Metro

Board Report

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

File #: 2017-0266, **File Type:** Informational Report **Agenda Number:** 8

FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 17, 2017

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2017 THIRD QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the **third quarter report of Management Audit Services (Management Audit) for the period ending March 31, 2017**.

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 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 2017.

DISCUSSION

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management team. 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, 2017 is as follows:

Internal Audits: 16 internal audits were in process.

External Audits: 2 contract pre-award audits with a total value of $7 million were completed and 12 incurred cost audits with a total value of $42.8 million were completed. One contract pre-award audit and 72 incurred cost audits were in process.

Audit Follow-up and Resolution: 36 recommendations were closed and 20 recommendations were added during the third quarter. At the end of the quarter, there were 82 open audit recommendations. In addition, nine recommendations for the OIG were closed. 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 2017 third quarter report is included as Attachment A.
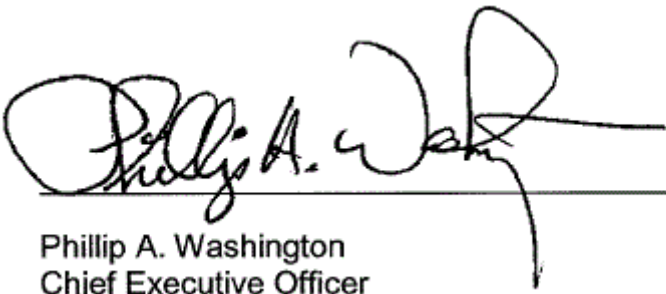
NEXT STEPS

Management Audit will provide the FY 2017 year-end summary of audit activity to the Board at the September 2017 Finance, Budget and Audit Committee meeting.

ATTACHMENT

A.   Management Audit Services Quarterly Report to the Board for the period ending March 31, 2017

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Phillip A. Washington
Chief Executive Officer

MANAGEMENT AUDIT SERVICES
QUARTERLY REPORT TO THE BOARD

**Los Angeles County Metropolitan
Transportation Authority**

*Third Quarter
FY 2017*

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Summary of Audit Activity

During the third quarter of FY 2017, 15 projects were completed. These include:

Pre-Award Audits
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Articulated Electric Buses;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Highway Program Project Delivery Support Services for Los Angeles County.

Incurred Cost Audits
- Two Independent Auditor's Reports on Agreed-Upon Procedures for the FY14 and FY15 Incurred Overhead Rates for Westside Purple Line Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Interim Incurred Cost for November 9, 2011 to December 31, 2015 for SR-710 Gap Alternatives Analyses;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of La Canada Flintridge's I-210 Soundwalls Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of Caltrans' SR-710 (Pacific Coast Highway to Downtown Long Beach) Improvement Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Glendale's Grandview Ave. Modification Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Manhattan Beach's Sepulveda Blvd. at Marine Ave. Intersection Improvements Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Los Angeles' Adaptive Traffic Control System Wilshire East Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Lancaster's SR-14/Ave. I Interchange Improvement Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Santa Monica's Ocean Park Blvd. Main St. Neilson Way Signal System Project;
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Burbank's I-5/SR-134 Congestion Management Project; and
- Independent Auditor's Report on Agreed-Upon Procedures of the Close-out Review of City of Inglewood's Arbor Vitae Improvement Project.

Other Audits
- Audited Financial Statements of Metro ExpressLanes.

    The completed external audits are discussed on page 3. Discussions of Other audits issued by external CPA firms begin on page 4.

