# Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

**Metro**

## Board Report

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**File #:** 2021-0692, **File Type:** Informational Report                                **Agenda Number:** 15.

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**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 19, 2022**

**SUBJECT:   MANAGEMENT AUDIT SERVICES FY 2022 FIRST QUARTER REPORT**

**ACTION:     RECEIVE AND FILE**

## RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2022 first quarter report.

## ISSUE

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

## BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2022 first quarter report covers the period of July 1, 2021 through September 30, 2021.

## 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: Performance Audit; Contract, Financial and Compliance Audit; and Administration and Policy, which includes audit support functions. 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 MAS' functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance.  Administration and Policy is responsible for

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administration, financial management, including audit support, audit follow-up, and resolution tracking.

The following chart summarizes MAS activity for FY 2022 first quarter:

| | Completed as of FY 2022 First Quarter | In-Progress as of September 30, 2021 |
|---|---|---|
| Performance Audits | 1 audit project completed | 7 audit projects |
| Contract, Financial and Compliance Audits | 7 audit projects completed with a total value of $17 million | 60 audit projects |
| Transitional Indirect Cost Rate (TICR) Determinations | 2 approved | |
| Audit Follow-up and Resolution* | 7 closed | |
| | 7 closed | |

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG).

The FY 2022 First Quarter Report is included as Attachment A.

## EQUITY PLATFORM

There are no equity impacts or concerns from audit services conducted during this period.

## IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2022 First Quarter Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

## NEXT STEPS

Management Audit Services will continue to report audit activity throughout the current fiscal year.

## ATTACHMENT
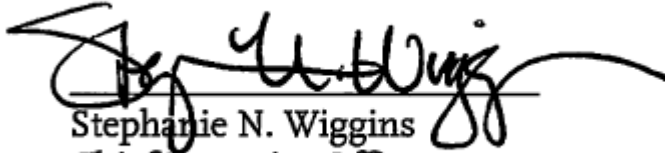
    A.  FY 2022 First Quarter Report


Prepared by:        Lauren Choi, Sr. Director, Audit
                    (213) 922-3926

                    Alfred Rodas, Sr. Director, Audit
                    (213) 922-4553

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

Reviewed by:      Shalonda Baldwin, Executive Officer, Administration
(213) 418-3265

Stephanie N. Wiggins
Chief Executive Officer

# Quarterly Report to Metro Board of Directors

**FY 2022 First Quarter**

## Table of Contents

# Executive Summary

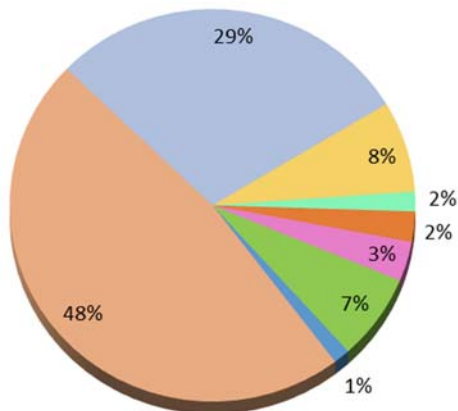| In Progress Audits as of September 30, 2021 |
|---|



Performance Audit 7

Contract, Financial and Compliance Audit 60

| Summary of Audit Activity by Department Reporting Period July 1, 2021 – September 30, 2021 |
|---|



29%

8%

2%

2%

3%

7%

48%

1%

- Agency-Wide
- Communications
- Finance & Budget
- Information Technology
- Operations
- Planning & Development
- Program Management
- Risk, Safety & Asset Management

## *Summary of In Progress Audit Activity*

Management Audit Services (MAS) has 67 in progress projects as of September 30, 2021, which include 7 performance audits and 60 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 39 open MAS audit recommendations; and 57 open Office of Inspector General (OIG) audit recommendations.

## *Summary of First Quarter Completed Audit Activity*

MAS completed 8 audit projects and closed 14 open audit recommendations. The projects are comprised of 1 performance audit and 7 contract, financial and compliance audits.

MAS completed 2 Transitional Indirect Cost Rate (TICR) determinations.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5.

A summary of closed and open audit recommendations is included on page 7.

## *Department Highlights*

MAS initiated the development and implementation of a formal Quality Assurance Improvement Program (QAIP). A summary of the QAIP activities is included on page 6.

