



## Board Report

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

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2018 YEAR-END REPORT AND AUDIT CHARTER**

**ACTION: RECEIVE AND FILE**

#### RECOMMENDATION

RECEIVE AND FILE the:

- A. Year-end report of Management Audit Services (Management Audit) for the period ending June 30, 2018; and
- B. Management Audit Services Draft Audit Charter.

#### ISSUE

Management Audit must provide a quarterly activity report to the Finance, Budget and Audit Committee which includes information on: completed audits, audits that are in progress, our follow-up activities and any other pertinent matters.

In addition, audit standards require that we review our Audit Charter periodically, present it to executive management and obtain board approval. The Audit Charter is a formal document that defines Management Audit's purpose, authority and responsibility.

#### BACKGROUND

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 fourth quarter of FY 2018.

Additionally, Management Audit follows two audit standards: Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). These two standards were revised in 2018 and 2017 respectively. As a result, we have updated our Audit Charter to align with the new standards' language. The Audit Charter was last presented to the Board in February 2016 with administrative changes.

#### 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

that 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's activities for the fourth quarter and for the fiscal year ending June 30, 2018 are as follows:

Internal Audits: three internal audits were completed during the fourth quarter; total of eight reports were completed for the year. As of June 30, 2018, 13 internal audits were in process.

External Audits: 14 incurred cost audits with a total value of \$42 million were completed during the fourth quarter; total of 49 incurred cost audits with a total value of \$430 million were completed for the year. Additionally, seven contract pre-award audits with a total value of \$31.6 million were completed for the year. Three contract pre-award audits and fifty-four incurred cost audits were in process.

Other Audits: 143 financial and compliance audits were issued during the fiscal year. Details of other audits completed by external certified public accountants (CPAs) during the year are included starting on page 6 of Attachment A.

Audit Follow-up and Resolution: six recommendations were closed during fourth quarter; total of 50 were closed for the year. In addition, 11 recommendations for the OIG were closed during fourth quarter; total of 105 were closed for the year. Details of all open, extended, and closed recommendations can be found in the Fourth Quarter Board Box titled "Status of Audit Recommendations".

Other Activities: Management Audit Services partnered with Vendor/Contract Management to put together a series of educational training programs for Small Business Enterprise (SBE) and Disadvantaged Business Enterprise (DBE). The trainings were in support of the SBEs and DBEs in their compliance efforts with the Federal Acquisition Regulations (FAR) Cost Principles and Procedures which are included in all Metro contracts. Approximately 200 attendees participated in these trainings.

Management Audit's FY 2018 year-end report is included as Attachment A.

In addition, we have updated our Audit Charter to align with the revisions for the two audit standards that Management Audit follows: Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). These two standards were revised in 2018 and 2017 respectively. The Audit Charter was last presented to the Board in February 2016 with administrative changes. The updated Audit Charter showing the changes we made can be found in Attachment B.

## **NEXT STEPS**

Management Audit will provide the first quarter summary of FY 2019 audit activity to the Board at the January 2019 Finance, Budget and Audit Committee meeting.

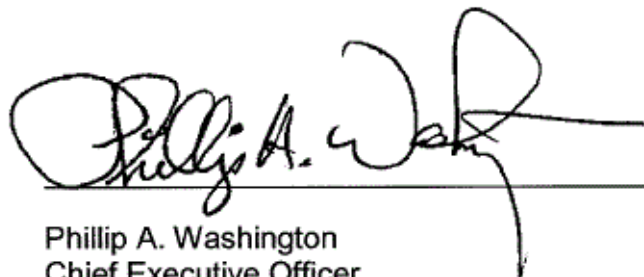
**ATTACHMENTS**

Attachment A - FY18 Q4 Year-End Report

Attachment B - Management Audit Services Draft Audit Charter

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Phillip A. Washington  
Chief Executive Officer

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

**Los Angeles County Metropolitan  
Transportation Authority**

***YEAR-END REPORT  
FY 2018***

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# EXECUTIVE SUMMARY

## FY18 Summary of Audit Activity

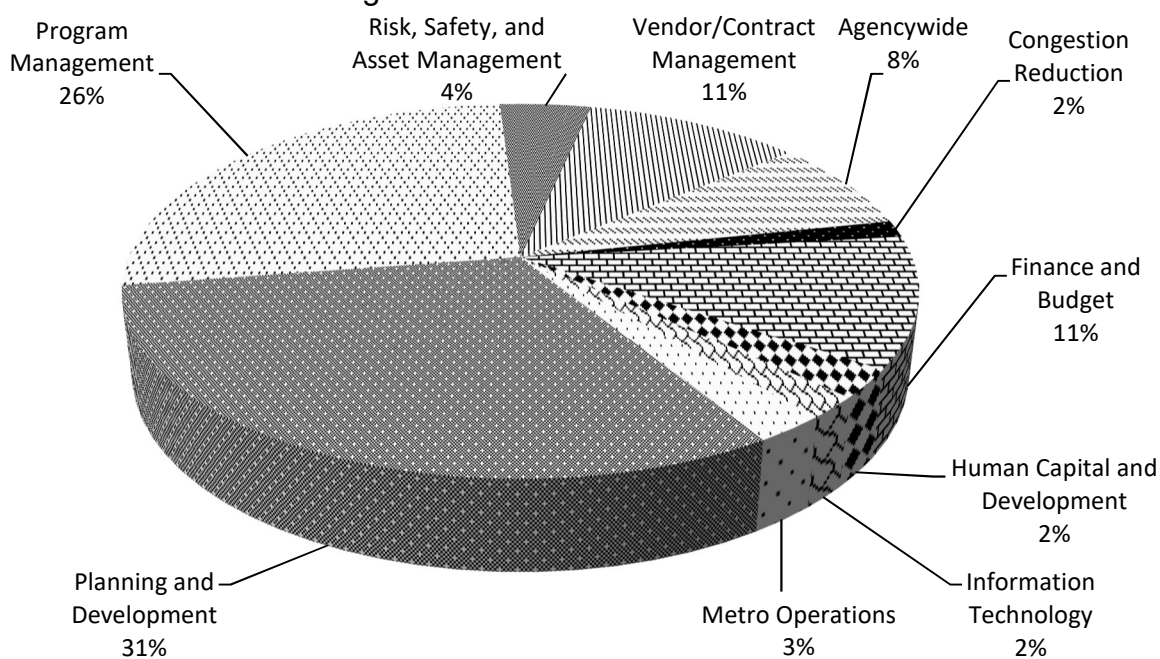
During FY 2018, we completed or managed 207 engagements consisting of 64 audits issued by MAS and 143 external CPA firms' reports. Details are as follows:

- 21 audit reports issued in the first quarter;
- 18 audit reports issued in the second quarter;
- 8 audit reports issued in the third quarter;
- 17 audit reports issued in the fourth quarter;
- 143 financial and compliance audits issued during the fiscal year (mostly legally mandated such as Propositions A&C, Measure R, STA, TDA, NTD, and other funds distributed to the cities and County of Los Angeles).

