



Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE MAY 15, 2019

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2019 THIRD QUARTER REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the third quarter report of Management Audit Services (Management Audit) for the period ending March 31, 2019.

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 third 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

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.

During the third quarter of FY 2019 Management Audit completed 158 projects. These include:

Internal Audits: 3 internal audits were completed during the third quarter. As of March 31, 2019, 15 internal audits were in process.

External Audits: 10 incurred cost audits with a total value of \$113 million were completed during the third quarter. As of March 31, 2019, 52 incurred cost audits were in process.

Other Audits: 145 other audits were issued by external CPA firms.

Audit Follow-up and Resolution: 13 recommendations were closed during third quarter. In addition, 9 recommendations for the OIG were closed during third quarter. Details of all open, extended, and closed recommendations can be found in the Third Quarter Board Box titled "Status of Audit Recommendations".

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

NEXT STEPS

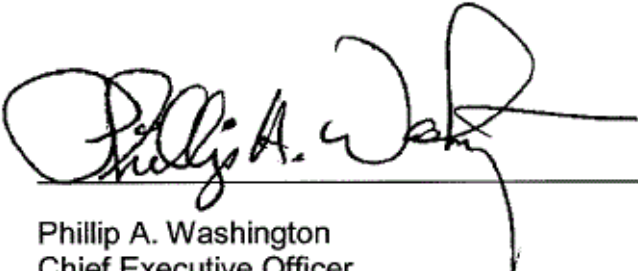
Management Audit will provide the FY 2019 Year-end report of audit activity to the Board at the September 2019 Finance, Budget and Audit Committee meeting.

ATTACHMENT

Attachment A - FY19 Q3 Report

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Phillip A. Washington
Chief Executive Officer

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

**Los Angeles County Metropolitan
Transportation Authority**

***Third Quarter
FY 2019***



Metro™

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EXECUTIVE SUMMARY

Summary of Audit Activity

During the third quarter of FY 2019, 158 projects were completed. These include:

Incurring Cost Audits

- Independent Auditor's Report on Agreed-Upon Procedures of Barrio Planners, Inc.'s final indirect cost rates for fiscal years ending May 2016 and May 2017 for the Westside Purple Line Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures of Cabrinha, Hearn & Associates' final indirect cost rates for fiscal years 2013-2015 for the Westside Subway Extension Project;
- Independent Auditor's Report on Agreed-Upon Procedures of ABA Global, Inc.'s final indirect cost rate for calendar year 2016 for the Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures of LKG-CMC, Inc.'s final indirect cost rates for fiscal year ending September 2014 for the Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of Caltrans' HOV Lanes on I-5 between SR-118 and SR-14 Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Calabasas' Park and Ride Lot Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of Los Angeles County's Experience LA 3.0 - Mobility in the Cloud Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Torrance's Pacific Coast Highway at Madison Street Signal Upgrades Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Glendale's Pacific Avenue: Colorado to Glendale & Burchett Street: Pacific Avenue to Central Avenue Street Project; and
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Los Angeles' Winnetka Avenue Bridge Widening over the Los Angeles River Project.

Internal Audits

- Performance Audit Quality Assurance Process Over Minor Construction Projects
- Performance Audit of Vendor/Contract Management's (V/CM's) Continuity of Operations Plan (COOP)
- Performance Audit of the Purchase Card (P-Card) Program