# 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.

## *Performance Audit of COVID-19 Regulatory Compliance*

The objective of this audit was to evaluate Metro's compliance with health and safety elements of the Metro Public Health Pandemic Plan document, and State and local public health and Occupational Safety and Health Administration (OSHA) rules applicable to the transit industry.

MAS found that Metro's rollout of COVID-19 related health and safety procedures, including tools and training were in substantial compliance with:

- Metro Public Health Pandemic Plan;
- All applicable requirements of a sample of major COVID-specific Health Officer Orders and related rules from both the California Department of Public Health and the Los Angeles County Department of Public Health;
- All applicable requirements of a sample of major COVID-specific and COVID-related Cal/OSHA guidance, directives, and training materials relevant to Metro's various activities.

MAS noted no exceptions in the testing of Risk Safety & Asset Management's evaluation and response to the major COVID-19 specific advisories. However, Metro staff at various locations did not complete certain mandated COVID-19 health and safety related training.

Management concurred with the recommendations.

# Contract, Financial & Compliance Audits

MAS staff completed 7 independent auditor's report on agreed-upon procedures for the following projects:

| Project | Reviewed Amount | Questioned / Reprogrammed Amount |
|---|---|---|
| SR-710 Gap Alternative Analyses Project (3 subcontractors) | $7,222,349 | $1,743 |
| Consulting Services for Heavy Rail Vehicle Acquisition Technical Support Services | $3,264,846 | $28,501 |
| Advanced Conceptual Engineering and Preliminary Engineering for the Regional Connector Transit Corridor Project | N/A (Indirect Cost Rate) | - |
| City of Manhattan Beach – Nash / Douglas and Rosecrans Avenue Intersection Improvements Project | $4,131,469 | $650,513 |
| City of Pasadena – Wayfinding System Project | $2,277,369 | $30,915 |
| **Total Amount** | $16,896,033 | $711,672 |

Details on contract, financial and compliance audits completed during FY 2022 first quarter are included in Appendix B.

## *Transitional Indirect Cost Rate (TICR) Determinations*

In March 2020, MAS in concerted effort with Vendor / Contract Management, along with the guidance of County Counsel, updated the Transitional Indirect Cost Rate (TICR) Policy to expand the TICR pilot program to eligible firms for new firm-fixed price contract types. Under the revised TICR Policy eligible firms for new cost reimbursable and new firm fixed contract types may submit for eligibility to participate in the TICR program. The TICR provides firms with a transitional indirect cost rate of 115%.

During FY 2022 first quarter, 2 TICR determinations were reviewed and approved.

A list of firms enrolled in the pilot program as of September 30, 2021 is included in Appendix C.

# Department Highlights

*Quality Assurance Improvement Program (QAIP)*

During FY 2022 first quarter, MAS initiated efforts to develop a formal Quality Assurance Improvement Program (QAIP). The QAIP supports MAS' efforts to ensure quality is assessed at both an individual audit engagement level and an internal audit activity level. A well-defined QAIP is a best practice for internal audit organizations that supports the delivery of audit engagements that promote quality and, by default, conformance with the audit standards.

Following is a summary of the various QAIP activities to support improved performance, quality and value-added internal audit services:

- **Completed Activities**
  - Conducted industry benchmarking (e.g. NYMTA, WMATA, Sound Transit, LA County)
  - Devised QAIP Action Plan
  - Established an internal Quality Assurance (QA) Task Force
- **In-progress Activities**
  - Perform comprehensive review and update of audit libraries and procedural guidelines in accordance with practices and auditing standards
- **Upcoming Activities**
  - Initiate comprehensive review and update of MAS Audit Charter
  - Initiate Internal Quality Self-Assessment for FY20 and FY21: Assessment to evaluate MAS' conformance with government audit standards
  - Perform comprehensive review and update of MAS strategic plan
  - Initiate efforts to determine MAS' maturity model as a business practice and continuous improvement tactic
  - Other activities and tactics to be completed in FY22.

# Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of September 30, 2021.

| MAS and External Audit Recommendations | | | | |
|---|---|---|---|---|
| **Executive Area** | **Closed** | **New** | **Currently Open** | **Open Past Due** |
| Human Capital & Development | | 3 | | |
| Operations | 4 | | 22 | |
| Program Management | | | 1 | |
| Risk, Safety & Asset Management | | | 3 | |
| Systems Security and Law Enforcement | | | 9 | |
| Vendor/Contract Management | 3 | | 1 | |
| Total | 7 | 3 | 36 | |

| OIG Audit Recommendations | | | | |
|---|---|---|---|---|
| **Executive Area** | **Closed** | **New** | **Currently Open** | **Open Past Due** |
| Congestion Reduction | | | 1 | |
| Human Capital & Development | | | 28 | |
| Operations | | | 6 | |
| Systems Security and Law Enforcement | 7 | 22 | | |
| Total | 7 | 22 | 35 | |

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

**Appendix A**

| | | | Performance Audit - In Progress Audits as of September 30, 2021 | |
|---|---|---|---|---|
| **No.** | **Area** | **Audit Number & Title** | **Description** | **Estimated Date of Completion** |
| 1 | Program Management | 22-CON-P02 Performance Audit of Program Management Support Services Contract | Assess the conformity of services performed and billed by the contractor to the scope of work and other provisions of the contract. | 10/2021 |
| 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. | 11/2021 |
| 3 | 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. | 11/2021 |
| 4 | Agency-Wide | 20-ITS-P03 Performance Audit of IT Security Awareness | Evaluate the extent of information technology security awareness within the Agency. | 12/2021 |
| 5 | 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. | 1/2022 |
| 6 | 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. | 1/2022 |
| 7 | Planning & Development | 21-PLN-P02 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. | 3/2022 |

| No. | Area | Audit Number & Type | Auditee | Date Completed |
|---|---|---|---|---|
| **Contract, Financial and Compliance Audit - Audits Completed as of September 30, 2021** | | | |
| 1 | Planning & Development | 20-PLN-A13 - Agreed-Upon Procedures | AECOM Technical Services, Inc. | 8/2021 |
| 2 | Program Management | 19-CON-A26 - Agreed-Upon Procedures | LTK Engineering Services | 8/2021 |
| 3 | Planning & Development | 20-PLN-A14 - Agreed-Upon Procedures | Epic Land Solutions, Inc. | 8/2021 |
| 4 | Planning & Development | 20-PLN-A18 - Agreed-Upon Procedures | McMillan Jacobs Associates, Inc. | 9/2021 |
| 5 | Planning & Development | 19-PLN-A11 - Closeout | City of Manhattan Beach | 9/2021 |
| 6 | Program Management | 19-CON-A05 - Agreed-Upon Procedures | BA Inc. | 9/2021 |
| 7 | Planning & Development | 19-PLN-A18 - Closeout | City of Pasadena | 9/2021 |

**Appendix C**

| No. | \[Transitional Indirect Cost Rate – Approved Firms as of September 30, 2021\] | |
|---|---|---|
| | Firm | Approval Date |
| 1 | Chateau Vallon, Co. | 7/13/2021 |
| 2 | OFRS | 7/13/2021 |

| | | | | | Original Completion Date | Extended Completion Date |
|---|---|---|---|---|---|---|
| **Open Audit Recommendations as of September 30, 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., Standard Operating Procedures [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 2020, and are unavailable to assist V/CM.** | 6/30/2020 | 12/31/2021 |
| 2 | 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 2020, and are unavailable to assist V/CM.** | 7/31/2020 | 12/31/2021 |
| 3 | 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 | 12/31/2021 |
| 4 | 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 Line Instructor Premium (LIP) eligible hours from July 1, 2017 to date. **Update: Closed as of December 2021.** | 12/31/2019 | 10/31/2021 |
| 5 | 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 2020, and are unavailable to assist Finance.** | 2/28/2021 | 1/31/2022 |

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

**Appendix D**

| | | | | | Original Completion Date | Extended Completion Date |
|---|---|---|---|---|---|---|
| **Open Audit Recommendations as of September 30, 2021** |||||||
| **No.** | **Area** | **Audit Number & Title** | **Rec. No.** | **Recommendation** | **Original Completion Date** | **Extended Completion Date** |
| 6 | 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 2020, and are unavailable to assist Finance.** | 7/31/2020 | 1/31/2022 |
| 7 | 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 2020, and are unavailable to assist Finance.** | 7/31/2020 | 1/31/2022 |
| 8 | 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 2020, and are unavailable to assist Finance.** | 7/31/2020 | 1/31/2022 |
| 9 | 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 | |
| 10 | Operations | 19-OPS-P03 Performance Audit of the SCADA Security Controls | 7 Total | The recommendations included in this report address findings in Metro's Operational System. **Update: As of September 2021, 6 of 13 recommendations were closed.** | On-going | |
| 11 | 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 Field Observation and Feedback (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 |

