

**Board Report**

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**FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 18, 2016****SUBJECT: MANAGEMENT AUDIT SERVICES FY 2016 THIRD QUARTER REPORT****ACTION: RECEIVE AND FILE****RECOMMENDATION**RECEIVE AND FILE the **third quarter report of Management Audit Services for the period ending March 31, 2016.****ISSUE**

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

DISCUSSION

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

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

The summary of Management Audit activity for the quarter ending March 31, 2016 is as follows:

Internal Audits: 3 internal audits were completed; 17 internal audits were in process.

External Audits: 26 contract pre-award audits with a total value of \$245 million and 6 incurred cost audits with a total value of \$95 million were completed; 6 contract audits, 45 incurred cost audits were in process.

Audit Follow-up and Resolution: 16 recommendations were closed during the third quarter. At the end of the quarter,

there were 68 open audit recommendations. Details of all open, extended, and closed recommendations can be found in the Third Quarter Board Box titled "Status of Audit Recommendations".

Management Audit's FY 2016 third quarter report is included as Attachment A.

NEXT STEPS


Management Audit will provide the FY 2016 year-end summary of audit activity to the Board at the September 2016 Finance, Budget and Audit Committee meeting.

ATTACHMENT

A. Management Audit Services Quarterly Report to the Board for the period ending March 31, 2016

Prepared by: Monica Del Toro, Audit Support
(213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor
(213) 922-2161



Phillip A. Washington
Chief Executive Officer

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

**Los Angeles County Metropolitan
Transportation Authority**

***Third Quarter
FY 2016***



Metro™

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EXECUTIVE SUMMARY

Summary of Audit Activity

During the third quarter of FY 2016, 35 projects were completed. These include:

Internal Audits

- Performance Audit of Request for Proposal Processes.
- Performance Audit of Operations Key Performance Indicators.
- Performance Audit of the Cost Estimating Process.

Pre-Award Audits

- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for the 1st/Central Station Improvement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Transit Access Pass Ticket Vending Machine Installation;
- 2 Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for Metro ExpressLanes Solicitation Development Services;
- 2 Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for Construction Management Support Services for Soundwall No. 11;
- 2 Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for the Southern California Regional Interconnector Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for the Regional Connector Transit Corridor Project Change Order 003;
- 9 Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for Technical Consulting Services for Heavy Rail Vehicle;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Plans, Specification & Estimates for I-5 North Managed Lanes;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Project Approval and Environmental Document for the I-605/SR-91;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for the Rail to Rail Active Transportation Project Environmental and Design; and
- 5 Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for Elevator / Escalator Maintenance.

Incurred Cost Audits

- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Los Angeles' Westwood/West Los Angeles Adaptive Traffic Control System Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of County of Los Angeles' South Bay Signal Synchronization & Bus Improvement Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Montebello's Beverly Boulevard Widening Phase III Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Interim Review of Caltrans' SR-60 HOV Lanes and Soundwalls from I-605 to Brea Canyon Road Project;

EXECUTIVE SUMMARY

Summary of Audit Activity

- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Agoura Hill's U.S. 101 / Reyes Adobe Road Interchange Improvement Project; and
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Westlake Village's Route 101 Lindero Canyon Road Interchange Improvements Project.