EXECUTIVE SUMMARY

Eighty-nine projects were in process as of March 31, 2017; these include 16 internal audits, one contract pre-award audits, and 72 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during third quarter FY 2017:
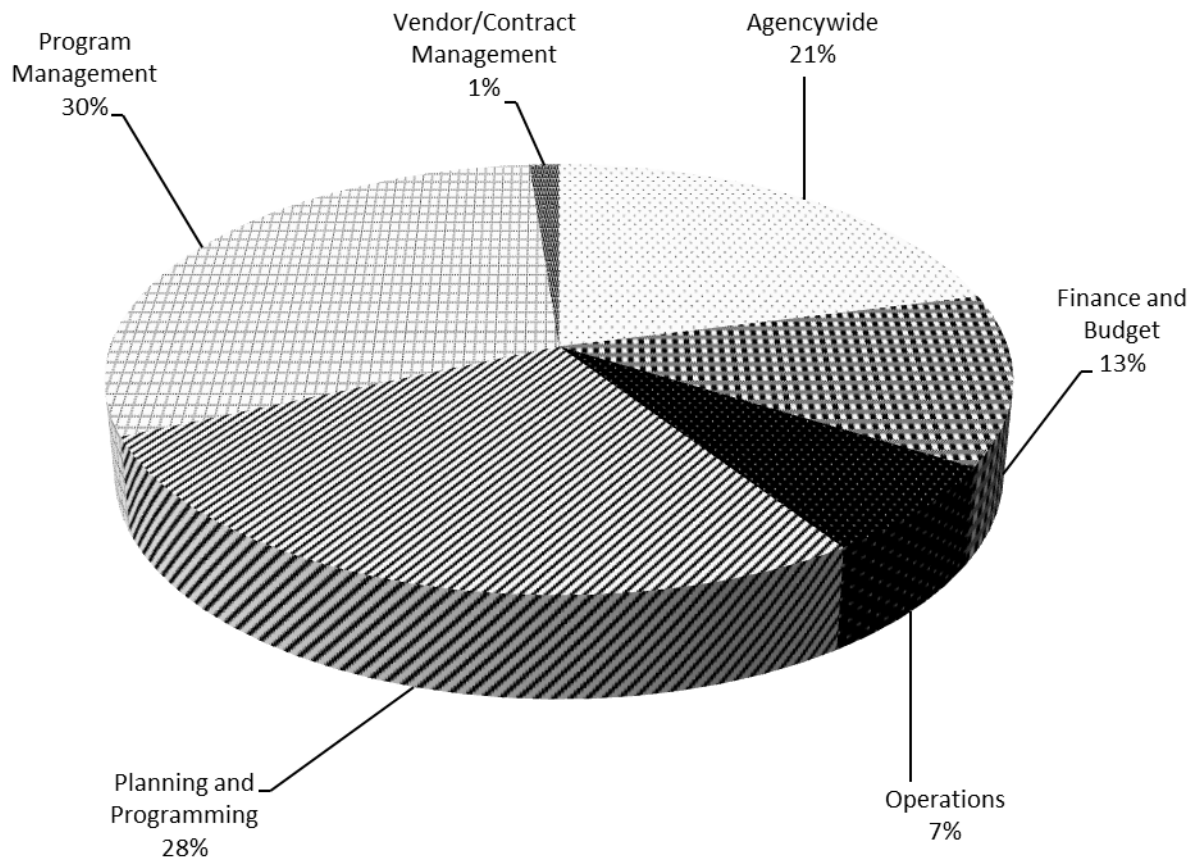
Audit follow-up:
- Thirty-six recommendations were closed during the third quarter. At the end of the quarter there were 82 open audit recommendations.
- In addition, we closed 9 OIG recommendations. At the end of the quarter there were 20* open audit recommendations.

*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study, Audit of Westside Purple Line Extension Section 2- Modification No. 52 and Review of Metro Safety Culture and Rail Operational Safety, as the management response and/or estimated completion dates are still pending. However, Program Management and Operations have hired consultants to assist in addressing the most critical elements of the Best Practices Study and Review of Metro Safety Culture and Rail Operational Safety.

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 2017, two audits were completed reviewing a net value of $7 million. Auditors questioned $734 thousand or 10% of the proposed costs. The two audits supported procurements in the following areas:
  ➢ Articulated Electric Bus procurements; and
  ➢ Highway Program Project Delivery Support Services procurement.

One contract pre-award audit was in process as of March 31, 2017.

Details on Contract Pre-Award Audits completed during third quarter FY 2017 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 12 audits during third quarter FY 2017. We reviewed $42.8 million of funds and identified $3.5 million or 8% of unused funds that may be reprogrammed. Seventy-two incurred cost audits were in process as of March 31, 2017.

Details on Incurred Cost Audits completed during third quarter FY 2017 are in Appendix B.

OTHER AUDITS

Other Audits

Other audits completed during third quarter FY17 by external CPA firms include:

<u>Audited Financial Statements of Metro ExpressLanes – Issued January 2017</u>

Metro ExpressLanes started as a one-year demonstration program that tested innovations to improve existing transportation systems in three sub-regions: the San Gabriel Valley, Central Los Angeles, and the South Bay. The first Metro ExpressLanes commenced revenue operations in November 2012 on the I-110 Harbor Freeway, between Adams Blvd. and the 91 freeway. The second began revenue operations in February 2013 on the I-10 El Monte Freeway between Alameda St. and the 605 Freeway. In April 2014, the Board voted unanimously to make the ExpressLanes on the I-110 and I-10 Freeways permanent. Later that year the California State Legislature approved a motion making the toll lanes permanent in Los Angeles and that the Governor sign it to become official.

An audit of the financial statements of Metro ExpressLanes, an enterprise fund of the LACMTA, was performed by Vasquez & Company, LLP (Vasquez) for the year ended June 30, 2016. Vasquez found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes fund.

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During the third quarter, 36 recommendations were completed and closed. At the end of this quarter there were 82 outstanding audit recommendations. The table below summarizes the third quarter activity.

Summary of MAS and External Audit Recommendations
As of March 31, 2017

Executive Area	Closed	Late[1]	Extended	Not Yet Due/Under Review	Total Open
Program Management	2		6		6
Labor/Employee Relations			1		1
Information Technology	3				
Metro Operations	8		11	44	55
Planning and Development	14		1	9	10
Communications	3		9		9
Systems Security & Law Enforcement	6				
Congestion Reduction			1		1
Totals	36	0	29	53	82

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

In addition to the above MAS and external audit recommendations, we closed 9 recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 20* outstanding OIG audit recommendations.