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

**Appendix D**

| | | | | Open Audit Recommendations as of September 30, 2021 | | |
|---|---|---|---|---|---|---|
| **No.** | **Area** | **Audit Number & Title** | **Rec. No.** | **Recommendation** | **Original Completion Date** | **Extended Completion Date** |
| 12 | 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: TransitSafe's replacement software is in the process of being configured and implemented and will include FOF reporting functionality. Due to the pandemic, vendor staffing changes and historical data transition issues, the implementation has been delayed.** | 7/31/2020 | 3/31/2022 |
| 13 | 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 | |
| 14 | 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 2020, and are unavailable to assist SS&LE.** | 7/30/2020 | 1/31/2022 |
| 15 | 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. **Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE.** | 7/30/2021 | 1/31/2022 |
| 16 | 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 2020, and are unavailable to assist SS&LE.** | 7/30/2020 | 1/31/2022 |

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

**Appendix D**

| | | | | | Original Completion Date | Extended Completion Date |
|---|---|---|---|---|---|---|
| | | | | **Open Audit Recommendations as of September 30, 2021** | | |
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 17 | 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). **Update: Emergency Management resources have been fully committed to COVID-19 related emergency operations since March 2020, and are unavailable to assist SS&LE.** | 7/31/2021 | 1/31/2022 |
| 18 | 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. **Update: Closed as of October 2021.** | 7/31/2021 | |
| 19 | 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. **Update: Closed as of October 2021.** | 2/28/2021 | 6/30/2021 |
| 20 | Operations | 20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 1 | MAS recommends that Contract Services management establish a timeline and finalize the Contract Monitoring Plan. | 7/30/2022 | |
| 21 | Operations | 20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 2 | MAS recommends that Contract Services management develop formal written policies and procedures that include a) a requirement that decisions requiring executive approval be documented and b) a requirement that all modifications of contractual terms be documented and executed by the Contract Administrator. | 12/31/2021 | |
| 22 | Operations | 20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 3 | MAS recommends that Contract Services management formulate and establish a formal training program to support skills development in the monitoring of contractor's performance. | 12/31/2021 | |

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

| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
|---|---|---|---|---|---|---|
| | | | | **Open Audit Recommendations as of September 30, 2021** | | |
| 23 | Operations | 20-OPS-P02 Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services | 4 | MAS recommends that Contract Services management continue to work with appropriate stakeholders to resolve the fareboxes issue and establish a timeline by when this will be completed. Once fareboxes are operational, the reconciliation process should be fully restored to include the triggering of a revenue compliance inspection for variances exceeding the threshold by above or below 2%. **Update: The Fareless System Initiative has delayed the resolution of the fareboxes issue.** | 4/30/2021 | 3/31/2022 |
| 24 | Human Capital & Development | 21-RSK-P02 Performance Audit of COVID-19 Regulatory Compliance | 1 | HC&D should ensure the following for all COVID safety-related mandatory training recorded in Metro's Training Portal and any other systems: deadlines are specified in the system for every mandatory training program. | 1/31/2022 | |
| 25 | Human Capital & Development | 21-RSK-P02 Performance Audit of COVID-19 Regulatory Compliance | 2 | HC&D should ensure the following for all COVID safety-related mandatory training recorded in Metro's Training Portal and any other systems: automated notifications are enabled to remind employees to complete both upcoming and overdue training. | 1/31/2022 | |
| 26 | Human Capital & Development | 21-RSK-P02 Performance Audit of COVID-19 Regulatory Compliance | 3 | HC&D should ensure the following for all COVID safety-related mandatory training recorded in Metro's Training Portal and any other systems: completion status relative to deadlines is being reported accurately for all mandatory training to departments' management. | 1/31/2022 | |