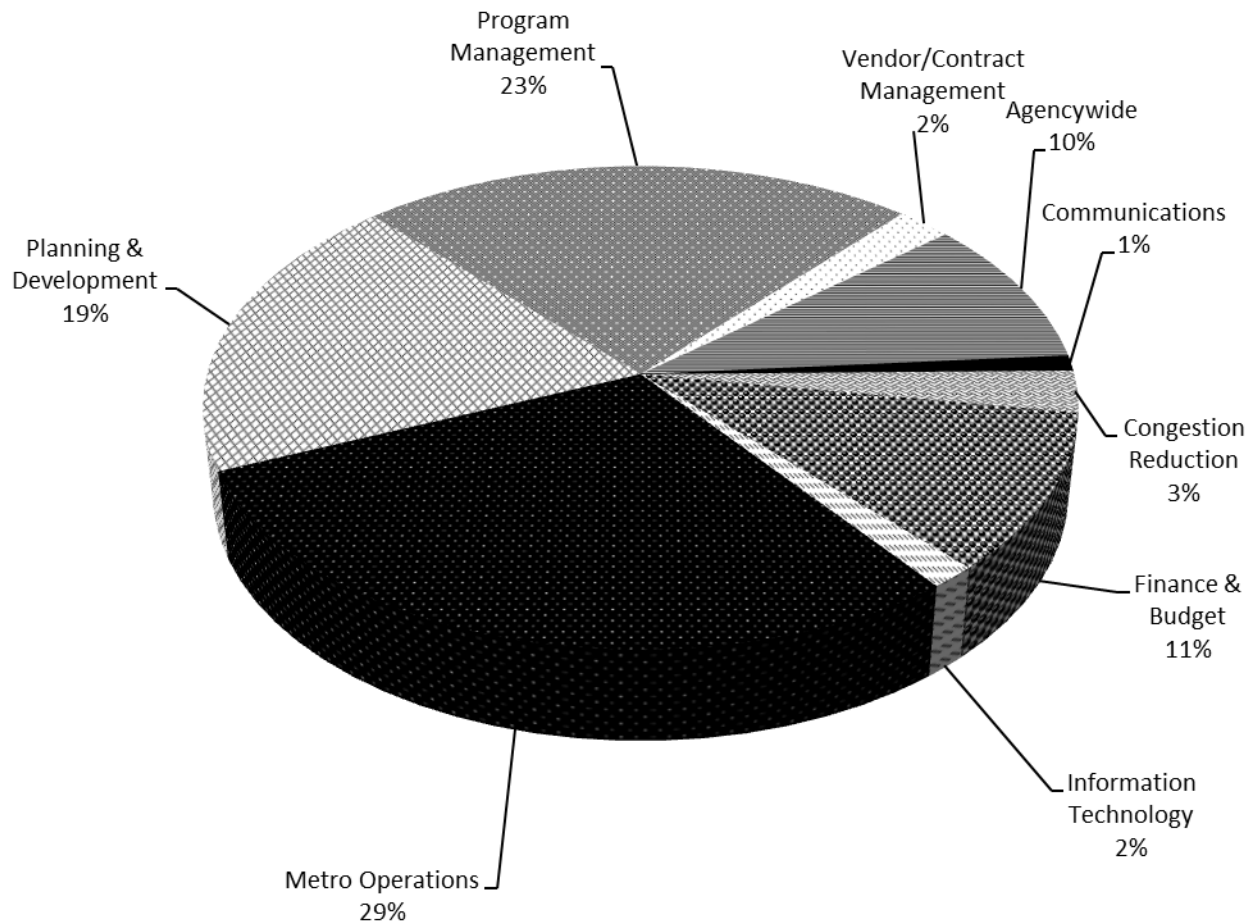
The completed external audits are discussed on page 4. Discussions of the internal audits begin on page 5.

Other audits completed by external CPA firms that Management Audit supervised are discussed on page 6.

EXECUTIVE SUMMARY

Sixty-eight projects were in process as of March 31, 2016; these include 17 internal audits, 6 contract pre-award audits, and 45 incurred cost audits.

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



Audit follow-up:

- Sixteen recommendations were closed during the third quarter. At the end of the quarter there were 68 open audit recommendations.

EXTERNAL AUDITS

Contract Pre-Award Audit

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

During third quarter FY 2016, 26 audits were completed, reviewing a net value of \$245 million. Auditors questioned \$16 million or 7% of the proposed costs. The 26 audits supported procurements in the following areas:

- 9 Heavy Rail Technical and Engineering Consulting Services procurements;
- 5 Elevator/Escalator Maintenance procurements;
- 2 ExpressLanes Project procurements;
- 2 Southern California Regional Interconnector Project procurements;
- 2 Construction Management Support Services procurements;
- 1 Transit Access Pass Project procurement;
- 1 Metro Gold Line Eastside Access Project procurement;
- 1 Rail to Rail Active Transportation Project procurement;
- 1 I-5 North Managed Lanes Project procurement;
- 1 I-605/SR-91 Interchange Project procurement; and
- 1 Regional Connector Transit Corridor Project procurement.

Six contract pre-award audits were in process as of March 31, 2016.

