Metro

Board Report

Metro

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Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE
AUGUST 17, 2022

SUBJECT: MANAGEMENT AUDIT SERVICES FY 2022 FOURTH QUARTER STATUS REPORT AND CUMULATIVE YEAR-END REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2022 fourth quarter status report and cumulative FY2022 year-end 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 fourth quarter report covers the period of April 1, 2022, through June 30, 2022; and the cumulative FY 2022 year-end for the period of July 1, 2021, through June 30, 2022.

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 and reviews such as special projects related to the programs and activities under the purview of the Office of the Chief Executive Officer, the People Office (formerly Human Capital and Development), Operations, Program Management, Safety, Security and Law Enforcement, Planning and Development, including other Metro departments. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning and Development, Program Management, and Vendor/Contract Management. MAS' functional units assure 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. MAS' Administration and Policy unit is responsible for administration, and financial management, including audit support, audit follow-up, and audit resolution tracking.

DISCUSSION

The following chart summarizes MAS activity for FY 2022 fourth quarter and
FY 2022 year ending June 30, 2022.

	FY 2022 Fourth Quarter	FY 2022 Year-End	In-Progress as of June 30, 2022
Performance Audits		7 audit projects completed	8 audit projects
Contract, Financial and Compliance Audits	12 audit projects completed with a total value of $33 million	27 audit projects completed with a total value of $56 million	61 audit projects
Transitional Indirect Cost Rate (TICR) Determinations		2 approved	
Financial Compliance Audits of Metro		149 audit projects completed	
Audit Follow-up and Resolution*	21 closed	40 closed	
	12 closed (OIG)	47 closed (OIG)	

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

The FY 2022 Fourth Quarter Status Report and Cumulative Year-End Report is included as Attachment A.

EQUITY PLATFORM

There are no equity impacts or concerns from audit services conducted during this period. However, MAS recognizes that the department's opportunity to advance equity starts with conducting audits with equity themes that lead to the accountability and compliance of programs and policies aimed directly or indirectly at creating more equitable outcomes in Equity Focus Communities throughout the Los Angeles region. In the future, MAS will consider and identify agency-wide policies and programs that have equity compliance aspects and support the monitoring and compliance reporting through audit engagements as appropriate.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2022 Fourth Quarter Status Report and Cumulative Year-End 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.
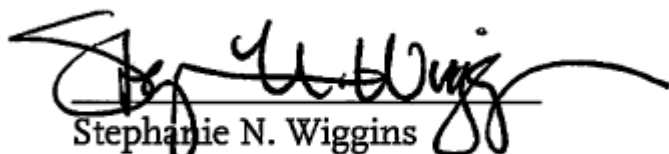
ATTACHMENT

A. FY 2022 Fourth Quarter Status Report and Cumulative Year-End Report

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Fiscal Year 2022 Fourth Quarter Status Report and Cumulative Year-End Report

Metro | **MANAGEMENT AUDIT SERVICES**

Table of Contents

Executive Summary

In Progress Audits as of June 30, 2022

Performance Audit
8

Contract, Financial and Compliance Audit
61

Summary of Audit Activity by Department Reporting Period April 1, 2022 – June 30, 2022

5%
5%
19%
8%
16%
47%

- Agencywide
- Chief People Office
- Chief Safety Office
- Operations
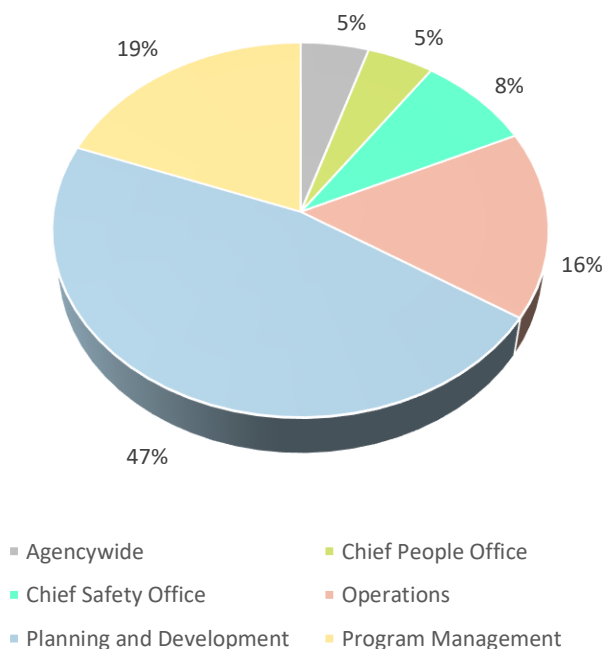- Planning and Development
- Program Management

Summary of In Progress Audit Activity

Management Audit Services (MAS) has 69 in progress projects as of June 30, 2022, which include 8 performance audits and 61 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 40 open MAS audit recommendations; and 14 open Office of Inspector General (OIG) audit recommendations.

