Metro

Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 20, 2019

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2019 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, 2018.

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.

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 second quarter of FY 2019.

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

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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, 2018 is as follows:

Internal Audits: Two internal audits were completed during the second quarter. As of December 31, 2018, 13 internal audits were in process.

External Audits: Two contract pre-award audits with a total value of $36.5 million and fifteen incurred cost audits with a total value of $100 million were completed during the second quarter. As of December 31, 2018, 61 incurred cost audits were in process.

Other Audits: Nine other audits were issued by external CPA firms.

Audit Follow-up and Resolution: Six recommendations were closed during second quarter. In addition, 36 recommendations for the OIG were closed during second quarter. Details of all open, extended, and closed recommendations can be found in the Second Quarter Board Box titled "Status of Audit Recommendations".

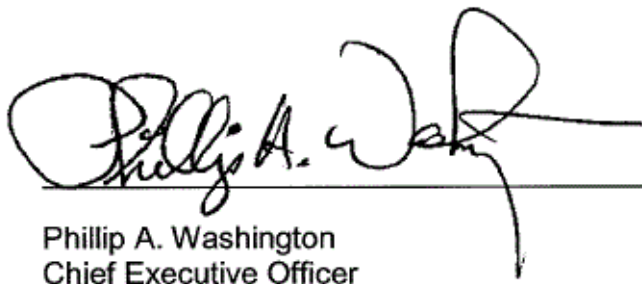Management Audit's FY 2019 second quarter report is included as Attachment A.

NEXT STEPS

Management Audit will provide the FY 2019 Third Quarter report of audit activity to the Board at the May 2019 Finance, Budget and Audit Committee meeting.

ATTACHMENT

A.   Management Audit Services Quarterly Report to the Board for the period ending December 31, 2018

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

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

Phillip A. Washington
Chief Executive Officer

MANAGEMENT AUDIT SERVICES
QUARTERLY REPORT TO THE BOARD

Los Angeles County Metropolitan Transportation Authority

Second Quarter FY 2019

Metro

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EXECUTIVE SUMMARY

Summary of Audit Activity

During the second quarter of FY 2019, twenty-eight (28) projects were completed. These include:

Internal Audits
- Follow-Up Performance Audit of the Construction Quality Assurance Program; and
- Annual Audit of Business Interruption Fund (BIF) Pilot Program.

Pre-Award Audits
- Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for Metro Countywide Bikeshare Program; and
- Independent Auditor's Reports on Agreed-Upon Procedures for the Cost Proposal for Metro Eastside Transit Corridor Project.

Incurred Cost Audits
- Independent Auditor's Report on Agreed-Upon Procedures of Cambridge Systematics, Inc. close-out audit for Gateway Cities Transportation Strategic Plan Phase II Project;
- Independent Auditor's Report on Agreed-Upon Procedures of WKE, Inc.'s close-out audit for Gateway Cities Transportation Strategic Plan Phase II Project;
- Independent Auditor's Report on Agreed-Upon Procedures of ABCS Consulting Services' indirect cost rates for calendar year 2016 for Westside Purple Line Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures of Intueor Consulting, Inc.'s final indirect cost rate for calendar year 2016 for Westside Purple Line Extension Project;
- Independent Accountant's Report of Ghirardelli Associates, Inc.'s indirect rate for calendar year 2016 for Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures of LSA Associates, Inc.'s interim incurred cost for period June 2010 through December 2015 for I-710 Corridor Project (EIS/EIR Engineering Environmental component);
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Burbank's I-5 Corridor Arterial Signal Improvement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Inglewood's Florence/La Brea/West Transit Overlay District Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Pasadena's ITS Master Plan Implementation – Phase II Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Compton's TMOC and Retrofit of City Traffic Signal System Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Huntington Park's Focused General Plan Update Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Culver City's Culver CityBus Clean Fuel Replacement Project;

EXECUTIVE SUMMARY

- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Santa Clarita's McBean Parkway Bridge Widening and Gap Closure over Santa Clara River Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of South Gate's I-710 Early Action Plan-Intersection Improvements Project; and
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of South Gate's Atlantic/Firestone Intersection Improvements Project.