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

Incurred Cost Audit

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

Incurred Cost Audit completed six audits during third quarter FY 2016. We reviewed \$95 million of funds and identified \$4.5 million or 5% of unused funds that may be reprogrammed. Forty-five incurred cost audits were in process as of March 31, 2016.

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

INTERNAL AUDITS

For the third quarter of FY 2016, three internal audits were completed. Seventeen internal audits were in process as of March 31, 2016. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the third quarter FY 2016. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

Performance Audit of the Cost Estimating Process

Metro's Estimating Department performs independent cost estimates (ICE) for major capital projects. We obtained the services of an independent consulting firm that specializes in cost estimating to evaluate the efficiency and effectiveness of the cost estimating process; including the alignment of cost estimating functions with industry best practices. We also performed an analysis of the Southwestern Yard to identify the reasons for the gap between contractors' bids and Metro independent cost estimates (ICE).

We found that Metro's cost estimating process meets industry best practices and standards. However, we found that we lack formal written policies and procedures to ensure the consistency of the cost estimating process and that there is no in-house training program or continued education requirements for estimating staff. In addition, we found that several factors contributed to the gap between bids received for the Southwestern Yard project including the use of the design build delivery method which results in varied scope approach and inaccuracy in the estimates provided. Management agreed with all of the recommendations included in the audit and will take the necessary steps to correct the issues.

Performance Audit of Operations Key Performance Indicators (KPIs)

The audit objective was to assess the efficiency and effectiveness of Operations KPIs which address safety, security, fiscal discipline, customer service and state of good repair.

We found that Operations' KPIs adequately measure their performance and progress towards achieving their goals. However, we found opportunities for improvement in the reliability of the data that support the KPIs and the establishment of KPI targets. Management agreed with the recommendations and has already taken steps to correct the issues.

INTERNAL AUDITS

Performance Audit of the Request for Proposal (RFP) Processes

The audit objective was to evaluate the risk of non-compliance to Federal Transit Administration (FTA) requirements by conducting a follow up review of two deficiencies noted in the FTA 2013 Procurement System Review. We also sought to determine the status of implementation of MLC & Associate's (MLC) recommendations of the RFP process.

We found that improvements have been made in regards to sole source justification documentation. However, we found that a significant number of files sampled did not contain the responsibility determination checklist which serves as a guide to locate required documents within the file and that the checklist did not include 2 of the 10 criteria required by the FTA. We also found that Vendor/Contract Management (V/CM) has implemented four of MLC's 63 recommendations. For the remaining 59 recommendations, V/CM has developed an action plan to address the recommendations and will provide quarterly status reports to Management Audit.

OTHER AUDITS

Other audits completed during Third Quarter FY16 by external CPA firms include:

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

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

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

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

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

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

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

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

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

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During the third quarter, 16 recommendations were completed and closed. At the end of this quarter there were 68 outstanding audit recommendations. The table below summarizes the third quarter activity.

Summary of MAS and External Audit Recommendations As of March 31, 2016

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Program Management				8	8
Labor/Employee Relations	1		4	2	6
Finance and Budget	1				0
Information Technology	3		3		3
Metro Operations	7		16	18	34
Planning and Development	2	1	15		16
Vendor/Contract Management	2				0
Congestion Reduction				1	1
Totals	16	1	38	29	68

In addition to the above MAS and external audit recommendations, we closed 7 recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 58 outstanding OIG audit recommendations

Appendix A

Contract Pre-Award Audit FY 2016 - Audits Completed During Third Quarter					
No.	Area	Audit Number & Type	Contractor	Requirement	Date Completed
1	Planning & Development	16-PLN-A13 - Attestation Agreed-upon Procedures	Ted Toki Tanaka Architects	Contractual	2/2016
2	Finance & Budget	16-OMB-A01 - Attestation Agreed-upon Procedures	Cubic Transportation Systems, Inc.	Contractual	2/2016
3	Congestion Reduction	16-CEO-A02A - Attestation Agreed-upon Procedures	Cambria Solutions, Inc.	Contractual	2/2016
4	Program Management	16-CON-A05 - Attestation Agreed-upon Procedures	Ghirardelli Associates, Inc.	Contractual	2/2016
5	Congestion Reduction	16-CEO-A02B - Attestation Agreed-upon Procedures	HNTB Corporation	Contractual	2/2016
6	Program Management	16-CON-A12B - Attestation Agreed-upon Procedures	V&A, Inc.	Contractual	2/2016
7	Program Management	16-CON-A06 - Attestation Agreed-upon Procedures	MNS Engineers, Inc.	Contractual	2/2016
8	Program Management	16-CON-A12A - Attestation Agreed-upon Procedures	HDR Engineering, Inc.	Contractual	2/2016
9	Program Management	16-CON-A04- Attestation Agreed-upon Procedures	Regional Connector Constructors, JV	Contractual	3/2016
10	Metro Operations	16-OPS-A05A - Attestation Agreed-upon Procedures	STV, Inc.	Contractual	3/2016
11	Metro Operations	16-OPS-A05B - Attestation Agreed-upon Procedures	Parsons Brinkerhoff, Inc.	Contractual	3/2016
12	Metro Operations	16-OPS-A05C - Attestation Agreed-upon Procedures	Systems Consulting, LLC	Contractual	3/2016

