



Board Report

File #: 2021-0242, **File Type:** Plan

Agenda Number: 10.

FINANCE, BUDGET AND AUDIT COMMITTEE MAY 19, 2021

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2021 THIRD QUARTER REPORT; AND FY 2022 AUDIT PLAN

ACTION: RECEIVE AND FILE

RECOMMENDATION

CONSIDER:

- A. RECEIVING AND FILING the Management Audit Services (MAS) quarterly report for the period ending March 31, 2021; and
- B. APPROVING the FY 2022 Audit Plan.

ISSUE

MAS is required to provide a quarterly activity report to Metro's Board of Directors (Board) that includes information on audits that have been completed or in progress including information related to audit follow-up activities.

In addition, MAS is required to complete an annual agency-wide risk assessment (AWRA) and submit an annual audit plan to the Board of Directors for approval.

BACKGROUND

It is customary practice for Management Audit Services to deliver the quarterly audit report. This report covers Q3 of FY 2021.

Additionally, in January 2018, the Board adopted modifications to the FY07 Financial Stability Policy. The Financial Stability Policy requires MAS to develop an annual risk assessment and audit plan, and present it to the Board. It also requires that the Finance, Budget and Audit Committee provide input and approval of the audit plan.

DISCUSSION

MAS provides audit services in support of Metro's ability to provide responsive, accountable and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency while external audits analyze contractors, cities and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups which are Performance Audit, Contract, Financial and Compliance Audit, and Audit Support. Performance Audit is mainly responsible for internal audits related to Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management including the Chief Executive Office and other internal areas. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning, Program Management and Vendor/Contract Management. MAS's functional units provide assurance to the public that internal processes and programs are being managed efficiently, effectively, economically, ethically, and equitably and that desired outcomes are being achieved. This assurance is provided by the MAS's functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. Audit Support is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

A. THIRD QUARTER FY21 ACTIVITY

The summary of MAS activity for the quarter ending March 31, 2021 is as follows:

Performance Audits: One project was completed during the third quarter; and eight were in progress.

Contract, Financial and Compliance Audits: Three audits with a total value of \$10 million were completed during the third quarter; and 83 audits were in progress.

Financial and Compliance Audits of Metro: 132 financial and compliance audits were issued by external CPA firms.

Audit Follow-up and Resolution: Seven recommendations were closed during third quarter.

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG), which 12 OIG recommendations were closed during the reporting period.

The third quarter FY 2021 report is included as Attachment A.

B. FY 2022 AUDIT PLAN

In accordance to Metro's Financial Stability Policy and applicable audit statutes, MAS performs an agency-wide risk assessment (AWRA), which serves as the basis for the agency's annual audit plan. In 2020, MAS completed an extensive AWRA that lent to the development of the FY 2021 Audit Plan.

Recognizing the FY 2021 Audit Plan and the AWRA was sufficiently robust; and the FY 2021 Audit Plan has not been fulfilled, the determination has been made to carry forward the FY 2021 Audit Plan for which it will serve as the FY 2022 Audit Plan with a modification.

The FY 2022 Audit Plan has been developed with consideration to the current state of the agency as result of the impacts of the COVID-19 pandemic, and the results of the AWRA, including input from Metro's senior leadership. In addition, the audit plan includes financial and compliance audits which are completed annually.

In effort to ensure due diligence for FY 2022, MAS performed a review of agency governance documentation such as Board reports, committee agendas, minutes; and various Metro senior leadership team presentations. MAS also conducted targeted outreach to the designated departmental Audit Liaisons to obtain input in regard to newly presented risks, issues and matters. The additional input including the independent research is reflected in the FY 2022 Audit Plan.

The FY 2022 Audit Plan is flexible, relevant and risk based; and includes audit projects that will provide actionable information to support risk management efforts, add value to the agency and lend to the achievement of organizational goals in alignment to Metro's Vision 2028 Strategic Plan.

The FY 2022 Audit Plan is provided as Attachment B.

DETERMINATION OF SAFETY IMPACT

Approval of the FY 2022 Audit Plan will not impact the safety of Metro patrons or employees.