*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study, Audit of Westside Purple Line Extension Section 2- Modification No. 52 and Review of Metro Safety Culture and Rail Operational Safety, as the management response and/or estimated completion dates are still pending. However, Program Management and Operations have hired consultants to assist in addressing the most critical elements of the Best Practices Study and Review of Metro Safety Culture and Rail Operational Safety.

Contract Pre-Award Audit FY 2017 - Audits Completed During Third Quarter					
Area	**Audit Number & Type**	**Contractor**	**Frequency**	**Requirement**	**Date Completed**
Operations	17-OPS-A01 - Attestation Agreed-upon Procedures	BYD Coach and Bus, LLC	Once for Unsolicited Proposal for Five (5) 60' Articulated Electric Buses	VCM Policy	1/2017
Program Management	17-HWY-A11 - Attestation Agreed-upon Procedures	Parsons Transportation Group, Inc.	Once for RFP# AE30673	VCM Policy	2/2017

Frequency is based on number of audits per RFP or Contract number.

Incurred Cost Audit FY 2017 - Audits Completed During Third Quarter					
Area	**Audit Number & Type**	**Grantee / Contractor**	**Frequency**	**Requirement**	**Date Completed**
Program Management	17-CON-A21 - Attestation Agreed-upon Procedures	AMEC Environment & Infrastructure, Inc.	1st audit	VCM Policy & Contract Terms # PS4350-2000	1/2017
Program Management	17-HWY-A04 - Closeout	City of La Canada Flintridge	Once	Per Project Manager's request and MOU. MR310.03 terms	1/2017
Program Management	12-PLN-G06 - Closeout	County of Los Angeles	2nd audit; Interim and Closeout	Per Project Manager's request and MOU. P0006143 terms	1/2017
Program Management	17-HWY-A02 - Closeout	City of Manhattan Beach	Once	Per Project Manager's request and MOU. MR312.04 terms	1/2017
Planning & Development	16-PLN-A26 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU. P000F1136A terms	2/2017
Planning & Development	17-PLN-A07 - Attestation Agreed-upon Procedures	LSA Associates, Inc.	1st audit	VCM Policy & Contract Terms # PS4710-2755	2/2017
Planning & Development	16-PLN-A32 - Closeout	City of Los Angeles Department of Transportation	Once	Per Project Manager's request and MOU. P000F1313 terms	2/2017
Planning & Development	16-PLN-A14 - Closeout	City of Lancaster	Once	Per Project Manager's request and MOU. P0008102 terms	2/2017
Planning & Development	16-PLN-A28 - Closeout	City of Burbank	Once	Per Project Manager's request and MOU. P000F1326 terms	2/2017

Frequency is based on number of audits per contract or Memorandum of Understanding (MOU).

Incurred Cost Audit FY 2017 - Audits Completed During Third Quarter					
Area	**Audit Number & Type**	**Grantee / Contractor**	**Frequency**	**Requirement**	**Date Completed**
Planning & Development	17-PLN-A14 - Closeout	City of Santa Monica	Once	Per Project Manager's request and MOU. P0001343 terms	2/2017
Planning & Development	12-PLN-A07 - Closeout	City of Inglewood	Once	Per Project Manager's request and MOU. P0004318 terms	2/2017
Program Management	17-CON-A25 - Attestation Agreed-upon Procedures	PB Americas, Inc.	1st audit	VCM Policy & Contract Terms # PS4350-2000	3/2017

Frequency is based on number of audits per contract or Memorandum of Understanding (MOU).