Appendix A

Contract Pre-Award Audit FY 2016 - Audits Completed During Third Quarter					
No.	Area	Audit Number & Type	Contractor	Requirement	Date Completed
13	Metro Operations	16-OPS-A05D - Attestation Agreed-upon Procedures	Information Design Consultants, Inc.	Contractual	3/2016
14	Metro Operations	16-OPS-A05E - Attestation Agreed-upon Procedures	Virginkar & Associates, Inc.	Contractual	3/2016
15	Metro Operations	16-OPS-A04A - Attestation Agreed-upon Procedures	LTK Engineering Services	Contractual	3/2016
16	Metro Operations	16-OPS-A04B - Attestation Agreed-upon Procedures	Virginkar & Associates, Inc.	Contractual	3/2016
17	Metro Operations	16-OPS-A04C - Attestation Agreed-upon Procedures	CH2M Hill, Inc.	Contractual	3/2016
18	Metro Operations	16-OPS-A04D- Attestation Agreed-upon Procedures	Ramos Consulting Services, Inc.	Contractual	3/2016
19	Program Management	16-HWY-A01 - Attestation Agreed-upon Procedures	Guida Surveying, Inc.	Contractual	3/2016
20	Planning & Development	16-PLN-A21- Attestation Agreed-upon Procedures	RBF Consulting	Contractual	3/2016
21	Program Management	16-CON-A13 - Attestation Agreed-upon Procedures	Cityworks Design	Contractual	3/2016
22	Metro Operations	16-OPS-A06B- Attestation Agreed-upon Procedures	Elite Escalator, Inc.	Contractual	3/2016
23	Metro Operations	16-OPS-A06A- Attestation Agreed-upon Procedures	Mitsubishi Electric U.S. Inc.	Contractual	3/2016
24	Metro Operations	16-OPS-A06F - Attestation Agreed-upon Procedures	Elevators Etc.	Contractual	3/2016
25	Metro Operations	16-OPS-A06E- Attestation Agreed-upon Procedures	Excelsior Elevator Corporation	Contractual	3/2016
26	Metro Operations	16-OPS-A06C- Attestation Agreed-upon Procedures	Vintage Elevator Services, Inc.	Contractual	3/2016

Appendix B

Incurred Cost Audit FY 2016 - Audits Completed During Third Quarter					
No.	Area	Audit Number & Type	Grantee	Requirement	Date Completed
1	Program Management	15-PLN-A08 - Closeout	City of Los Angeles	Contractual	1/2016
2	Program Management	13-PLN-A19 - Closeout	Los Angeles County	Contractual	1/2016
3	Program Management	15-PLN-A20- Closeout	City of Montebello	Contractual	2/2016
4	Program Management	11-PLN-G05 - Interim	Caltrans	Contractual	2/2016
5	Program Management	15-PLN-A31 - Closeout	City of Agoura Hills	Contractual	3/2016
6	Program Management	15-PLN-A14 - Closeout	City of Westlake Village	Contractual	3/2016

