



Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 15, 2021

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2021 FOURTH QUARTER STATUS REPORT
AND CUMULATIVE YEAR-END REPORT**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2021 fourth quarter status report and cumulative year-end report.

ISSUE

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

BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2021 fourth quarter report covers the period of April 1, 2021, through June 30, 2021; and cumulative FY 2021 year-end for the period of July 1, 2020, through June 30, 2021.

DISCUSSION

MAS provides audit services in support of Metro'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: Performance Audit; Contract, Financial and Compliance Audit; and Administration and Policy, which includes audit support functions. 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 MAS' functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Administration and Policy is responsible for administration, financial management, including audit support, audit follow-up, and resolution tracking.

The following chart summarizes MAS activity for FY 2021 fourth quarter and the fiscal year ending June 30, 2021.

| | FY 2021 Fourth Quarter | FY 2021 Year-End | In-Progress as of June 30, 2021 |
|---|---|---|--|
| Performance Audits | 1 audit projects completed | 9 audit projects completed | 11 audit projects |
| Contract, Financial and Compliance Audits | 9 audit projects completed with a total value of \$32 million | 21 audit projects completed with a total value of \$197 million | 66 audit projects |
| Transitional Indirect Cost Rate (TICR) Determinations | 11 approved | 15 approved | |
| Financial Compliance Audits of Metro | 1 audit project completed | 151 audit projects completed | |
| Audit Follow-up and Resolution* | 9 closed | 36 closed | |
| | 3 closed (OIG) | 40 closed (OIG) | |

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG).

The FY 2021 Fourth Quarter Status Report and Cumulative Year-End Report is included as Attachment A.

EQUITY PLATFORM

There are no equity impacts or concerns from audit services conducted during this period. However, MAS recognizes that the department's opportunity to advance equity starts with conducting audits with equity themes that lead to the accountability and compliance of programs and policies aimed directly or indirectly at creating more equitable outcomes in equity focused communities throughout the Los Angeles region. In the future, MAS will consider and identify agency-wide policies and programs that have equity compliance aspects and support the monitoring and compliance reporting through audit engagements as appropriate.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2021 Fourth Quarter Status Report and Cumulative Year-End Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Management Audit Services will continue to report audit activity throughout the current fiscal year.

ATTACHMENT


A. FY 2021 Fourth Quarter Status Report and Cumulative Year-End Report

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Fiscal Year 2021 Fourth Quarter Status Report and Cumulative Year-End Report



Metro

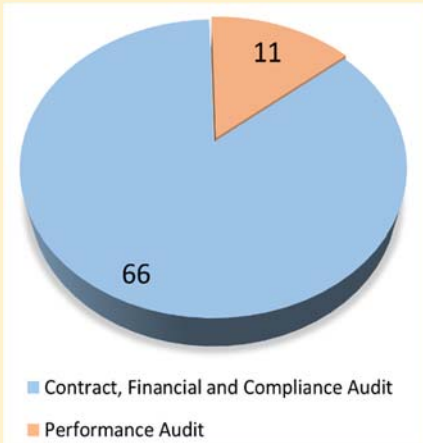
**MANAGEMENT
AUDIT SERVICES**

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Executive Summary

In Progress Audits
as of June 30, 2021

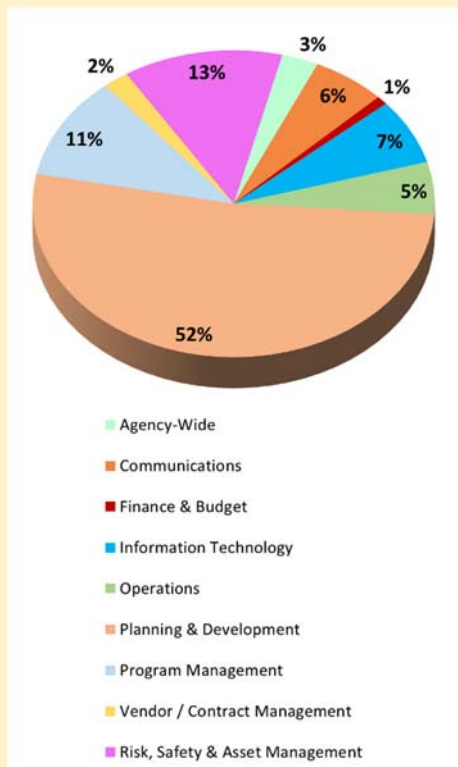


Summary of In Progress Audit Activity

Management Audit Services (MAS) has 77 in progress projects as of June 30, 2021, which include 11 performance audits and 66 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 43 open MAS audit recommendations; and 35 open Office of Inspector General (OIG) audit recommendations.

Summary of Audit Activity by Department
Reporting Period
April 1, 2021 – June 30, 2021



Summary of Fourth Quarter Completed Audit Activity

MAS completed 11 audit projects and closed 12 open audit recommendations. The projects are comprised of 1 performance audit; 9 contract, financial and compliance audits; and 1 financial and compliance audit of Metro issued by an independent certified public accountant (CPA) firm.

MAS completed 11 Transitional Indirect Cost Rate (TICR) determinations.

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 audit of Metro issued by the external CPA firm is highlighted on page 6. A summary of closed and open audit recommendations is included on page 7.

Performance Audits

This section includes performance audits completed 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.

Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services

The objective of this audit was to determine whether corrective actions were taken in response to the findings and recommendations included in the prior performance audit on efficiency and effectiveness of the oversight of contracted bus services performed by MAS in December 2015.

