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

Metro

Board Report

File #: 2026-0758, **File Type:** Program **Agenda Number:** 13.

FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 19, 2026

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2027 FIRST QUARTER REPORT AND AUDIT CHARTER

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. RECEIVING AND FILING the Management Audit Services FY 2027 First Quarter Report (Attachment A); and

B. ADOPTING the Management Audit Services Audit Charter (Attachment B).

ISSUE

Management Audit Services (MAS) is required to provide a quarterly activity report to the Board that presents information on audits that have been completed or are in progress, including information related to audit follow-up activities. The FY 2027 first quarter report covers the period from July 1, 2026, to September 30, 2026.

In addition, audit standards require that MAS review the internal audit charter periodically, present it to executive management and obtain board approval. The internal audit charter is a formal document that defines MAS' purpose, authority, independence, and responsibility.

BACKGROUND

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

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other internal areas. Contract, Financial, and Compliance Audit is primarily responsible for external audits in Planning, Program Management, and Vendor/Contract Management. MAS' 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, quality assurance, financial management, including audit support, audit follow-up, and resolution tracking.

MAS follows two audit standards: Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). The Board last adopted the Audit Charter in May 2022.

DISCUSSION

FY27 First Quarter

The following summarizes MAS activity for FY 2027 first quarter:

Performance Audits: 2 audits were completed for the quarter, and 8 projects are in progress.

Contract, Financial and Compliance Audits: 9 audits with a total value of $27.6 million were completed. 87 audits are currently in progress.

Financial and Compliance Audits of Metro: 2 audits issued by external firms were completed for the quarter.

Audit Follow-up and Resolution: 13 recommendations were closed and 27 recommendations are open. For the Office of Inspector General, 4 recommendations were closed and 31 recommendations are open.

The FY 2027 First Quarter Report is included as Attachment A.

Audit Charter

Both sets of auditing standards followed by MAS were revised in 2024 and require in-aggregate implementation by year-end 2025, with formal evaluation of the system of quality management to be completed by December 2026. To align with the updated standards' language, MAS updated the Audit Charter's terminology and clarified oversight roles of the audit function. The updated Audit Charter is provided as Attachment B.

DETERMINATION OF SAFETY IMPACT

There are no known safety impacts or concerns from audit services conducted during this period.

FINANCIAL IMPACT

Adoption of the Management Audit Services Audit Charter would have no financial impact to the agency.

Impact to Budget

There are no known budget impacts or concerns from audit services conducted during this period.

EQUITY PLATFORM

Management Audit Services' quarterly audit activities provide an additional level of review and assessment to identify potential equity impacts from Metro's work and performance. For example, performance audits are selected with consideration of social, governance, environmental, and other relevant risks. In addition, audits of public-facing programs include discussions with program sponsors about how they incorporate equity into their program management. There are no known equity impacts or concerns from audit services conducted during this period.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides information on audits in support of Metro's various projects and programs. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2027 First Quarter Report and Audit Charter supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board could choose not to adopt the Audit Charter. This is not recommended, as Metro's Financial Stability Policy requires that MAS perform audits in compliance with applicable auditing

standards. By updating the Audit Charter, MAS ensures compliance with updated standards, whereas the previous Audit Charter would not.

NEXT STEPS

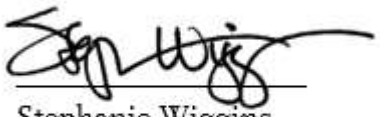
Management Audit Services will continue to report audit activity throughout the current fiscal year.

ATTACHMENTS

Attachment A - FY 2027 First Quarter Report
Attachment B - Management Audit Services Audit Charter

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Stephanie Wiggins
Chief Executive Officer

Quarterly Report to Metro Board of Directors

FY 2027 First Quarter Report



Metro

MANAGEMENT AUDIT SERVICES

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95 AUDIT PROJECTS IN PROGRESS



9 COMPLETED CONTRACT, FINANCIAL, AND COMPLIANCE AUDITS

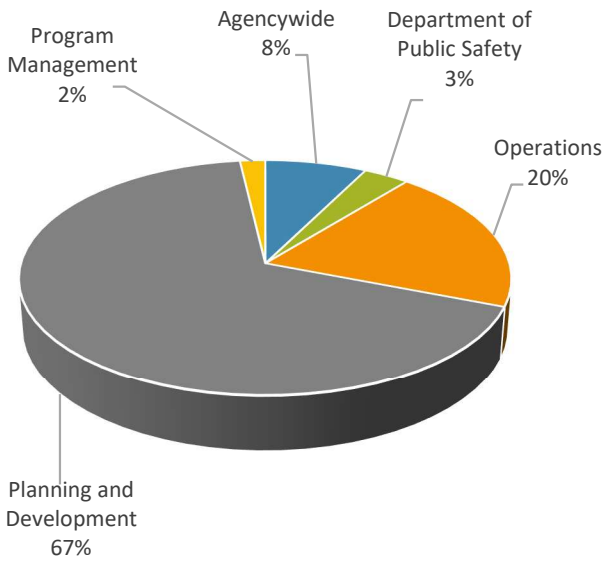


2 COMPLETED PERFORMANCE AUDITS



58 OPEN AUDIT RECOMMENDATIONS

Summary of Audit Activity by Department
Reporting Period
July 1, 2026 – September 30, 2026



Summary of In-Progress Audit Activity

Management Audit Services (MAS) has 95 in-progress projects as of September 30, 2026, which include 8 performance projects and 87 contract, financial and compliance audits. The in-progress performance projects are listed in Appendix A.

As of the reporting period, there are 27 open MAS audit recommendations and 31 open for the Office of the Inspector General (OIG).

Summary of First Quarter Completed Audit Activity

MAS completed 13 audit projects. The projects are comprised of 2 performance audits, 9 contract, financial and compliance audits, and 2 compliance audits of Metro issued by external firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The compliance audits issued are highlighted on page 6.

A summary of the open audit recommendations is included on page 7.

This section includes performance audits completed in accordance with Global Internal Audit Standards and Generally Accepted Government Auditing Standards, in addition to other types of projects performed by the Performance Audit team to support Metro. Other projects may include independent reviews, analyses, or assessments of select areas. All performance projects are intended to help support decision-making and promote organizational effectiveness.