Appendix C

Internal Audit FY 2016 - Internal Audits in Process				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Communications	16-COM-P01 - Special Fares	Evaluate the effectiveness of internal controls over special fare programs.	4/2016
2	Congestion Reduction	16-CEO-P02 - 511 follow-up audit	Follow Up on 511 audit.	4/2016
3	Planning & Development	14-EDD-P01 - Real Estate Property Management Follow-up	Evaluate accuracy and completeness of tracking real estate properties in Real Property Management System.	4/2016
4	Vendor / Contract Management	16-VCM-P02 - Annual Audit of Business Interruption Fund	Annual required audit of Business Interruption Fund program.	4/2016
5	Agencywide	16-AGW-P03 - Overtime Usage	Evaluate the accuracy, efficiency and effectiveness of overtime usage.	5/2016
6	Metro Operations	16-OPS-P01 - Wayside System	Evaluate effectiveness of maintenance of the Rail track & signaling systems.	5/2016
7	Metro Operations	16-OPS-P02 - Rail Overhaul and Maintenance	Evaluate the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program.	5/2016
8	Vendor / Contract Management	12-ADM-I01 - Contract Information Management System	Assess the system implementation process to acquire, design, test and implement the Contract Information Management System that meets specific functionalities required by the MTA business processes.	5/2016
9	Finance & Budget	10-ACC-F01 - Accounts Receivable	Validate adequacy of current policies and procedures.	6/2016
10	Program Management	16-CON-P01 - Performance Audit of Indefinite Delivery / Indefinite Quantity (IDIQ) Type Contracts	Determine the efficiency and effectiveness of the administration of IDIQ Contracts.	6/2016
11	Program Management	16-CON-P04 - Quality Assurance	Effectiveness and efficiency of quality assurance processes.	6/2016

Appendix C

Internal Audit FY 2016 - Internal Audits in Process				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
12	Vendor / Contract Management	13-ADM-O02 - Automated Storage and Retrieval System Phase I & II	Evaluate the adequacy of internal controls over the Automated Storage and Retrieval System (ASRS).	6/2016
13	Metro Operations	16-OPS-P03 Performance Audit of Accident Prevention Program	Evaluate effectiveness of accident prevention practices	6/2016
14	Metro Operations	16-OPS-P05 Performance Audit of Division Practices	Evaluate effectiveness of division management practices	6/2016
15	Vendor / Contract Management	16-VCM- P01 - Audit of P Card	Evaluate compliance to P-card purchase requirements.	6/2016
16	Program Management	12-CON-P03 - I-405 Follow-up	Verify if management's corrective actions from the prior audit were implemented and resulting in improvements.	12/2016
17	Program Management	10-CPC-K02 - Third Party Utility Relocation Agreement Efficiency	Assess the adequacy and effectiveness of the Third Party Utility Relocation.	12/2016

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	11-OPS-O06 - HASTUS	1	We recommend the Chief Operations Officer require the Scheduling department to: Upgrade to 2013 HASTUS and change their current practices to fully utilize the ATP module to calibrate route runtimes and trip-specific operational layover requirements to feed back into key scheduling processes.	6/30/2016	12/31/2016
2	Operations	11-OPS-O06 - HASTUS	2	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all ATP features.	6/30/2016	12/31/2016
3	Operations	11-OPS-O06 - HASTUS	3	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all AP features. a. Develop the requirements to utilize AVL data to supplement missing data from the APC. b. Customize the current ATP module to improve its functionality until the proposed 2013 upgrade can be accomplished.	6/30/2016	12/31/2016
4	Operations	11-OPS-O06 - HASTUS	4	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the higher minimum of either 1) the United Transportation Union Labor Agreement, or 2) an operational minimum layover time.	6/30/2016	12/31/2016
5	Operations	11-OPS-O06 - HASTUS	5	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution.	6/30/2016	12/31/2016
6	Operations	11-OPS-O06 - HASTUS	6	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Developing a more robust, realistic deadhead matrix and use the matrix during the vehicle blocking process to globally optimize its bus system schedules.	6/30/2016	12/31/2016
7	Operations	11-OPS-O06 - HASTUS	7	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the maximum number of vehicle groups possible for any given trip.	6/30/2016	12/31/2016
8	Operations	11-OPS-O06 - HASTUS	8	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Training Schedulers to use Minbus advanced features.	6/30/2016	12/31/2016
9	Operations	11-OPS-O06 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions.	6/30/2014	12/31/2016
10	Operations	11-OPS-O06 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts	6/30/2014	12/31/2016
11	Operations	11-OPS-O06 - HASTUS	13	We recommend the Chief Operations Officer transition to HASTUS for scheduling rail service. The plan should include transition milestones and estimated completion dates.	6/30/2016	12/31/2016
12	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	4	Document existing procedures to improve internal control and oversight of grantees/sub-recipients	6/30/2015	6/30/2016
13	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	5	Activities at high risk for error and non-compliance should be identified and procedures documented for consistent implementation across all modes and project managers.	6/30/2015	6/30/2016