MAS found that Contract Services made progress in response to the prior audit's recommendations, as 10 out of 14 prior audit recommendations were implemented. Four of 14 recommendations were not fully implemented, which led to two repeat findings and one new finding as part of the follow-up audit. MAS identified opportunities to improve the monitoring practices; fare revenue control; and Simulated California Highway Patrol (SCHP) inspection follow-up process.

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

Contract, Financial & Compliance Audits

MAS staff completed 9 independent auditor's report on agreed-upon procedures of:

- Cornerstone Transportation Consulting, Inc.'s incurred indirect cost rate for the fiscal year ended December 31, 2018 for Purple Line Extension Section 3;
- Anil Verma Associates, Inc.'s indirect cost rate for FY 2018 for Division 20 Portal Widening Turnback Project;
- City of Long Beach's close-out incurred costs for the Daisy Corridor Bicycle Boulevard Project;
- City of Calabasas' close-out incurred cost for the Parkway Calabasas/US 101 Southbound Off-Ramp Improvements Project;
- County of Los Angeles Department of Public Works' close-out incurred costs for the South Bay Forum Traffic Signal Corridors Project;
- City of Los Angeles' close-out incurred costs for the Transit Oriented Development Planning for Stations on the Crenshaw and Exposition Phase II Light Rail Lines;
- City of Palmdale's close-out incurred costs for the Avenue S Widening Phase II Project;
- City of Pasadena's close-out incurred costs for the Pasadena ARTS Enhanced Passenger Information Project; and
- City of Paramount's close-out incurred costs of the Garfield Avenue Improvement Project.

MAS staff reviewed \$32 million of funds and identified \$3.5 million or 9% of funds that may be reprogrammed.

Details on contract, financial and compliance audits completed during FY 2021 fourth quarter are included in Appendix C.

Transitional Indirect Cost Rate (TICR) Determinations

In March 2020, MAS in concerted effort with Vendor / Contract Management, along with the guidance of County Counsel, updated the Transitional Indirect Cost Rate (TICR) Policy to expand the TICR pilot program to eligible firms for new firm-fixed price contract types. Under the revised TICR Policy eligible firms for new cost reimbursable and new firm fixed contract types may submit for eligibility to participate in the TICR program. The TICR provides firms with a transitional indirect cost rate of 115%.

During FY 2021 fourth quarter, 14 TICR determinations were reviewed of which 11 were approved and three were withdrew due to firms opting out.

A list of firms enrolled in the pilot program as of June 30, 2021 is included in Appendix D.

Financial and Compliance Audits of Metro

The following highlights the financial and compliance audit of Metro completed by the external CPA firm:

STIP/PPM Program Year 2016-2017 – Issued May 2021

In June 2013, Metro entered into a Fund Transfer Agreement (Agreement) with CalTrans to provide planning, programming and monitoring of projects for the development and preparation of the Regional Transportation Improvement Program.

Metro is required to comply with the Agreement and to ensure that State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

Vasquez & Company (Vasquez) was contracted to complete a financial and compliance audit of STIP and PPM program funds for the period January 19, 2017 through December 31, 2019. Vasquez found that the financial schedule presents fairly, in all material respects and that Metro complied, in all material respects, with the compliance requirements of the Agreement and Article XIX of the California State Constitution applicable to Metro's STIP and PPM Program.

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of June 30, 2021.

| MAS and External Audit Recommendations | | | | | |
|---|---------------|-------------|-----------------|-----------------------------------|-------------------|
| Executive Area | Closed | Late | Extended | Not Yet Due / Under Review | Total Open |
| Operations | 8 | | 21 | 5 | 26 |
| Program Management | | | 1 | | 1 |
| Risk, Safety & Asset Management | | | 2 | 1 | 3 |
| Systems Security and Law Enforcement | | | 9 | | 9 |
| Vendor/Contract Management | 1 | | 4 | | 4 |
| Total | 9 | | 37 | 6 | 43 |

| OIG Audit Recommendations | | | | | |
|----------------------------------|---------------|-------------|-----------------|-----------------------------------|-------------------|
| Executive Area | Closed | Late | Extended | Not Yet Due / Under Review | Total Open |
| Congestion Reduction | | | 1 | | 1 |
| Human Capital & Development | 3 | | | 28 | 28 |
| Information Technology Services | | | | | |
| Operations | | | | 6 | 6 |
| Total | 3 | | 1 | 34 | 35 |

Details of open audit recommendations for MAS and OIG are included in Appendix E and F.

FY 2021 Year-End Activity

Cumulative FY 2021 Completed Audit Activity

As of the FY 2021 year-end, MAS completed 181 audit projects and closed 76 audit recommendations. Additionally, MAS completed 15 TICR determinations.

*Of note: MAS cancelled one (1) audit project.

Summary of Completed Projects

The completed audit projects comprise of:

- 9 performance audits which also include independent reviews, analysis or assessments of select areas;
- 21 contract, financial and compliance audits with an audit value amount of \$197 million; of which \$13.9 million or 7% of identified unused funds that may be reprogrammed; and
- 151 financial and compliance audits comprised mainly of legally mandated audits such as Prop A & C, Measure R, Measure M, State Transit Assistance (STA), Transportation Development Act (TDA), National Transit Database (NTD), and other funds distributed to the cities and County of Los Angeles.