FINANCIAL IMPACT

Funding for the FY 2022 Audit Plan has been included Management Audit's FY 2022 budget and corresponding cost center.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Receive and file of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects included in the FY 2022 Audit Plan directly or indirectly support various goals outlined in Metro's Vision 2028 Strategic Plan.

ALTERNATIVES CONSIDERED

An alternative is not to approve the annual Audit Plan. This is not recommended since the Audit Plan is a management tool to systematically assign resources for the delivery of an agency-wide audit plan in accordance to the Financial Stability Policy. Additionally, the development of an annual internal audit plan is in accordance to MAS' Charter and the Generally Accepted Government Auditing Standards.

NEXT STEPS

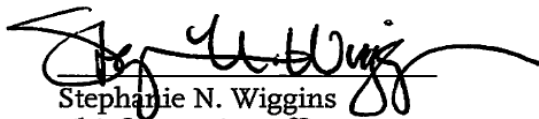
Upon Board approval, MAS will develop the Audit Plan schedule; and deliver quarterly status reports to the Board of Directors.

ATTACHMENT

- A. Management Audit Services Third Quarterly FY 2021 Report
- B. FY 2022 Audit Plan

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Quarterly Report to Metro Board of Directors

FY 2021 Quarter 3



Metro

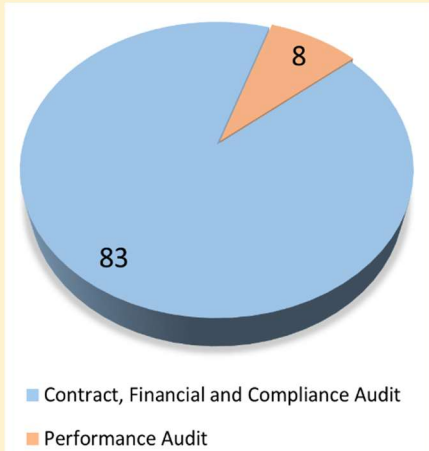
**MANAGEMENT
AUDIT SERVICES**

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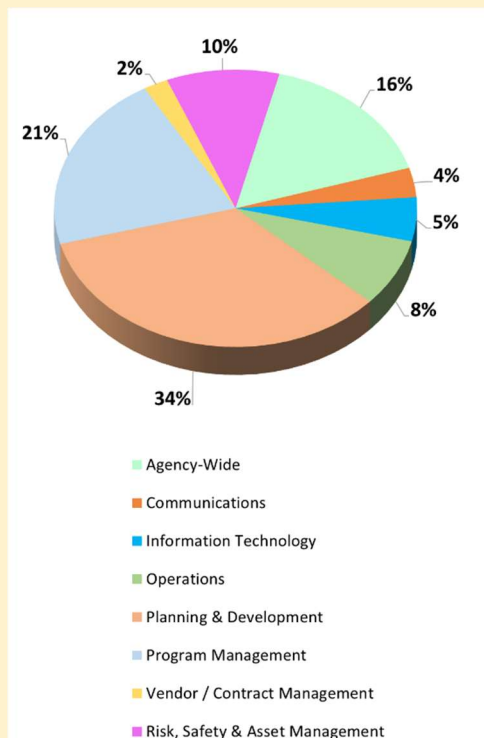
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Executive Summary

In Progress Audit
as of March 31, 2021



Summary of Audit Activity by Department
Reporting Period
January 1, 2021 – March 31, 2021



Summary of In Progress Audit Activity

Management Audit Services (MAS) has 91 in progress projects as of March 31, 2021; which include 8 performance audits and 83 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 45 MAS open audit recommendations. In addition, there are 38 open OIG audit recommendations.

Summary of Q3 Completed Audit Activity

MAS completed 136 projects and closed 19 recommendations. The projects are comprised of 1 performance audit; 3 contract, financial and compliance audits; and 132 financial and compliance audits of Metro issued by independent certified public accountant (CPA) firms.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The financial and compliance audits of Metro issued by the external CPA firms are highlighted on page 6. A summary of closed and open audit recommendations for MAS and OIG are included on page 9.