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
14	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	7	Proceed with development of grants management module in the FIS system.	12/31/2015	12/31/2016
15	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	8	Coordinate FIS module development with a more comprehensive grants management database system for tracking grants within the RGM Unit. Consider using a user-friendlier "Windows-based" environment for the grants management database.	12/31/2015	12/31/2016
16	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	9	Inventory and evaluate current "shadow systems" to help determine project manager requirements. This may provide useful information for the creation of a centralized database.	12/31/2015	12/31/2016
17	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	10	Develop protocols on who can update the data and how often.	12/31/2015	12/31/2016
18	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	11	Develop a high-level summary of grants for Metro executive staff and Board members based on their need for that information.	12/31/2015	12/31/2016
19	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	12	Consider revising its organizational structure to provide clearer definition of responsibilities, improved levels of supervision and review, and improved management control and oversight. One possible structure would be around the key functions or elements of grants management.	6/30/2015	6/30/2016
20	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	13	Develop teams around each of these key elements, with a supervisor responsible for managing and directing each team's activities.	6/30/2015	6/30/2016
21	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	19	Develop a process to ensure implementation of timely and appropriate corrective actions to address closeout activities such as final reporting, project closeouts and other events that affect the closeout process.	6/30/2015	12/31/2016
22	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	20	Designate an individual to serve as the grant closeout liaison.	6/30/2015	12/31/2016
23	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	21	Create a tool, such as an "Aging Report" to enable the liaison to quickly identify a critical event and to perform necessary updates to close the grant.	6/30/2015	12/31/2016
24	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	24	Establish a procedure to coordinate all grants within the agency and communicate that to all Metro departments/staff.	6/30/2015	7/31/2015 (LATE)
25	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	26	Inventory individual roles and responsibilities and develop procedures for transfer of knowledge and cross training of other team members.	6/30/2015	6/30/2016

Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
26	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	27	Develop a process focused less on modal specialization and adopt a model whereby a greater number of team members are trained across a wider spectrum of activities and modes.	6/30/2015	6/30/2016
27	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	28	Establish formal training; verify that processes are consistent but sufficiently flexible to accommodate variations in managing grants and projects.	6/30/2015	6/30/2016
28	Congestion Reduction	12-HCP-P01 - Metro Freeway Service Patrol	3	Develop goals and objectives, and reinstitute performance measurements, for the oversight of the Metro Freeway Service Patrol Program	5/30/2016	
29	Information Technology	14-ADM-P01 - Mobile Devices	2	We recommend that the Chief Information Officer implement appropriate Mobile Device Management software to manage all mobile devices and enforce security	9/30/2015	2/29/2016
30	Information Technology	14-ADM-P01 - Mobile Devices	3	We recommend that the Chief Information Officer expand ITS wireless Device and Service policies and procedures to include written security requirements for mobile devices.	9/30/2015	2/29/2016
31	Information Technology	14-ADM-P01 - Mobile Devices	4	We recommend that the Chief Information Officer implement a device management platform that will provide adequate device level security controls.	9/30/2015	2/29/2016
32	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	1	We recommend the Executive Director, Maintenance, require Non-Revenue Fleet management to perform a one-time analysis to establish a baseline for the optimum fleet size for the non-revenue fleet based on mission needs, vehicle utilization, life cycle costs, etc.	11/30/2015	6/30/2016
33	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	2	We recommend the Executive Director, Maintenance, require Non-Revenue Fleet management to monitor the assignment and usage of non-revenue vehicles fleet.	11/30/2015	6/30/2016
34	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	3	We recommend the Executive Director, Maintenance direct Non-Revenue to update GEN 16 to require Department/Cost Center managers to certify annual usage via signed certification statement. Executive Officers must approve certification.	12/31/2015	6/30/2016
35	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	4	We recommend the Executive Director, Maintenance direct Non-Revenue to revise GEN 16 to clarify the criteria for overnight usage.	12/31/2015	6/30/2016
36	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	5	We recommend the Executive Director, Maintenance direct Non-Revenue to customize the M3 Motor Pool application to improve its functionality to track and report overnight usage for all department pools.	11/30/2015	6/30/2016
37	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	6	We recommend the Executive Director, Employee and Labor Relations direct General Services to fully utilize M3 Motor Pool application to track and report overnight usage for General Services Pool vehicles.	9/30/2015	3/31/2016
38	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	7	We recommend the Executive Director, Employee and Labor Relations direct General Services to immediately cancel all unknown key card assignments.	9/30/2015	4/30/2016
39	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	8	We recommend the Executive Director, Employee and Labor Relations direct General Services to recertify all key card assignees and implement a process to manage key card assignments.	3/31/2016	