Management of Metro Project Grant Funding

The objective of this audit was to assess the process for identifying, utilizing, monitoring and reporting on both anticipated and unanticipated (i.e., emergency-related) expense reimbursements and whether Metro is adequately allocating its resources to maximize funding identified and received. The review periods for the closed grants were fiscal years 2018 and 2025 and fiscal years 2024 and 2025 for the grant opportunities process.

For the review period, MAS concluded that grant lifecycle activities within the anticipated and unanticipated expense reimbursement process reveal potential for improvement. Areas for improvement include the need to formally adopt current procedures, maintain key documentation, and document certain processes that are performed. Enhanced reporting and establishing a system to track and monitor grants from the pre-award to closeout phases were also identified as potential areas for improvement, with a tracking/monitoring system for grants in the pre-award phase expected to be implemented before FY27. MAS provided management with 15 recommendations and will follow up to ensure implementation.

Project Management of Purple (D Line) Extension Project Section 1

The audit objective was to evaluate the adequacy of Metro's and the project management team's management and administrative controls over the Purple Line Extension Project Section 1 (PLE1) across multiple issues, including: budgeted vs. actual costs and schedule, risk assessment and risk mitigation, compliance with the Full Funding Grant Agreement (FFGA), and state of completion and planning for final-year processes prior to the start of revenue service operations. The scope covered a nine month period of the project delivery period from October 2023 through June 2024.

The audit found that Metro's processes were effective for the management of cost, schedule, risk assessment and mitigation, and for compliance with the FFGA, including adopting a Financial Plan for financing all PLE1 costs identifying the state, local, and private sources of funding and the value of funds available and committed to the project. There were inconsistencies identified in the reported planned funding values for the May 2024 Board Construction Committee Report and the February 2024 Monthly Project Status Report that resulted in approved funding less than may be required for full project completion. Additional observations addressed delays in the start of revenue service operations, risk management, incomplete critical work activities and open claims, lessons learned for close-out planning, and loss of key personnel and institutional knowledge. The audit produced 12 recommendations that were provided to management, and MAS will follow up to ensure implementation.

MAS staff completed 9 independent auditor reports on agreed-upon procedures for the following:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Santa Clarita - Sierra Highway Sidewalk Improvements	$633,309	$68,630
City of Industry - Confluence Project: Westbound Slip On-Ramp	$15,538,902	$1,941,971
City of Glendale - I-5/Western Avenue Access Program	$4,500,000	$0
City of Malibu - Pacific Coast Highway Raised Median and Channelization from John Tyler to Puerco Canyon Road	$2,450,464	$1,499,536
City of Bell - Florence Avenue Pedestrian Improvement Project	$2,946,412	$0
Gateway Cities Council of Governments - Imperial Highway Complete Street Study	$173,005	$160,000
City of Los Angeles – LANI-Santa Monica Boulevard Improvement	$1,330,545	$82,424
Reviewed and questioned costs were not identified for the following as these audits reviewed labor rates for pre-award or indirect cost rates and/or Local Employment Program Compliance.		
Link Union Station (LINK US)	N/A	N/A
Airport Metro Connector (AMC)	N/A	N/A
Total Amount	**$27,572,637**	**$3,752,561**

Contract, financial and compliance audits completed during the first quarter of FY 2027 are included in Appendix B.

The following highlights compliance audits of Metro completed by external firms:

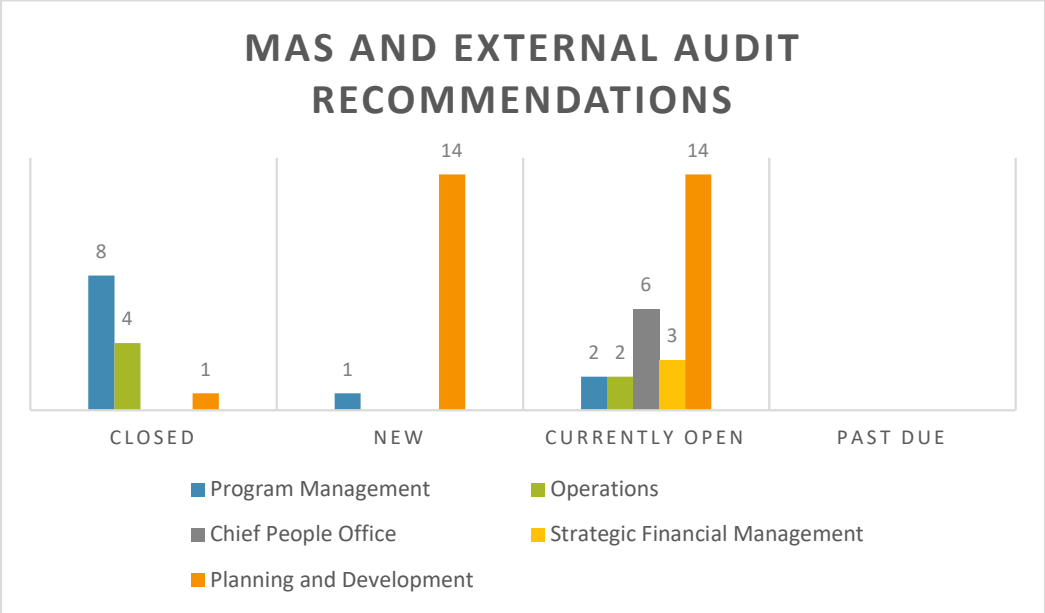
Low Carbon Fuel Standard (LCFS) Verification

MAS contracted EcoEngineers to provide LCFS verification services for the 2025 Quarterly Fuel Transactions report submitted to the California Air Resource Board (CARB). The objective was to assist Metro's Environmental Compliance and Sustainability Department by determining whether collected data and the prepared LCFS Quarterly Fuel Transactions Report are in conformance with regulatory requirements. The contractor noted that the submitted 2025 Quarterly Fuel Transactions Report was free of material misstatement and in conformance with regulatory requirements.