The work completed in the first, second, and third quarters of FY 2018 were summarized in the quarterly reports issued in November 2017, February 2018, and May 2018. The completed audits for fourth quarter include three internal audit reports and 14 incurred cost audits. The completed incurred cost audits are summarized on page 4 and completed internal audits begin on page 5. Seventy audits were in process at the end of FY 2018.

A list of all contract pre-award and incurred cost audit projects completed in FY 2018 are included in Appendix A and B, respectively. All internal audits completed during FY 2018 are included in Appendix C. All internal audits in process as of June 30, 2018 are included in Appendix D.

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



# *EXECUTIVE SUMMARY*

## Other Activities

### Small Business Enterprise/Disadvantaged Business Enterprise Trainings

Metro recognizes that the SBE/DBE firms may have challenges including limited knowledge to comply with the requirements of Federal Acquisition Regulations (FAR) Part 31, Contract Cost Principles and Procedures which are included in all Metro contracts and limited resources to support the audit efforts.

Management Audit Services (MAS) partnered with V/CM to put together a series of educational training programs for SBE/DBEs to better understand contract and audit requirements including FAR Part 31 cost allowability, audit process, adequate accounting system and the different types of contract audits (e.g. pre-award, incurred cost, close out, etc.) including the associated level of audit support and effort that goes with each type. Training programs include speaking at Metro sponsored events such as How to Do Business with Metro workshop, Transportation Business Advisory Council (TBAC), and other training programs dedicated for SBE/DBEs. Beginning February 2018, MAS conducted three workshops (February, March and April) at Metro's Headquarters and trained approximately 200 attendees. Attendees had the opportunities to ask their audit and contract questions to the MAS and V/CM executives during these events.

## *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 FY 2018, we completed seven audits, reviewing a net value of \$31.6 million. Auditors questioned \$1.4 million or 4% of the proposed costs. The seven audits supported procurements in the following areas:

- Two (2) of Crenshaw Transit Project procurements;
- Los Angeles Union Station Improvement Project procurement;
- Metro Structures Inspection Project procurement;
- Purple Line Extension Section 3 Project procurements;
- Communications and Passenger Information System Project procurement; and
- Metro Green Line Track and Wayside Communications Upgrades.

Three contract pre-award audits were in process as of June 30, 2018. Details on Contract Pre-Award Audits completed during 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 grantees spend funds in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 49 audits during FY 2018. We reviewed \$430 million of funds and identified \$7.5 million or 2% of unused funds that may be reprogrammed. Fifty-four incurred cost audits were in process as of June 30, 2018.

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



# INTERNAL AUDITS

Management Audit completed eight internal audit reports in FY 2018. Thirteen internal audits were in process as of June 30, 2018. A list of the internal audits in process is included in Appendix D. Details of the three internal audits completed during the fourth quarter are listed below.

## Performance Audit of Information Technology Project Management

Management Audit retained the services of Vasquez & Company LLP to complete a performance audit of Information Technology (IT) Project Management. The audit objective was to evaluate the efficiency and effectiveness of the Information Technology Services (ITS) Department's Project Management Process.

Vasquez found two issues in this report, including the need for the rollout of the formalized IT Project Management Methodology and lack of segregation of duties. Management concurred with our recommendations and is implementing corrective actions.

## Performance Audit of the Track Allocation Process

The audit objective was to determine the efficiency and effectiveness of the Track Allocation Process.

We found that the Track Allocation Process was effective in that the Track Department completed all work mandated by the California Public Utilities Commission. Although the Track Allocation Unit has incorporated some incremental changes to improve the Track Allocation Process, we found that there is a greater need to improve the coordination and communication among the Track Allocation Coordinator, Rail Operations Controller, and requestors to optimize Right-of-Way usage. Management concurred with all but one of our seven recommendations and has already implemented some of the corrective actions. In addition, MAS will conduct a follow-up audit in FY19.

## Performance Audit of the Farebox Revenue Process

The audit objective was to evaluate the adequacy of internal controls over the Farebox Revenue Process.

We found adequate internal controls over the accuracy of revenues, preventative maintenance for fareboxes, and completion of fare classification training for bus operators. However, we found opportunities to improve internal controls in the areas of safeguarding physical access of farebox cash; timeliness of probing and vaulting of fareboxes; and reliability of information used to monitor probing of fareboxes. Probing electronically unlocks the farebox door and transfers summary data from the farebox to the garage computers. Vaulting is when the cashbox is placed into the vault allowing the cashbox to be emptied into the revenue bin. In addition, we identified two business process improvements related to inspections of surveillance equipment and maintenance of garage computer rooms. Management concurred with all of the recommendations, and has already implemented some of the corrective actions.

## *OTHER AUDITS*

Other audits completed during FY18 by external CPA firms contracted by MAS 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. BCA found that the Schedules of Proposition A and Proposition C Revenues and Expenditures present fairly in all material respects. As required by law, BCA presented their audit report to the Independent Citizen's Advisory Oversight Committee in May 2018.

### 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. BCA found that the Schedule of Measure R Revenues and Expenditures presents fairly in all material respects. As required by law, BCA presented their audit report to the Measure R Independent Taxpayers Oversight Committee in May 2018.