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
40	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	9	We recommend the Executive Director, Employee and Labor Relations direct General Services to update GEN 17 to provide specific guidelines for the assignment and use of complementary key cards.	6/30/2016	
41	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	11	We recommend the Executive Director, Employee and Labor Relations direct General Services to compare 24-hour assignments to transit subsidy recipients to ensure compliance with GEN 16.	12/31/2015	4/30/2016
42	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	12	We recommend the Executive Director, Employee and Labor Relations direct General Services to provide training to TCU / Maintainers on GEN 16 requirements to overnight use of pool vehicles.	12/31/2015	4/30/2016
43	Operations	13-OPS-P06 - Contracted Bus Service	1	We recommend the Executive Director, Transportation, to require Contracted Services to: develop a Contract Monitoring System that includes but is not limited to: a. A Contract Administration Plan that specifies the performance outputs of the statement of work and describes the methodology to conduct monitoring or surveillance. The extent and frequency of monitoring activities should be based on an assessment of risk related to each contractor and the impact if the work is not performed adequately. b. Written policies and procedures that serve as a guide to ensuring consistent, high quality contract monitoring process. c. A centralized location for receiving and maintaining contractors' submittals and reports by utilizing Metro's existing web based SharePoint system.	10/31/2016	
44	Operations	13-OPS-P06 - Contracted Bus Service	2	We recommend the Executive Director, Transportation, to require Contracted Services to obtain appropriate training to enable the team to develop the appropriate skills and background to efficiently monitor contractors' performance.	2/29/2016	
45	Operations	13-OPS-P06 - Contracted Bus Service	3	We recommend the Executive Director, Transportation, to require Contracted Services to include in Policy and Procedures: a statement that documentation of decisions, requiring executive approval and authorization, be maintained. All modifications of contractual terms must be in writing and executed by the Contract Administrator, as the CEO's designee, in compliance with the contract.	10/31/2016	
46	Operations	13-OPS-P06 - Contracted Bus Service	4	We recommend the Executive Director, Transportation, to require Contracted Services to consult with County Counsel on their concerns regarding the liquidated damages provisions in the current contracts. Based on the outcome either reassess liquidated damages and collect amounts owed to Metro during the suspended period or issue contract amendments to change the liquidated damages provisions.	1/31/2016	
47	Operations	13-OPS-P06 - Contracted Bus Service	5	We recommend the Executive Director, Transportation, to require Contracted Services to validate the accuracy and completeness of contractors' submittals by recalculations, verification to original records, etc.	4/30/2016	