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

| | | | | **OIG Open Audit Recommendations as of September 30, 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 | 7/1/2022 |
| 3 | 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 | 7/30/2021 | |
| 4 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 2 | Hold hiring process stakeholders accountable for faster decision making | 7/30/2021 | |
| 5 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 3 | Decrease post-testing communication time for the candidates | 7/30/2021 | |
| 6 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 4 | Select interview dates and interviewers prior to the Hiring Plan Meeting | 7/30/2021 | |
| 7 | 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 | 7/30/2021 | |
| 8 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 6 | Implement digital interview note-taking, scoring, and uploading of candidate results | 7/30/2021 | |
| 9 | 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 | 7/30/2021 | |
| 10 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 8 | Encourage greater use of department interviews | 7/30/2021 | |
| 11 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 9 | Allow Qualified Candidate Pools (QCPs) with similar Minimum Qualifications (MQs) to be shared | 7/30/2021 | |
| 12 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 10 | Clarify decision-making roles and responsibilities throughout the entire hiring process | 7/30/2021 | |

| | OIG Open Audit Recommendations as of September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
| 13 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 11 | Grant Hiring Managers greater decision-making authority in screening | 7/30/2021 | |
| 14 | 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 | 7/30/2021 | |
| 15 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 13 | Expand Hiring Managers' influence by allowing additional Minimum Qualifications to a position | 7/30/2021 | |
| 16 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 14 | Reevaluate the use of blind screening in 12 months | 7/30/2021 | |
| 17 | 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 | 7/30/2021 | |
| 18 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 16 | Utilize self-service portal for candidates to provide evidence of education and references | 7/30/2021 | |
| 19 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 17 | Provide stakeholders with the ability to receive live application status updates | 7/30/2021 | |
| 20 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 18 | Communicate to Metro employees why it lacks a promotion process | 7/30/2021 | |
| 21 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 19 | Ensure OTAC's application portal meets candidates' needs | 7/30/2021 | |
| 22 | 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 | 7/30/2021 | |
| 23 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 21 | Institute a combination of standardized and non-standardized interview questions | 7/30/2021 | |
| 24 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 22 | Update initial communication to candidates placed on QCP | 7/30/2021 | |
| 25 | 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 | 7/30/2021 | |
| 26 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 24 | Request complete employment history earlier in the process | 7/30/2021 | |
| 27 | 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 | 7/30/2021 | |

| | | | | | Original | Extended |
|---|---|---|---|---|---|---|
| **OIG Open Audit Recommendations as of September 30, 2021** |
| **No.** | **Area** | **Audit Number & Title** | **Rec. No.** | **Recommendation** | **Completion Date** | **Completion Date** |
| 28 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 26 | Reduce required memos and forms and expedite their completion | 7/30/2021 | |
| 29 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 27 | Consider increasing the 15% cap on raises for internal candidates | 7/30/2021 | |
| 30 | Human Capital & Development | 20-AUD-09 Personnel Hiring Process Study | 28 | Decrease the job posting salary ranges | 7/30/2021 | |
| 31 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 2 | SSLE should ensure that future contracts include a contract budget that specifies the amount of funds budgeted for each contract year and develop procedures to help ensure that the annual budgets are adhered to. | 12/31/2021 | |
| 32 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 3 | SSLE should in future contracts, to more effectively control and track the use of contract funds, allocate within the budget a separate reserve amount to be used for special events and enhanced deployments. | 12/31/2021 | |
| 33 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 4 | SSLE should for future contracts, consider the impact that the use of full-time contracted personnel will have on the use of funds over the life of the contract. In addition, specify within the contract the job classifications, and number of positions within each classification that can be charged to the Metro contract on a full-time basis. | 12/31/2021 | |
| 34 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 5 | SSLE should execute a contract modification if it is determined that LBPD sworn personnel will be assigned to the contract on a full-time basis. | 12/31/2021 | |
| 35 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 8 | SSLE should review all LAPD invoices for FY20 to determine if there are other incidents where the personnel hourly billing rate exceeds the approved maximum fully burdened hourly rate for the job classification. | 12/31/2021 | |
| 36 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 9 | SSLE should request a refund of $3,170.52 and any additional overbillings identified from LAPD. | 12/31/2021 | |
| 37 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 10 | SSLE should for future contracts, work with each contractor to include language in their respective contracts that more thoroughly and clearly define how services will be billed and what costs will be allowed and/or disallowed. | 12/31/2021 | |
| 38 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 11 | SSLE should continue to work on strengthening controls in the area of monitoring and oversight by addressing the deficiencies cited in areas such as Community Policing and Key Performance Indicators. | 10/31/2021 | 12/31/2021 |