### 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. BCA 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.

### Consolidated Audit – Issued various dates

These financial and compliance audits are needed to ensure that the recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration guidelines. The Consolidated Audit process includes financial and compliance audits for the fiscal year ended June 30, 2017 for the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
  - Proposition A Local Return
  - Proposition C Local Return
  - Measure R Local Return
  - Transit Development Act (TDA) Article 3 and Article 8 Programs
  - Proposition A Discretionary Incentive Program
- Transit System Funds to Commerce, Redondo Beach, Torrance
  - Transit Development Act (TDA) Article 4
  - State Transit Assistance (STA)
  - Proposition A 95% of 40% Discretionary
  - Proposition C 5% Security
  - Proposition C 40% Discretionary
  - Proposition 1B Funds
  - Measure R 20% Bus Operations and Clean Fuel Bus Funds
- Proposition A 40% Discretionary – Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena Transit System Operators
- Fare Subsidies Programs
  - Immediate Needs Transportation Program (INTP)
  - Rider Relief Transportation Program (RRTP)
  - Support for Homeless Re-Entry (SHORE) Program

## *OTHER AUDITS*

- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT Operating Data (Proposition A Incentive Programs)

### Local Return

#### **Measure R**

Vasquez and Simpson & Simpson found that the 88 Cities and County complied in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2017. The Measure R Local Return audit results were presented to the Measure R Independent Taxpayer Oversight Committee (MRITOC) on March 13, 2018. A Public Hearing for MRITOC was also conducted to receive public input on May 15, 2018.

The auditors found 32 instances of non-compliance for Measure R. Questioned costs totaling \$2.3 million for Measure R represent approximately 2% of the total amount reviewed. During and after the audits, all questioned costs were resolved.

#### **Prop A and Prop C**

Vasquez and Simpson & Simpson found that all Cities and County, with the exception of the City of Compton, complied in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2017.

The auditors found 67 instances of non-compliance for Proposition A and C. Questioned costs totaling \$2.2 million and \$1.8 million for Proposition A and Proposition C, respectively represent approximately 1% of each total fund reviewed. During the audits, questioned costs of \$1.6 million and \$1.5 million for Proposition A and Proposition C, respectively, were resolved. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

### Non-Local Return

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; one finding for Metrolink program, eleven findings for the TDA Article 3 program and five for the EZ Transit Pass Program. Eleven compliance findings were also identified for the INTP (6), and RRTP (5) programs. Two compliance findings for the SHORE Program and one compliance finding for Access Services were also identified.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During FY 2018, 43 recommendations were added and 50 recommendations were closed. At the end of the quarter, there were 51 outstanding audit recommendations. The table below summarizes the fourth quarter activity.

### Summary of MAS and External Audit Recommendations As of June 30, 2018

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Communications			5		5
Finance & Budget				3	3
Human Capital & Development	2		3	7	10
Information Technology			1	11	12
Metro Operations	4		6	13	19
Planning and Development			2		2
Totals	6		17	34	51

In addition to the above MAS and external audit recommendations, eleven were closed during fourth quarter for the Office of the Inspector General (OIG); total of 105 were closed for the year. At the end of the quarter there were 162 outstanding OIG audit recommendations.\*

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

\*This total does not include recommendations included in the 1) Audit of Westside Purple Line Extension Section 2 - Modification No. 52, 2) Review of Metro Rail Services Disruptions and 3) Increasing Public Transit and Ridership Use Study, as the management response and/or estimated completion dates are still pending.



## Appendix A

Contract Pre-Award Audit Completed During FY18						
No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
1	Planning & Development	17-PLN-A33 - Attestation Agreed-upon Procedures	Gruen Associates	Once for AE39616	VCM Policy	8/2017
2	Risk, Safety & Asset Management	17-RSK-A01 - Attestation Agreed-upon Procedures	Owen Group Inc.	Once for AE39820	VCM Policy	8/2017
3	Program Management	Attestation Agreed-upon Procedures	Walsh-Shea Corridor Constructors	Once for CO988 Change Order No. 122.1	VCM Policy	8/2017
4	Program Management	Attestation Agreed-upon Procedures	Walsh-Shea Corridor Constructors	Once for CO988 Change Order No. 82	VCM Policy	9/2017
5	Construction	18-CON-A02 - Attestation Agreed-upon Procedures	Cornerstone Transportation Consulting, Inc.	Once	VCM Policy	11/2017
6	Operations	18-OPS-A01 - Attestation Agreed-upon Procedures	CRRRC MA Corporation	Once	VCM Policy	11/2017
7	Operations	18-OPS-A02 - Attestation Agreed-upon Procedures	Ansaldo STS USA, Inc.	1st Time	VCM Request	2/2018



## Appendix B

Incurred Cost Audit Completed During FY18						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
1	Program Management	17-CON-A37 - Attestation Agreed-upon Procedures	Gannett Fleming, Inc	2nd Audit	VCM Policy & Contract Terms	7/2017
2	Planning & Development	17-PLN-A02 - Closeout	County of Los Angeles	3rd Audit (Closeout)	Per Project Manager's request and MOU. P0004221 terms	7/2017
3	Program Management	12-PLN-A17 - Interim	Caltrans	1st Interim Audit	Per Project Manager's request and MOU. P0006376 terms	8/2017
4	Program Management	17-HWY-A12 - Closeout	City of Lawndale	Once	Per Project Manager's request and MOU. MR312.36 terms	8/2017
5	Planning & Development	16-PLN-A29 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU. P0006322 terms	8/2017
6	Program Management	17-HWY-A14 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU. MR310.20 terms	8/2017
7	Planning & Development	17-PLN-A10 - Closeout	County Los Angeles	Once	Per Project Manager's request and MOU. P0008121 terms	8/2017
8	Program Management	17-CON-A41 - Attestation Agreed-upon Procedures	Intueor Consulting, Inc.	4th Audit	VCM Policy & Contract Terms	8/2017
9	Program Management	17-CON-A29 - Attestation Agreed-upon Procedures	ABA Global, Inc.	2nd Audit	VCM Policy & Contract Terms	8/2017
10	Program Management	17-HWY-A16 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU. MR310.24 terms	9/2017
11	Planning & Development	17-PLN-A05 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU. P00F1341 terms	9/2017
12	Planning & Development	16-PLN-A08 - Closeout	City of Carson	Once	Per Project Manager's request and MOU. P00F3119 terms	9/2017
13	Planning & Development	17-PLN-A25 - Closeout	City of Industry	Once	Per Project Manager's request and MOU. P00F3303 terms	9/2017
14	Program Management	17-CON-A28- Attestation Agreed-upon Procedures	Lenax Construction Services, Inc.	2nd Audit	VCM Policy & Contract Terms	9/2017
15	Program Management	17-CON-A27 - Attestation Agreed-upon Procedures	Kal Krishnan Consulting Services, Inc.	2nd Audit	VCM Policy & Contract Terms	9/2017
16	Planning	17-PLN-A08 - Attestation Agreed-upon Procedures	JM Diaz, Inc.	Second	VCM Policy & Contract Terms	10/2017
17	Planning	16-PLN-A16 - Attestation Agreed-upon Procedures	Jacobs Associates	Second	VCM Policy & Contract Terms	10/2017