		Internal Audit FY 2017 - In Process as of March 31, 2017			
Area	**Audit Number & Title**	**Description**	**Frequency**	**Requirement**	**Estimated Date of Completion**
Finance & Budget	10-ACC-F01 - Accounts Receivable	Validate Accounts Receivable is in compliance with departmental policies and procedures.	First time	Per FY16 Audit Plan	5/2017
Metro Operations	16-OPS-P02 - Rail Overhaul and Maintenance	Evaluate the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program.	First time	Per FY16 Audit Plan	6/2017
Metro Operations	16-OPS-P05 - Division Practices	Evaluate effectiveness of Division management practices	First time	Per FY16 Audit Plan	6/2017
Program Management	10-CPC-K02 - Third Party Utility Relocation Agreement Efficiency	Assess the adequacy and effectiveness of the Third Party Utility Relocation.	First time	Per FY10 Audit Plan	6/2017
Congestion Reduction	16-CEO-P02 - 511 follow-up audit	Follow Up on 511 audit.	2nd Time; Last Audit 5 Years Ago	Per FY16 Audit Plan	6/2017
Vendor / Contract Management	16-VCM- P01 - Audit of P-Card	Evaluate compliance to P-card purchase requirements.	3rd Time; Last audits 4 and 8 years ago	Per FY16 Audit Plan	6/2017
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.	2nd Time; Last Audit 6 years	CEO Request	6/2017
Information Technology	16-ITS-P02 - Audit of IT Asset Management	Evaluate the effectiveness of management over technology assets.	1st Time	Per FY17 Audit Plan	6/2017
Program Management	16-CON-P04 - Quality Assurance	Evaluate the effectiveness and efficiency of quality assurance processes.	2nd Time; Last Audit 3 years	Per FY16 Audit Plan	6/2017
Metro Operations	16-OPS-P03 - Accident Prevention Program	Evaluate effectiveness of accident prevention practices	First Time	Per FY16 Audit Plan	6/2017
Finance & Budget	17-OMB-P02 - Farebox Collections	Evaluate the effectiveness of internal controls over farebox collection and to verify revenue is accurate and complete.	First Time	Per FY17 Audit Plan	6/2017
Metro Operations	17-OPS-P07 - Track Allocation	Determine the effectiveness of the track allocation process.	First Time	Per FY16 Audit Plan	6/2017

Internal Audit FY 2017 - In Process as of March 31, 2017					
Area	**Audit Number & Title**	**Description**	**Frequency**	**Requirement**	**Estimated Date of Completion**
Vendor / Contract Management	17-VCM-P02 - Audit of Change Order Internal Controls	Evaluate the adequacy and effectiveness of internal controls over the contract change order process.	First Time	Per CEO Request	6/2017
Vendor / Contract Management	17-VCM-P04 - Audit of Internal Controls Pre-Negotiation Process	Evaluate the adequacy and effectiveness of internal controls over the pre-negotiation process.	First Time	Per CEO Request	6/2017
Finance & Budget	17-OMB- P01 - Audit of Cash Counting Process	Evaluate Controls of Cash Counting Process.	2nd Time; Last Audit 7 years ago	Per FY17 Audit Plan	7/2017
Agency-Wide	17-AGW-P01 - Audit of Consultant Hours	Evaluate efficiency and effectiveness of the use of consultants.	First Time	Per FY17 Audit Plan	7/2017

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Open Audit Recommendations

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No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	11-OPS-O06 - HASTUS	2	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all ATP features. **Update: Upgrade of the HASTUS system to 2015 version is completed. Training is being developed for the new version.**	6/30/2016	6/30/2017
2	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 upgrade can be accomplished. **Update: Upgrade of the HASTUS system to 2015 version is completed. Training is being developed for the new version.**	6/30/2016	6/30/2017
3	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. **Update: Upgrade of the HASTUS system to 2015 version is completed. Decision is being made between use of minimum of #1 or #2**	6/30/2016	12/31/2017
4	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. **Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.**	6/30/2016	12/31/2017
5	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. **Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.**	6/30/2016	12/31/2017
6	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. **Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.**	6/30/2016	12/31/2017
7	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. **Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.**	6/30/2016	12/31/2017
8	Operations	11-OPS-O06 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions. **Update: Upgrade of the HASTUS system to 2015 version is completed. Work on Minbus Module is in progress.**	6/30/2016	12/31/2017
9	Operations	11-OPS-O06 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts. **Update: Upgrade of the HASTUS system to 2015 version is completed.**	6/30/2016	12/31/2017
10	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. **Update: Upgrade of the HASTUS system to 2015 version is completed. Scheduling is working with Giro to automate Rail Vehicle Schedules into HASTUS 2015 upgrade.**	6/30/2016	6/30/2017

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

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations		
11	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	6/30/2017
12	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. **Update: Delay in execution of FSP Communication / Data Collection system contract.**	5/30/2016	3/31/2017
13	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	
14	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. **Update: Metro Estimating has developed a plan for developing these policies and procedures. A draft of this policy is approximately 75% complete. A final draft for approval is expected to be completed by the end of June 2017.**	3/31/2017	6/30/2017
15	Program Management	13-CEO-P01 - Cost Estimating Process	2	Communicate the policies and procedures to staff, consultants and users.	3/31/2017	6/30/2017
16	Program Management	13-CEO-P01 - Cost Estimating Process	3	Evaluate resources to meet the role and responsibilities of cost estimating department.	3/31/2017	6/30/2017
17	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	6/30/2017
18	Program Management	13-CEO-P01 - Cost Estimating Process	7	Consider adding the training requirements in the policy and procedures.	3/31/2017	6/30/2017
19	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	6/30/2017
20	Labor / Employee Relations	16-COM-P01 - Special Fares Programs	11	We recommend that the HR Department maintain an inventory log to record the receipts and distribution of the Metro employee cards, and perform physical count periodically to ensure the log reconciles with the inventories on hand. **Update: The HR Department has developed an inventory log that includes receipts and distribution of TAP Cards. However, the inventory log does not contain evidence that the physical inventory count was performed.**	7/31/2016	5/30/2017
21	Communications	16-COM-P01 - Special Fares Programs	14	We recommend the Communications Department update the B-TAP Program Policy and/or Agreement terms so that the language on these two documents are consistent with the intended pricing level for B-TAP customers. **Update: The B-TAP Program is still under review with other key business units. The findings from the review/evaluation will determine the policies, procedures and pricing model that will govern the B-TAP Program. The policy and agreement terms will be updated to ensure consistency between these two documents and the update will be in accordance with the new model.**	3/31/2017	6/30/2017