Refer to Appendix B – Performance Audits Completed; and Appendix C – Contract, Financial and Compliance Audits Completed.

In addition, 18 TICR determinations were reviewed of which 15 were approved and three were withdrew due to firms opting out. A list of firms enrolled in the pilot program as of June 30, 2021 is included in Appendix D.

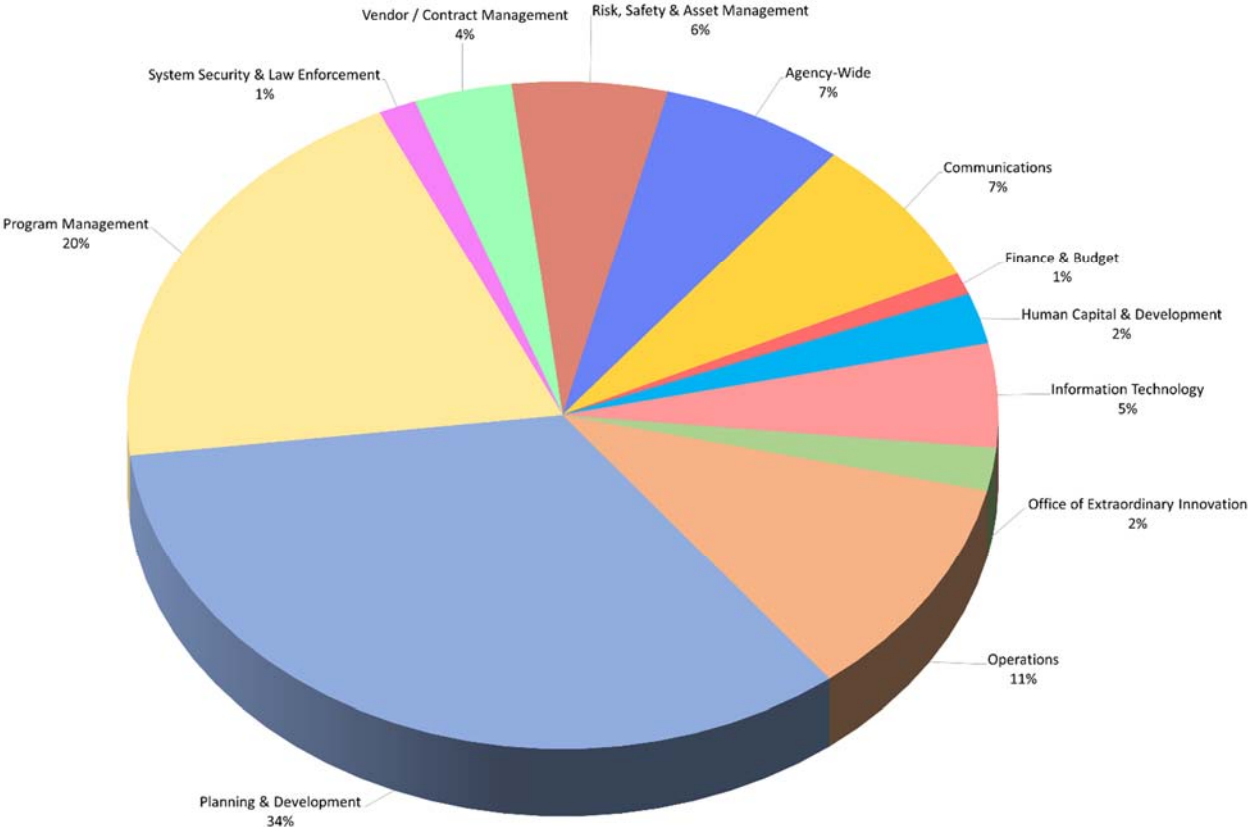
Cancelled Project

MAS cancelled the performance audit for the Position Reconciliation Process as there were not any material findings or recommendations that warranted the issuance of a formal audit report to Office of Management & Budget (OMB). MAS presented the suggested business process improvements through a management letter.

Audit Follow-up

MAS closed 36 open recommendations during the fiscal year, and provided administrative support for the closure of 40 open OIG recommendations.

Cumulative FY 2021 Audit Activity by Department



Department Highlights

Performance Audits

- **Special Review of the CRRC MA Corporation (CRRC) Supply Chain.** Completed a special review that evaluated CRRC MA Corporation (CRRC) Supply Chain's practices. CRRC is a key vendor providing major train equipment components to Metro. The special review specifically evaluated the completeness and accuracy of CRRC's statements provided to Metro concerning the non-use of limited use of the mineral mica in the carbody section and major systems of Metro's train equipment. Also assessed was compliance with California Transparency in Supply Chains Act of 2010. The Special Review provided recommendations describing ways in which CRRC's supply chain management could be improved.
- **Performance Audit and Independent Assessment of Wayside Systems Engineering and Maintenance.** Conducted an audit and an independent assessment to determine whether employees of Wayside Systems Engineering & Maintenance completed required technical, safety and mandated training, including required refresher courses. The audit also examined if required certifications for positions were current and whether employees had the adequate certification for the tasks assigned. The independent assessment reviewed the adequacy of rail engineering & maintenance technical, safety, and mandated training provided within the Wayside Track, Signal and the Traction Power units. The audit identified internal monitoring and training compliance improvements and specific recommendations for improved training effectiveness.
- **Consulting Engagement for Telecommute Research Project.** Performed a research project that compiled information on best practices related to telecommuting to support the Human Capital and Development Department and Metro's path forward plan in response to COVID-19.