Performance Audits

This section includes performance audits completed according to Generally Accepted Government Auditing Standards in addition to other types of projects performed by the Performance Audit team to support Metro. The other types of projects may include independent reviews, analysis or assessments of select areas. The goal of non-audit projects is to provide Metro with other services that help support decision making and promote organizational effectiveness.

Business Interruption Fund (BIF) Pilot Program

MAS contracted with BCA Watson Rice (BCA) to conduct an audit of Pacific Coast Regional Small Business Development Corporation's (PCR) compliance with the Los Angeles County Metropolitan Transportation Authority's (Metro) Business Interruption Fund (BIF) Administrative Guidelines and Fund Disbursement Procedures as listed in the notes to the BIF Pilot Program.

The objective of this audit was to determine PCR's compliance with Metro's BIF Administrative Guidelines and Fund Disbursement Procedures for periods covering March 1, 2019 to June 30, 2019 and July 1, 2019 to June 30, 2020.

The auditors found that PCR complied, in all material respects, with Metro's Business Interruption Fund Administrative Guidelines and Fund Disbursement Procedures as listed in the notes to the BIF Pilot Program.

Contract, Financial & Compliance Audits

MAS staff completed 3 independent auditor's report on agreed-upon procedures of:

- HNTB Corporation's interim incurred cost for the period July 15, 2013 through June 30, 2018 for the Doran Street Grade Separation;
- iNet Inc.'s (dba iParq) Interim Incurred Cost for the period March 1, 2016 through December 31, 2017 for the Permit Parking Management Program; and
- I-5 Consortium Cities Joint Powers Authority (I-5 JPA)'s close-out incurred costs for the I-5 Pre-Construction Mitigation Project.

MAS staff reviewed \$10 million of funds and identified \$623 thousand or 6% of funds that may be reprogrammed.

Details on Contract, Financial and Compliance Audits completed during Q3 FY 2021 are included in Appendix B.

Financial and Compliance Audits of Metro

The following highlights the financial and compliance audits of Metro completed by the external CPA firms:

Financial and Compliance Audits – Issued Various Dates

MAS contracted with two firms, Simpson & Simpson, CPAs (Simpson) and Vasquez & Company (Vasquez), to conduct the financial and compliance audits of the following programs for the year ended June 30, 2020:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure M Local Return
 - Measure R Local Return
 - Transportation Development Act (TDA) Article 3, Article 4 and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Prop A Discretionary Incentive Grant
 - Antelope Valley Transit Authority
 - Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, Torrance
 - Transit System Funds
 - Measure M 20%
 - Measure R 20%
- Proposition A Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena
- Fare Subsidies Programs
 - Immediate Needs Transportation Program (INTP)
 - Support for Homeless Re-Entry (SHORE) Program
 - Low-Income Fare is Easy (LIFE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT

Local Return

Proposition A and C

Vasquez and Simpson found that the Cities and County complied, in all material respects, with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines that are applicable to the Proposition A and Proposition C Local Return program for the fiscal year ended June 30, 2020.

The auditors found 50 instances of non-compliance for Proposition A and C, consisting of 33 minor findings related to untimely form submittals. Seventeen findings with questioned costs totaling \$1.8 million for Proposition A and \$827 thousand for Proposition C represent approximately 1% of each total fund reviewed. 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.

Measure R

Vasquez and Simpson found that the Cities and County complied, in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2020.

The auditors found 21 instances of non-compliance for Measure R, consisting of 10 minor findings related to untimely form submittals. Eleven findings with questioned costs totaling \$2 million for Measure R represent approximately 2% of the total amount reviewed. 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.

Measure M

Vasquez and Simpson found that the Cities and County complied, in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2020.

The auditors found 21 instances of non-compliance for Measure M, consisting of 10 minor findings related to untimely form submittals. Eleven findings with questioned costs totaling \$1.5 million for Measure M represent less than 1% of the total amount reviewed. 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; two findings for Metrolink program and twelve findings for the TDA Article 3 program. One compliance finding was also identified in the Immediate Needs Transportation Program (INTP) and one in the EZ Transit Pass Program. Metro Program

Managers are working with the funds recipients to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

A receive and file report with additional details on the Consolidated Audit will be brought to the committee in the coming months.