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

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations		
22	Communications	16-COM-P01 - Special Fares Programs	19	We recommend the Communications Department to define the program ownership, and clarify the roles and responsibilities to ensure the program performance is monitored and evaluated. **Update: Metro Commute Services is working with TAP Operations to implement cross-functional responsibilities between the two departments. An updated MOU may be necessary and if so, it will be written or the current one will be updated.**	3/31/2017	6/30/2017
23	Communications	16-COM-P01 - Special Fares Programs	20	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making. **Update: Metro Commute Services is working with TAP Operations to implement cross-functional responsibilities between the two departments. An updated MOU may be necessary and if so, it will be written or the current one will be updated.**	3/31/2017	6/30/2017
24	Communications	16-COM-P01 - Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement. **Update: Metro Commute Services is working with TAP Operations to implement cross-functional responsibilities between the two departments. An updated MOU may be necessary and if so, it will be written or the current one will be updated.**	3/31/2017	6/30/2017
25	Communications	16-COM-P01 - Special Fares Programs	22	We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance.	3/31/2017	6/30/2017
26	Communications	16-COM-P01 - Special Fares Programs	23	We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements. **Update: Metro Commute Services is working on creating a handbook that outlines the policy and procedure of the Youth on the Move (YOTM) Program. Although there are Board documentations and writings that assist in governing the YOTM program, the implementation of an MOU will be explored and constructed. Metro Commute Services periodically produces an active card list and forwards it to the DCFS YOTM program manager for review. Metro Commute Services will work with the manager at Department of Children and Family Services (DCFS) to determine a preset calendar schedule. All findings will be shared with the appropriate level of management.**	3/31/2017	6/30/2017
27	Communications	16-COM-P01 - Special Fares Programs	24	We recommend the Communications Department to implement periodic review (at least annually) of YOTM cardholders to ensure their eligibility. **Update: Metro Commute Services is working on creating a handbook that outlines the policy and procedure of the Youth on the Move (YOTM) Program. Although there are Board documentations and writings that assist in governing the YOTM program, the implementation of an MOU will be explored and constructed. Metro Commute Services periodically produces an active card list and forwards it to the DCFS YOTM program manager for review. Metro Commute Services will work with the manager at Department of Children and Family Services (DCFS) to determine a preset calendar schedule. All findings will be shared with the appropriate level of management.**	3/31/2017	6/30/2017

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

Open Audit Recommendations

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
28	Communications	16-COM-P01 - Special Fares Programs	25	We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management. **Update: Metro Commute Services is working on creating a handbook that outlines the policy and procedure of the Youth on the Move (YOTM) Program. Although there are Board documentations and writings that assist in governing the YOTM program, the implementation of an MOU will be explored and constructed. Metro Commute Services periodically produces an active card list and forwards it to the DCFS YOTM program manager for review. Metro Commute Services will work with the manager at Department of Children and Family Services (DCFS) to determine a preset calendar schedule. All findings will be shared with the appropriate level of management.**	3/31/2017	6/30/2017
29	Communications	16-COM-P01 - Special Fares Programs	26	We recommend the Communications Department to revisit the program purpose and assess the pricing model to generate the optimal program revenue.	3/31/2017	6/30/2017
30	Planning & Development	14-EDD-P01 - Real Estate Property	6	We recommend that Real Estate Management review lease agreements and make appropriate CPI and/or FMV adjustments. Document the decisions made on file when FMV and/or CPI adjustments are deemed unnecessary.	6/30/2017	
31	Planning & Development	14-EDD-P01 - Real Estate Property	7	We recommend that Real Estate Management ensure property management system is updated to reflect the appropriate lease amount.	6/30/2017	
32	Planning & Development	14-EDD-P01 - Real Estate Property	8	We recommend that Real Estate Management improve the invoice review process when manual invoices are generated outside the system for accuracy and completeness.	6/30/2017	
33	Planning & Development	14-EDD-P01 - Real Estate Property	9	We recommend that Real Estate Management set dollar threshold levels of approval for credit memos.	6/30/2017	
34	Planning & Development	14-EDD-P01 - Real Estate Property	10	We recommend that Real Estate Management require that all credit memos include a justification and proper documentation.	6/30/2017	
35	Planning & Development	14-EDD-P01 - Real Estate Property	11	We recommend that Real Estate Management complete the required inspections and document inspection records on file.	6/30/2017	
36	Planning & Development	14-EDD-P01 - Real Estate Property	12	We recommend that Real Estate complete the write off process for delinquent accounts that are deemed uncollectable in accordance with the policy established for writing off uncollectable amounts.	6/30/2017	
37	Planning & Development	14-EDD-P01 - Real Estate Property	13	We recommend that Real Estate Management develops policies and procedures for collecting and writing off past due accounts including when consultation with County Counsel is required. Policy should include timeframes to ensure timely actions are taken.	6/30/2017	
38	Planning & Development	14-EDD-P01 - Real Estate Property	14	We recommend that Real Estate Management will establish a process for investigating customer's payment that has no invoice reference so proper application of payments received can be made or invoice can be prepared.	6/30/2017	
39	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	1	We recommend the Chief Operations Officer require Track management to develop an inventory of linear assets and their components that can be the basis of a PMP to accurately forecast maintenance requirements and component replacements.	6/30/2017	
40	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	2	We recommend the Chief Operations Officer require Track management to develop a formal risk assessment of potential failures for track components or assets aimed at supplementing the current inspection program with a scheduled maintenance plan for selected components or maintenance practices.	6/30/2017	
41	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	3	We recommend the Chief Operations Officer require Track management to revise the current PMP to include assets or maintenance activities that can be performed on a cyclical basis.	3/31/2017	
42	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	4	We recommend the Chief Operations Officer require Track management to develop quality standards for track maintenance to proactively maintain Metro's unique track infrastructure.	6/30/2017	

