



## Board Report

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### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 14, 2018

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2018 SECOND  
QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the second quarter report of Management Audit Services (Management Audit) for the period ending December 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 second quarter of FY 2018.

#### **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 December 31, 2017 is as follows:

Internal Audits: One internal audit was completed and thirteen were in process.

External Audits: Two contract pre-award audits with a total value of \$1.2 million were completed and 15 incurred cost audits with a total value of \$57 million were completed. Four contract pre-award audits and 43 incurred cost audits were in process.

Other Audits: Fifteen audits were completed by external CPA firms.

Audit Follow-up and Resolution: Nine recommendations were closed during the second quarter. At the end of the quarter, there were 28 open audit recommendations. In addition, three recommendations for the OIG were closed. Details of all open, extended, and closed recommendations can be found in the Second Quarter Board Box titled "Status of Audit Recommendations".

Management Audit's FY 2018 second quarter report is included as Attachment A.

### **NEXT STEPS**

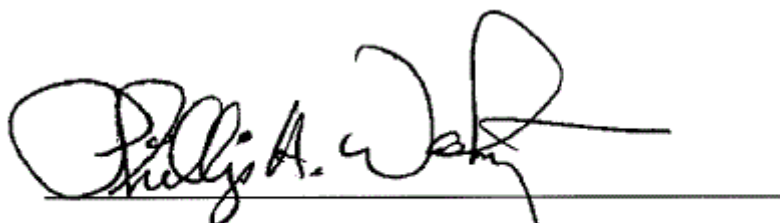
Management Audit will provide the FY 2018 Third Quarter report of audit activity to the Board at the May 2018 Finance, Budget and Audit Committee meeting.

### **ATTACHMENT**

Attachment A - Management Audit Services Quarterly Report

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Phillip A. Washington  
Chief Executive Officer

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

**Los Angeles County Metropolitan  
Transportation Authority**

***Second Quarter  
FY 2018***



**Metro™**

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# *EXECUTIVE SUMMARY*

## Summary of Audit Activity

During the second quarter of FY 2018, 33 projects were completed. These include:

### Internal Audits

- Follow-Up Performance Audit for the I-405 Sepulveda Pass Improvement Project;

### Pre-Award Audits

- Independent Auditor's Report on Agreed-Upon Procedures for the Indirect Cost Rate for Purple Line Extension Section 3 Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for Communications and Passenger Information System;

### Incurred Cost Audits

- Three Independent Auditor's Reports on Agreed-Upon Procedures for the SR-710 Gap Alternatives Analyses Project;
- Three Independent Auditor's Reports on Agreed-Upon Procedures for incurred costs for the Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Baldwin Park's Metrolink Transit Center Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Baldwin Park's Metrolink Pedestrian Overcrossing Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Glendale's Colorado St. Widening Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Long Beach's Atlantic Avenue Signal Synchronization and Enhancement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of La Cañada Flintridge's Bus Replacement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Lynwood's Transit Area Strategic Plan Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of County of Los Angeles Department of Public Work's San Gabriel Valley Forum Traffic Signal Corridors Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of El Monte's Clean Fuel Bus Replacement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Pico Rivera's Pedestrian Bridge along Rosemead Boulevard Project;