Agreed Upon Procedures for Metro-owned Renewable Identification Numbers (RINs)

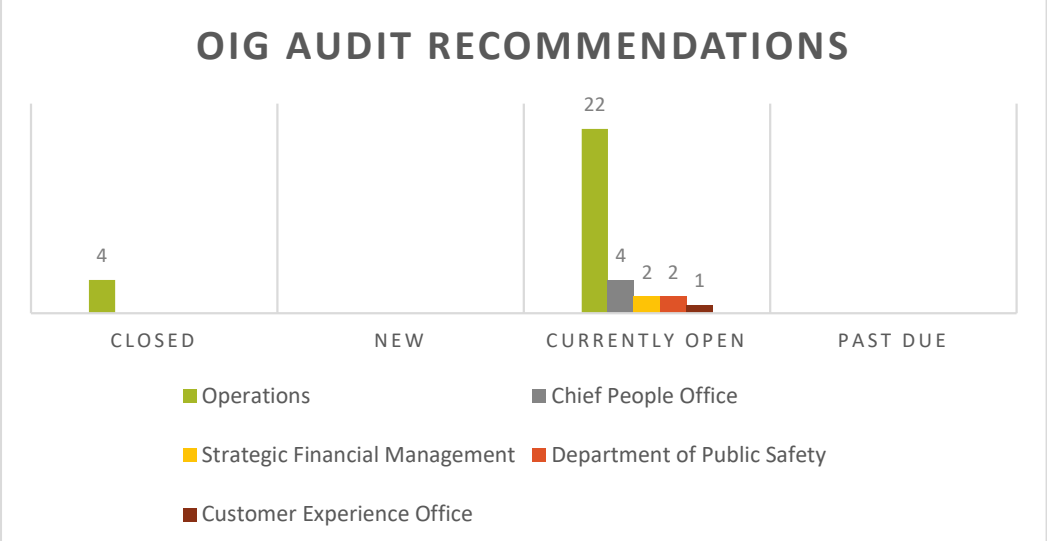
MAS contracted K-Coe Isom, LLP to complete agreed-upon procedures engagements of Metro-owned RINs. The objective was to assist Metro's Environmental Compliance and Sustainability Department by preparing reports following the procedures detailed in the Electronic Code of Federal Regulations to verify that Metro's Environmental Protection Agency (EPA) reporting of RINs for renewable energy credits is complete and accurate for calendar year 2025. The auditors noted one finding reviewing Metro's reports and records related to corporate and contractual affiliates and found that there were multiple contractual affiliates that were not reported to EPA. No other exceptions were noted for calendar year 2025.

The graphs below summarize the open audit recommendations as of September 30, 2026:



27 open recommendations

13 closed recommendations



31 open OIG recommendations

4 closed OIG recommendations

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

Appendix A

Performance Audit - In Progress Projects as of September 30, 2026				
No.	**Area**	**Project Number & Title**	**Description**	**Estimated Date of Completion**
1	Department of Public Safety	25-SEC-P02 - Safety Response to Reported Incidents	Evaluate whether existing policies and procedures are adequate to ensure timely decision-making and effective deployment of resources in response to safety-related service requests from employees and the public.	12/2026
2	Planning and Development	26-PLN-P01 - Measure M Subregional Program (MSP)	Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP is maximizing the program's capacity and adhering to project schedule(s).	12/2026
3	Department of Public Safety	24-SEC-P01 – Physical Security Monitoring Equipment	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	1/2027
4	Operations	26-OPS-P02 - Wayside Track Maintenance	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	1/2027
5	Operations	26-OPS-P01 - Non-revenue Vehicles	Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.	2/2027
6	Planning and Development	26-PLN-P02 - Real Estate Condition and Utilization	Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.	2/2027
7	Program Management	25-CON-P02 - Division 20 Portal Widening Turnback Facility	Evaluate Metro's project management processes for the Project to date, including managing and mitigating project risks.	7/2027
8	Operations	26-OPS-P03 - Bus Division Operations Efficiencies	Examine Metro's Bus Divisions' administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals.	7/2027

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2026				
No.	**Area**	**Audit Number & Type**	**Auditee**	**Date Completed**
1	Planning and Development	26-PLN-A02 - Grant	City of Santa Clarita	7/2026
2	Planning and Development	24-HWY-A04 - Grant	City of Industry	7/2026
3	Planning and Development	25-PLN-A31 - Grant	City of Glendale	7/2026
4	Program Management	25-CON-A09 - Contract	Rail Surveyors & Engineers, Inc.	7/2026
5	Planning and Development	26-HWY-A05 - Grant	City of Malibu	8/2026
6	Planning and Development	25-PLN-A12 - Grant	City of Bell	8/2026
7	Program Management	24-CON-A03(A) - Contract	D R Consultants & Designers, Inc.	8/2026
8	Planning and Development	25-PLN-A22 - Grant	Gateway Cities Council of Governments	9/2026
9	Planning and Development	27-PLN-A01 (B) - Grant	City of Los Angeles	9/2026

Appendix C

Open Audit Recommendations as of September 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
1-2	Operations	21-SEC-P01 - Performance Audit of Rail Operations' Continuity of Operations Plan	2 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
3-5	Strategical Financial Management	23-ITS-P01 - Performance Audit of Third-Party Risk Management - Outsourced Service Providers	3 Total	These recommendations address findings in Metro's Operational System and/or other security-sensitive programs.	Ongoing	
6	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1b	Perform monthly reconciliations of human resource/payroll deduction report to validate that payroll deductions align with carrier invoices.	10/31/2025	12/31/2026[1]
7	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1d	Implement monitoring of dependent eligibility and 'age-out' events.	9/30/2025	12/31/2026[1]
8	Chief People Office	24-BEN-P01 - Performance Audit of Employee Health Benefits	1e	Identify methods to automate the procedures in 1(b) and 1(c) above as part of the new payroll system implementation.	12/31/2025	12/31/2026[1]
9	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	2a	The Chief People Officer should direct Pension and Benefits management to develop detailed SOPs covering the employee pension contribution process, including report generation, review, and exception handling.	11/30/2025	12/31/2026[1]
10	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	7	The Chief People Officer should direct Pension and Benefits to evaluate the upcoming Oracle HCM Cloud Suite implementation to assess opportunities for automating the pension process, replacing manual workflows, scanning employee documents, improving change history, and ensuring enhanced integration across Human Resources, Payroll, and Pension and Benefits functions to improve accuracy and efficiency in pension management.	12/31/2025	12/31/2026[1]
11	Chief People Office	25-PEN-P01 - Performance Audit of Employee Pension Benefits	8	The Chief People Officer should direct Pension and Benefits and ITS Administration management to incorporate enhanced controls and validations into the upcoming Oracle HCM Cloud Suite system. These enhanced controls and validations should include mechanisms such as logical checks to prevent contradictory or missing pension codes from being assigned, particularly for ineligible job classes. Also, job status changes should automatically trigger reviews to ensure pension codes are updated promptly. Increased automation will help minimize manual data entry errors.	12/31/2025	12/31/2026[1]
12	Program Management	25-CON-P01 - Gold Line Extension Phase 2B	4.1	Metro should review the current project (GLE2B1) forecast and identify any cost savings and the impact of allocated funding sources.	9/30/2026	