## Appendix B

Incurred Cost Audit Completed During FY18						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
18	Planning & Development	15-PLN-A05 - Closeout	City of Baldwin Park	Once	Per Project Manager's request and MOU.P00FA141 terms	10/2017
19	Planning & Development	16-PLN-A04 - Closeout	City of Baldwin Park	Once	Per Project Manager's request and MOU.P00F1654 terms	10/2017
20	Program Management	17-HWY-A15 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.MR310.21 terms	10/2017
21	Planning & Development	16-PLN-A30 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU.P00F1334 terms	10/2017
22	Program Management	17-CON-A38 - Attestation Agreed-upon Procedures	Ghirardelli Associates, Inc.	Second	VCM Policy & Contract Terms	10/2017
23	Program Management	17-CON-A35 - Attestation Agreed-upon Procedures	Brierley Associates Corporation	Second	VCM Policy & Contract Terms	10/2017
24	Planning & Development	18-PLN-A08 - Closeout	City of La Cañada Flintridge	Once	Per Project Manager's request and FA.920000000F7407 terms	11/2017
25	Planning & Development	17-PLN-A24 - Closeout	City of Lynwood	Once	Per Project Manager's request and MOU.TOD.312.02.15 terms	11/2017
26	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
27	Planning & Development	18-PLN-A10 - Closeout	City of El Monte	Once	Per Project Manager's request and FA.920000000F7420 terms	12/2017
28	Planning & Development	17-PLN-A22 - Closeout	City of Pico Rivera	Once	Per Project Manager's request and MOU.P000F3827 terms	12/2017
29	Planning	16-PLN-A19 - Closeout	CH2M Hill, Inc.	Second	VCM Policy & Contract Terms	12/2017
30	Program Management	17-CON-A30 - Attestation Agreed-upon Procedures	DHS Consulting, Inc.	Second	VCM Policy & Contract Terms	12/2017
31	Planning & Development	17-PLN-A29 - Closeout	City of Inglewood	Once	Per Project Manager's request and FA. P00F3130 terms	1/2018
32	Program Management	17-CON-A39 - Attestation Agreed-upon Procedures	Ramos Consulting Services, Inc.	2nd Time	VCM Policy & Contract Terms	3/2018
33	Planning & Development	17-PLN-A30 - Closeout	City of Norwalk	Once	Per Project Manager's request and MOU.P00F1219 terms	3/2018

## Appendix B

Incurred Cost Audit Completed During FY18						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
34	Program Management	18-HWY-A03 - Closeout	City of Malibu	Once	Per Project Manager's request and MOU.MR311.30 terms	3/2018
35	Planning & Development	18-PLN-A14 - Closeout	City of Pasadena	Once	Per Project Manager's request and MOU.P00F3709 terms	3/2018
36	Planning & Development	17-CON-A32 - Attestation Agreed-upon Procedures	Gannett Fleming, Inc	Once	VCM Policy & Contract Terms	4/2018
37	Planning & Development	17-HWY-A07 - Attestation Agreed-upon Procedures	WKE, Inc	Once	VCM Policy & Contract Terms	4/2018
38	Planning & Development	18-PLN-A07 - Closeout	City of Los Angeles	Once	Per Project Manager's request and MOU.P00F1126 terms	4/2018
39	Planning & Development	18-PLN-A13 - Closeout	City of Pasadena	Once	Per Project Manager's request and MOU.P00F3702 terms	4/2018
40	Planning & Development	17-PLN-A28 - Closeout	City of Long Beach	Once	Per Project Manager's request and MOU.P00F1531 terms	4/2018
41	Planning & Development	17-CON-A40 - Attestation Agreed-upon Procedures	D'Leon Consulting Engineers	Once	VCM Policy & Contract Terms	5/2018
42	Planning & Development	17-PLN-A06 - Closeout	County of Los Angeles	2nd Audit (Close out)	Per Project Manager's request and MOU.P000F6284 terms	5/2018
43	Program Management	18-HWY-A11 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU.P0000000MR310.35 terms	5/2018
44	Planning & Development	18-PLN-A11 - Closeout	City of Arcadia	Once	Per Project Manager's request and MOU.P000F1197 terms	5/2018
45	Planning & Development	18-PLN-A12 - Closeout	City of Arcadia	Once	Per Project Manager's request and MOU.P000F1332 terms	5/2018
46	Planning & Development	18-PLN-A02 - Closeout	City of Santa Monica	Once	Per Project Manager's request and TOD 312.02.05 terms	5/2018
47	Planning & Development	16-PLN-A18 - Attestation Agreed-upon Procedures	ILF Consultants, Inc.	Once	VCM Policy & Contract Terms	6/2018
48	Planning & Development	15-CON-A12A - Attestation Agreed-upon Procedures	ABA Global, Inc.	2nd Time	VCM Policy & Contract Terms	6/2018
49	Program Management	18-HWY-A01 - Closeout	City of Lawndale	Once	Per Project Manager's request and MOU.MR312.15 terms	6/2018

## Appendix C

Internal Audit Completed During FY18						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Date Completed
1	Vendor / Contract Management	17-VCM-P01 Performance Annual Audit of Business Interruption Fund	Annual Audit of Business Interruption Fund.	2nd Time; Last Audit 1 year ago	Per FY17 Audit Plan	9/2017
2	Finance & Budget	10-ACC-F01 Performance Audit of Accounts Receivable	Determine the adequacy of internal controls to determine whether staff complied with accounts receivable policies and procedures, outstanding accounts receivable balances were collected in a timely manner, accounts receivable amounts were recorded accurately, and adequate segregation of duties were in place to prevent staff from performing conflicting duties (e.g. authorizing and approving accounts receivable credits and write-offs).	First Time	Per FY16 Audit Plan	9/2017
3	Program Management	12-CON-P03 Performance Audit for Follow-Up of the I-405 Sepulveda Pass Improvement Project	Verify implementation of agreed upon corrective actions from the initial audit of the I-405 Sepulveda Pass Improvement Project, Report No. 11-CON-K01, issued in August 2011.	2nd Time; Last Audit 6 years ago	CEO Request	12/2017
4	Finance & Budget	17-OMB-P01 Performance Audit of the Cash Counting Process	Evaluate internal controls over the Cash Counting Process.	2nd Time; Last Audit 7 years ago	Per FY17 Audit Plan	3/2018
5	Congestion Reduction	16-CEO-P02 Follow-Up Performance Audit for the 511 Traveler Information System	Follow Up on 511 Audit.	2nd Time; Last Audit 5 Years Ago	CEO Request	3/2018
6	Information & Technology Services	17-ITS-P01 Performance Audit of the Information Technology Services (ITS) 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	6/2018
7	Metro Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	Determine the efficiency and effectiveness of the Track Allocation process.	First Time	Per FY16 Audit Plan	6/2018
8	Finance & Budget	17-OMB-P02 Performance Audit of the Farebox Revenue Process	Evaluate the effectiveness of internal controls over Farebox Revenue Process.	First Time	Per FY17 Audit Plan	6/2018