### Other Audits

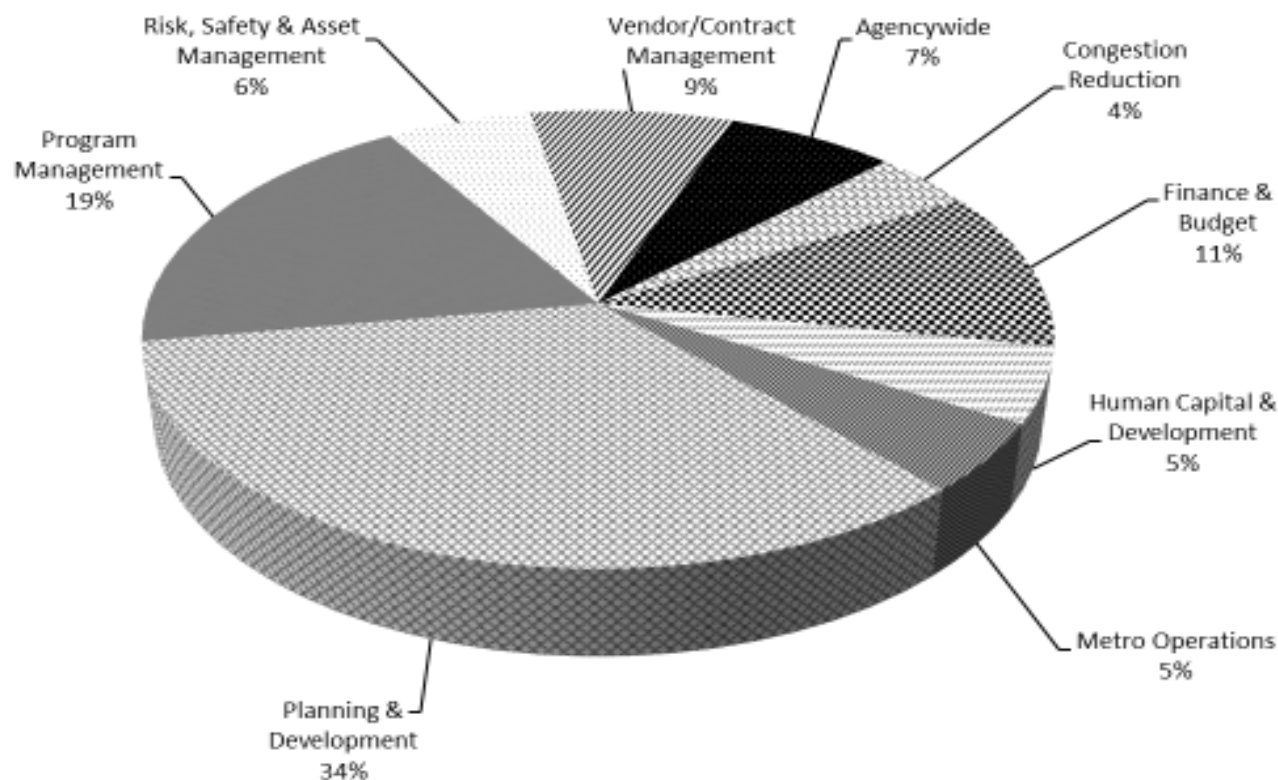
- Fifteen other audits issued by external CPA firms.

The completed external audits are discussed on page 3. Discussions of the internal audits begin on page 4. Discussions of Other audits issued by external CPA firms begin on page 5.

## EXECUTIVE SUMMARY

Sixty projects were in process as of December 31, 2017; these included 13 internal audits, four contract pre-award audits, and 43 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during second quarter FY 2018:



### Audit follow-up:

- Nine recommendations were closed during the second quarter. At the end of the quarter there were 28 open audit recommendations.
- In addition, we closed three OIG recommendations. At the end of the quarter there were 39\* open audit recommendations.

\*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, Review of Metro Safety Culture and Rail Operational Safety, and Review of Metro Rail Services Disruptions, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the 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 second quarter FY 2018, two audits were completed, reviewing a net value of \$1.2 million. Auditors questioned \$83 thousand or 7% of the proposed costs. The two audits supported procurements in the following areas:

- Purple Line Extension Section 3 Project procurements; and
- Communications and Passenger Information System Project procurement;

Four contract pre-award audits were in process as of December 31, 2017.

Details on Contract Pre-Award Audits completed during second quarter FY 2018 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 15 audits during second quarter FY 2018. We reviewed \$57 million of funds and identified \$1.5 million or 3% of unused funds that may be reprogrammed. Forty-three incurred cost audits were in process as of December 31, 2017.

Details on Incurred Cost Audits completed during second quarter FY 2018 are in Appendix B.

## *INTERNAL AUDITS*

For the second quarter of FY 2018, one internal audit was completed. Thirteen internal audits were in process as of December 31, 2017. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the second quarter FY 2018. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

### *Follow-Up Performance Audit for the I-405 Sepulveda Pass Improvement Project*

The audit objective was to verify whether the corrective actions from prior audit of I-405 Sepulveda Pass Improvement Project have been implemented.