[1] Extension is related to Oracle Human Capital Management (HCM) project, which is tentatively scheduled to go live in December 2026.

Appendix C

Open Audit Recommendations as of September 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
13	Planning/Strategic Financial Management/DPS	25-PLN-P01 - Management of Metro Project Grant Funding	1a	The Chief Planning Officer, Chief of Police & Emergency Management, and Chief Financial Officer should collaborate to ensure that GMO, EM, and Accounting work together to develop and incorporate comprehensive Metro Public Assistance Recovery Guidance into the General Management Emergency Preparedness (GEN 10) policy or other suitable policy. The guidance should be disseminated to all key departments responsible for emergency response and documentation, clearly define roles, responsibilities, and standardized procedures, along with other elements necessary to secure reimbursement related to emergency events.	2/28/2027	
14	Planning/Strategic Financial Management/DPS	25-PLN-P01 - Management of Metro Project Grant Funding	1b	The Chief Planning Officer, Chief of Police & Emergency Management, and Chief Financial Officer should collaborate to ensure that GMO, EM, and Accounting work together to perform a cost-benefit analysis assessment of the reimbursement potential vs the administration effort necessary to capture costs. Determine if implementing a Work Breakdown Structure (WBS) is beneficial.	2/28/2027	
15	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	2	The Chief Planning Officer, through the Senior Executive Officer of Financial Planning, Programming and Grants, should adopt a cost-effectiveness methodology for pursuing FEMA reimbursements to ensure potential funding benefits justify staff and administrative costs. GMO should seek the input of EM and Accounting as needed in establishing the threshold.	2/28/2027	
16	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	4	The Chief Planning Officer, through the Senior Executive Officer of Financial Planning, Programming and Grants, should instruct FSPP to conduct and document periodic analysis for lessons learned/knowledge gained for future grant opportunities.	12/31/2026	
17	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	5	The Chief Planning Officer, through the Senior Executive Officer of Financial Planning, Programming and Grants, should instruct FSPP to identify a centralized location to maintain all decisions and review decisions as necessary.	2/28/2027	
18	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	6	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should ensure that GMO and FSPP do the following: As part of the upcoming PAGAS implementation, FSPP should finalize and adopt planning procedures, policy, and guidelines that align with the current pre-award structure.	10/31/2026	
19	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	7	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should ensure that GMO and FSPP do the following:Require adherence to the Manual where appropriate and provide training on procedural and record-keeping standards.	2/28/2027	

Appendix C

Open Audit Recommendations as of September 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
20	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	8	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should ensure that GMO and FSPP do the following: Require that all records show review and approval, including the Grant Line Detail Pre-Billing Worksheet, be properly retained within a repository folder (i.e. system, network).	2/28/2027	
21	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	9	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should ensure that GMO and FSPP do the following:Move forward with the revisions to the Manual and establish a timetable for formal adoption.	6/30/2028	
22	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	10	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should ensure that GMO and FSPP do the following: Create awareness through training on the revised Manual.	6/30/2028	
23	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	11	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should ensure that GMO and FSPP do the following: Incorporate preparation and distribution of Inter-Office Close-Out Memos as a required step.	2/28/2027	
24	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	12	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should ensure that GMO and FSPP do the following: Require all records include evidence of review and approval, including Inter-Office Close-Out Memos be properly retained within a repository folder (i.e. system, network).	2/28/2027	
25	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	13a	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should direct GMO to do the following: Optimize the usage of the GMS to manage the grant lifecycle from pre-award to closeout. This should include establishing a more complete set of data for each grant to include, at a minimum: a. Adding a key identifier, Open/Closed Dates, Grant Manager Name, Grant Type (e.g., Formula, Discretionary), and other key data necessary for a full set of grant data.	2/28/2027	
26	Planning and Development	25-PLN-P01 - Management of Metro Project Grant Funding	13b	The Chief Planning Officer through the Senior Executive Officer of Financial Planning, Programming and Grants should direct GMO to do the following: Optimize the usage of the GMS to manage the grant lifecycle from pre-award to closeout.	6/30/2028	
27	Program Management	24-CON-P01 - Project Management of Purple (D Line) Extension Project Section 1	2.1	We recommend Metro's Program Management and other Metro Departments: (i) Formulate a structured, lessons-learned process after project completion with an appropriate procedure, mechanism to solicit input, record keeping, analysis, and integration into design, construction and revenue service planning. (ii) Metro should evaluate whether it would be more efficient to have a single department coordinate this effort or whether it would be more efficient to have individual departments prepare and maintain their lessons learned, and (iii) Metro should consult County Counsel on how best to prepare and maintain documents associated with this process.	1/31/2025	12/31/2027