Summary of Fourth Quarter Completed Audit Activity

MAS completed 12 audit projects and closed 21 open audit recommendations. The projects are comprised of 12 contract, financial and compliance audits.

The completed contract, financial and compliance audits are highlighted on page 4. A summary of closed and open audit recommendations is included on page 5.

Contract, Financial & Compliance Audits

MAS staff completed 12 independent auditor's reports on agreed-upon procedures of:

- JMDiaz, Inc's and LSA Associates, Inc's close-out incurred costs for SR-710 Gap Alternatives Analysis Project;
- WKE, Inc's interim incurred costs for Southern California Regional Interconnector Project;
- Safework, Inc.'s indirect cost rate for year ended December 31, 2017 for Westside Subway Extension Contract Management Support Services Project;
- Raimi and Associates' proposed indirect cost rate for year ended December 31, 2020 for Sustainability Program Assistance Services;
- STV/WSP, JV's interim incurred costs for Heavy Rail Vehicle Acquisition Program Control Support Services;
- City of Glendale's close-out incurred costs for the Pennsylvania Avenue Signal Improvements Project;
- Culver City's close-out incurred cost for the Sepulveda Boulevard Widening Project;
- City of Redondo Beach's close-out incurred cost for the Pacific Coast Highway at Torrance Boulevard Intersection Improvements Project;
- County of Los Angeles Department of Public Works' close-out incurred costs for the Gateway Cities Traffic Signal Corridors Project;
- City of Glendale's close-out incurred costs for the San Fernando Road and LA Street Traffic Signal Installation Project; and
- City of Inglewood's close-out incurred costs of the Inglewood Intermodal Transit / Park and Ride Facility Project.

MAS staff reviewed $33 million of funds and identified $4.8 million or 15% of funds that may be reprogrammed.

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

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of June 30, 2022.

MAS and External Audit Recommendations					
Executive Area	**Closed**	**Late**	**Extended**	**Not Yet Due / Under Review**	**Total Open**
Operations	7	7	11	1	19
Program Management	3	1		7	8
Chief Safety Office	10		2		2
Chief of Staff			1		1
Strategic Financial Management	1				
Chief People Office				10	10
Total	21	8	14	18	40

OIG Audit Recommendations					
Executive Area	**Closed**	**Late**	**Extended**	**Not Yet Due / Under Review**	**Total Open**
Operations	2		1	1	2
Chief Safety Office	10	2	3	7	12
Total	12	2	4	8	14

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

FY 2021 Year-End Activity

Cumulative FY 2021 Completed Audit Activity

As of the FY 2022 year-end, MAS completed 183 audit projects and closed 87 audit recommendations. Additionally, MAS completed 2 TICR determinations.