We found that all eight recommendations from prior audit report No. 11-CON-K01, dated August 9, 2011 were implemented. Management identified alternative solutions for two of the eight corrective actions which we accepted as adequate methods to correct the associated findings. The corrective actions implemented by management improved the oversight of the I-405 Sepulveda Pass Improvement Project, of which the Substantial Completion Certificate was issued September 18, 2015.



## *OTHER AUDITS*

Other audits completed during Second Quarter FY18 by external CPA firms include:

### Proposition A and C Special Revenue Funds Audit – Issued November 2017

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by the Los Angeles County Metropolitan Transportation Authority (Metro) with the provisions of Propositions A and C. BCA Watson Rice LLP (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2017. As required by law, BCA will present their audit report to the Independent Citizen's Advisory Oversight Committee.

### Measure R Special Revenue Fund Audit – Issued November 2017

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Metro complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2017. As required by law, BCA will present their audit report to the Measure R Independent Taxpayers Oversight Committee.

### Gateway Center & Union Station Properties Financial Statements – Issued November 2017

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 to conduct an audit of the financial statements for these two entities for the year ended June 30, 2017. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

### PTSC-MTA Risk Management Authority Financial Statements – Issued November 2017

In October 1998, the Public Transportation Services Corporation (PTSC) and Metro 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 Metro and PTSC. As PTSC also receives its funding from Metro, PRMA is a component unit of Metro and is included in its 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, 2017. BCA found that the financial statements present fairly, in all material respects, the position of PRMA as of June 30, 2017.

## *OTHER AUDITS*

### Basic Financial Statements and Component Audits – All parts Issued by December 2017

An audit of our financial statements by an independent CPA firm is required annually. We retained Crowe Horwath LLP to conduct the audit for the fiscal year FY17. The following reports include MTA's basic financial statements and following component audits for the year ended June 30, 2017:

- Comprehensive Annual Financial Report;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2017;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2017;
- Transportation Development Act Operations Agency for the fiscal year ended June 30, 2017;
- Transportation Development Act & Proposition 1B PTMISEA Planning Agency for the year ended June 30, 2017;
- State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2017 and 2016;
- Crenshaw Project Corporation financial statements as of June 30, 2017;
- Service Authority for Freeway Emergencies' financial statements and other supplementary information as of and for the years ending June 30, 2017 and 2016; and
- Low Carbon Transit Operations Program Compliance for the fiscal year ended June 30, 2017.

Crowe issued unmodified opinions on all audit reports. There were no findings identified in the audit reports.

### Financial Statements of Regional Transit Access Pass (TAP) Settlement and Clearing Accounts – Issued December 2017

Los Angeles TAP was created by Metro through Board action to implement a region-wide universal fare system which provides a fully integrated, electronic fare collection system that allows seamless multi-modal travel throughout the region using smart card technology. This universal fare system is known today as the Regional TAP Program. The Regional TAP Program is managed by the Regional TAP Service Center utilizing Metro staff resources.

We contracted BCA to conduct an audit of the financial statements for the year ended June 30, 2017. The auditor found that the statement of net position present fairly, in all material respects, the financial position of the Regional TAP Service Center TAP Settlement and Clearing Accounts as of June 30, 2017.

## *OTHER AUDITS*

### Financial Statements of Metro ExpressLanes – Issued December 2017

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 Metro, was performed by Vasquez & Company, LLP (Vasquez) for the year ended June 30, 2017. Vasquez found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes fund as of June 30, 2017 and 2016.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During the second quarter, nine recommendations were completed and closed. At the end of the quarter there were 28 outstanding audit recommendations. The table below summarizes the second quarter activity.

### Summary of MAS and External Audit Recommendations As of December 31, 2017

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Program Management					
Vendor Contract Management					
Finance and Budget					
Information Technology	1		1	1	2
Metro Operations	8		14	1	15
Planning and Development			4		4
Communications			7		7
Systems Security & Law Enforcement					
Risk Management					
<b>Totals</b>	<b>9</b>		<b>26</b>	<b>2</b>	<b>28</b>

In addition to the above MAS and external audit recommendations, we closed three recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 39\* outstanding OIG audit recommendations.