| | | | | OIG Open Audit Recommendations as of September 30, 2021 | | |
|---|---|---|---|---|---|---|
| **No.** | **Area** | **Audit Number & Title** | **Rec. No.** | **Recommendation** | **Original Completion Date** | **Extended Completion Date** |
| 39 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 12 | SSLE should complete and finalize the Compliance Audit Procedures Manual. | 12/31/2021 | |
| 40 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 13 | SSLE should review on a periodic basis the qualifications of a sample of officers from each of the law enforcement agencies to determine that contract requirements are being adhered to. | 10/31/2021 | 12/31/2021 |
| 41 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 14 | SSLE should for required training, consider developing and requiring officers to take refresher courses after working on the contract for two or more years. | 12/31/2021 | |
| 42 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 15 | SSLE should for required reporting, review with input from the law enforcement agencies, the reports and information currently required to determine if changes are necessary. As part of this review determine if different or additional information would be more beneficial. | 9/30/2021 | 12/31/2021 |
| 43 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 16 | SSLE should with input from the three law enforcement agencies, develop baseline performance levels (targets and goals) for key performance indicators. | 10/31/2021 | 12/31/2021 |
| 44 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 17 | SSLE should develop and update annually a written agency-wide Community Policing Plan. | 10/31/2021 | 12/31/2021 |
| 45 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 20 | SSLE should include in future contracts the requirement of wearing body cameras by all contracted law enforcement personnel when policing the Metro System. | 12/31/2021 | |
| 46 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 21 | SSLE should establish with the three contracted law enforcement agencies procedures for accessing video footage from body cameras when necessary, including for compliance, auditing, and investigative reasons. | 10/31/2021 | 12/31/2021 |
| 47 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 22 | LAPD should ensure that each personnel's hourly billing rate does not exceed the approved maximum fully burdened hourly rate for that job classification. | 10/31/2021 | 12/31/2021 |
| 48 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 23 | LAPD should develop procedures to help ensure that even during departmental wide mobilizations and/or special deployments that only those officers who meet contract requirements are placed on the Metro contract. | 10/31/2021 | 12/31/2021 |

| No. | Area | Audit Number & Title | Rec. No. | Recommendation | Original Completion Date | Extended Completion Date |
|---|---|---|---|---|---|---|
| **OIG Open Audit Recommendations as of September 30, 2021** |
| 49 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 24 | LAPD should include in the Annual Community Policing Plan a description of the specific training provided to its officers in the area of Problem Oriented Policing. | 10/31/2021 | 12/31/2021 |
| 50 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 25 | LASD should assign personnel to the Metro contract only after they are Post Certified and have met all contract requirements. | 10/31/2021 | 12/31/2021 |
| 51 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 26 | LASD should include in its annual Community Policing Plan a description of the specific training provided to its officers in the area of Problem Oriented Policing. | 10/31/2021 | 12/31/2021 |
| 52 | Systems Security and Law Enforcement | 22-AUD-02 Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020 | 28 | LBPD should assign only those officers to the contract who have 18 months of law enforcement experience and have met all other contract requirements related to personnel and training. | 10/31/2021 | 12/31/2021 |