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of March 31, 2021.

MAS and External Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Operations	2	1	10	16	27
Program Management			1		1
Risk, Safety & Asset Management			2	1	3
Systems Security and Law Enforcement	5		7	2	9
Vendor/Contract Management			5		5
Total	7	1	25	19	45

OIG Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Congestion Reduction			1		1
Human Capital & Development				31	31
Information Technology Services	10				
Operations	2			6	6
Total	12		1	37	38

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

Appendix A

Performance Audit - In Progress Audits as of March 31, 2021				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Operations	20-OPS-P02 Follow up Audit of Contracted Bus Services Project Management	Evaluate if prior Contracted Bus Service Project Management corrective actions were implemented.	4/2021
2	Communications / Finance & Budget	20-COM-P01 Performance Audit of Expanded Discount Programs	Determine the adequacy and effectiveness of internal controls over the expanded discount (special fares for patrons) programs.	5/2021
3	Agency-Wide	20-ITS-P01 Performance Audit of IT Security Awareness	Evaluate the extent of information technology security awareness for selected business units within the Agency.	5/2021
4	Operations	18-AGW-P01 Performance Audit of Internal Controls over Overtime Payments for AFSCME	Evaluate adequacy of the internal controls over overtime payments for AFSCME union employees within Operations for selected positions.	5/2021
5	Systems Security and Law Enforcement / Risk, Safety & Asset Management	21-RSK-P02 Performance Audit of COVID Compliance	Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	5/2021
6	Planning & Development	21-PLN-P01 Micro Mobility Vehicles Program	Assess the progress made in achieving program goals and objectives, including assessing the consideration given to the Metro rapid equity assessment tool.	7/2021
7	Risk, Safety & Asset Management	21-RSK-P03 Transit Asset Inventory Records	Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records.	8/2021
8	Operations / Risk, Safety / Environmental Compliance	20-OPS-P01 Performance Audit of Personal Protective Equipment for Maintenance	Determine the adequacy of training and utilization of personal protective equipment by Metro workers performing clean-ups of Metro facilities impacted by activities of homeless individuals.	Project is on Hold

Appendix B

Contract, Financial and Compliance Audit - Audits Completed as of March 31, 2021				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Program Management	19-HWY-A01 - Closeout	I-5 Consortium Cities Joint Powers Authority	3/2021
2	Program Management	18-CON-A22 - Agreed-Upon Procedures	HNTB Corporation	3/2021
3	Planning & Development	18-HCD-A01 - Agreed-Upon Procedures	iNet Inc. (dba iParq)	3/2021

Appendix C

Open Audit Recommendations as of March 31, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Systems Security and Law Enforcement	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	6/30/2020	6/30/2021
2	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	10/30/2020	10/31/2021
3	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	4/30/2020	9/30/2021
4	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	7/31/2020	9/30/2021

Appendix C

Open Audit Recommendations as of March 31, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
5	Program Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	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. Update: Metro is negotiating Essential Use designation with SCE, DWP & CPUC as a basis for utility emergency service agreements.	3/31/2020	6/30/2021
6	Vendor/Contract Management	18-RSK-P01 Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	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. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist V/CM.	10/30/2020	4/30/2021
7	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	5	We recommend Operations management immediately perform all the needed corrections for underpayments and overpayments for all LIP eligible hours from July 1, 2017 to date. Update: Operations' staff prepared a partial LIP retroactive pay calculation which has been verified; remaining pay calculations are still either in progress or under verification.	12/31/2019	5/31/2021
8	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	6	We recommend Operations management, after completing recommendation number 5 above, partner with ITS to perform periodic true ups to determine any over/underpayment, and submit required corrections to Payroll regularly and in a timely manner until calculations can be automated. Update: ITS / Operations implemented various revised automated fixes. Testing continues to confirm that the latest fix works correctly. The final periodic true-up is included in the pay calculations above.	12/31/2019	4/30/2021
9	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	7	We recommend Operations management reinforce the training with the Division Staff to properly record all LIP eligible hours and pay codes including special conditions for non-certified Line Instructors. Update: ITS / Operations implemented various revised automated fixes. Testing continues to confirm that the latest fix works correctly.	12/31/2019	4/30/2021