Other Audits
- Nine other audits issued by external CPA firms.

The completed external audits are discussed on page 4. Discussions of the internal audits begin on page 5. Discussions of other audits issued by external CPA firms begin on page 6.

EXECUTIVE SUMMARY

Seventy-four projects were in process as of December 31, 2018; these included 13 internal audits and 61 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during second quarter FY 2019:
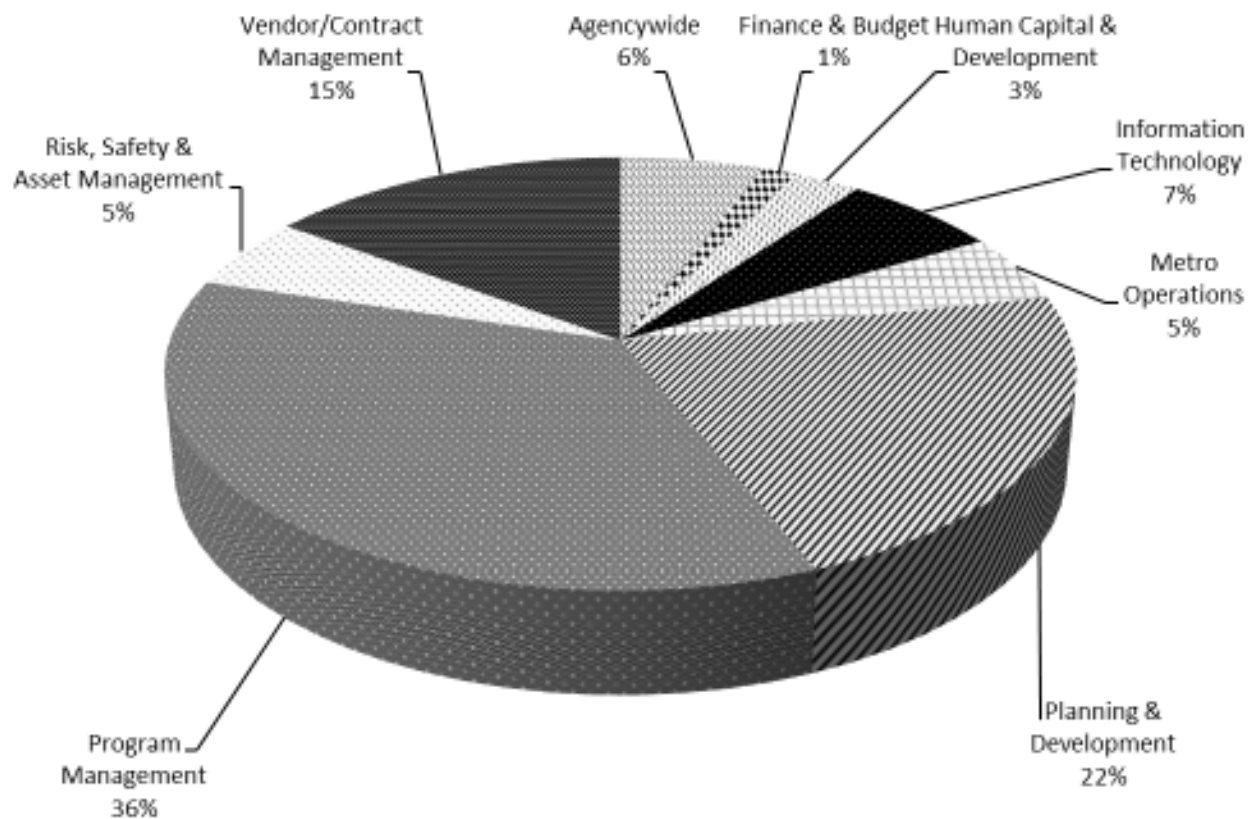
Audit follow-up:
- Six (6) recommendations were closed during the second quarter. At the end of the quarter there were 22 open audit recommendations.
- In addition, we closed 36 OIG recommendations. At the end of the quarter there were 41* open audit recommendations.

