performance Audit
  - 86 Contract, Financial and Compliance Audit

*Projects in Support of:*





# Completed Audit Summary



# Completed Performance Audit Summary

- Performance Audit of Wayside Systems Engineering and Maintenance Training
  - *Results:* MAS identified two recommendations
  - *Management concurrence*
- Assessment of Wayside Systems Engineering Maintenance Training
  - *Results:* CodeRed Business Solutions Inc. identified five recommendations and eight business process improvements
- Special Review of the CRRC MA Corporation
  - *Results:* Talson Solutions, LLC identified four recommendations and two observations

# Completed Contract, Compliance and Financial Audit Summary

- Contract and Grant Audits:
  - Skanska Traylor Shea's Delay Compensation Rates; CRRC's Accounting and Billing System Internal Control Review; and HDR Engineering Inc.'s Interim Incurred Cost
  - Reviewed \$41 million of funding
  - Identified \$1 million (3%) for reprogramming
- Financial and Compliance Audits of Metro:
  - Access Services' Deferred Revenue Support
    - BCA Watson Rice (BCA) identified \$3,711,539 reprogramming



Thank you