Other Audits

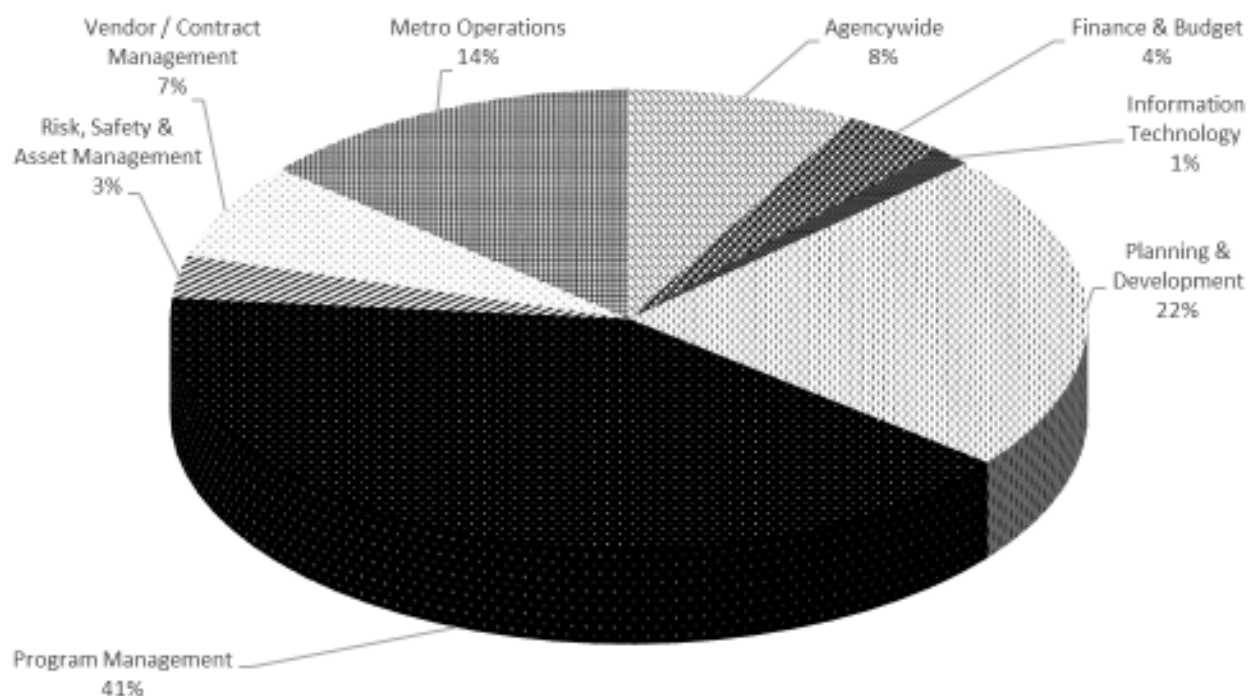
- 145 other audits issued by external CPA firms

The completed external audits are discussed on page 3. Discussions of the internal audits begin on page 4. Discussions of other audits issued by external CPA firms begin on page 6.

EXECUTIVE SUMMARY

Sixty-seven (67) projects were in process as of March 31, 2019; these included 15 internal audits and 52 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during third quarter FY 2019:



Audit follow-up:

- Thirteen (13) recommendations were closed during the third quarter. At the end of the quarter there were 25 open audit recommendations.
- In addition, we closed nine (9) OIG recommendations. At the end of the quarter there were 40* 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

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 ten audits during third quarter FY 2019. We reviewed \$113 million of funds and identified \$22 million or 19% of unused funds that may be reprogrammed. Fifty-two (52) incurred cost audits were in process as of March 31, 2019.

Details on Incurred Cost Audits completed during third quarter FY 2019 are included in Appendix A.

INTERNAL AUDITS

For the third quarter of FY 2019, three (3) internal audits were completed. Fifteen (15) internal audits were in process as of March 31, 2019. The internal audits in process are listed in Appendix B.

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

Performance Audit of the Quality Assurance Process over Minor Construction Projects

The purpose of the audit was to evaluate the efficiency and effectiveness of the Quality Assurance Process over minor construction projects (project value less than \$100 million). The audit scope included the review of minor construction projects for the period of October 19, 2016 to July 30, 2018.

We found that the Quality Assurance Process of the Quality Management Unit (“Quality Management”) over minor construction projects needed to be improved in order for it to be efficient and effective. This assessment is based primarily on two key observations. First, Quality Management did not maintain adequate supporting documentation to evidence its quality assurance oversight activities over minor construction projects. Secondly, Quality Management had not developed its own unique key performance indicators to enable the monitoring of results and to drive improvement.