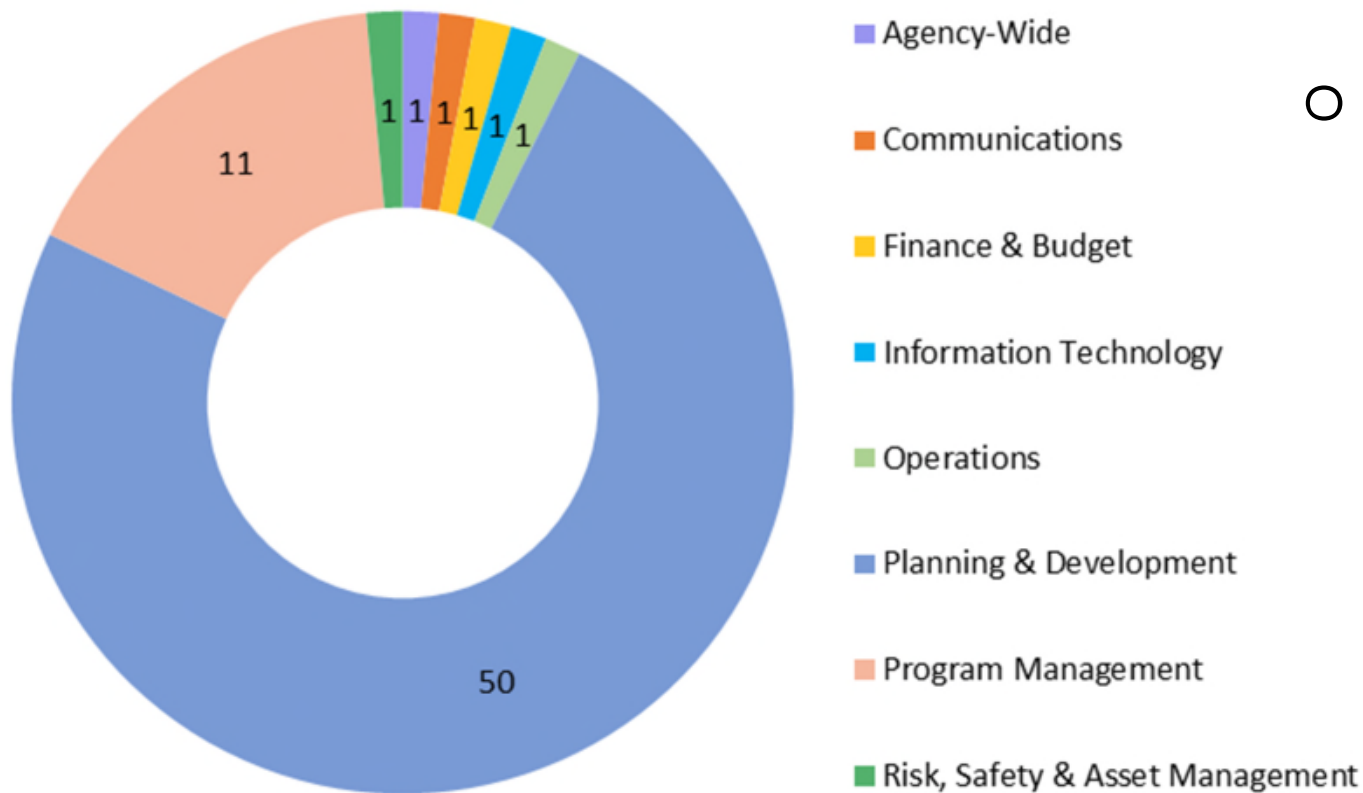Management Audit Services

# FY 2022 First Quarter Report

Finance, Budget & Audit Committee
January 19, 2022

**Metro** | MANAGEMENT AUDIT SERVICES

# In Progress: MAS Audit Activity

## Agency Representation



Legend:
- Agency-Wide
- Communications
- Finance & Budget
- Information Technology
- Operations
- Planning & Development
- Program Management
- Risk, Safety & Asset Management

- o 7 Performance Audits
- o 60 Contract, Financial and Compliance Audits

# In Progress: Performance Audits

| | Audit Title | Description | Estimated Completion | | | |
|---|---|---|---|---|---|---|
| | | | FY22 Q1 Jul - Sept | FY22 Q2 Oct - Dec | FY22 Q3 Jan - Mar | FY22 Q4 Apr - Jun |
| 1 | Program Management Support Services Contract | Assess the conformity of services performed and billed by the contractor to the scope of work and other provisions of the contract. | | 🟢 | | |
| 2 | Expanded Discount Programs | Determine the adequacy and effectiveness of internal controls over the expanded discount (special fares for patrons) programs. | | 🟢 | | |
| 3 | 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. | | 🟢 | | |
| 4 | IT Security Awareness | Evaluate the extent of information technology security awareness within the Agency. | | 🟢 | | |
| 5 | 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. | | | 🟢 | |
| 6 | 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. | | | 🟢 | |
| 7 | 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. | | | 🟢 | |

# Completed: Performance Audit of COVID-19 Regulatory Compliance

## Objective

Evaluate Metro's compliance with health and safety elements of the Metro Public Health Pandemic Plan document, and State and local public health and OSHA rules applicable to the transit industry.

## Audit Results

MAS found that Metro's rollout of COVID-19 related health and safety procedures, including tools and training were in substantial compliance.