Summary of Completed Projects

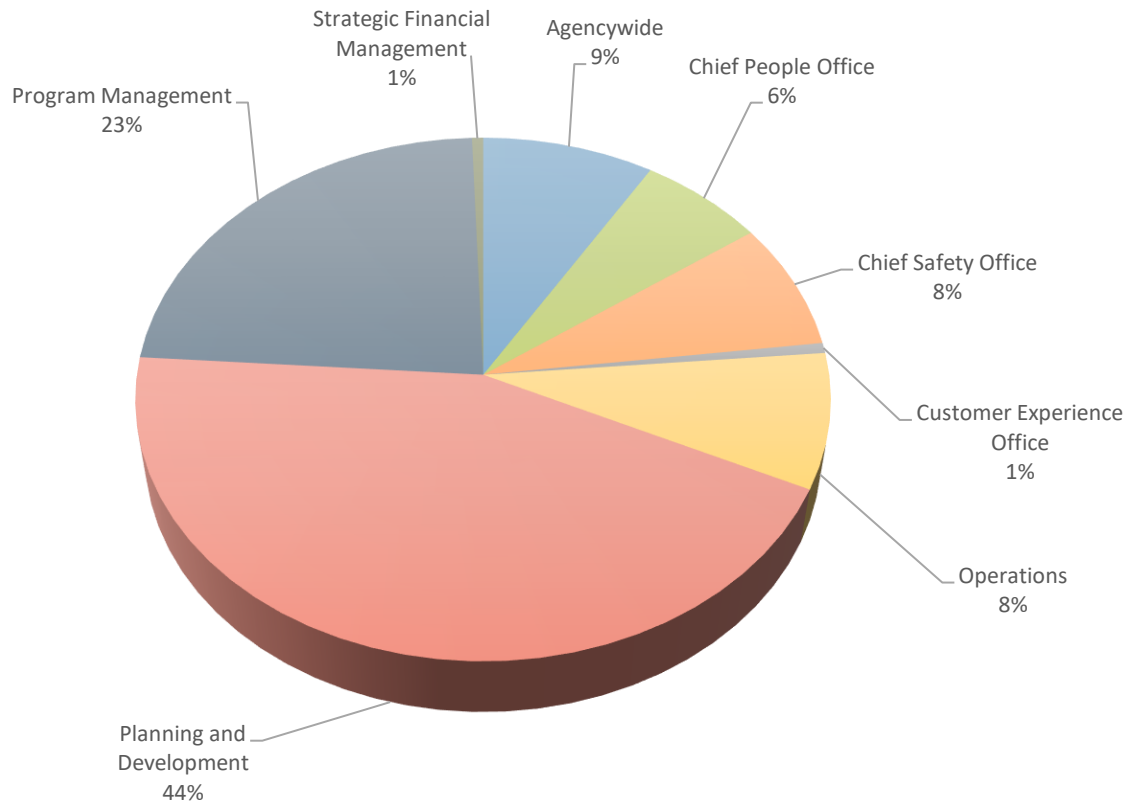The completed audit projects comprise of:

- 7 performance audits which also include independent reviews, analysis or assessments of select areas;
- 27 contract, financial and compliance audits with an audit value amount of $56 million; of which $6.3 million or 11% of identified unused funds that may be reprogrammed; and
- 149 financial and compliance audits comprised mainly of legally mandated audits such as Prop A & C, Measure R, Measure M, State Transit Assistance (STA), Transportation Development Act (TDA), National Transit Database (NTD), and other funds distributed to the cities and County of Los Angeles.

Refer to Appendix B – Performance Audits Completed; and Appendix C – Contract, Financial and Compliance Audits Completed.

In addition, 2 TICR determinations were reviewed and approved. A list of firms enrolled in the pilot program as of June 30, 2022 is included in Appendix D.

Audit Follow-up

MAS closed 40 open recommendations during the fiscal year and provided administrative support for the closure of 47 open OIG recommendations.

Cumulative FY 2022 Audit Activity by Department

Strategic Financial Management 1%

Agencywide 9%

Chief People Office 6%

Program Management 23%

Chief Safety Office 8%

Customer Experience Office 1%

Operations 8%

Planning and Development 44%

Department Highlights

Administration and Policy

- **Quality Assurance Improvement Program (QAIP).** During FY 2022, MAS formalized its efforts in the QAIP and completed various activities to support improved performance, quality, and value-added internal audit services including completing a comprehensive review and update of MAS' Audit Charter, which was adopted by the Board in May 2022. In addition, the Association of Local Government Auditors (ALGA) completed an External Quality Assurance Review (Peer Review) for FY19-21 to assess MAS' internal quality control system and ensure compliance with auditing standards. The peer review team concluded that MAS fully complies with Red Book and Yellow book standards and practices.

- **Multidisciplinary Development Program (MDD).** In September 2020, MAS launched the MDD program to promote professional development; create a culture of continuous learning; cross-train staff in various areas of the audit practice and discipline; and build internal capacity in support of delivering value-added audit services. In FY2022, audit staff participated in industry specific and specialized training such as: audit report writing, data analytics, federal acquisition regulations, and updates to auditing standards. In addition, in FY22 MAS incorporated career pathway sessions to the MDD program where guest speakers come and discuss their career development with staff.

- **Updated and Adopted Charter.** In May 2022, the Board adopted MAS' updated Audit Charter. Auditing standards require that MAS review its internal audit charter periodically, present it to executive management and obtain Board approval. The internal audit charter is a formal document that defines MAS' purpose, authority, independence, and responsibility. The Audit Charter was last approved by the Board in October 2018, subsequently applicable auditing standards were revised. The Board approved Charter was compared to the updated standards and revised to be in compliance with the new requirements. Revisions to the charter were also made based on MAS' review and recommendations from the Internal Quality Self-Assessment team.