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, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
10	Operations	18-ITS-P01 Performance Audit of the HASTUS System – Implementation of Collective Bargaining Agreement Changes	8	We recommend Operations management collaborate with ITS, in consultation with Employee and Labor Relations, to assess possibilities to automate LIP calculations and reporting as practical in either HASTUS or the Payroll system. Update: ITS / Operations implemented various revised automated fixes. Testing continues to confirm that the latest fix works correctly.	12/31/2019	4/30/2021
11	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	1	We recommend that Emergency Management should coordinate with Payroll to facilitate training and add the additional details to Finance (Payroll)'s COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.	2/28/2021	7/29/2021
12	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	2	We recommend that Emergency Management should coordinate with Payroll to create an SOP template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors. Advance team references should state "provided by ITS". Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.	7/31/2020	7/29/2021
13	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	3	We recommend that Emergency Management should coordinate with Payroll to review and assess the COOP and SOPs annually and verify that any resulting updates are implemented. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.	7/31/2020	7/29/2021
14	Systems Security and Law Enforcement	18-RSK-P02 Performance Audit of Finance (Payroll)'s Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with Payroll to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.	7/31/2020	7/29/2021
15	Operations	19-OPS-P02 Performance Audit of the Rail Communications Systems	8 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of December 2020, 4 of 12 recommendations were closed.	On-going	

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, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
16	Operations	19-OPS-P03 Performance Audit of the SCADA Security Controls	9 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of December 2020, 4 of 13 recommendations were closed.	On-going	
17	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	2	We recommend that the Chief Risk, Safety & Asset Management Officer raise awareness of the FOF program. Update: A new mandatory FOF online training program has been set to release in November 2020 to train all supervisory personnel, including the proper fashion for completing a FOF, discussion items while conducting a FOF and requirements of the FOF Policy. FOFs are regularly discussed at LSC meetings and a FOF awareness campaign is currently being discussed with Operations.	3/31/2020	12/31/2021
18	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	3	We recommend that the Chief Risk, Safety & Asset Management Officer develop additional input controls in the Transit Safe System, by designating required FOF form fields as mandatory, including Supervisors sign-off to review for accuracy of information, to prevent the close out of FOF records without completion of all required fields and to ensure quality of information is maintained. Update: The TransitSafe system is no longer supported for updates or modifications since the system will be replaced soon with a new safety system (Cority). The new system will include management of the FOF program and will include supervisory sign-off/verification of FOF review. Mandatory fields for FOFs will be included in the system. Cority is currently being configured.	7/31/2020	6/30/2021
19	Risk, Safety & Asset Management	16-OPS-P03 Performance Audit of Accident Prevention Practices in the Operations Department	4	We recommend that the Chief Risk, Safety & Asset Management Officer incorporate recommendation #3, above, in the upcoming replacement system of Transit Safe.	12/31/2021	
20	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	1	We recommend that Emergency Management collaborate with SS&LE to establish at least three new locations to accommodate emergency back-up SS&LE command centers. As a suggestion, not more than one facility should be close to Gateway Plaza. The other two should be far enough away from Gateway and from each other that there is little risk that a wide area emergency could affect all three locations. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.	7/30/2020	7/29/2021