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

Performance Audit of Vendor / Contract Management’s (V/CM’s) Continuity of Operations Plan (COOP)

The purpose of this audit was to evaluate the adequacy of V/CM’s COOP and Standard Operating Procedures (SOPs) to support V/CM’s mission essential functions during emergencies. The scope of this audit was V/CM’s COOP approved by Chief Vendor / Contract Management Officer, on October 20, 2017 and the related SOPs that support the COOP.

We found that V/CM’s COOP identifies its primary mission essential functions and has been in place since October 2017. V/CM participates with the other selected business units to test emergency systems including applications and processing of transactions in an off-site facility in California. However, V/CM’s COOP and the supporting SOPs need to include additional key information (e.g. activation criteria, key personnel contacts, etc.) to improve V/CM’s ability to efficiently and effectively continue its mission essential functions in the event of an emergency. We also noted that formal emergency service agreements between Metro and utility companies (i.e., electric and gas) were not in place to guarantee continuity and provision of key services such as power for trains and compressed natural gas for buses, warning before service cuts, and restoration during emergencies as an essential public service.

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

INTERNAL AUDITS

Performance Audit Purchase Card (P-Card) Program

The purpose of the audit was to evaluate the adequacy of oversight and monitoring of the P-card Program and determine the extent of compliance with P-Card Program rules and guidelines. The audit scope covered P-card Program rules and guidelines and transactions for the period June 2015 to October 2018.

Oversight and monitoring over the P-Card Program by the Agency Program Coordinator and the approving officials of various business units needed to be strengthened. Instances of non-compliance with program rules and guidelines included:

- Purchases of certain restricted items (food and hotel charges)
- Monthly statements submitted late or without support
- Lack of documentation to support purchase limit increases for some cardholders
- Inconsistent refresher training taken by cardholders and approvers
- P-Cards for some former employees were not immediately de-activated

Management concurred with most of the recommendations except with recommendations #3 and #5. V/CM Management disagreed with our recommendations to have an individual outside of the P-Card Program to periodically reconcile the profiles of those Cardholders granted with purchase limit increases or ability to procure restricted items against the justifications/approvals on file. These recommendations were meant to implement segregation of duties between the P-Card Program staff and staff who will independently review compliance of P-Card Program staff. In lieu of the recommendations, V/CM would have the Executive Officer Support Services monitor the Agency Program Coordinator's reconciliation process. Management Audit Service will perform a follow-up audit of this area to determine the effectiveness of this planned monitoring.

OTHER AUDITS

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

Basic Financial Statements and Component Audits – All parts issued by February 2019

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the year ended June 30, 2018:

- Comprehensive Annual Financial Report;
- Single Audit Report for fiscal year ended June 30, 2018;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2018;
- Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2018;
- Transportation Development Act Operations Agency for the fiscal year ended June 30, 2018;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency for the fiscal year ended June 30, 2018;
- State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ended June 30, 2017 and 2018;
- Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) basic financial statements as of June 30, 2018;
- Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements for the year ended June 30, 2018; and
- Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the fiscal year ended June 30, 2018.

Metro's basic financial statements include our audited financial statements, supplemental information and unmodified audit opinion from Crowe, the independent external auditor. Crowe issued unmodified opinions on all audit reports for FY18, meaning that all financial statements for FY18 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements respectively. However, in the Single Audit Report, Crowe noted one significant deficiency in our internal control over compliance with major federal programs pertaining to sub-recipient monitoring of federal awards. Metro's Grants Management will implement preventative controls by clarifying to sub recipients that in completing their annual self-certification, the response applies to the entire entity federal awards and not just the particular grant. Additionally, Grants Management will verify the sub-recipients' responses using the search on Federal Audit Clearinghouse to ensure that no single audit is required for the sub-recipients.

OTHER AUDITS

National Transit Database (NTD) Financial Data Review Report – Issued November 2018

Crowe, our independent external auditor, conducted an Agreed-Upon Procedures report of the NTD Financial Data Procedures by the Los Angeles County Metropolitan Transportation Authority for the Transportation Operating Agency (ID# 90154). As required by the Federal Transit Administration, Metro must complete this accounting system review every ten years. Crowe found no exceptions as a result of the procedures reviewed.