*This total does not include recommendations for the 1) Audit of Westside Purple Line Extension Section 2- Modification No. 52, and 2) Review of Metro Rail Services Disruptions as the management response and/or estimated completion dates are still pending.

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 2019, two audits were completed, reviewing a net value of $36.5 million. Auditors questioned $6.8 million or 19% of the proposed costs. The audits supported procurements in the following areas:
➢ Metro Countywide Bikeshare Program; and
➢ Metro Eastside Transit Corridor Phase 2 Project.

Details on Contract Pre-Award Audits completed during second quarter FY 2019 are included 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 fifteen audits during second quarter FY 2019. We reviewed $100 million of funds and identified $4.7 million or 5% of unused funds that may be reprogrammed. Sixty-one incurred cost audits were in process as of December 31, 2018.

Details on Incurred Cost Audits completed during second quarter FY 2019 are included in Appendix B.

INTERNAL AUDITS

For the second quarter of FY 2019, two internal audits were completed. Thirteen internal audits were in process as of December 31, 2018. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the second quarter FY 2019:

Follow-Up Performance Audit of the Construction Quality Assurance Program
The audit objective was to verify implementation of the agreed upon corrective actions from the prior performance audit of the Construction Quality Assurance, Report No. 11-CON-K02, issued in September 19, 2013.

We found that all three corrective actions have been implemented. There were no findings identified in the audit. The corrective actions implemented by management improved the construction quality assurance oversight activities over the construction projects and formalized the process for the timely resolution of issues noted in the Non-Conformance Reports.

Annual Audit of Business Interruption Fund (BIF) Pilot Program
The audit objective was to validate compliance with Metro's BIF administrative guidelines and fund and disbursement procedures.

The BIF Pilot Program is being administered in compliance with the funds and disbursement procedures. The program is also generally in compliance with Metro's administrative guidelines except in the area of financial records verification needed to determine the grant amounts awarded to the businesses. Although Pacific Coast Regional (PCR) verified that all grantees met the eligibility requirements for the Program, PCR did not consistently perform adequate validation of the small businesses' financial records to determine grant amounts awarded.

Management concurred with the recommendations and is implementing the corrective actions.

OTHER AUDITS

Other audits completed during second quarter FY19 by external CPA firms include:

STIP/PPM Program Year 2014-15 – Issued October 2018
In June 2013, Metro entered into a Fund Transfer Agreement (Agreement) with CalTrans to provide planning, programming and monitoring of projects for the development and preparation of the Regional Transportation Improvement Program.

Metro is required to comply with the Agreement and to ensure that State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) funds are used in conformance with Article XIX of the California State Constitution, and for PPM purposes as defined in the Agreement.

Vasquez completed a financial and compliance audit of STIP for the period December 10, 2014 through December 31, 2017. The auditor found that the financial schedule presents fairly, in all material respects and that Metro complied, in all material respects, with the compliance requirements of the Agreement and Article XIX of the California State Constitution applicable to Metro's STIP PPM Program for the period December 10, 2014 to December 31, 2017.

Los Angeles Union Station Property - Basic Financial Statements – Issued November 2018
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, 2018. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

LACMTA Gateway Center - Basic Financial Statements – Issued November 2018
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, 2018. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

Metro ExpressLanes Fund - Financial Statements – Issued November 2018
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

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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 BCA for the fiscal year ended June 30, 2018. BCA found that the financial statements present fairly, in all material respects, the financial position of the Metro ExpressLanes fund as of June 30, 2018.

PTSC - MTA PRMA - Basic Financial Statements – Issued November 2018
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, 2018. BCA found that the financial statements present fairly, in all material respects, the financial position of PRMA as of June 30, 2018.

Regional Transit Access Pass (TAP) Service Center TAP Settlement and Clearing Account - Basic Financial Statements – Issued November 2018
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, 2018. The auditor found that the statement of net position present fairly, in all material respects, the financial position of the Regional TAP Service Center Settlement and Clearing Accounts as of June 30, 2018.

Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds – Issued November 2018
The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by Metro with the provisions of Propositions A and C.