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, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
21	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	3	We recommend that Emergency Management should coordinate with SS&LE to facilitate training and add the additional details to the SS&LE COOP and SOPs, including criteria for COOP activation and relocation decisions, flow charts, decision trees and step-by-step instructions.	7/30/2021	
22	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	4	We recommend that Emergency Management should coordinate with SS&LE to create a Standard Operating Procedures template to include names, titles and contact details (phone numbers and emails) for all continuity personnel, such as the CMG, key continuity positions and successors; and reference and attach all COOP-related SOPs as Appendices to the COOP. Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March, and are unavailable to assist Finance.	7/30/2020	7/29/2021
23	Systems Security and Law Enforcement	19-RSK-P01 Performance Audit of System Security & Law Enforcement's Continuity of Operations Plan	7	We recommend that Emergency Management should coordinate with SS&LE to schedule COOP execution training by an emergency management expert concurrently with each annual COOP update (See COOP Appendix M).	7/31/2021	
24	Vendor/Contract Management	17-VCM-P02 Performance Audit of Change Order Internal Controls	1	We recommend that Vendor / Contract Management consider providing supplemental guidance to ACQ-2 Manual Chapter 14-11 Change Orders J to define what is considered a "significant sum" when there is a difference between the negotiated price adjustment, Metro's Independent Cost Estimate, and the prenegotiation position that must be explained. Update: VCM has developed draft language which has been presented to the SLT for review and approval that addresses the audit recommendation and that is planned for inclusion in the ACQ-2 manual. However, this draft language is still under review by County Counsel and not yet officially adopted, but VCM still anticipates that the final approval of the draft language should be received by the end of FY 21.	12/31/2020	6/30/2021
25	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	1a	We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to perform a training needs assessment to accurately determine the number of Instructors required to ensure that formal refresher training is provided regularly within the Signal, Track, and Traction Power departments.	7/31/2021	

Appendix C

Open Audit Recommendations as of March 31, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
26	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	1b	We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to develop a Formal Refresher Training that supports the technical competence of maintenance personnel and supports the improvement of system reliability of assets. Refresher Training should be focused on areas where the increasing number of failures or repeat write-ups are occurring within the Signal, Track, and Traction Power departments.	2/28/2021	
27	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	1c	We recommend that the Chief Operations Officer require Wayside Systems Engineering and Maintenance management to develop Key Performance Indicators that identify leading indicators. The information from the Key Performance Indicators should be utilized to help develop Technical Refresher Training courses. Update: Closed as of April 2021.	12/31/2020	
28	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	2a	We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to make use of the OTTS as a monitoring and notification system control for upcoming employee training to help ensure that Wayside employees complete all required training on time. This should lead to a system implementation that would notify employees and managers about upcoming training requirements based on a 30-60-90-day outlook. Update: Closed as of April 2021.	12/31/2020	
29	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	2b	We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to expand the reporting and documentation capabilities of the OTTS in order to maintain a more complete training record and have training records stored in a centralized location to help ensure that Wayside employees complete all required training on time. Update: Closed as of April 2021.	12/31/2020	
30	Operations	19-OPS-P01 Performance Audit of Wayside Systems Engineering and Maintenance Training	2c	We recommend that the Chief Operations Officer consult with ITS management and require Signal, Track and Traction Power departments to remind Supervisors or leads to verify the currency of training and certifications prior to scheduling crew work assignments to help ensure that Wayside employees complete all required training on time. Update: Closed as of April 2021.	12/31/2020	

Appendix D

OIG Open Audit Recommendations as of March 31, 2021						
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	6 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 December 2020, 111 of 117 recommendations were closed.	Pending	
2	Congestion Reduction	20-AUD-06 Review of LA Metro's Freeway Service Patrol Program	6	LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.	10/1/2020	7/1/2021
3	Human Capital & Development	21-AUD-02 Audit of Internal Controls Over Pension Payments for Deceased Retirees	1	We recommend that the Pension and Benefit Department continue with plans to seek reimbursement for the three overpayments and any future overpayments. Update: Closed as of April 2021.	3/31/2021	
4	Human Capital & Development	21-AUD-02 Audit of Internal Controls Over Pension Payments for Deceased Retirees	2	We recommend that the Pension and Benefit Department formally document their procedures for identifying deceased retirees using PBI. Update: Closed as of April 2021.	3/31/2021	
5	Human Capital & Development	21-AUD-02 Audit of Internal Controls Over Pension Payments for Deceased Retirees	3	We recommend that the Pension and Benefit Department formally document in writing their unwritten policy regarding the date of death being used to determine if an overpayment has occurred and should be pursued. Update: Closed as of April 2021.	3/31/2021	
6	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	1	Employ Oracle Talent Acquisition Cloud (OTAC), Metro's new Applicant Tracking System, to obtain and utilize talent analytics	Pending	
7	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	2	Hold hiring process stakeholders accountable for faster decision making	Pending	
8	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	3	Decrease post-testing communication time for the candidates	Pending	
9	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	4	Select interview dates and interviewers prior to the Hiring Plan Meeting	Pending	
10	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	5	Implement a digital workflow to autoroute forms and utilize electronic signatures and assign a back-up signatory	Pending	