Consolidated Audit – Issued various dates

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 Prop A & C, Measure R, Measure M and other programs.

For efficiency and effectiveness, we contracted with two firms (Simpson & Simpson and Vasquez & Company, LLP) to conduct the financial and compliance audits of the following programs for the year ended June 30, 2018:

- 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
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT Operating Data (Proposition A Incentive 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 third quarter, 13 recommendations were completed and closed. At the end of the quarter there were 25 outstanding audit recommendations. The table below summarizes the third quarter activity.

Summary of MAS and External Audit Recommendations As of March 31, 2019

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Communications			5		5
Finance and Budget			1	1	2
Information Technology	8			2	2
Metro Operations	2			2	2
Program Management	1			6	6
Risk, Safety & Asset Management				1	1
Vendor/Contract Management	2			7	7
Total	13		6	19	25

In addition to the above MAS and external audit recommendations, we closed nine (9) recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 40* outstanding OIG audit recommendations.

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

Appendix A

Incurred Cost Audit FY19 - Audits Completed During Third Quarter						
No.	Area	Audit Number & Type	Auditee	Frequency	Requirement	Date Completed
1	Program Management	18-CON-A21 - Agreed-Upon Procedures	Barrio Planners, Inc.	1st Time	V/CM Policy and Contract Terms	1/2019
2	Program Management	18-HWY-A08 - Closeout	Caltrans	Once	Per Project Manager's request and MOU. P0002198 Terms	2/2019
3	Program Management	18-HWY-A04 - Closeout	City of Calabasas	Once	Per Project Manager's request and MOU.MR311.33 Terms	2/2019
4	Program Management	17-CON-A33 - Agreed-Upon Procedures	Carbinha, Hearn & Associates	1st Time	V/CM Policy and Contract Terms	2/2019
5	Program Management	18-CON-A09 - Agreed-Upon Procedures	ABA Global, Inc.	1st Time	V/CM Policy and Contract Terms	2/2019
6	Planning and Development	19-PLN-A07 - Closeout	Los Angeles County	Once	Per Project Manager's request and FA.920000000F7703 Terms	3/2019
7	Program Management	18-CON-A20 - Agreed-Upon Procedures	LKG-CMC, Inc.	1st Time	V/CM Policy and Contract Terms	3/2019
8	Program Management	19-HWY-A04 - Closeout	City of Torrance	Once	Per Project Manager's request and FA 920000000MR31259 Terms	3/2019
9	Program Management	19-HWY-A08 - Closeout	City of Glendale	Once	Per Project Manager's request and MOU. 310.40Terms	3/2019
10	Planning and Development	18-PLN-A09 - Closeout	City of Los Angeles	Once	Per Project Manager's request and MOU. P0008084 Terms	3/2019

Appendix B

Internal Audit FY19 - In Process Audits as of March 31, 2019						
No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
1	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	5/2019
2	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	5/2019
3	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	5/2019
4	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	6/2019
5	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	6/2019
6	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	6/2019
7	Metro Operations	19-OPS-P03 - Performance Audit of Rail Communication Systems	Determine the adequacy of the security controls over Rail Communication network system for Rail Operations Control equipment, including but not limited to the firewall, and password policies; logical security of remote sites; protocol including criteria and guidelines used to protect the network; rail communication systems redundancy; change management process, and incident response process.	First Time	Per FY19 Audit Plan	6/2019
8	Metro Operations	19-OPS-P04 - Contracted Bus Services	To determine compliance with contract requirements as it relates to bus maintenance, quality control and driver safety of MV Transportation Inc.	First Time	Board Request	6/2019
9	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	6/2019
10	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	6/2019
11	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	6/2019