Contract, Financial and Compliance Audits

- **Bikeshare.** Completed an Agreed-Upon Procedures attestation report for Metro Bikeshare program to evaluate the contractor's accounting system controls and verify compliance with the billing and insurance provisions of the contract. The audit engagement identified key findings, recommendations and improvements for the continued operations of Metro's Bikeshare Program.
- **Annual Comprehensive Financial and Compliance Audit by Crowe.** Managed the FY2020 Annual Financial and Compliance Audits of Metro and its component units conducted by an independent Certified Public Accounting (CPA) firm, Crowe, LLP (Crowe). Crowe issued unmodified (clean) opinions on all of its reports including Annual Comprehensive Financial Report, Single Audit Report for Federal funds and State Transit Assistant (STA) Funds Report.

-
- **Consolidated Audit.** Managed the FY2020 Consolidated audits performed by independent Certified Public Accounting (CPA) firms, Vasquez and Company and Simpson and Simpson CPAs. The Consolidated audits included the County of Los Angeles and 88 cities audits, Munis, Tier II Transit Operators, Access Services, Metrolink and Low Income Fare is Easy (LIFE) administrators for their use of Propositions A&C, Measures R&M Local Return Funds, Transportation Development Articles (TDA) 3, 4, and 8 funds and other funds that Metro programmed.

Administration and Policy

- **Multidisciplinary Development Program (MDD).** In September 2020, MAS launched the MDD program to promote professional development; create a culture of continuous learning; cross-train staff in various areas of the audit practice and discipline; and build internal capacity in support of delivering value-added audit services. Audit staff participated in industry specific and specialized training such as: ethics; diversity and inclusion; data analytics; standards for internal control; combined assurance; and construction auditing.

Appendix A

| Performance Audit - In Progress Audits as of June 30, 2021 | | | | |
|---|--|---|---|-------------------------------------|
| No. | Area | Audit Number & Title | Description | Estimated Date of Completion |
| 1 | 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. | 8/2021 |
| 2 | 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. | 8/2021 |
| 3 | Systems Security and Law Enforcement / Risk, Safety & Asset Management | 21-RSK-P02 Performance Audit of COVID Compliance | Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines. | 8/2021 |
| 4 | Operations | 21-SEC-P01 Rail Operations Continuity Of Operations Plan | Evaluate the adequacy of Rail Operations COOP and Standard Operating Procedures (SOPs) to support Rail Operations mission essential functions during emergencies. | 9/2021 |
| 5 | 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. | 10/2021 |
| 6 | Planning & Development | 21-PLN-P01 Micro Mobility Vehicles Program | Assess the progress made in achieving program goals and objectives, including assessing the consideration given to the Metro rapid equity assessment tool. | 10/2021 |
| 7 | Environmental Compliance and Sustainability | 21-CON-P02 Agreed Upon Procedures for Metro-Owned RINs | Verify that Metro's EPA reporting of RINs (renewable identification numbers) for renewable energy credits are complete and accurate for calendar year 2020. | 10/2021 |
| 8 | Risk, Safety & Asset Management | 21-RSK-P03 Transit Asset Inventory Records | Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records. | 10/2021 |

Appendix A

| Performance Audit - In Progress Audits as of June 30, 2021 | | | | |
|---|--|---|---|-------------------------------------|
| No. | Area | Audit Number & Title | Description | Estimated Date of Completion |
| 9 | Planning & Development | 21-PLN-P02 Real Estate Management System | Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System. | 11/2021 |
| 10 | 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 |
| 11 | Operations | 21-OPS-P02 Performance Audit of the Angel's Flight MOU | Evaluate the compliance of the third party operator with the MOA between Metro and the City of Los Angeles concerning the operation of the Angel's Flight railway in downtown Los Angeles. | Project is on Hold |

Appendix B

| Performance Audit - Audits Completed as of June 30, 2021 | | | | |
|--|---|--|--|--------------------|
| No. | Area | Audit Number & Title | Description | Date of Completion |
| 1 | Operations | 19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training | 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. | 7/2020 |
| 2 | Operations | 20-OPS-P03 Assessment of Wayside Systems Engineering Maintenance Training | 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. | 7/2020 |
| 3 | Vendor / Contract Management | 20-CEO-P01 Special Review of the CRRC MA Corporation (CRRC) Supply Chain | 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. | 7/2020 |
| 4 | Operations | 20-OPS-P04 Performance Audit of Contract Compliance for Parkwood Rights-of-Way 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 |
| 5 | Operations | Performance Audit of Internal Controls over Overtime Payments – AFSCME (Transit Security) | Evaluate adequacy of the internal controls over overtime payments for AFSCME union employees within Operations for selected positions. | 11/2020 |
| 6 | Human Capital & Development | 21-HCD-P01 Telecommuting Consulting Project | Compile information on best practices for this area, and verify selected information already collected by Metro that will inform policy decisions. | 11/2020 |
| 7 | Environmental Compliance and Sustainability | 21-CON-P01 Agreed Upon Procedures for Metro-Owned RINs | Verify that Metro's EPA reporting of RINs (renewable identification numbers) for renewable energy credits are complete and accurate for calendar years 2018 and 2019. | 12/2020 |
| 8 | Vendor / Contract Management | 21-VCM-P01 Business Interruption Fund (BIF) Pilot Program | Validate compliance with administrative guidelines and fund disbursement procedures. | 3/2021 |
| 9 | 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. | 4/2021 |