Appendix D

Open OIG Audit Recommendations as of September 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
1	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	16	Continue to test and determine the effectiveness of the independent solar panel lights on top of the signposts. Consider expanding use of the solar lights if the cost and benefits of these lights prove to be a good solution.	6/30/2025	10/31/2026
2	Operations	25-AUD-05 - Review of Metro Bus Stops Cleanliness and Safety	20	Monitor the effectiveness of the Bus Lane Enforcement (BLE) program in keeping Metro bus lanes clear from parked vehicles across the system to improve transit safety and reliability.	6/30/2027	
3	Chief People Office	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	1	When providing training for staff, ensure that there are no cost-free in-house programs or external programs that Metro partners with who provides similar highly qualified training at a substantially lower cost that still meet the quality and expertise level, before purchasing these services outside of Metro.	3/31/2026	9/30/2026
4	Chief People Office / Vendor/Contract Management	25-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses	4	Consider creating an executive leadership professional services bench to help ensure that Metro supports the professional development of its senior level executives in a fiscally responsible manner.	3/31/2026	9/30/2026
5	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	13	Consider installing clear signage stating that the emergency call box is for emergency use only, and misuse is subject to penalties.	9/30/2025	9/30/2026
6	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	16	Once the prototypes of the Call Point Blue Light Project are installed, evaluate their effectiveness and conduct a comprehensive cost-benefit analysis based on the knowledge gained from the Call Point Blue Light Project.	6/30/2026	10/31/2026
7	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	17	Conduct a comprehensive evaluation of the existing camera infrastructure to identify performance gaps and limitations.	12/31/2026	
8	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	18	Ensure any new system being considered meets Metro's needs as an upgrade to high resolution, reliable camera systems with enhanced capabilities such as pan, tilt, and zoom (PTZ) functionality for improved coverage and flexibility, and will replace obsolete call boxes and legacy cameras with a unified system that offers superior image quality and remote monitoring capabilities.	12/31/2027	
9	Operations	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	19	Consider integrating Artificial Intelligence and automation in any future camera systems deployed in Metro Rail Stations.	12/31/2028	
10	Department of Public Safety	26-AUD-01 - Review of Metro Call Boxes in Rail Stations and Major Bus Terminals	21	Expand surveillance coverage by installing functional cameras in previously unmonitored areas, such as the Willow Station patron and employee parking lot.	12/31/2028	
11	Department of Public Safety	25-AUD-06 - Supplemental Billings Review FY24	6	Metro should enforce the contract requiring LAPD to submit annually the List of Maximum Fully Burdened Hourly Rates and all the required supporting documentation ninety (90) days prior to the start of each fiscal year, and any changes to the CAP rates during the fiscal year. Metro should also review the billing rates for all invoices not reviewed by BCA for FY2024 to determine the extent of overbillings for FY 2024.	Pending Review	
12	Strategic Financial Management	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	1	Consider enhancing the parking payment system by enabling customers to pay for parking directly using their TAP card, with the parking fee automatically deducted from the card balance.	4/30/2028	

Appendix D

Open OIG Audit Recommendations as of September 30, 2026						
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
13	Strategic Financial Management	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	2	Implement an "Open Pay" option for parking lot fees where patrons may simply use a bank card to complete the parking fee transaction.	4/30/2028	
14	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	5	Increase the frequency of signage inspections beyond quarterly audits, particularly at high-traffic stations and during special event periods, particularly for the Lots serving the 2026 World Cup.	6/30/2026	7/31/2026
15	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	6	Develop and implement standard operating procedures for the timely repair, cleaning, or replacement of damaged, defaced, or improperly installed signage. Define response timelines based on severity and high-traffic parking facilities, particularly for the Lots serving the 2026 World Cup.	6/30/2026	7/31/2026
16	Operations	26-AUD-07 - Review of Metro's Payment System and Signage at Parking Lots for the 2026 FIFA World Cup	8	Provide training to facility staff on accessibility standards and the importance of maintaining compliant spaces.	8/31/2026	
17	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	1A	Enhance integration between incident reporting and TAGRS.	9/30/2026	
18	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	3A	Strengthen end-to-end incident-to-work-order integration and closure documentation by requiring work order references (or other documented rationale).	11/30/2026	
19	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	3B	Improve documentation of incident work orders to ensure accountability between FM and the responsible department assigned to make incident repairs. Establish an incident report showing the response and closure with measurable timelines to repair depending on the incident category.	11/30/2026	
20	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	3C	Strengthen data input standard that allows the real time measurement of incident time between opening and closing.	11/30/2026	
21	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4A	Standardize incident coding and description requirements (i.e., minimum data fields and definitions by incident types and utilizing the "Notes" section for additional commentary).	11/30/2026	
22	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4B	Require meaningful closure notes and evidence (what was done, by whom, date completed, and reference work order/task order, where applicable).	5/31/2026	9/30/2026
23	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4C	Implement supervisory quality assurance for incident entry and closure, including periodic data audits and exception reporting for vague descriptions, missing notes, or closure codes without documentation.	7/31/2026	9/30/2026
24	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	4D	Provide targeted training to employees to improve consistency across EAMS' users and departments.	11/30/2026	
25	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	5A	Leverage peer practices to strengthen incident management by moving toward a more integrated asset management platform (similar to NYCT's EAMS) with supervisor validation of entries.	11/30/2026	
26	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	8A	Strengthen field-to-system reporting by requiring all incidents identified during inspection to be promptly entered into reporting system, with periodic reconciliation between inspection logs and the incident List.	11/30/2026	
27	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	8B	Develop targeted action plans with emphasis on elevator/escalator reliability, cleanliness, and safety-critical items.	12/31/2026	
28	Operations	26-AUD-05 - Review of Metro Rail Station Repairs	8C	Enhance strategies to address recurring issues such as odors, vandalism/etching, and damaged finishes by increasing cleaning frequency, deploying deterrents, and using more durable/protective materials.	12/31/2026	

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Open OIG Audit Recommendations as of September 30, 2026						
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29	Customer Experience Office	26-AUD-05 - Review of Metro Rail Station Repairs	9C	Metro should adopt a coordinated, multi-pronged approach to identifying, resolving, and communicating rail station repairs, including: Communicate status and closure of these items back to reporting parties through CCATS, social media channels and the Transit Watch (Everbridge) application to enhance transparency and customer confidence.	Pending Review	
30	Chief People Office	26-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses July 1, 2025 to September 30, 2025	1	We recommend the Chief People Office include a statement in the Metro Business Travel Guidelines (GEN 65) which states that mandatory fees associated with lodging e.g. resort fees are reimbursable miscellaneous travel expenses and are not included in the lodging dollar limit that can be claimed for lodging.	7/31/2026	
31	Chief People Office	26-AUD-08 - Statutorily Mandated Audit of Miscellaneous Expenses July 1, 2025 to September 30, 2025	2	We recommend the Chief People Office instruct employees to be familiar with Metro's Business Travel Guidelines and submit a justification memo for lodging expenses when they exceed the allowable GSA rates.	7/31/2026	