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

## Appendix A

<b>Contract Pre-Award Audit FY 2018 - Audits Completed During Fiscal Year</b>						
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Frequency</b>	<b>Requirement</b>	<b>Date Completed</b>
1	Construction	18-CON-A02 - Attestation Agreed-upon Procedures	Cornerstone Transportation Consulting, Inc.	Once	VCM Policy	11/2017
2	Operations	18-OPS-A01 - Attestation Agreed-upon Procedures	CRRC MA Corporation	Once	VCM Policy	11/2017

## Appendix B

Incurred Cost Audit FY 2018 - Audits Completed During Fiscal Year						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
1	Planning	17-PLN-A08 - Attestation Agreed-upon Procedures	JM Diaz, Inc.	Second	VCM Policy	10/2017
2	Planning	16-PLN-A16 - Attestation Agreed-upon Procedures	Jacobs Associates	Second	VCM Policy	10/2017
3	Planning & Development	15-PLN-A05 - Closeout	City of Baldwin Park	Once	Per Project Manager's request and MOU.P00FA141 terms	10/2017
4	Planning & Development	16-PLN-A04 - Closeout	City of Baldwin Park	Once	Per Project Manager's request and MOU.P00F1654 terms	10/2017
5	Program Management	17-HWY-A15 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.MR310.21 terms	10/2017
6	Planning & Development	16-PLN-A30 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU.P00F1334 terms	10/2017
7	Program Management	17-CON-A38 - Attestation Agreed-upon Procedures	Ghirardelli Associates, Inc.	Second	VCM Policy	10/2017
8	Program Management	17-CON-A35 - Attestation Agreed-upon Procedures	Brierley Associates Corporation	Second	VCM Policy	10/2017
9	Planning & Development	18-PLN-A08 - Closeout	City of La Cañada Flintridge	Once	Per Project Manager's request and FA.920000000F7407 terms	11/2017
10	Planning & Development	17-PLN-A24 - Closeout	City of Lynwood	Once	Per Project Manager's request and MOU.TOD.312.02.15	11/2017
11	Planning & Development	17-PLN-A03 - Closeout	County of Los Angeles	2nd Audit (Close out)	Per Project Manager's request and MOU.P0006294 terms	12/2017

## Appendix B

<b>Incurred Cost Audit FY 2018 - Audits Completed During Fiscal Year</b>						
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Frequency</b>	<b>Requirement</b>	<b>Date Completed</b>
12	Planning & Development	18-PLN-A10 - Closeout	City of El Monte	Once	Per Project Manager's request and FA.920000000F7420 terms	12/2017
13	Planning & Development	17-PLN-A22 - Closeout	City of Pico Rivera	Once	Per Project Manager's request and MOU.P000F3827 terms	12/2017
14	Planning	16-PLN-A19 - Closeout	CH2M Hill, Inc.	Second	VCM Policy	12/2017
15	Program Management	17-CON-A30 - Attestation Agreed-upon Procedures	DHS Consulting, Inc.	Second	VCM Policy	12/2017

## Appendix C

Internal Audit FY 2018 - In Process as of December 31, 2017						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	Information & Technology Services	Performance Audit of Information Technology Project Management	Evaluate the efficiency and effectiveness of the Information Technology Services (ITS) Department's Project Management Process. A sample from all information technology systems acquired, upgraded, developed and/or implemented during the period from July 1, 2013 through June 30, 2016 will be selected to assess the efficiency and effectiveness of the Project Management Process, including the projects' success from the end user perspective.	First Time	Per FY17 Audit Plan	1/2018
2	Metro Operations	17-OPS-P07 - Performance Audit of Track Allocation	Determine the effectiveness of the track allocation process.	First Time	Per FY16 Audit Plan	1/2018
3	Program Management	16-CON-P04 - Performance Audit of Construction Quality Assurance	Evaluate the efficiency and effectiveness of the agency's Construction Quality Assurance Program over minor construction projects (less than \$100 million) and to follow up on the implementation of recommendations from the prior Performance Audit of Construction Quality Assurance, No. 11-CON-K02.	2nd Time; Last Audit 3 years ago	Per FY16 Audit Plan	2/2018
4	Finance & Budget	17-OMB-P02 - Performance Audit of Farebox Revenue Process	Evaluate the effectiveness of internal controls over Farebox Revenue Process.	First Time	Per FY17 Audit Plan	2/2018
5	Finance & Budget	17-OMB- P01 - Performance Audit of Cash Counting Process	Evaluate internal controls over the Cash Counting Process.	2nd Time; Last Audit 7 years ago	Per FY17 Audit Plan	2/2018
6	Vendor / Contract Management	16-VCM- P01 - Performance Audit of P-Card	Evaluate compliance to P-card purchase requirements.	3rd Time; Last audits 4 and 8 years ago	Per FY16 Audit Plan	2/2018
7	Vendor / Contract Management	17-VCM-P02 - Performance Audit of Change Order Process	To determine the extent of Vendor/Contract Management's compliance with policies and procedures. To determine Vendor/Contract Management's adequacy of the justification documentation for approving contract change orders/modifications. To determine the extent of key information utilization for contract change orders/modifications. Identify best practices and present to Vendor/Contract Management for consideration.	First Time	Per CEO Request	3/2018