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

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requirement for the year ended June 30, 2018. The auditor found that the schedules present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2018. As required by law, BCA presented the results of the audit to the Independent Citizen's Advisory Oversight Committee in January 2019.

Schedule of Revenues and Expenditures for Measure R Special Revenue Fund – Issued November 2018
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, 2018. The auditor found that the schedule present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America. As required by law, BCA will present their audit report to the Measure R Independent Taxpayers Oversight Committee in March 2019.

Schedule of Revenues and Expenditures for Measure M Special Revenue Fund – Issued November 2018
The voter approved Measure M Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Metro complies with the provisions 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 M Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2018. The auditor found that the schedule present fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America. As required by law, BCA will present their audit report to the Measure M Independent Taxpayer Oversight Committee in March 2019.

Consolidated Audit
These financial and compliance audits are needed to ensure that the recipients (e.g. 88 cities) of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The Consolidated Audit process includes financial and compliance audits for the fiscal year ended June 30, 2018 for Measure R, Measure M and other programs. A separate board report for the Consolidated Audit will be presented subsequent to the Measure R and Measure M Oversight Committee Public Hearings scheduled for June 2019.

AUDIT SUPPORT SERVICES

Audit Follow-Up and Resolution

During the second quarter, 6 recommendations were completed and closed. At the end of the quarter there were 22 outstanding audit recommendations. The table below summarizes the second quarter activity.

Summary of MAS and External Audit Recommendations
As of December 31, 2018

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Communications			5		5
Finance and Budget	1		1		1
Information Technology			3	7	10
Metro Operations	4		1	3	4
Vendor/Contract Management	1			2	2
Totals	6		10	12	22

In addition to the above MAS and external audit recommendations, we closed 36 recommendations for the Office of the Inspector General (OIG).   At the end of the quarter there were 41* outstanding OIG audit recommendations.

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

*This total does not include recommendations for the 1) Audit of Westside Purple Line Extension Section 2- Modification No. 52, and 2) Review of Metro Rail Services Disruptions as the management response and/or estimated completion dates are still pending.

No.	Area	Audit Number & Type	Contractor	Frequency	Requirement	Date Completed
		Contract Pre-Award Audit FY19 - Audits Completed During Second Quarter				
1	Planning & Development	18-PLN-A17 - Attestation Agreed-Upon Procedures	Bicycle Transit Systems, Inc.	2nd Time; Last Audit 3.5 years ago for Pre-Award	V/CM Policy and Contract Terms	10/2018
2	Planning & Development	19-PLN-A01 - Attestation Agreed-Upon Procedures	Cordoba Corporation	First Time	V/CM Policy and Contract Terms	11/2018

No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
		Incurred Cost Audit FY19 - Audits Completed During Second Quarter				
1	Program Management	18-HWY-A09 - Closeout	City of Burbank	Once	Per Project Manager's request and MOU.MR310.08 terms	10/2018
2	Planning & Development	17-PLN-A31 - Closeout	City of Inglewood	Once	Per Project Manager's request and MOU.TOD.312.02.03 terms	10/2018
3	Planning & Development	19-PLN-A04 - Closeout	City of Culver City	Once	Per Project Manager's request and FA920000000F7401 terms	10/2018
4	Planning & Development	18-PLN-A16 - Closeout	City of Santa Clarita	Once	Per Project Manager's request and MOU.P00F3105 terms	10/2018
5	Planning & Development	18-PLN-A15 - Closeout	City of Huntington Park	Once	Per Project Manager's request and MOU.TOD.312.02.14 terms	10/2018
6	Program Management	18-HWY-A07B - Closeout	WKE, Inc.	First Time	V/CM Policy and Contract Terms	11/2018
7	Program Management	18-CON-A10 - Agreed-Upon Procedures	ABCS Consulting Services	First Time	V/CM Policy and Contract Terms	11/2018
8	Program Management	18-HWY-A07A - Closeout	Cambridge Systematics, Inc.	First Time	V/CM Policy and Contract Terms	11/2018
9	Planning & Development	17-PLN-A26 - Closeout	City of Compton	Once	Per Project Manager's request and MOU.P0006297 terms	11/2018
10	Program Management	19-CON-A04 - Agreed-Upon Procedures	Intueor Consulting, Inc.	First Time	V/CM Policy and Contract Terms	11/2018
11	Program Management	18-CON-A16 - Agreed-Upon Procedures	Ghirardelli Associates, Inc.	First Time	V/CM Policy and Contract Terms	11/2018
12	Planning & Development	18-PLN-A22 - Closeout	City of Pasadena	Once	Per Project Manager's request and MOU.P000F1320 terms	12/2018
13	Program Management	17-HWY-A05 (P) - Closeout	City of South Gate	Once	Per Project Manager's request and MOU.P00F1178 terms	12/2018
14	Program Management	17-HWY-A05 (H) - Closeout	City of South Gate	Once	Per Project Manager's request and MOU.MR306/17 terms	12/2018
15	Program Management	17-PLN-A19 - Agreed-Upon Procedures	LSA Associates, Inc.	6th Time; Last Audit 3.5 years ago for Contract Modification	V/CM Policy and Contract Terms	12/2018