## Appendix D

Internal Audit In Process as of June 30 2018						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	Vendor / Contract Management	17-VCM-P04 - Performance Audit of Pre-Award Process	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.	First Time	Per FY17 Audit Plan	8/2018
2	Vendor / Contract Management	18-VCM-P01 - Annual Audit of Business Interruption Fund	Evaluate Business Interruption Fund Program	3rd Time; Last Audit a years ago	Per FY18 Audit Plan	10/2018
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	10/2018
4	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.	First Time	Per FY17 Audit Plan	10/2018
5	ITS and Operations	18-ITS-P01 - Performance Audit of HASTUS - Confirmation of Collective Bargaining Agreement Changes	Evaluate whether changes from the SMART Collective Bargaining Agreement effective July 1, 2017 were effectively implemented in the HASTUS System, and to assess the adequacy of the implementation plans for the pending system changes.	First Time	Per FY18 Audit Plan	10/2018
6	Construction	18-CON-P01 Performance Audit of Project Management of the Regional Connector Transit Project	Evaluate the adequacy and effectiveness of project management controls for Regional Connector Project.	First Time	Per FY18 Audit Plan	10/2018
7	Vendor / Contract Management	18-VCM-P02 - Performance Audit of the Tracking of SBE and DBE Goals	Evaluate the process of monitoring SBE/DBE goals achievement and reliability of the information captured and reported from this process by Diversity and Economic Opportunity Department.	1st Time	Per FY18 Audit Plan	11/2018
8	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 in obtaining adequate justification of documentation for approving contract modifications. To determine the extent of key information utilization for contract modifications.	First Time	Per FY17 Audit Plan	11/2018
9	Human Capital & Development / 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 Capital & Development and Office of Management and Budget.	2nd Time; Last Audit 9 years ago	Per FY17 Audit Plan	11/2018

## Appendix D

Internal Audit In Process as of June 30 2018						
No	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
10	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	11/2018
11	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	11/2018
12	Metro Operations / System Safety and Security	18-AGW-P01 - Performance Audit of Internal Controls over Overtime Payments for AFSCME	Verify compliance with PUC regulation (e.g. 12 hours workhour limit) for Rail Transit Operation Supervisor and evaluate adequacy of current controls and oversight for overtime requests. In addition, follow up on prior audit recommendations.	First Time	Per FY18 Audit Plan	12/2018
13	Agency-Wide	18-RSK-P01 - Performance Audit of Business Continuity Plan - Payroll, Vendor/Contract Management, Security, Bus and Rail	Evaluate how mission essential functions included in the selected departmental COOPs relate to and are supported by existing departmental Standard Operating Procedures and Emergency Procedures (SOPs/EPS).	2nd Time; Last Audit 9 years ago	Per FY18 Audit Plan	6/2019

## Appendix E

Open Audit Recommendations as of June 30, 2018						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	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 County Council.</b>	3/31/2017	9/30/2018
2	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 County Council.</b>	3/31/2017	9/30/2018
3	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 County Council.</b>	3/31/2017	9/30/2018
4	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 County Council.</b>	3/31/2017	9/30/2018
5	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 County Council.</b>	3/31/2017	9/30/2018
6	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: Closed as of July 2018.</b>	6/30/2017	6/30/2018
7	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: Closed as of July 2018.</b>	6/30/2017	6/30/2018
8	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: Pending release of the final RFP. A software system called OpTram is in the initial stages of being developed that will have an inventory of linear assets, including Wayside track assets. This will be a short term solution for the inventory of assets as the long term plan is to replace the M3 system which should include a requirement for linear assets inventory.</b>	6/30/2017	9/30/2018

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

## Appendix E

## Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
9	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: Closed as of July 2018.</b>	6/30/2017	6/30/2018
10	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: Closed as of July 2018.</b>	06/30/2017	6/30/2018
11	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: Closed as of July 2018.</b>	6/30/2017	6/30/2018
12	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 training material for the new M3 App was developed and training will start FY19 Q2. Track supervisors and leads must first create a work order in the M3 system before inspectors can use the M3 App Inspection forms.</b>	6/30/2017	12/31/2018
13	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: Closed as of July 2018.</b>	6/30/2017	6/30/2018
14	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. <b>Update: Closed as of July 2018.</b>	10/31/2017	6/30/2018

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## Appendix E

## Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
15	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	1a	We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: appropriate prioritization methodology to prioritize travel requests. <b>Update: Policy and procedures will be updated to include prioritization methodology to prioritize travel requests.</b>	6/30/2018	12/31/2018
16	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	1b	We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: Target turnaround time for booking completely filled Travel Authorization Forms received. <b>Update: Policy and procedure will be updated to include target turnaround time for booking completely filled Travel Authorization Forms received.</b>	6/30/2018	12/31/2018
17	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	1c	We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: requirement to obtain justification which is approved by the department management for late requests (submitted less than 30 days of travel date). <b>Update: Closed as of July 2018.</b>	6/30/2018	
18	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	1d	We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: requirement when to return incomplete travel request forms to the requestors to complete. <b>Update: Closed as of July 2018.</b>	6/30/2018	
19	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	1e	We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: requirement to document traveler's management approval and travel change cost records for cost increases in excess of the 20% threshold, resulting from changes made after the initial booking. <b>Update: Closed as of July 2018.</b>	6/30/2018	