## Appendix C

Internal Audit FY 2018 - In Process as of December 31, 2017						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
8	Vendor / Contract Management	17-VCM-P04 - Performance Audit of Pre-Award Process	To determine the extent of Vendor/Contract Management's compliance with policies and procedures. To determine Vendor/Contract Management's adequacy of the justification documentation for the vendor contract selection method (e.g. best value, lowest bid). To determine the extent of key information utilization to select vendors for contract awards. Identify best practices and present to Vendor/Contract Management for consideration.	First Time	Per CEO Request	2/2018
9	Metro Operations	16-OPS-P03 - Performance Audit of Accident Prevention Program	Determine the efficiency and effectiveness of Operations' Accident Prevention Practices.	First Time	Per FY16 Audit Plan	2/2018
10	Congestion Reduction	16-CEO-P02 - Performance Audit for Follow- Up of 511	Follow Up on 511 Audit.	2nd Time; Last Audit 5 Years Ago	CEO Request	2/2018
11	Agency-Wide	17-AGW-P01 - Performance Audit of Consultant Hours	Evaluate efficiency and effectiveness of the use of consultants. Phase 1 – This audit will report on the agency-wide use of consultants such as the number of consultants by business unit, nature of work conducted by the consultants, consultant costs and other statistical information during the review period (FY14, FY15 and FY16).	First Time	Per FY17 Audit Plan	3/2018
12	Employee & Labor Relations / Finance & Budget	17-OMB-P04 - Performance Audit of Position Reconciliation Process	To evaluate the adequacy of the Position Reconciliation Process between the cost centers, Human Resources and Office of Management and Budget.	2nd Time; Last Audit 6 years ago	Per FY17 Audit Plan	3/2018
13	Risk Management	18-RSK-P01 - Performance Audit of Continuity of Operations Plan	Evaluate the adequacy of the Continuity of Operations Plan (COOP) based on guidelines specified by Federal Transit Administration Emergency Protective Measures and report on progress to date on the COOP as of September 30, 2017.	2nd Time; Last Audit 8 years ago	Per FY18 Audit Plan	3/2018

## Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	11-OPS-006 - HASTUS	5	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minibus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution. <b>Update: Closed as of January 2018.</b>	6/30/2016	12/31/2017
2	Operations	11-OPS-006 - HASTUS	6	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minibus 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. <b>Update: Closed as of January 2018.</b>	6/30/2016	12/31/2017
3	Operations	11-OPS-006 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions. <b>Update: Operations will be using the CrewOpt module for the June 2018 shakeup.</b>	6/30/2016	6/30/2018
4	Operations	11-OPS-006 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts. <b>Update: Operations will be using the CrewOpt module for the June 2018 shakeup.</b>	6/30/2016	6/30/2018
5	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. <b>Update: Closed as of January 2018.</b>	3/31/2017	7/31/2018
6	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. <b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>	3/31/2017	7/31/2018