Appendix C

| Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2021 | | | | |
|--|------------------------|-------------------------------------|--|-----------------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 1 | Program Management | 18-CON-A14 - Agreed-Upon Procedures | HDR Engineering, Inc. | 8/2020 |
| 2 | Operations | 20-OPS-A01 - Agreed-Upon Procedures | CRRRC MA Corporation | 9/2020 |
| 3 | Program Management | 20-CON-A01 - Agreed-Upon Procedures | Skanska Traylor Shea | 9/2020 |
| 4 | Program Management | 20-CON-A11- Agreed-Upon Procedures | PMCS Group Inc. | 10/2020 |
| 5 | Planning & Development | 20-PLN-A07 - Closeout | City of Commerce | 10/2020 |
| 6 | Planning & Development | 19-PLN-A19 - Closeout | City of Santa Clarita | 10/2020 |
| 7 | Program Management | 20-CON-A12- Agreed-Upon Procedures | Paleo Solutions, Inc. | 11/2020 |
| 8 | Program Management | 20-CON-A13- Agreed-Upon Procedures | Zephyr UAS, Inc. | 12/2020 |
| 9 | Planning & Development | 20-PLN-A53 - Agreed-Upon Procedures | Bicycle Transit Systems, Inc. | 12/2020 |
| 10 | Program Management | 19-HWY-A01 - Closeout | I-5 Consortium Cities Joint Powers Authority | 3/2021 |
| 11 | Program Management | 18-CON-A22 - Agreed-Upon Procedures | HNTB Corporation | 3/2021 |
| 12 | Planning & Development | 18-HCD-A01 - Agreed-Upon Procedures | iNet Inc. (dba iParq) | 3/2021 |

Appendix C

| Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2021 | | | | |
|--|------------------------|-------------------------------------|--|-----------------------|
| No. | Area | Audit Number & Type | Auditee | Date Completed |
| 13 | Program Management | 20-CON-A10 - Agreed-Upon Procedures | Cornerstone Transportation Consulting, Inc. | 4/2021 |
| 14 | Planning & Development | 20-PLN-A10 - Closeout | City of Long Beach | 4/2021 |
| 15 | Program Management | 18-HWY-A06 - Closeout | City of Calabasas | 4/2021 |
| 16 | Planning & Development | 19-PLN-A12 - Closeout | County of Los Angeles Department of Public Works | 5/2021 |
| 17 | Planning & Development | 19-PLN-A16 - Closeout | City of Los Angeles | 5/2021 |
| 18 | Program Management | 20-CON-A14 - Agreed-Upon Procedures | Anil Verma Associates, Inc. | 5/2021 |
| 19 | Planning & Development | 20-PLN-A02 - Closeout | City of Palmdale | 5/2021 |
| 20 | Planning & Development | 20-PLN-A19 - Closeout | City of Pasadena | 6/2021 |
| 21 | Program Management | 21-HWY-A02 - Closeout | City of Paramount | 6/2021 |

Appendix D

| Transitional Indirect Cost Rate – Approved Firms as of June 30, 2021 | | |
|---|---------------------------------------|----------------------|
| No. | Firm | Approval Date |
| 1 | Summit Consulting & Engineering, Inc. | 7/30/2019 |
| 2 | Conaway | 8/18/2020 |
| 3 | OhanaVet | 8/18/2020 |
| 4 | Sunenram | 8/18/2020 |
| 5 | Vicus | 8/18/2020 |
| 6 | EcoTeal, Inc. | 4/22/2021 |
| 7 | Redwood Resources | 4/22/2021 |
| 8 | 3P Premier Program Partners | 4/22/2021 |
| 9 | Akima Consulting, LLC | 4/22/2021 |
| 10 | Loop Environmental | 4/22/2021 |
| 11 | Schweitzer | 4/22/2021 |
| 12 | Polytechnique | 4/22/2021 |
| 13 | Tim Reeve Consulting, Inc. | 4/22/2021 |
| 14 | Impact Sciences | 4/22/2021 |
| 15 | All About Waste | 4/22/2021 |
| 16 | Letini Design & Marketing | 4/22/2021 |

Appendix E

| Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|--------------------------------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 1 | 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., Standard Operating Procedures [SOPs]), include the essential content necessary to support the agency-wide program. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist V/CM. | 6/30/2020 | 12/31/2021 |
| 2 | 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, Continuity Management Group [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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist V/CM. | 10/30/2020 | 10/31/2021 |
| 3 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist V/CM. | 4/30/2020 | 9/30/2021 |
| 4 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist V/CM. | 7/31/2020 | 9/30/2021 |

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

Appendix E

| Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|--------------------------------------|---|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 5 | 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. Update: Metro is negotiating Essential Use designation with SCE, DWP & CPUC as a basis for utility emergency service agreements. | 3/31/2020 | 12/31/2021 |
| 6 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist V/CM. | 10/30/2020 | 12/31/2021 |
| 7 | 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 Line Instructor Premium (LIP) eligible hours from July 1, 2017 to date. Update: Operations' staff prepared two LIP retroactive pay calculations which have been verified; decision on minor 2017 pay correction is pending with Operations. | 12/31/2019 | 8/31/2021 |
| 8 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance. | 2/28/2021 | 1/31/2022 |
| 9 | 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". Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance. | 7/31/2020 | 1/31/2022 |