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
48	Operations	13-OPS-P06 - Contracted Bus Service	6	We recommend the Executive Director, Transportation, to require Contracted Services to develop procedures for monitoring contractors performance, including, but not limited to, spot checks, periodic inspections, random sampling of routine functions, based on the risk identified in the Contract Administration Plan and the analyses of contractors monthly submittals.	6/30/2016	
49	Operations	13-OPS-P06 - Contracted Bus Service	7	We recommend the Executive Director, Transportation, to require Contracted Services to develop a comprehensive checklist of review tasks for each procedure used to conduct the contractors review, document deficiencies identified and corrective actions taken.	6/30/2016	
50	Operations	13-OPS-P06 - Contracted Bus Service	8	We recommend the Executive Director, Transportation, to require Contracted Services to validate fare revenues deposits to the bank receipts or statements.	1/31/2016	
51	Operations	13-OPS-P06 - Contracted Bus Service	12	We recommend the Executive Director of Transportation, require that Contracted Services follow-up variances and anomalies in KPI data and results with contractor to determine their cause and ensure that any necessary corrective actions have been implemented.	3/31/2016	
52	Operations	13-OPS-P06 - Contracted Bus Service	13	We recommend the Executive Director of Transportation, require that Contracted Services identify KPIs as measurements for contractors' performance within future contracts.	6/30/2016	
53	Operations	13-OPS-P06 - Contracted Bus Service	14	We recommend the Executive Director of Transportation, require that Contracted Services document follow-up of exceptions, cited in both CHP and QA inspection reports, and corrective actions taken.	5/31/2016	
54	Operations	13-OPS-P04 - Operations Key Performance Indicators	2	We recommend that the Chief Operations Officer works with ITS to determine whether the ATMS incident number can be carried over to the VAMS.	9/30/2016	
55	Operations	13-OPS-P04 - Operations Key Performance Indicators	3a	We recommend that the Chief Operations Officer explore the feasibility of capturing rail miles automatically, similar to the capture of bus mileage data, Fleetwatch System, by implementing a wireless access point on all rail cars.	8/30/2016	
56	Operations	13-OPS-P04 - Operations Key Performance Indicators	4	We recommend that the Chief Operations Officer develops standard operating procedures (SOP) to require operations to notify M3 whenever there are codes updates/changes for failures that have been implemented in ATMS and are to be picked up by M3.	3/31/2016	
57	Operations	13-OPS-P04 - Operations Key Performance Indicators	5	We recommend that the Chief Operations Officer requires SPA to work with ITS to pull data directly from M3.	4/1/2016	
58	Operations	13-OPS-P04 - Operations Key Performance Indicators	6	We recommend that the Chief Operations Officer requires SPA to continue to work with ITS to develop a Business Intelligence software application that includes a customizable interface with the ability to pull data from multiple sources.	6/30/2017	

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Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
59	Operations	13-OPS-P04 - Operations Key Performance Indicators	7	We recommend that the Chief Operations Officer requires data owners to validate the data supporting KPIs for accuracy and completeness.	4/30/2016	
60	Operations	13-OPS-P04 - Operations Key Performance Indicators	8	We recommend that the Chief Operations Officer require that Executive Management adjust KPI targets and document the process used.	6/30/2016	
61	Program Management	13-CEO-P01 - Cost Estimating Process	1	We recommend that Estimating Management develop comprehensive policies and procedures that at a minimum should include: a) Clear definition of the role of the Cost Estimating department in the following areas: preparation of independent cost estimates including thresholds when the estimating department is responsible in preparing the cost estimates, review, validation and approval of cost estimates, involvement in budget planning phase b) Standard process and format including the requirement to use Work Breakdown Structure (WBS) to be used by consultants, contractors and internal staff.	3/31/2017	
62	Program Management	13-CEO-P01 - Cost Estimating Process	2	Communicate the policies and procedures to staff, consultants and users.	3/31/2017	
63	Program Management	13-CEO-P01 - Cost Estimating Process	3	Evaluate resources to meet the role and responsibilities of cost estimating department.	3/31/2017	
64	Program Management	13-CEO-P01 - Cost Estimating Process	4	Collaborate with procurement and program management in revising the naming convention on policies and procedures.	3/31/2017	
65	Program Management	13-CEO-P01 - Cost Estimating Process	5	We recommend that Estimating Management evaluate the training needs for estimating staff based on the changes of agency's risk, and ensure knowledge is transferred as staff retired.	3/31/2017	
66	Program Management	13-CEO-P01 - Cost Estimating Process	6	Based on the training need assessment, evaluate the required resources for training and develop a training program.	3/31/2017	
67	Program Management	13-CEO-P01 - Cost Estimating Process	7	Consider adding the training requirements in the policy and procedures.	3/31/2017	
68	Program Management	13-CEO-P01 - Cost Estimating Process	8	We recommend that Estimating Management provide estimating guidelines and formats when utilizing two independent estimates, so that they may be compared productively. Guidelines should be developed that cover estimating approach, methodology, Work Breakdown Structures (WBS) and cost account structure.	3/31/2017	