Management Audit Services
Audit Charter

I. INTRODUCTION

Los Angeles County Metropolitan Transportation Authority (LACMTA) maintains an active audit function within the administration of LACMTA's Office of the Chief Executive Officer (OCEO), reporting the results of its audit work to LACMTA's Board of Directors. The Chief Audit Executive (CAE)[1] is responsible for effectively leading all aspects of the internal audit function, Management Audit Services (MAS), in accordance with audit standards. This Audit Charter defines the mission, scope, commitment to quality, authority and accountability, independence, and responsibility of LACMTA's Management Audit Services (MAS), the OCEO, the Board, and LACMTA management.

MAS assists LACMTA in accomplishing its objectives by understanding LACMTA's initiatives, short- and long-term strategies, and vision, and by bringing a systematic, disciplined, and risk-based approach to evaluating and recommending improvements to the effectiveness of risk management, internal controls, and governance processes. MAS also provides support to ensure that third parties receiving funding from LACMTA through contractual arrangements have properly accounted for the use of funds and complied with all applicable requirements.

II. MISSION

MAS provides independent and objective audit, attestation, and consulting services designed to add value and improve LACMTA's operations.

III. SCOPE

The scope of work performed by MAS includes the examination and evaluation of the adequacy and effectiveness of LACMTA's network of risk management, internal controls, and governance. This includes audits of internal LACMTA operations as well as audits of third parties under a contractual arrangement with LACMTA. The work performed by MAS is intended to provide support to ensure:

- Risks are appropriately identified and managed;
- Financial, managerial, and operating information is evaluated, accurate, reliable and timely;
- Resources are acquired economically, used efficiently, and adequately protected;

[1] For the purposes of this Charter, references to the Chief Audit Executive, as defined in the Global Internal Audit Standards, correspond to the Deputy Chief Auditor job title.

- Program results are consistent with established goals and objectives, and operations or programs are being carried out as planned;
- Legislative or regulatory issues impacting LACMTA are recognized, addressed appropriately and interaction with governance groups occurs;
- Employee actions comply with policies, standards, procedures and applicable laws and regulations;
- Consulting services related to governance, risk management and control are appropriate for the organization;
- Opportunities for improving internal controls, streamlining processes, and improving public perception identified during audits are communicated to the Board and the appropriate level of management; and
- Interactions and arrangements with third parties, including contractors and recipients of grant funds, comply with policies, standards, procedures, and applicable laws and regulations.

IV. COMMITMENT TO QUALITY

MAS will maintain quality control procedures and a quality management system that covers all aspects of MAS' activity. MAS will deliver upon the commitment to quality through focused activities such as: ensuring a quality assurance improvement program, conducting annual internal assessments, and ensuring external assessments are conducted at least every three years. The CAE will provide consistent and timely communications to the CEO, and/or the CEO's Executive Designees, the Board, and LACMTA management.

MAS adheres to the following professional standards and codes:

- Government Auditing Standards promulgated by the Comptroller General of the United States;
- Global Internal Audit Standards of the Institute of Internal Auditors;
- Information Systems Auditing Standards promulgated by the Information Systems Audit and Control Association;
- Standards promulgated by the American Institute of Certified Public Accountants and their Code of Professional Conduct; and
- LACMTA's Employee Code of Conduct and Administrative Code.

V. AUTHORITY AND ACCOUNTABILITY

MAS performs audit engagements, attestation engagements, and non-audit services for departments, programs, functions, systems, contracts, grant recipients, and other activities based on the approved annual audit plan, or specific

requests that are received from the CEO, and/or the CEO's Executive Designee, the Board, management, or as identified by the CAE.

MAS, with strict accountability for confidentiality and safeguarding of records and information, has staff sign Confidentiality Statements annually. Documents provided will be handled in the same prudent manner as by those employees normally accountable for them. MAS is authorized to:

- Maintain full, free and unrestricted access to any and all information, functions, operations, systems, properties, personnel and other relevant materials necessary to accomplish its work. All employees are requested to assist fully in making available material or information requested by MAS or any external auditors contracted to perform on behalf of MAS.
- Access to contracted third parties will be handled in accordance with contractual terms;
- Maintain full and free access and reporting responsibilities through LACMTA's Finance, Budget and Audit Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in functions where audit engagements, services or activities are being performed, as well as other specialized services from external consultants.

In the discharge of duties and in accordance with Metro's Financial Stability Policy, MAS is accountable to LACMTA's CEO and Board, to:

- Provide adequate audit coverage to the areas set forth under the mission and scope of work sections of this Audit Charter;
- Report significant issues related to the processes for managing risk and governance practices of the organization, including potential improvements to those processes, and provide information concerning such issues through resolution;
- Provide periodic information on the status and results of the annual audit plan, including sufficiency of department resources, as well as factors that prevent the coverage of a risk as identified through the annual agency-wide risk assessment and included in the annual audit plan or related to a special request.
- Establish a follow-up process to track and monitor the effective implementation of management actions related to findings, recommendations, and/or issues.

VI. INDEPENDENCE

MAS is independent of LACMTA's operations and activities. Specifically, staff may not review areas for which they were responsible for the design or operation. Auditors are responsible for maintaining independence and integrity in all services provided.

All MAS activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The CAE shall report any impairment to independence, or restriction or limitation to audit selection, scope, procedures, frequency, timing, or report content promptly to the OCEO and the Board.

As a means of ensuring independence, the CAE will report administratively to the OCEO and maintain a functional reporting relationship to the Board. This structure permits the rendering of impartial and unbiased judgment essential to the proper conduct of audits.

MAS is not authorized to perform any operational duties for LACMTA, which shall include:

- Implementing internal controls;
- Developing policies or procedures on behalf of management;
- Installing systems;
- Preparing records that are the responsibility of management; and
- Engaging in any other activity that may impair internal auditor's objectivity and/or independence of judgment.