Appendix C

No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
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No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	Program Management	16-CON-P04B - Performance Audit of Effectiveness of Quality Assurance Processes	To evaluate the efficiency and effectiveness of quality assurance practices and process for minor projects (less than 100 million).	First Time	Per FY16 Audit Plan	2/2019
2	Metro Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering & Maintenance Training Phase I	Determine whether existing and newly hired employees of Wayside Systems Engineering & Maintenance completed the required training (technical, safety, and mandated) including required refresher courses; required certification per position is current; and employees have the right certification for the tasks assigned.	First Time	Per FY19 Audit Plan	2/2019
3	Information Technology Services / Metro 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	2/2019
4	Program Management	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	2/2019
5	Vendor/Contract Management	16-VCM- P01 - Performance Audit of P-Card	Evaluate compliance to P-card purchase requirements.	3rd Time; Last Audit 4 and 8 years ago	Per FY16 Audit Plan	2/2019
6	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	2/2019
7	Vendor/Contract Management	18-VCM-P02 - Performance Audit of Tracking of SBE/DBE Goals	To evaluate the process of tracking and monitoring SBE/DBE goals achievement and reliability of the information captured by DEOD.	First Time	Per FY18 Audit Plan	3/2019
8	Vendor/Contract Management	17-VCM-P02 - Performance Audit of Change Order Internal Controls	To evaluate the adequacy and effectiveness of internal controls over the Contract Change Order Process, and to evaluate the utilization of Key Information by VCM.	First Time	Per FY17 Audit Plan	3/2019
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	3/2019
10	Metro Operations / Systems Security & Law Enforcement	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	3/2019
11	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	3/2019

Internal Audit FY19 - In Process Audits as of December 31, 2018

Appendix C

No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
**Internal Audit FY19 - In Process Audits as of December 31, 2018**
12	Pension and Benefits	19-BEN-P01 - Performance Audit of Benefit Eligibility	Evaluate adequacy of internal controls over eligibility process for employee dependents for medical benefits	First Time	Per FY19 Audit Plan	3/2019
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

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
**Open Audit Recommendations as of December 31, 2018**					
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. **Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.**	3/31/2017	3/31/2019
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. **Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.**	3/31/2017	3/31/2019
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. **Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.**	3/31/2017	3/31/2019
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. **Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.**	3/31/2017	3/31/2019
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. **Update: MOU is in the final stages. Metro Commute Services (MCS) is obtaining input from County Counsel.**	3/31/2017	3/31/2019
6	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. **Update: Closed as of January 2019.**	6/30/2017	12/31/2018
7	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	
8	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	
9	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	

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

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations as of December 31, 2018		
10	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	
11	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. **Update: ITS Department hired a Security Executive Officer who will determine the level of support and involvement for security staff in system delivery life cycle.**	8/31/2018	2/28/2019
12	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	
13	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	
14	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	
15	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