Appendix D

OIG Open Audit Recommendations as of March 31, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
11	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	6	Implement digital interview note-taking, scoring, and uploading of candidate results	Pending	
12	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	7	Improve communication between Talent Acquisition (TA) and Hiring Managers regarding changes in the hiring process	Pending	
13	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	8	Encourage greater use of department interviews	Pending	
14	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	9	Allow Qualified Candidate Pools (QCPs) with similar Minimum Qualifications (MQs) to be shared	Pending	
15	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	10	Clarify decision-making roles and responsibilities throughout the entire hiring process	Pending	
16	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	11	Grant Hiring Managers greater decision-making authority in screening	Pending	
17	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	12	Ensure full adoption of the OTAC system coupled with adoption of an effective change management process	Pending	
18	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	13	Expand Hiring Managers' influence by allowing additional Minimum Qualifications to a position	Pending	
19	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	14	Reevaluate the use of blind screening in 12 months	Pending	
20	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	15	Transition Equal Employment Opportunity (EEO) role from active participant to advisor, auditor, and trainer	Pending	
21	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	16	Utilize self-service portal for candidates to provide evidence of education and references	Pending	
22	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	17	Provide stakeholders with the ability to receive live application status updates	Pending	
23	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	18	Communicate to Metro employees why it lacks a promotion process	Pending	
24	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	19	Ensure OTAC's application portal meets candidates' needs	Pending	
25	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	20	Update auto-generated communications to applicants after application submission to improve hiring process expectations	Pending	
26	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	21	Institute a combination of standardized and non-standardized interview questions	Pending	

Appendix D

OIG Open Audit Recommendations as of March 31, 2021						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
27	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	22	Update initial communication to candidates placed on QCP	Pending	
28	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	23	Send periodic automated emails to candidates in QCP to keep them engaged and aware of opportunities for which they may be considered	Pending	
29	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	24	Request complete employment history earlier in the process	Pending	
30	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	25	Consider characteristics other than years of direct work experience when determining salary offers and when screening applications	Pending	
31	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	26	Reduce required memos and forms and expedite their completion	Pending	
32	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	27	Consider increasing the 15% cap on raises for internal candidates	Pending	
33	Human Capital & Development	20-AUD-09 Personnel Hiring Process Study	28	Decrease the job posting salary ranges	Pending	



Management Audit Services

FY 2022 Audit Plan

The FY22 Audit Plan includes 21 audit projects broken down into two categories: priority and discretionary. The priority audit projects will be given primary focus and initiated at the onset of the annual plan. The discretionary audit projects will be reassessed by MAS staff at mid-year review and initiated based on the status of priority audits, internal capacity and/or resources. MAS staff may also exercise the discretion to carry-forward discretionary audit projects to the FY 23 annual audit plan.

FY 22 Priority Projects	Status
Business Interruption Fund	Completed – FY 21
COOP – Rail Operations	In progress
COVID-19 Regulatory Compliance	In progress
Cybersecurity Follow Up	Pending
M3 Replacement – Controls and Readiness	Pending
Metrolink Rehabilitation Projects	Cancelled - FY 21
Micro Mobility Program	In progress
Telecommuting – Policy Revision	Completed - FY 21
Transit Asset Inventory Records	In progress
Westside Purple Line Extension	Pending
*Metro Oversight of Caltrans Highway Project Delivery	Added to the Annual Plan