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

Appendix E

| Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|--------------------------------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 10 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance. | 7/31/2020 | 1/31/2022 |
| 11 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist Finance. | 7/31/2020 | 1/31/2022 |
| 12 | Operations | 19-OPS-P02 Performance Audit of the Rail Communications Systems | 8 Total | The recommendations included in this report address findings in Metro's Operational System. Update: As of December 2020, 4 of 12 recommendations were closed. | On-going | |
| 13 | Operations | 19-OPS-P03 Performance Audit of the SCADA Security Controls | 8 Total | The recommendations included in this report address findings in Metro's Operational System. Update: As of June 2021, 5 of 13 recommendations were closed. | On-going | |
| 14 | 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 Field Observation and Feedback (FOF) program. Update: A new mandatory FOF online training program has been set to release in November 2020 to train all supervisory personnel, including the proper fashion for completing a FOF, discussion items while conducting a FOF and requirements of the FOF Policy. FOFs are regularly discussed at LSC meetings and a FOF awareness campaign is currently being discussed with Operations. | 3/31/2020 | 12/31/2021 |
| 15 | 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. Update: TransitSafe's replacement software is in the process of being configured and implemented and will include FOF reporting functionality. Due to the pandemic, vendor staffing changes and historical data transition issues, the implementation has been delayed. | 7/31/2020 | 11/30/2021 |

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Appendix E

| Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|--------------------------------------|---|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 16 | 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 | |
| 17 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE. | 7/30/2020 | 1/31/2022 |
| 18 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE. | 7/30/2021 | 1/31/2022 |
| 19 | 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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE. | 7/30/2020 | 1/31/2022 |
| 20 | 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). Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE. | 7/31/2021 | 1/31/2022 |

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

Appendix E

| Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|------------|---|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 21 | 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 | |
| 22 | 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. Update: Completed but pending supporting documentation. | 2/28/2021 | 6/30/2021 |
| 23 | Operations | 20-OPS-P02 Follow -up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 1 | MAS recommends that Contract Services management establish a timeline and finalize the Contract Monitoring Plan. | 7/30/2022 | |
| 24 | Operations | 20-OPS-P02 Follow -up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 2 | MAS recommends that Contract Services management develop formal written policies and procedures that include a) a requirement that decisions requiring executive approval be documented and b) a requirement that all modifications of contractual terms be documented and executed by the Contract Administrator. | 12/31/2021 | |
| 25 | Operations | 20-OPS-P02 Follow -up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 3 | MAS recommends that Contract Services management formulate and establish a formal training program to support skills development in the monitoring of contractor's performance. | 12/31/2021 | |
| 26 | Operations | 20-OPS-P02 Follow -up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 4 | MAS recommends that Contract Services management continue to work with appropriate stakeholders to resolve the fareboxes issue and establish a timeline by when this will be completed. Once fareboxes are operational, the reconciliation process should be fully restored to include the triggering of a revenue compliance inspection for variances exceeding the threshold by above or below 2%. Update: The Fareless System Initiative has delayed the resolution of the fareboxes issue. | 4/30/2021 | 9/30/2021 |

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Appendix E

| Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|------------|---|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 27 | Operations | 20-OPS-P02 Follow -up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 5 | MAS recommends that Contract Services management implement a review process where deposit amounts on the Monthly Farebox Analysis are compared to the supporting bank statement. Update: The Fareless System Initiative has delayed the resolution of the fareboxes issue. | 5/31/2021 | 9/30/2021 |
| 28 | Operations | 20-OPS-P02 Follow -up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 6 | MAS recommends that Contract Services management ensure that follow-up procedures are performed for all findings cited in the Simulated California Highway Patrol (SCHP) inspection reports, especially for safety related exceptions, and document the follow-up reviews performed. | 5/31/2021 | 6/30/2021 |
| 29 | Operations | 20-OPS-P02 Follow -up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 7 | MAS recommends that Contract Services management work with the Quality Assurance (QA) team to determine the frequency of SCHP (QA) inspections needed to help ensure the level of safety and customer experience acceptable for bus operations. | 5/31/2021 | 6/30/2021 |

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

Appendix F

| OIG Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|-----------------------------|--|----------|--|--------------------------|--------------------------|
| 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 | 6 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 December 2020, 111 of 117 recommendations were closed. | Pending | |
| 2 | 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 | 7/1/2022 |
| 3 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 1 | Employ Oracle Talent Acquisition Cloud (OTAC), Metro's new Applicant Tracking System, to obtain and utilize talent analytics | 7/30/2021 | |
| 4 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 2 | Hold hiring process stakeholders accountable for faster decision making | 7/30/2021 | |
| 5 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 3 | Decrease post-testing communication time for the candidates | 7/30/2021 | |
| 6 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 4 | Select interview dates and interviewers prior to the Hiring Plan Meeting | 7/30/2021 | |
| 7 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 5 | Implement a digital workflow to autoroute forms and utilize electronic signatures and assign a back-up signatory | 7/30/2021 | |
| 8 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 6 | Implement digital interview note-taking, scoring, and uploading of candidate results | 7/30/2021 | |
| 9 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 7 | Improve communication between Talent Acquisition (TA) and Hiring Managers regarding changes in the hiring process | 7/30/2021 | |
| 10 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 8 | Encourage greater use of department interviews | 7/30/2021 | |
| 11 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 9 | Allow Qualified Candidate Pools (QCPs) with similar Minimum Qualifications (MQs) to be shared | 7/30/2021 | |
| 12 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 10 | Clarify decision-making roles and responsibilities throughout the entire hiring process | 7/30/2021 | |