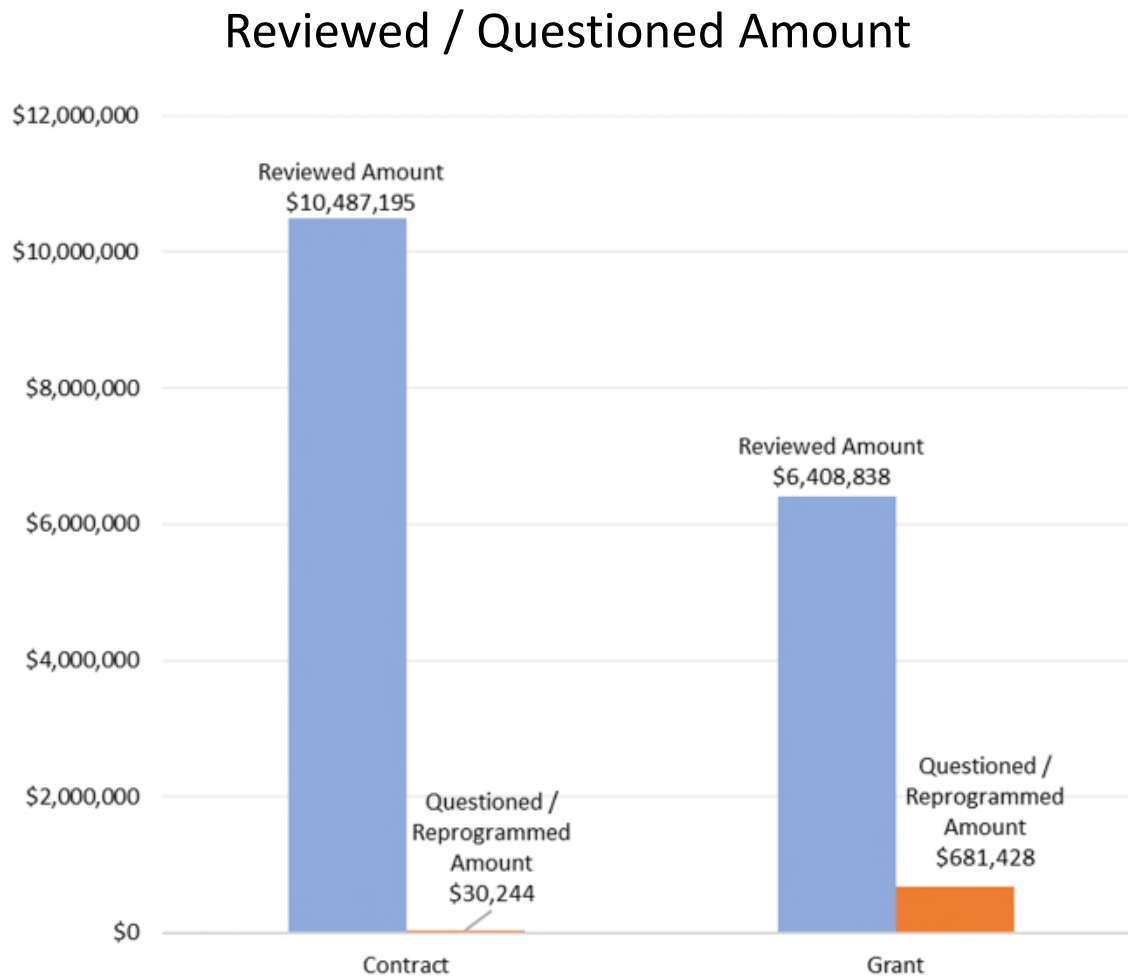## Findings / Recommendations

**Finding 1: Various management employees did not complete the mandatory training**

- Ensure deadlines are specified in the training system
- Ensure automated notifications are enabled
- Ensure completion status relative to deadlines is being reported accurately

**Finding 2: Various Service Attendants did not complete the mandatory training**

- Follow-up to determine the reason that specific divisions did not participate in the training

# Completed: Contract, Financial & Compliance Audits



Reviewed / Questioned Amount

- Contract: Reviewed Amount $10,487,195; Questioned / Reprogrammed Amount $30,244
- Grant: Reviewed Amount $6,408,838; Questioned / Reprogrammed Amount $681,428

o Delivered financial audits that reviewed $17 million of funding; and identified $700 thousand (4%) for reprogramming

o Reviewed and approved 2 Transitional Indirect Cost Rate (TICR) determinations for Small Business Enterprises (SBEs)

# Next Steps

- Report FY20-21 Internal Quality Self-Assessment (IQSA)

- Advance updated MAS Audit Charter to Metro's Chief Executive Officer and the Board of Directors for approval

- Deliver Consolidated Audit Reports and Annual Comprehensive Financial Reports (FY 21)

- Ensure ongoing implementation of performance and financial audits and reporting

# Thank you