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## Appendix E

## Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
20	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	1f	We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: guideline of acceptable nature and established threshold for allowable cost differences when accommodating traveler preferences or requests. Specify the required traveler's management approval if any, and whose responsibility it will be to pay the cost difference in excess of the allowable threshold. <b>Update: Closed as of July 2018.</b>	6/30/2018	
21	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	3	We recommend the General Services Management to continue to collaborate with the ITS Department to implement a Travel Information Management System to automate the travel coordination, booking, supporting documentation retention, and expense reimbursement processes.	12/31/2018	
22	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	5	We recommend the General Services Management to update the current Travel and Business Expense Policy (FIN 14) to require travelers to submit the Travel Authorization Form at least 30 days prior to the travel date. Require justification and management approval for travel request submitted less than the 30 days requirement. <b>Update: Closed as of July 2018.</b>	6/30/2018	
23	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	6	We recommend the General Services Management to extend no show penalty provision to flights and other travel reservations to enforce the travelers to inform the Travel Office of the cancelled travel. Clarify traveler's responsibility if any, to pay for the cost of the missed flights. <b>Update: FIN-14 will be updated to clarify traveler's responsibility if any, to pay for the cost of the missed flights.</b>	6/30/2018	12/31/2018
24	Human Capital & Development	18-CEO-P01 Consulting Engagement for the Travel Booking Process	9	We recommend the General Services Management to consider evaluating staffing resource adequacy as a result of the Travel Program Administrator's increased responsibilities related to the monthly credit card reconciliations.	6/30/2019	
25	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	1	We recommend that the Chief Information Officer require training for the new IT Project Management Methodology for all ITS Project Managers, Delivery Managers, and Resource Managers, and any other ITS personnel heavily involved in the implementation of IT projects to ensure every ITS resource understands the new IT Project Management Methodology.	3/30/2019	

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## Appendix E

## Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
26	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	2	We recommend that the Chief Information Officer rollout the IT Project Management Methodology developed by the Program Management Office.	3/30/2019	
27	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	3	We recommend that the Chief Information Officer require that all IT required project documentation be completed for each phase of all IT projects, based on the IT Project Management Methodology. This is especially important to show adequate requirements analysis and measurement of end-user involvement, testing, and acceptance.	6/30/2019	
28	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	4	We recommend that the Chief Information Officer require that project documentation be maintained in a central location during and after the completion of IT projects to ensure proper management oversight and transparency is available during the course of a project, and for purposes of historical reference on future and similar projects.	8/31/2018	
29	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	5	We recommend that the Chief Information Officer require that IT controls are designed into new systems and reflected within IT project management plans, and resulting operational procedures. A risk-based approach to the design and implementation of controls, related to application and related systems and business processes, should be utilized. Focus should be placed on risks that have the highest impact and likelihood to occur. At a minimum, the following controls should be addressed on all IT projects to ensure a sound control environment upon completion: Data Security Controls, Financial Controls, Application Controls, General Computer Controls (Infrastructure), Data Conversion Controls, Interface Controls, Data Integrity Controls.	6/30/2019	
30	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	6	We recommend that the Chief Information Officer include IT Security personnel in the system delivery life-cycle to identify potential areas of IT control risk and the remediation plans that are required after implementation occurs. <b>Update: IT is currently hiring a Security Executive Officer who will determine the level of support and involvement for security staff in system delivery life cycle.</b>	8/31/2018	2/28/2019
31	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	7	We recommend that the Chief Information Officer perform periodic resource planning and obtain approval for adequate staffing to meet the demand in project management and delivery capability that will be required to complete the strategic initiatives and anticipated changes in work load.	6/30/2019	

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## Appendix E

## Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
32	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	8	We recommend that the Chief Information Officer consider centralizing the IT project management function within the Program Management Office to ensure a consistent project management approach is applied to all IT projects, and to facilitate the segregation of between project managers and delivery managers.	6/30/2019	
33	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	9	We recommend that the Chief Information Officer in the event that a delivery manager is required to perform as a project manager on a specific project, we recommend that: a second delivery manager be assigned to handle all engineering aspects of the project and the Project Management Office initiate an independent quality control review that will allow the reviewer to review for key controls/requirements during key phases of the project (e.g. at the end of planning, end of field work) to ensure that all IT Project Management requirements are met and that the project provides for full disclosure and transparency.	6/30/2019	
34	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	10	We recommend that the Chief Information Officer (CIO) in conjunction with, Chief Procurement Officer (CPO) and Chief Financial Officer (CFO) corroborate on how the ITS Department can be informed/involved earlier in the Procurement and OMB process when planned procurements/budgets include requests that require technology usage at Metro. Example, consider identifying the Procurement/Budget forms that are being completed by various cost centers and add fields that will flag the need to consult/discuss with ITS Department for technology components or future maintenance/operations of projects.	8/31/2018	2/28/2019
35	Information Technology Services	17-ITS-P01 Performance Audit of Information Technology Services (ITS) Project Management	11	We recommend that the Chief Information Officer (CIO) in conjunction with, Chief Procurement Officer (CPO) and Chief Financial Officer (CFO) corroborate on any training needs necessary so that various cost centers understand what the additional fields in various forms mean and their requirements.	8/31/2018	2/28/2019
36	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	1	We recommend the Chief Operations Officer direct the Track Allocation Coordinator to define priorities among the activities (e.g. mandated work, maintenance work, cyclical work, etc.) for granting access on or around the ROW. Additionally, define the maximum number of crews that should be in or around the ROW at any given time. Both should be a joint effort between the Track Allocation Coordinator and Rail Operations Controller.	8/31/2018	

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

## Appendix E

## Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
37	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4a	We recommend the Chief Operations Officer consider directing Rail Operations to add more fields in the electronic Track Allocation Request Form to assist Rail Operations Controllers in minimizing some of their manual entries. For example, the Track Allocation Request Form could be further configured to include a check box indicating if the schedule was activated or not, as well as the time and date it was activated, and a drop down menu to include reasons for schedule modification.	6/30/2019	
38	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	4b	We recommend the Chief Operations Officer consider directing the Track Allocation Coordinator to measure effectiveness of schedules by periodically assessing whether crews that were scheduled to access the ROW actually accessed the ROW. This will provide visibility to the stakeholders as well as assist the Track Allocation Coordinator in modifying future schedules. This periodic review will only be possible once the data from the newly implemented log has been collected.	6/30/2019	
39	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	5	We recommend the Senior Executive Officer, Rail Operations partner with the Senior Executive Officer, Rail Maintenance & Engineering and the Deputy Executive Officer, Operations to consider which of these two technologies, Google Map or HASTUS should be used to assist Rail Operations Controllers in navigating emergency crews or individuals and/or staff doing business with Metro.	9/30/2018	
40	Operations	17-OPS-P07 Performance Audit of the Track Allocation Process	6	We recommend the Chief Operations Officer direct Rail Operations work with Rail Communications to consider the enabling of the GPS feature already embedded in Metro's Portable Radios, which will assist Rail Operations Controllers in managing the number of individuals working above ground on or around the ROW. <b>Update: Closed as of August 2018.</b>	7/31/2018	
41	Finance & Budget	17-OMB-P02 Performance Audit of the Farebox Revenue Process	1	We recommend Revenue Collections collaborate with Workforce Services to develop a monthly employment status report to identify all personnel changes. (e.g. transfers, retirements, and terminations employees). <b>Update: Closed as of August 2018.</b>	7/31/2018	
42	Finance & Budget	17-OMB-P02 Performance Audit of the Farebox Revenue Process	2	We recommend Revenue Collections review the monthly employment status report and ensure that transferred, terminated, and retired employees are removed at least quarterly from the Electronic Key Dispenser database.	7/31/2018	
43	Finance & Budget	17-OMB-P02 Performance Audit of the Farebox Revenue Process	3	We recommend Revenue Collections update the UFS Standard Operating Procedures to include all job titles and appropriate equipment access type that is needed to complete required job responsibilities.	12/31/2018	