Appendix F

| OIG Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|-----------------------------|--|----------|--|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 13 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 11 | Grant Hiring Managers greater decision-making authority in screening | 7/30/2021 | |
| 14 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 12 | Ensure full adoption of the OTAC system coupled with adoption of an effective change management process | 7/30/2021 | |
| 15 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 13 | Expand Hiring Managers' influence by allowing additional Minimum Qualifications to a position | 7/30/2021 | |
| 16 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 14 | Reevaluate the use of blind screening in 12 months | 7/30/2021 | |
| 17 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 15 | Transition Equal Employment Opportunity (EEO) role from active participant to advisor, auditor, and trainer | 7/30/2021 | |
| 18 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 16 | Utilize self-service portal for candidates to provide evidence of education and references | 7/30/2021 | |
| 19 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 17 | Provide stakeholders with the ability to receive live application status updates | 7/30/2021 | |
| 20 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 18 | Communicate to Metro employees why it lacks a promotion process | 7/30/2021 | |
| 21 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 19 | Ensure OTAC's application portal meets candidates' needs | 7/30/2021 | |
| 22 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 20 | Update auto-generated communications to applicants after application submission to improve hiring process expectations | 7/30/2021 | |
| 23 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 21 | Institute a combination of standardized and non-standardized interview questions | 7/30/2021 | |
| 24 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 22 | Update initial communication to candidates placed on QCP | 7/30/2021 | |
| 25 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 23 | Send periodic automated emails to candidates in QCP to keep them engaged and aware of opportunities for which they may be considered | 7/30/2021 | |
| 26 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 24 | Request complete employment history earlier in the process | 7/30/2021 | |
| 27 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 25 | Consider characteristics other than years of direct work experience when determining salary offers and when screening applications | 7/30/2021 | |

Appendix F

| OIG Open Audit Recommendations as of June 30, 2021 | | | | | | |
|--|-----------------------------|--|----------|---|--------------------------|--------------------------|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 28 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 26 | Reduce required memos and forms and expedite their completion | 7/30/2021 | |
| 29 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 27 | Consider increasing the 15% cap on raises for internal candidates | 7/30/2021 | |
| 30 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 28 | Decrease the job posting salary ranges | 7/30/2021 | |

Management Audit Services

Fourth Quarter Status Report and Cumulative Year-End Report

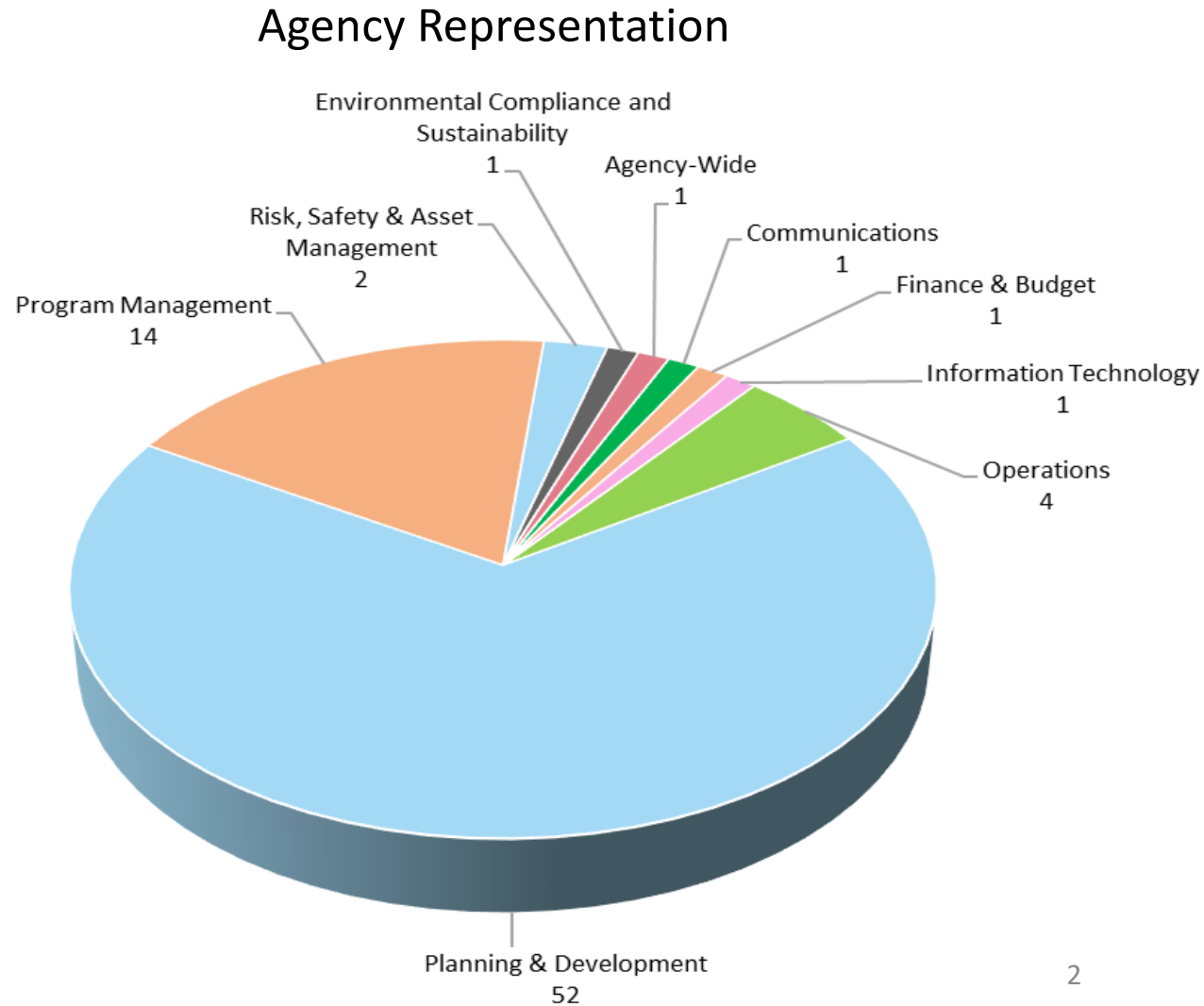
Finance, Budget & Audit Committee
September 15, 2021