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				Open Audit Recommendations		
43	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	5	We recommend the Chief Operations Officer require Track management to consider the use of GPS-enabled handheld PDAs or other electronic device to record inspection results and improve track inspection information collection.	11/30/2016	6/30/2017
44	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	6	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to revise inspection forms/reports to include: applicable checklists with inspection criteria for the different types of inspections; condition description, and ranking description of conditions with estimated completion for corrective actions.	6/30/2017	
45	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	7	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to train inspectors to properly complete both inspection and maintenance forms.	6/30/2017	
46	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	8	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to log all conditions that impact the track structure in the inspection reports, including water damage in the tunnels.	06/30/207	
47	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	9	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to collaborate with ITS to explore best options to enter inspection results in electronic format in a centralize location to allow future trends and analyses of data.	6/30/2017	
48	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	10	We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to work with other business units who are responsible to implement any corrective actions that may impact track maintenance and/or track condition.	6/30/2017	
49	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	11	We recommend that the Chief Operations Officer, require Track management to collaborate with ITS to maximize the use of the M3 system (Inspection and/or Work Management modules) or identify a new system that is more suited for their process and make this a budgetary priority.	6/30/2017	
50	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	12	We recommend that the Chief Operations Officer, require Track management to provide training for track management, supervisors and/or leads that create work orders in the M3 system.	6/30/2017	
51	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	13	We recommend that the Chief Operations Officer, require Track management to log all open maintenance conditions in M3, as they are identified, to produce meaningful reports.	6/30/2017	
52	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	14	We recommend that the Chief Operations Officer, require Track management develop performance metrics for reporting to Executive Management on track condition and maintenance efforts.	3/31/2017	
53	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	15	We recommend the Chief Operations Officer require Tracks Management to develop departmental policies and procedures specific to Track Maintenance activities and specify the track maintenance standards and/or guidelines that should be followed.	6/30/2017	
54	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	16	We recommend the Chief Operations Officer require Tracks Management to develop an illustrative field manual based on Metro's own criteria for track maintenance and allocate the necessary budget to do this.	6/30/2017	
55	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	17	We recommend the Chief Operations Officer require Tracks Maintenance to update SOPs to align with the track inspection criteria.	6/30/2017	
56	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	18	We recommend that the Chief Operations Officer require Track Management to engage engineering talent to provide design specifications for these complex and specialized equipment.	3/31/2017	