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

## Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
7	Communications	16-COM-P01 - Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement. <b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>	3/31/2017	7/31/2018
8	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. <b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>	3/31/2017	7/31/2018
9	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. <b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>	3/31/2017	7/31/2018
10	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. <b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>	3/31/2017	7/31/2018
11	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. <b>Update: Closed as of January 2018.</b>	3/31/2017	7/31/2018
12	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. <b>Update: Real Estate has provided master schedule to perform required inspection. Management Audit is reviewing supporting documents for some of the inspections completed.</b>	6/30/2017	6/30/2018

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

## Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
13	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. <b>Update: Management Audit is currently reviewing supporting documentation provided by Real Estate Management to verify that appropriate corrective action was taken.</b>	6/30/2017	6/30/2018
14	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. <b>Update: Closed as of January 2018.</b>	6/30/2017	12/31/2017
15	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. <b>Update: Closed as of January 2018.</b>	6/30/2017	12/31/2017
16	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. <b>Update: A board box was issued November 16, 2017 that discusses the M3 replacement system which includes a requirement for linear assets inventory. The next step is to issue a Request for Proposals in January 2018.</b>	6/30/2017	6/30/2018
17	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. <b>Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of a formal risk assessment of potential failures for track components or assets to supplement the current inspection program.</b>	6/30/2017	6/30/2018

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

## Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
18	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. <b>Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of quality standards to assist with the maintenance of track infrastructure.</b>	6/30/2017	6/30/2018
19	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. <b>Update: The M3 mobile app for the Daily Inspection form is now being tested by Track Inspectors. Verification of the inspections criteria for the different types of inspection is expected to be completed by June 30, 2018.</b>	6/30/2017	6/30/2018
20	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. <b>Update: The M3 mobile app for Daily Inspection form is now being tested by Track Inspectors. The determination of whether all conditions that impact the track structure are being documented, will be completed by June 30, 2018.</b>	06/30/2017	6/30/2018
21	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. <b>Update: The Director of Wayside Systems informed us that Track Inspectors are communicating with Wayside Systems Facility Maintenance for any corrective actions outside of track maintenance responsibility. Additionally, a vendor was hired to perform repairs and maintenance on Metro concrete guide ways, bridges and subway tunnels.</b>	6/30/2017	6/30/2018

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

## Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
22	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. <b>Update: The M3 mobile app for Daily Inspection form is now being tested by Track Inspectors.</b>	6/30/2017	6/30/2018
23	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. <b>Update: he M3 mobile app for Daily Inspection form is now being tested by Track Inspectors.</b>	6/30/2017	6/30/2018
24	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. <b>Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of departmental policies and procedures for Track Maintenance, inclusive of standards or guidelines.</b>	6/30/2017	6/30/2018
25	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. <b>Update: A new Maintenance of Way (MOW) bench will be established. The bench will enable MOW to issue task orders for a consultant to assist with the development of an illustrative field manual based on Metro's own criteria for track maintenance.</b>	6/30/2017	6/30/2018
26	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. <b>Update: Closed as of January 2018.</b>	12/31/2017	

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

## Appendix D

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
27	Information Technology Services	16-ITS-P02 - Performance Audit of IT Asset Management	2	We recommend that the ITS Department Management complete the update of the Standards Compliance and Asset Management (IT 7) Policy to clarify the roles and responsibilities of the ITS department and other cost centers in tracking and managing IT assets. The policy should include the types of IT assets that need to be maintained in IT asset inventory records. The policy revision should also include the extent of the periodic physical inventory/reconciliation based on the risk associated with the type of IT assets and the amount of investment on various types of IT assets.	10/31/2017	6/30/2018
28	Information Technology Services	16-ITS-P02 - Performance Audit of IT Asset Management	4	We recommend that the ITS Department Management oversee the periodic physical inventory (at least annually) of IT assets that are excluded from the physical inventory/reconciliation for federally funded assets (below \$5000 unit price), but had been determined material in amount due to high frequency/volume purchases. Resolve any discrepancies to ensure the accuracy and completeness of IT asset inventory records.	3/31/2018	

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

Appendix E

OIG Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	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	3/31/2018
2	Program Management	16-AUD-01 - Capital Project Management Best Practices Study	38 Total	The 109 recommendations included in this report address findings in low bid contracting, project delivery method selection process and criteria, contract administration, obtaining necessary approvals from cities to avoid delays, etc. <b>Update: As of December 31, 2017, 71 of 109 recommendations have been completed.</b>		

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