VII. RESPONSIBILITIES

A. Management Audit Services is responsible for:

- Preparing or updating the agency-wide risk assessment annually and incorporating the results into the annual audit plan;
- Developing and executing a flexible risk-based annual audit plan which considers LACMTA's objectives and strategies, including any risks or internal control concerns identified by management; and submitting that plan to the OCEO and the Board for review and approval;
- Implementing the annual audit plan, as approved, including, as appropriate, any special projects requested by the CEO, and/or CEO's Executive Designee, the Board, and management;

- Reporting significant audit findings to the CEO, and/or CEO's Executive Designee, the Board, and management;
- Providing management with adequate time to respond to audit findings and including management's response in the final reports;
- Presenting quarterly reports to the OCEO and the Board that summarize the results of audit activities, highlight Audit Plan progress, include any adjustments made to the Audit Plan, and recommend changes to the Audit Plan based on new information or special requests;
- Keeping the OCEO and LACMTA's Finance, Budget and Audit Committee informed of emerging risks and issues and recommending audits to provide relevant, timely information about these areas to support oversight and decision making;
- Maintaining a professional audit staff with sufficient knowledge, competencies, skills, experience, and professional certifications to meet the requirements of this Audit Charter;
- Conducting objective and constructive audits and attestations;
- Providing advisory or non-audit services, as long as the services do not impair MAS' independence and fall within the scope outlined in the Audit Charter;
- Exercising due professional care in all our work products;
- Acting in a professional manner at all times;
- Coordinating external audits of LACMTA;
- Considering external auditors and regulators' scopes of work, as appropriate, for the purpose of providing optimal audit coverage at a reasonable overall cost;
- Referring suspected fraud, waste, or abuse promptly to the Office of the Inspector General; and
- Establishing a quality management program.

B. Management is responsible for:

- Maintaining an effective system of internal controls, documenting policies and procedures, and ensuring information is accurate and reliable;
- Complying with policies and procedures;
- Cooperating fully with auditors during the discharge of their duties, including replying promptly to requests and recommendations; making themselves available for meetings and discussions related to audit matters; and
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C. The OCEO is responsible for:

- Overseeing the administrative functions:

- Timekeeping and time approval, including leave requests of the CAE;
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The Audit Charter may be modified by a written document executed by all of the participating parties. This Audit Charter will be effective upon execution and will remain in effect indefinitely until it is modified.

IN WITNESS WHEREOF, the parties hereto have caused this Audit Charter to be executed by their proper officers thereunto duly authorized, and their official seals to be affixed as of December __, 2026.

Los Angeles County Metropolitan Transportation Authority

Board of Directors

By:

_____
Stephanie Wiggins
Chief Executive Officer

By:

_____
Board Clerk

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- ~~ensuring resources are sufficient and competent through actions such as staff augmentation and outsourcing; and~~

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Los Angeles County Metropolitan Transportation Authority

Board of Directors

By:

_____
Stephanie ~~N.~~ Wiggins
Chief Executive Officer

By:

_____
Board Clerk

MANAGEMENT AUDIT SERVICES

FY 2027 First Quarter Report



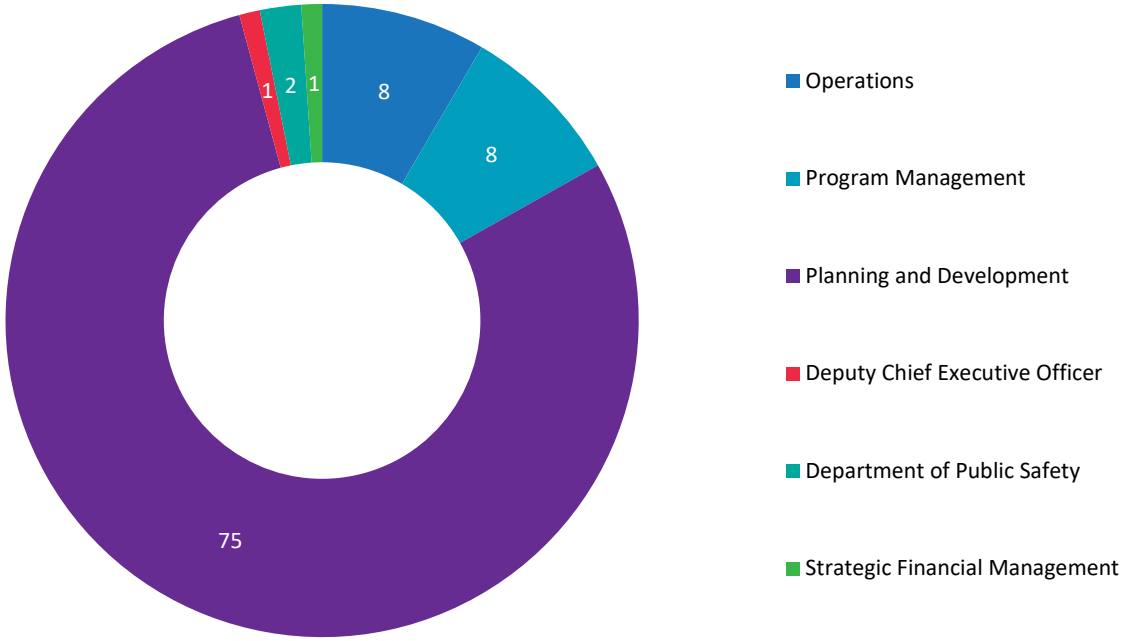
Finance, Budget and Audit Committee
November 19, 2026

Kimberly Houston, Deputy Chief Auditor
Lauren Choi, Sr. Director, Audit
Yvette Suarez, Sr. Manager, Audit