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				Open Audit Recommendations		
57	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	19	We recommend that the Chief Operations Officer require Track Management to create a long term maintenance equipment acquisition and replacement plan, recognizing the need for reliable and uninterrupted equipment utilization for our expanding rail operations and obtain the budget and resources necessary for the plan.	6/30/2017	
58	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	20	We recommend that the Chief Operations Officer require Track Management to define training and certification program requirements for each task performed by the unit, including the frequency for each course.	6/30/2017	
59	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	21	We recommend that the Chief Operations Officer require Track Management to bring inspectors current on all their training and re-certification requirements including refresher and welding courses.	3/31/2017	
60	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	22	We recommend that the Chief Operations Officer require Track Management to consider collaborating with ITS to determine whether Operations' existing OTTS system can be modified and used by Rail Instruction or implement and automated Track Training Management system to gain greater visibility of employee training records and data.	12/31/2017	
61	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	23	We recommend that the Chief Operations Officer require Track Management to consider making specialized areas such as welding a part of the Inspector's Job specification.	6/30/2017	
62	Operations	16-OPS-P01 - Wayside Systems - Track Maintenance	24	We recommend that the Chief Operations Officer require Track Management to consider acquiring a dedicated instructor for Track Maintenance to ensure all employees receive appropriate training.	7/31/2017	
63	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	1	LACMTA must review and/or revise Emergency Plans at intervals as required by LACMTA procedures.	Pending Management Response. Response due 6/12/17.	
64	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	2	LACMTA Management should properly complete and fill out the Ride Check Forms with accurate and correct information.	Pending Management Response. Response due 6/12/17.	
65	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	3	LACMTA's bulletin boards should be regularly checked and updated.	Pending Management Response. Response due 6/12/17.	
66	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	4	Sign-For documents need to be in the folder that the TO has to sign.	Pending Management Response. Response due 6/12/17.	
67	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	5	LACMTA Management should assure employees, complete the SCADA Monthly Preventative Maintenance sheets per Metro procedure and LACMTA Line Managers should properly complete and fill out the Ride Check Forms with accurate and correct information.	Pending Management Response. Response due 6/12/17.	

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				Open Audit Recommendations		
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
68	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	6	LACMTA Management should sign and approve current SCADA Systems Engineering and Maintenance manual.	Pending Management Response. Response due 6/12/17.	
69	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	7	LACMTA maintenance and facilities supervisors should sign all maintenance records to show that all maintenance is being properly managed.	Pending Management Response. Response due 6/12/17.	
70	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	8	LACMTA should keep hard copies of maintenance records.	Pending Management Response. Response due 6/12/17.	
71	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	9	LACMTA should update the maintenance plans to reflect the systems equipment and conditions.	Pending Management Response. Response due 6/12/17.	
72	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	10	LACMTA maintenance personnel should completely fill out checklists before closing out work order.	Pending Management Response. Response due 6/12/17.	
73	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	11	LACMTA should fill out the PM inspection sheets to reflect the work/corrections made.	Pending Management Response. Response due 6/12/17.	
74	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	12	LACMTA should consistently comply with testing intervals per CFR 234 and 236.	Pending Management Response. Response due 6/12/17.	
75	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	13	LACMTA should completely and correctly fill out daily inspections for all HY-Rail vehicles in service, document any defects found on inspections and not operate vehicles until these defects are corrected, have all required inspection documents, such as daily inspections, properly filled out with dates, employee signatures, items checked for safety, and supervisor's signature to verify inspections are being done.	Pending Management Response. Response due 6/12/17.	
76	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	14	LACMTA should tag all circuits per CFR 234.239.	Pending Management Response. Response due 6/12/17.	

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				Open Audit Recommendations		
77	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	15	LACMTA should replace cut or frayed bonding wires per CFR 234.233 and G.O. 143-B Section 10.09.	Pending Management Response. Response due 6/12/17.	
78	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	16	LACMTA should comply with MUTCD 8C.04 for gate striping.	Pending Management Response. Response due 6/12/17.	
79	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	17	LACMTA should secure covers on apparatus per CFR 234.211.	Pending Management Response. Response due 6/12/17.	
80	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	18	LACMTA should tighten insecure Heel Blocks per FRA 213.135.06. (In several cases, one of the four bolts of the heel block assembly, which secures the heel block to the rail, was not completely secure. However, the three other bolts were properly secured.)	Pending Management Response. Response due 6/12/17.	
81	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	19	LACMTA should tighten loose Connecting Switch Rods per FRA 213.133.06.	Pending Management Response. Response due 6/12/17.	
82	Risk Management /Operations	2016 Triennial Safety Review of the Los Angeles County Metropolitan Transportation Authority (CPUC)	20	LACMTA Rule 4392 should comply with CPUC G.O. 175, 2.23's definition of a watchperson.	Pending Management Response. Response due 6/12/17.	