MANAGEMENT
AUDIT SERVICES

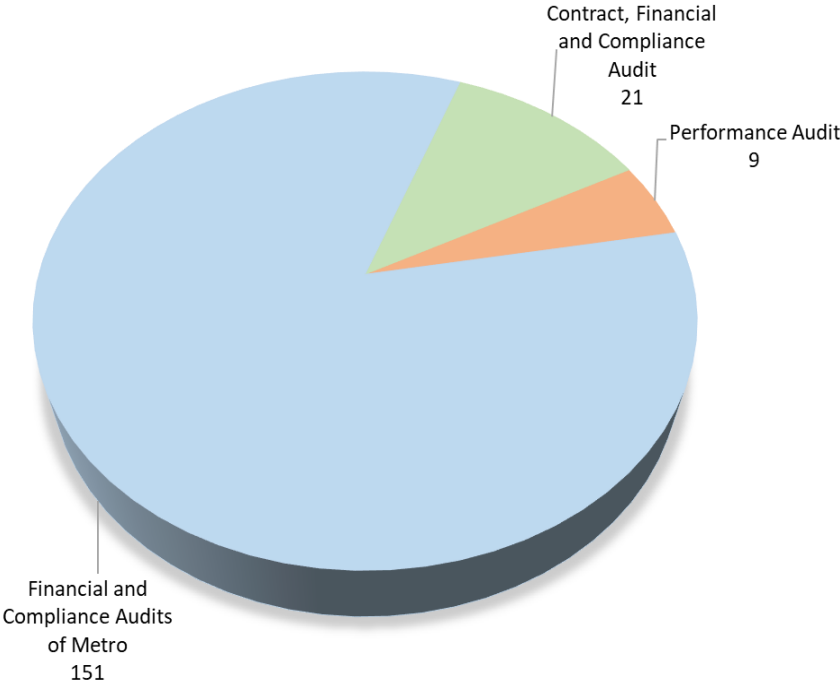
In Progress Audit Activity – Q4

- 11 Performance Audits
- 66 Contract, Financial and Compliance Audits

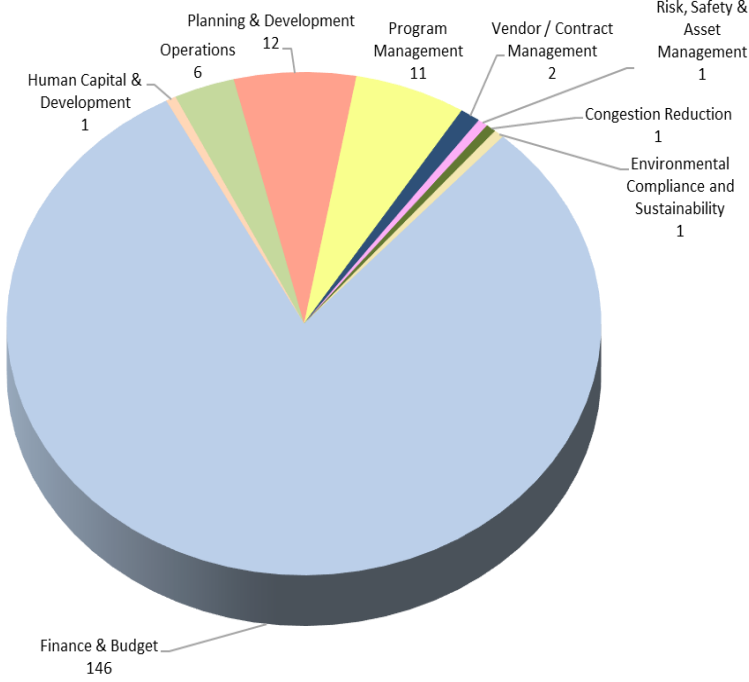


Summary Audit Activity – FYE21

Audit Activity: Functional Area



Audit Activity: Agency Area



Audit Services Highlights – FYE21

- Delivered financial audits that reviewed \$197 million of funding; and identified \$13.9 million (7%) for reprogramming
- Expanded Transitional Indirect Cost Rate Pilot Policy and Program
- Advanced initiatives for enhanced value-added audit services

Next Steps

- Delivery of Consolidated Audit Reports and Annual Comprehensive Financial Reports (FY 20)
- Focused efforts on MAS quality improvement and value-added audit services
- Ongoing implementation of performance and financial audits and reporting

Thank you