Priority Projects

Vision 2028 Goal #1 – Provide high-quality mobility options that enable people to spend less time traveling

	Title	Objective	Area
1.	Metro Oversight of Caltrans Highway Project Delivery	Assess Metro's oversight and monitoring of Caltrans project management and funding of Highway projects.	Program Management
2.	Continuity of Operations Plan (COOP) – Rail Operations	Evaluate the adequacy of the rail COOP and SOPs to support the achievement of Mission Essential Functions in emergency situations.	Operations
3.	Transit Asset Inventory Records	Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records.	Risk, Safety and Asset Management

Vision 2028 Goal #3 – Enhance communities and lives through mobility and access to opportunity

	Title	Objective	Area
1.	Micro Mobility Program	Assess the progress made in achieving program goals and objectives, including assessing the consideration given to the Metro rapid equity assessment tool.	Planning and Development

FY 2022 Audit Plan

Appendix A

Vision 2028 Goal #5 – Provide responsive, accountable, and trustworthy governance within the Metro organization

	Title	Objective	Area
1.	Pre-Award Audits	Pre-award audits for procurements and modifications.	Vendor / Contract Management
2.	Incurred Cost Contract Audits	Verify that costs are reasonable, allowable and allocable on cost reimbursable contracts for contractors.	Vendor / Contract Management
3.	Incurred Cost Grant Audits	Verify that costs are reasonable, allowable and allocable on cost reimbursable contracts for Caltrans, Cities & County MOUs.	Planning & Development / Program Management
4.	Financial and Compliance External Audits	Complete legally mandated financial and compliance audits.	Agencywide
5.	Business Interruption Fund	Validate compliance with administrative guidelines and fund disbursement procedures.	Vendor / Contract Management
6.	Cybersecurity Follow Up	Verify if corrective actions have been taken by ITS on the prior external audit recommendations provided for this area.	Information Technology Services
7.	M3 Replacement – Controls and Readiness	Assess if system controls and other aspects of project preparedness have been adequately considered prior to project implementation.	Information Technology Services

FY 2022 Audit Plan**Appendix A**

	Title	Objective	Area
8.	COVID-19 Regulatory Compliance	Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	Systems, Security & Law Enforcement
9.	Westside Purple Line Extension	Evaluate mid-life efficiency and effectiveness over project management, including monitoring of schedule, budget, risk management and quality assurance.	Program Management

Discretionary Projects

Vision 2028 Goal #1 – Provide high-quality mobility options that enable people to spend less time traveling

	Title	Objective	Area
1.	3 rd Party Coordination	Assess the effectiveness and efficiency of the third-party coordination process related to major construction projects.	Program Management

Vision 2028 Goal #2 – Deliver outstanding trip experiences for all users of the transportation system

	Title	Objective	Area
1.	Microtransit Pilot Program	Determine whether the Micro-transit pilot program has appropriate system controls to ensure the accuracy, completeness, timeliness, and proper distribution of pilot program data.	Office of Extraordinary Innovation / Operations
2.	Rail Overhaul – Project Management	Assess Metro's project management practices for rail overhaul & refurbishment projects to as compared to established procedures & best practice frameworks.	Operations

FY 2022 Audit Plan

Appendix A

Vision 2028 Goal #3 – Enhance communities and lives through mobility and access to opportunity

	Title	Objective	Area
1.	Access Services Operations and KPIs	Evaluate the effectiveness and efficiency of Access Services operations and assess the reliability of data used to support KPIs.	Office of Civil Rights

Vision 2028 Goal #5 – Provide responsive, accountable, and trustworthy governance within the Metro organization

	Title	Objective	Area
1.	EAMS Pre-Implementation Reviews	Evaluate the condition of selected processes prior to the EAMS implementation.	Information Technology Services
2.	IT Awareness Third Party Vendors	Assess third party vendors level of awareness of Metro's information security policies.	Information Technology Services
3.	Pre-Award Cost Price Analysis	Evaluate the adequacy of the process performed by contract administrators for pre-award cost-price analyses.	Vendor / Contract Management
4.	Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.	Planning & Development