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Appendix E

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				OIG Open Audit Recommendations		
1	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	1	Consider ways to proactively set up a system to identify all employees who require mandatory training, and notify the employees to sign up for the required classes.	3/31/2017	
2	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	2	Update the SharePoint database by: a. Reviewing the mandatory training classes listed in the SharePoint database to ensure that all mandatory training classes are annotated as "mandatory" in the database, and b. Periodic reviewing the database to ensure that the information listed is current and all mandatory training classes are annotated.	3/31/2017	
3	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	3	Update the Metro Policy on Training, HR 8-2, in accordance with General Management Policy GEN 5. **Update: Revised Policy is complete and awaiting comments and approval from other Strategic Business Units.**	8/31/2016	3/31/2017
4	Employee & Labor Relations	15-AUD-02 - Review of Metro Mandatory Training	4	Encourage managers and supervisors to review required training with their employees when reviewing the employee's performance and when preparing employee objective for the coming year. **Update: Plan to establish a training tracking system has been developed and is awaiting comments and approval from other Strategic Business Units.**	1/31/2016	3/31/2017
5	ITS	15-AUD-01 - Audit of Telephone Usage and Billings	10	Conduct a complete physical inventory of all data and voice circuits to verify the information in VeraSmart is correct. **Update: 90% completed in physical inventory.**	11/30/2015	6/30/2017
6	Systems, Security & Law Enforcement	16-AUD-03 - Metro Policing and Security Workload and Staffing Analysis	8	The Metro System Safety and Law Enforcement Division should consider developing or acquiring and implementing a resource oversight and monitoring application for use on the smartphones currently used by Metro safety and security personnel. Metro should also consider identifying specific reporting requirements as input into the development of the new Computer Aided Dispatch (CAD) system by the LASD.	1/31/2017	
7	Vendor / Contract Management	16-AUD-02 - Audit of Procurement Process for the Crenshaw/LAX Transit Corridor Contract	1	The Procurement Department should develop written procedures and process to validate (a) required professional licenses and certifications for "Key Personnel" specified in RFQ and RFP, and (b) document this validation in the contract files. This process should also include periodic validations whenever "Key Personnel" are replaced during the life of the project.	1/31/2017	
8	Operations	Audit of Rail Operator Service Hours	1a	We recommend the Senior Executive Officer of Rail Operations to require Rail Transportation supervisors (Division Directors/RTOSs) to receive training on HASTUS reports.	4/30/2017	
9	Operations	Audit of Rail Operator Service Hours	1b	We recommend the Senior Executive Officer of Rail Operations to instruct RTOSs to avoid bypassing HASTUS warnings of potential rest break violations and make all necessary adjustments to rail operators' schedules.	4/30/2017	
10	Operations	Audit of Rail Operator Service Hours	1c	We recommend the Senior Executive Officer of Rail Operations to require Division Directors to review the HASTUS Employee Violations Summary report on a daily basis and make inquiries about all listed potential rest break violations.	4/30/2017	
11	Operations	Audit of Rail Operator Service Hours	1d	We recommend the Senior Executive Officer of Rail Operations to remind RTOSs that when necessary, they should adjust the rail operators' remaining hours to ensure they do not exceed 12 hours when rail operators unexpectedly work through unpaid splits in the middle of their workdays.	4/30/2017	
12	Operations	Audit of Rail Operator Service Hours	1e	We recommend the Senior Executive Officer of Rail Operations to remind supervisors (Division Directors/RTOSs) to be careful when updating HASTUS with operators' schedules to avoid typos or other errors that could result in erroneous payments.	4/30/2017	
13	Operations	Audit of Rail Operator Service Hours	1fi	We recommend the Senior Executive Officer of Rail Operations to: i. comply with Metro's Employee Code of Conduct in regards to employees obtaining approval from their supervisors before starting outside employment, ii. discuss procedures when an employee is approved to have outside employment, iii. and discuss the Secondary Employment Notification form procedures.	4/31/2017	

				OIG Open Audit Recommendations		
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
14	Operations	Audit of Rail Operator Service Hours	1fiii	We recommend the Senior Executive Officer of Rail Operations to: i. comply with Metro's Employee Code of Conduct in regards to employees obtaining approval from their supervisors before starting outside employment, ii. discuss procedures when an employee is approved to have outside employment, iii. and discuss the Secondary Employment Notification form procedures.	4/30/2017	
15	Operations	Audit of Rail Operator Service Hours	1g	We recommend the Senior Executive Officer of Rail Operations to modify the Secondary Employment Notification form to be specific to rail operations or make it generic enough to apply to both rail and bus.	4/30/2017	
16	Operations	Audit of Rail Operator Service Hours	1h	We recommend the Senior Executive Officer of Rail Operations to require supervisors to follow up if rail operators do not submit the Secondary Employment Notification form.	4/30/2017	
17	Operations	Audit of Rail Operator Service Hours	1i	We recommend the Senior Executive Officer of Rail Operations to ensure all Divisions are aware of the need to have operators fill out the Secondary Employment Notification forms.	4/30/2017	
18	Operations	Audit of Rail Operator Service Hours	1j	We recommend the Senior Executive Officer of Rail Operations to request the Ethics Department to speak at a Transportation Management meeting about outside employment factors that management should consider before approving outside employment.	4/30/2017	
19	Employee & Labor Relations	Audit of Rail Operator Service Hours	2a	We recommend the Chief Human Capital & Development Officer in coordination with Rail Operations to consider negotiating a 10-hour rest break period for rail operators in the new SMART contract.	6/30/2017	
20	Employee & Labor Relations	Audit of Rail Operator Service Hours	2b	We recommend the Chief Human Capital & Development Officer to consider negotiating a requirement in the upcoming new SMART contract to limit the number of consecutive days rail operators can work.	6/30/2017	