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

## Appendix E

## Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
44	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	4	We recommend that Operations Maintenance Management work with Revenue Collections to update the UFS Standard Operating Procedures to include procedures for probing and vaulting out of service buses, including: Who is responsible for probing and vaulting out service buses; What time frame the buses should be probed; How the portable probes will be stored and used in emergency situations (in collaboration with TAP and Revenue Collections); Requirement that all 12 portable probes are in good working condition. In addition, once the SOP is updated, communicate it to all Divisions.	12/31/2018	
45	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	5	We recommend Operations Maintenance Management work closely with the Revenue Collections and the TAP Department to ensure that the Buses Not Probed exception reports are accurate, complete, and reliable.	6/30/2018	9/30/2018
46	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	6	We recommend Operations Maintenance Management designate a person from each division to receive the exception reports. Communicate designee to TAP. <b>Update: Closed as of July 2018.</b>	5/31/2018	
47	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	7	We recommend Operations Maintenance Management designate a person from each division to monitor probing and vaulting exception reports of in service buses and follow-up on exceptions. <b>Update: Closed as of July 2018.</b>	5/31/2018	
48	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	8	We recommend Operations Maintenance Management work with Revenue Collections to update the UFS Standard Operating Procedures so that all references to exception reports are correct.	12/31/2018	
49	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	9	We recommend Operations Maintenance Management to require Equipment Maintenance Supervisors/Equipment Service Supervisors to report camera malfunctions to ITS as soon as identified and establish a turn-around time to follow-up with ITS in the event cameras are not repaired in a timely manner. <b>Update: Closed as of July 2018.</b>	6/30/2018	
50	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	10	We recommend Operations Management work with ITS to require Bus and Contracted Services Divisions to retain surveillance footage for at least 30 days. <b>Update: Closed as of July 2018.</b>	5/31/2018	
51	Operations	17-OMB-P02 Performance Audit of the Farebox Revenue Process	11	We recommend that Operations Maintenance Management enforce existing procedures to require that Equipment Maintenance Supervisors/Equipment Service Supervisors inspect garage computer rooms to ensure they are maintained in accordance with the UFS SOP, and conduct a periodic review to ensure that garage computer rooms are being inspected. <b>Update: Closed as of July 2018.</b>	6/30/2018	

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

## Appendix F

## OIG Open Audit Recommendations as of June 30, 2018

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Program Management	16-AUD-01 Capital Project Management Best Practices Study	38 Total	The 109 recommendations included in this report address Training, Stakeholder Engagement, Life Cycle Costs, Risk Management, Partnering with Utility Companies, Adv. Utility Relocation, Addressing Delays, Change Control, and Improving Contract Administration. <b>Update: As of September 2018, 108 of 109 recommendations were closed. The last remaining recommendation is currently being evaluated based on the responses provided by Program Management.</b>		
2	Operations	18-AUD-05 Audit of Metro Bus Maintenance Program	1a	We recommend that the Maintenance Department should ensure that Maintenance management communicate to staff the importance of completing inspection forms in accordance with Metro's policies and procedures.	8/31/2018	
3	Operations	18-AUD-05 Audit of Metro Bus Maintenance Program	1b	We recommend that the Maintenance Department should ensure that Maintenance management determine how the documentation of mileage will be handled on inspection forms.	8/31/2018	
4	Operations	18-AUD-05 Audit of Metro Bus Maintenance Program	2	We recommend that the Maintenance Department should ensure Maintenance management clarifies in the Preventive Maintenance Inspection Guidelines that mileage should also be recorded on the inspection forms.	8/31/2018	
5	Operations	18-AUD-05 Audit of Metro Bus Maintenance Program	3	We recommend that the Maintenance Department should ensure all policies and procedures are incorporated into Metro's written Bus Maintenance Plan and Preventive Maintenance Inspection Guidelines.	8/31/2018	
6	Operations	18-AUD-05 Audit of Metro Bus Maintenance Program	4	We recommend that the Maintenance Department should ensure management monitors past due PMP work orders on a continuous basis and identify and work with those divisions that have a high number of past due work orders. <b>Update: Closed as of September 2018.</b>	8/31/2018	
7	Operations	18-AUD-05 Audit of Metro Bus Maintenance Program	5	We recommend that the Maintenance Department should ensure Maintenance managers review bus pullout cancellation information on a regular basis and identifies and works with those divisions that have a high number of cancellations. <b>Update: Closed as of September 2018.</b>	8/31/2018	
8	Operations	18-AUD-05 Audit of Metro Bus Maintenance Program	6	We recommend that the Maintenance Department should ensure Metro's Bus Maintenance Plan and Preventive Maintenance Inspection Guidelines (a) accurately cite the most current Federal regulations, and (b) all sections of the Bus Maintenance Plan are updated at the same time.	8/31/2018	
9	Operations	17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety	117 Total	The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. <b>Update: As of July 2018, 65 of 117 recommendations were closed.</b>		

The above list does not include recommendations for the 1) Audit of Westside Purple Line Extension Section 2- Modification No. 52, 2) Review of Metro Rail Services Disruptions and 3) Increasing Public Transit and Ridership Use Study, as the management response and/or estimated completion dates are still pending.