Appendix B

Internal Audit FY19 - In Process Audits as of March 31, 2019						
No.	Area	Audit Number & Title	Description	Frequency	Requirement	Estimated Date of Completion
12	Metro Operations	19-OPS-P03 - Performance Audit of SCADA Security Controls	To determine the adequacy of the security controls for the SCADA Systems, including but not limited to the new virtualized SCADA server/workstations for Rail Operations Control Room (ROC) equipment, logical and physical security of remotes for external remove connection, and other additional areas as deemed necessary.	2nd Time; Last Audit 7 years ago	Per FY19 Audit Plan	7/2019
13	Program Management / Operations / Finance / Planning	19-CON-P01 - Performance Audit of Pre-Project Closeout for Crenshaw/LAX Transit Project	Evaluate state of readiness for the Crenshaw/LAX Transit Project prior to start of operations.	First Time	Per FY19 Audit Plan	7/2019
14	Agency-Wide	18-RSK-P02 - Performance Audit of Business Continuity Plan - Payroll	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	8/2019
15	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	8/2019

Appendix C

Open Audit Recommendations as of March 31, 2019						
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. 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	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	
7	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	

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

Appendix C

Open Audit Recommendations as of March 31, 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	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	
9	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	
10	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. Update: Closed as of April 2019.	7/31/2018	4/30/2019
11	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	1	We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to formalize the risk assessment process to require Quality Management (QM) to: (i) document its review of detailed quality plans submitted by contractors, and (ii) document the quality assurance services that it plans to perform for minor construction projects. Adjustments to the planned quality assurance activities should be made by Quality Management as the project progresses based on any new risk information received, project complexity and size.	4/25/2019	
12	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	2	We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to document and maintain the results of the Quality Management quality assurance services provided for each minor construction project. Records of these activities include inspection reports, test activities, reports of non-conforming work found, reports of corrective actions taken and surveillances performed.	4/25/2019	
13	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	3	We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to ensure that the Quality Manager reviews and approves supporting documents relating to quality before these are stored and maintained in the IQMS.	4/25/2019	

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

Appendix C

Open Audit Recommendations as of March 31, 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
14	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	4	We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to continue to develop the IQMS as a centralized document control system for the maintenance of quality records for all minor construction projects. Use a consistent naming convention for the file name and use titles that correspond to the content so that files are easily searchable and accessible.	4/25/2019	
15	Program Management	16-CON-P04B Performance Audit of the Quality Assurance Process Over Minor Construction Projects	5	We recommend that the Chief of the Program Management Unit direct the Senior Director of the Quality Management Unit to develop unit specific key performance indicators to help measure the efficiency and effectiveness of the quality services provided by Quality Management. Quality Management's KPI should consider both workload and results factors, and could include but not be limited to the following: Length of time between the opening and closing of NCRs; Percentage of reoccurring NCRs; Trends on NCRs; and Number of quality audits performed on schedule.	4/25/2019	
16	Vendor/Contract Management	16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program	1	We recommend that the Executive Officer of Vendor/Contract Management, Support Services direct the Agency Program Coordinator to periodically (at least annually) provide a list of Cardholders and Approving Officials to the department heads or to their appropriate designees to confirm that the list is accurate and complete. Based on the confirmation from the departments, update the list of Cardholders and Approving Officials.	5/31/2019	
17	Vendor/Contract Management	16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program	2	We recommend that Executive Officer of Vendor/Contract Management, support services direct the Agency Program Coordinator to work with Talent Development to add P-Card refresher training to the training profile of all Cardholders and Approving Officials showing it as mandatory training to automatically trigger a refresher training reminder. This would afford the mandatory P-Card refresher training similar process such as Human Trafficking Awareness and Basic IT Security Awareness training which both are required for all Metro employees.	9/30/2019	
18	Finance & Budget	16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program	4	We recommend that Accounts Payable coordinate with Information Technology Systems and the Agency Program Coordinator to automate the approval process to improve processing time of P-Card statements as well as authentication of the approvers.	8/30/2019	
19	Vendor/Contract Management	16-VCM-P01 Performance Audit of Purchase Card (P-Card) Program	6	We recommend that the Executive Officer of Vendor/Contract Management direct the Agency Program Coordinator to perform a periodic monitoring through the use of the US Bank Download of transactions to review for the 24 restricted categories (e.g., alcoholic beverages, entertainment, gift cards, travel, & etc.) by Cardholders and cost centers. Notify Department Chiefs about violations found so that they may take appropriate actions. The actions taken should be documented by the department and communicated to the Agency Program Coordinator.	5/31/2019	