Metro

In Progress: MAS Audit Activity by Area

Agency Representation



8 Performance audits in progress

87 Contract, Financial, and Compliance Audits in progress

Metro

In Progress: Performance Audits

No.	Project Title	Area	Description	Estimated Date of Completion
1	Safety Response to Reported Incidents	Department of Public Safety	Evaluate whether existing policies and procedures are adequate to ensure timely decision-making and effective deployment of resources in response to safety-related service requests from employees and the public.	**FY27 Q2**
2	Measure M Subregional Program (MSP)	Planning and Development	Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP is maximizing the program's capacity and adhering to project schedule(s).	**FY27 Q2**
3	Physical Security Monitoring Equipment	Department of Public Safety	Assess the adequacy of policies and procedures regarding video monitoring equipment at the agency.	**FY27 Q3**
4	Wayside Track Maintenance	Operations	Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.	**FY27 Q3**
5	Non-revenue Vehicles	Operations	Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.	**FY27 Q3**
6	Real Estate Condition and Utilization	Planning and Development	Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.	**FY27 Q3**
7	Division 20 Portal Widening Turnback Facility	Program Management	Evaluate Metro's project management processes for the Project to date, including managing and mitigating project risks.	**FY28 Q1**
8	Bus Division Operations Efficiencies	Operations	Examine Metro's Bus Divisions' administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals.	**FY28 Q1**

Completed: Management of Metro Project Grant Funding

Objective

The objective of this audit was to assess the process for identifying, utilizing, monitoring and reporting on both anticipated and unanticipated (i.e., emergency-related) expense reimbursements and whether Metro is adequately allocating its resources to maximize funding identified and received. The review periods for the closed grants were fiscal years 2018 and 2025 and fiscal years 2024 and 2025 for the grant opportunities process.

Audit Results

For the review period, MAS concluded that grant lifecycle activities within the anticipated and unanticipated expense reimbursement process reveal potential for improvement. Areas for improvement include the need to formally adopt current procedures, maintain key documentation, and document certain processes that are performed. Enhanced reporting and establishing a system to track and monitor grants from the pre-award to closeout phases were also identified as potential areas for improvement, with a tracking/monitoring system for grants in the pre-award phase expected to be implemented before FY27. MAS provided management with 15 recommendations and will follow up to ensure implementation.

Metro

Completed: Project Management of Purple (D Line) Extension Project Section 1

Objective

The audit objective was to evaluate the adequacy of Metro's and the project management team's management and administrative controls over the Purple Line Extension Project Section 1 (PLE1) across multiple issues, including: budgeted vs. actual costs and schedule, risk assessment and risk mitigation, compliance with the Full Funding Grant Agreement (FFGA), and state of completion and planning for final-year processes prior to the start of revenue service operations. The scope covered a nine month period of the project delivery period from October 2023 through June 2024.

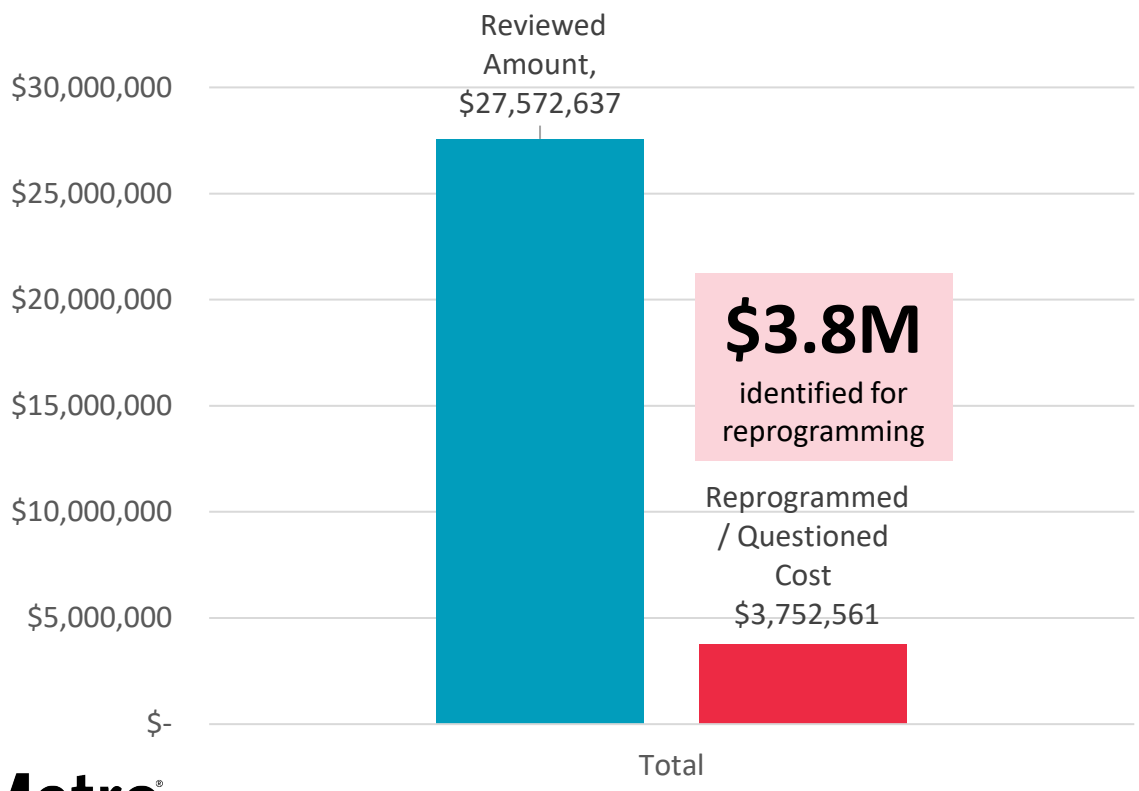
Audit Results

The audit found that Metro's processes were effective for the management of cost, schedule, risk assessment and mitigation, and for compliance with the FFGA, including adopting a Financial Plan for financing all PLE1 costs identifying the state, local, and private sources of funding and the value of funds available and committed to the project. There were inconsistencies identified in the reported planned funding values for the May 2024 Board Construction Committee Report and the February 2024 Monthly Project Status Report that resulted in approved funding less than may be required for full project completion. Additional observations addressed delays in the start of revenue service operations, risk management, incomplete critical work activities and open claims, lessons learned for close-out planning, and loss of key personnel and institutional knowledge. The audit produced 12 recommendations that were provided to management, and MAS will follow up to ensure implementation.

Metro

Completed: Contract, Financial & Compliance Audits

$27.6M
of funding reviewed



$3.8M
identified for reprogramming

Reprogrammed / Questioned Cost $3,752,561

9 audit reports issued in Q1

Metro

Thank you!

Metro