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

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				Open Audit Recommendations as of December 31, 2018		
16	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
17	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	
18	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	
19	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	1/31/2019
20	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	
21	Vendor/Contract Management	17-VCM-P04 Performance Audit of Contract Pre-Award Process	1	We recommend the Chief Vendor/Contract Management Officer to establish a process that requires maintaining an electronic backup of hard copy contract files in a centralized location and limit the access to appropriate staff. We recommend this process be performed at each phase of the vendor contract management process which includes Planning, Solicitation, Evaluation, etc. and reside in a secured environment with limited access to prevent deletion or modifications to files.	2/28/2019	

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

Appendix D

					Original Completion Date	Extended Completion Date
**Open Audit Recommendations as of December 31, 2018**
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
22	Vendor/Contract Management	18-VCM-P01 Annual Audit of Business Interruption Fund Pilot Program	1	We recommend that Business Interruption Fund Program Management require PCR to revise its Standard Operating Procedures (SOP) to include adequate validation process in ensuring the accuracy of financial records submitted by business owners. At a minimum, PCR should develop the level of validation needed according to the type and quality of supporting evidence provided by the businesses to demonstrate the revenue loss. PCR must document the validation performed for each grantee business to support the amount of grant awarded to the businesses. **Update: Closed as of January 2019.**	1/31/2019	

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

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				OIG Open Audit Recommendations as of December 31, 2018		
1	Operations	17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety	28 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. **Update: As of November 2018, 89 of 117 recommendations were closed.**	Pending	
2	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	1	Increase marketing to specific audience groups to increase ridership by developing additional marketing programs directly aimed at user groups such as students, business and government entities, and employees "Live Near Your Work" campaigns.	Pending	
3	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	2	Coordinate with other LA County public agencies to encourage additional use of public transit and participation in rideshare programs, including maximizing allowable transit subsidies over parking subsidies. For example: a) The City of LA could increase its monthly transit subsidy to be more in line with monthly transit costs. b) The County of LA could expand its current commuter programs to provide employees subsidies for using public transit/ rideshare for commute trips for all County work locations at a monthly rate closer to actual costs.	12/31/2019	
4	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	3	Explore modifications to Metro's Employer Annual Pass Program to further encourage transit usage, such as the addition of a monthly pass option.	Pending	
5	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	4	Work with partner agencies to ensure that the Guarantee Ride Home Program is publicized to employees.	Pending	
6	Vendor/Contract Management	18-AUD-04 Increasing Public Transit and Rideshare Use Study	5	Encourage use of public transit at meetings and events where contractors will be present.	Pending	
7	Vendor/Contract Management	18-AUD-04 Increasing Public Transit and Rideshare Use Study	6	Consider whether any programs can be created that specifically address vendor/contractor use of public transit.	Pending	
8	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. **Update: Closed as of January 2019.**	8/31/2018	
9	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. **Update: Closed as of January 2019.**	8/31/2018	

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				OIG Open Audit Recommendations as of December 31, 2018		
10	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. **Update: Closed as of January 2019.**	8/31/2018	
11	Operations	19-AUD-01 Metro Transit Security Performance Review	7	Metro Operations should monitor and track the amount of time required to transfer calls requiring a law enforcement response to the appropriate law enforcement dispatch center and take appropriate actions to ensure calls are quickly processed.	Pending	
12	Program Management	19-AUD-05 Audit of Miscellaneous Expenses and Check Requests for the Period January 1, 2018 to March 31, 2018	1	The Chief Program Management Officer should ensure that Construction Management staff are made aware of Metro's Travel and Business Expense (FIN 14) policy. **Update: Closed as of January 2019.**	1/31/2019	
13	Civil Rights	19-AUD-05 Audit of Miscellaneous Expenses and Check Requests for the Period January 1, 2018 to March 31, 2018	2	The Chief Civil Rights Program Officer should ensure the Cardholder submits P-Card logs in a timely manner. **Update: Closed as of January 2019.**	1/31/2019	
14	Communications	19-AUD-05 Audit of Miscellaneous Expenses and Check Requests for the Period January 1, 2018 to March 31, 2018	3	The Chief Communications Officer should require the Senior Manager, Signage & Environment Graphic Design to obtain the vendor's actual travel costs and obtain a refund, if appropriate.	1/31/2019	