# Management Audit Services Audit Charter

## I. INTRODUCTION

Los Angeles County Metropolitan Transportation Authority (LACMTA) maintains an active audit function under the direction of Deputy Chief Executive Officer (DCEO); with responsibility to report its activities to the Chief Executive Officer (CEO) and the Board. This charter defines the mission, scope, commitment to quality, authority and accountability, independence, and responsibility of LACMTA's audit department, Management Audit Services.

## II. MISSION

Management Audit Services provides highly reliable, independent, objective assurance and consulting services designed to add value and improve LACMTA's operations. Management Audit Services ~~accomplishes this~~ helps LACMTA Metro accomplish its objectives by understanding LACMTA's strategies and by bringing a systematic, disciplined, and risk-based approach ~~to~~ in evaluating and recommending improvements to the effectiveness of risk management, controls and governance processes.

## III. SCOPE

The scope of work performed by Management Audit Services is to determine whether LACMTA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, projects and objectives are achieved;
- Quality and continuous improvement are fostered;
- Significant legislative or regulatory issues impacting LACMTA are recognized, addressed appropriately and interaction with governance groups occurs;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations; and
- Opportunities for improving management control, streamlining processes, and improving public perception may be identified during audits. These will be communicated to the appropriate level of management.





# Management Audit Services Audit Charter

## IV. COMMITMENT TO QUALITY

Management Audit Services commits to providing world-class service through timely, unbiased, value-added assurance and consulting services. We will work as a team with our clients to improve processes and meet strategic goals and objectives. We will enhance the services we provide by continuously improving our audit activities. Management Audit Services adheres to the following professional standards and codes:

- Government Auditing Standards promulgated by the Comptroller General of the United States;
- [International Standards for the Professional Practice of Internal Auditing \(Standards\) including Mandatory Elements issued by the](#) Institute of Internal Auditors [International Professional Practices Framework](#);
- Information Systems Auditing Standards promulgated by the Information Systems Audit and Control Association;
- [LACMTA's](#) Employee Code of Conduct and Administrative Code;
- Institute of Internal Auditor's Code of Ethics, and
- Management Audit Services' Audit Policy Manual and applicable procedures.

## V. AUTHORITY AND ACCOUNTABILITY

Management Audit Services audits all departments, programs, functions, systems, contracts and activities based on the approved audit plan or specific requests that have been approved by the CEO.

Management Audit Services is authorized to:

- Have full, free and unrestricted access to all information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. All employees will cooperate fully in making available material or information requested by Management Audit Services or any external auditors managed by Management Audit Services. Access to contracted third parties will be handled in accordance with contractual terms. Management Audit Services staff signs Confidentiality Statements annually. Documents provided to Management Audit Services will be handled in the same prudent manner as by those employees normally accountable for them;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in functions where audits are being performed, as well as other specialized services from external consultants.



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# Management Audit Services Audit Charter

Management Audit Services is not authorized to:

- Initiate or approve accounting transactions external to Management Audit Services and
- Direct the activities of any employee not part of Management Audit Services, except to the extent such employees have been appropriately assigned to auditing teams.

Management Audit Services, in the discharge of duties, is accountable to the DCEO, CEO and the Board of Directors to:

- Report significant issues related to the processes for controlling the activities, including potential improvements to those processes, and provide information concerning such issues through resolution; and
- Provide periodic information on the status and results of the annual audit plan and the adequacy of progress as it relates to management action plans.

## VI. INDEPENDENCE

Management Audit Services is independent of the activities it reviews. Specifically, Management Audit Services staff may not review areas where they were responsible for the design or operation of the area. Auditors are responsible for maintaining their independence and integrity in all services they provide.

All Management Audit Services activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The Chief Auditor shall report any impairment to independence, or unjustified restriction or limitation to audit selection, scope, procedures, frequency, timing or report content promptly to the [DCEO/Office of the CEO \(OCEO\)](#) and the Board.

As a means of ensuring independence, Management Audit Services will report to the [DCEO/OCEO](#) and the Board of Directors. This structure permits the rendering of impartial and unbiased judgment essential to the proper conduct of audits. The Board of Directors' will review and concur in the appointment, replacement or dismissal of the Chief Auditor of Management Audit Services.

## VII. RESPONSIBILITIES

**A. Management Audit Services is responsible for:**

- Developing and executing a flexible risk based audit plan [which considers LACMTA's objectives and strategies](#), including any risks or control concerns



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# Management Audit Services Audit Charter

- identified by management; and submitting that plan to the [DCEOOCEO](#) and Board of Directors for review and approval;
- Preparing or updating the agency-wide risk assessment annually and incorporating the results into the annual audit plan;
  - Implementing the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management ;
  - Reporting significant audit findings to management and the Board of Directors;
  - Providing management with adequate time to respond to audit findings and including management's response in the final report;
  - Following up on audits to ensure agreed-upon corrective actions have been taken and provide periodic follow up reports;
  - Presenting quarterly reports to the Board highlighting progress on the Audit Plan;
  - Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
  - Conducting objective and constructive assurance services, which include performance and attestation audits;
  - Consulting services, which are advisory in nature, can be provided as long as the services do not impair -Management Audit Services' independence and fall within the scope outlined in the Charter;
  - Exercising due professional care in all of our work products;
  - Conducting ourselves at all times in a professional manner;
  - Coordinating external audits of [LACMTA](#);
  - Considering external auditors and regulators' scopes of work, as appropriate, for the purpose of providing optimal audit coverage at a reasonable overall cost; and
  - Referring suspected fraud, waste, or abuse promptly to the Inspector General.

## **B. Management is responsible for:**

- Maintaining an effective system of internal controls, documenting policy and procedures, and ensuring information is accurate and reliable;
- Complying with policies and procedures;
- Cooperating fully with auditors during discharge of their duties including prompt reply to -Management Audit Services requests and recommendations; and
- Providing a response to audit findings and recommendations. Assuring timely implementation of agreed upon corrective action(s) to audit recommendations.



## **Management Audit Services Audit Charter**

The Audit Charter may be modified by a written document executed by all of the participating parties. This Audit Charter will be effective upon execution and will continue indefinitely until it is modified.

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# Management Audit Services Audit Charter

IN WITNESS WHEREOF, the parties hereto have caused this Audit Charter to be executed by their proper officers thereunto duly authorized, and their official seals to be affixed as of February, 2016October, 2018

Los Angeles County Metropolitan Transportation Authority

Board of Directors

\_\_\_\_\_  
Phillip A. Washington

By \_\_\_\_\_  
Board Secretary