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

Appendix C

Open Audit Recommendations as of March 31, 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
20	Risk, Safety & Asset Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's Continuity of Operations Plan	1a	We recommend that the Emergency Management Unit collaborate with the business units, starting with V/CM, to ensure that the business unit COOPs, and all related documents (e.g., SOPs), include the essential content necessary to support the agency-wide program.	6/30/2020	
21	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's Continuity of Operations Plan	1b	We further recommend that over the next 12 to 18 months, V/CM should consider focusing its efforts on completing and including the following content with Emergency Management's support and guidance: Criteria for COOP activation and relocation decisions; Flow charts and decision trees; Step-by-step instructions applicable to Gateway or agency-wide emergencies; Names, titles and contact details such as phone numbers and emails for all continuity personnel (e.g., Advance Team, CMG, and successors); Distribution and logistics dependencies, such as MEFs, mission essential systems, records, databases, supplies and equipment; Mission essential records and database storage locations.	10/30/2020	
22	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's Continuity of Operations Plan	2	We recommend that V/CM management review and reassess the COOP and SOPs periodically to verify that any resulting updates are implemented; including updating V/CM's COOP contact details in the event of key personnel changes.	4/30/2020	
23	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's Continuity of Operations Plan	3	We recommend that V/CM management work with Emergency Management to arrange for COOP execution training by an emergency management expert concurrently with each annual update.	7/31/2020	
24	Program Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's Continuity of Operations Plan	4	We recommend that the Chief Program Management Officer take the lead role in collaborating with all responsible parties, such as V/CM, Project Delivery Third Party Coordination, County Counsel, etc., to establish agreements with utility companies to guarantee service continuity and restoration in emergency situations.	3/31/2020	
25	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's Continuity of Operations Plan	5	We recommend that V/CM management consider referencing all the existing COOP-related SOPs to the COOP and/or attaching them as appendices to the COOP, doing the same to the SOPs under development as they are completed.	10/30/2020	

Appendix D

OIG Open Audit Recommendations as of March 31, 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	17-AUD-04 Review of Metro Safety Culture and Rail Operational Safety	27 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 March 2019, 90 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.	4/30/2019	
3	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	2a	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, the City of LA could increase its monthly transit subsidy to be more in line with monthly transit costs.	12/31/2019	
4	Communications	18-AUD-04 Increasing Public Transit and Rideshare Use Study	2b	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, 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	
5	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.	4/30/2019	
6	Communications	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.	4/30/2019	
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. Update: Closed as of April 2019	4/30/2019	
8	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	
9	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. Update: Closed as of April 2019.	1/31/2019	

OIG Open Audit Recommendations as of March 31, 2019						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
10	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	2	We recommend that the Logistics Department use the count method consistent with best practices to calculate and report the accuracy of inventory records (number of line items counted accurate/total line items counted X 100). In addition, establish an inventory accuracy goal such as 95% consistent with best practices.	4/30/2019	
11	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	3	We recommend that the Logistics Department implement procedures to conduct physical inventories using "blind counts" consistent with best practices in which individuals performing the inventories do not have the knowledge of, or access to, the on-hand quantity in the inventory records.	7/31/2019	
12	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	4	We recommend that the Logistics Department consider adding to the quarterly inventory sample counts, a sample of items from randomly selected locations and compare the counts to quantities on the inventory record (reverse). This would help to identify errors such as wrong locations recorded in the system or certain transactions not processed correctly or promptly.	7/31/2019	
13	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	6	We recommend that the Logistics Department complete plans to use blanket purchase orders to procure material when appropriate to reduce procurement time and eliminate work to create a separate purchase order for each procurement.	9/30/2019	
14	Vendor/Contract Management	19-AUD-03 Audit of Controls Over Inventory At Central Maintenance Facility Warehouse	7	We recommend that the Logistics Department complete plans to review and update existing inventory guidelines and procedures.	9/30/2019	