		Performance Audit - In Progress Audits as of June 30, 2022		
No.	**Area**	**Audit Number & Title**	**Description**	**Estimated Date of Completion**
1	Planning & Development	21-PLN-P01 - Micro Mobility Vehicles Program	Assess the progress made in achieving program goals and objectives, including the consideration given to the Metro Rapid Equity Assessment Tool.	8/2022
2	Chief Safety Office	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.	8/2022
3	Chief People Office	22-ITS-P01 - Follow-up of Cybersecurity Assessment Recommendations	Agreed upon procedures report to assess the status of work done by ITS in response to a previously performed cybersecurity review.	9/2022
4	Operations	22-OPS-P03 - OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees working in Maintenance and Transportation with applicable Federal, State, and technical requirements. In addition, the training records will be assessed for accuracy and completeness.	10/2022
5	Operations	22-OPS-P01 - Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit program	10/2022
6	Operations	22-OPS-P04 - CMS Fabrication Process Special Review	Review primarily the Central Maintenance Shops manufacturing request process. The process will be assessed for reasonableness, efficiency (time and cost), completeness and safety considerations, and provide observations and recommendations as appropriate.	10/2022
7	Operations	21-SEC-P01 - Business Continuity Plan	Evaluate the adequacy of Rail Operations' COOP and SOPs to support Rail Operations' mission essential functions during emergencies.	12/2022
8	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.	4/2023

No.	Area	Audit Number & Title	Description	Date of Completion
**Performance Audit - Audits Completed as of June 30, 2022**				
1	Chief of Staff	Independent Auditor's Report on Compliance for Business Interruption Fund (BIF) Pilot Program	Validate compliance with administrative guidelines and fund disbursement procedures.	3/2022
2	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	3/2022
3	Program Management	21-CON-P01 - Attestation Engagement for Metro-owned Renewable Identification Numbers	Verify that Metro's EPA reporting of RINs (renewable identification numbers) for renewable energy credits are complete and accurate for calendar year 2020.	1/2022
4	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	Assess the conformity of services performed and billed by the contractor to the scope of work and other provisions of the contract.	11/2021
5	Operations	21-AGW-P01B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	Evaluate adequacy of the internal controls over overtime payments for AFSCME union employees within Operations for selected positions.	10/2021
6	Customer Experience Office / Strategic Financial Planning	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.	10/2021
7	Chief Safety Office	21-RSK-P02 - Performance Audit of COVID-19 Regulatory Compliance	Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	8/2021

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2022				
No.	**Area**	**Audit Number & Type**	**Auditee**	**Date Completed**
1	Program Management	21-CON-A05 - Agreed-Upon Procedures	Raimi and Associates, Inc.	6/2022
2	Operations	19-CON-A25 - Agreed-Upon Procedures	STV/WSP JV	6/2022
3	Planning & Development	22-HWY-A03 - Closeout	City of Glendale	6/2022
4	Planning & Development	22-HWY-A06 - Closeout	City of Inglewood	6/2022
5	Program Management	20-CON-A03 - Agreed-Upon Procedures	Safework	6/2022
6	Planning & Development	19-PLN-A13 - Closeout	County of Los Angeles	6/2022
7	Planning & Development	22-HWY-A05 - Closeout	City of Redondo Beach	6/2022
8	Planning & Development	19-PLN-A05 - Closeout	City of Culver City	6/2022
9	Planning & Development	20-PLN-A16 - Agreed-Upon Procedures	LSA Associates, Inc.	5/2022
10	Planning & Development	22-HWY-A01 - Closeout	City of Glendale	5/2022
11	Program Management	20-CON-A09 - Agreed-Upon Procedures	WKE, Inc.	5/2022

Appendix C

No.	Area	Audit Number & Type	Auditee	Date Completed
	**Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2022**			
12	Planning & Development	20-PLN-A17 - Agreed-Upon Procedures	JMDiaz, Inc.	4/2022
13	Planning & Development	20-HWY-A06 - Closeout	City of Burbank	3/2022
14	Operations	21-OPS-A01 - Agreed-Upon Procedures	New Flyer of America, Inc.	2/2022
15	Planning & Development	20-HWY-A08 - Closeout	City of Redondo Beach	1/2022
16	Planning & Development	18-PLN-A01 - Closeout	City of El Monte	12/2021
17	Planning & Development	21-HWY-A05A - Closeout	City of Inglewood	11/2021
18	Program Management	21-HWY-A05B - Closeout	City of Inglewood	11/2021
19	Planning & Development	21-HWY-A05C - Closeout	City of Inglewood	11/2021
20	Planning & Development	21-HWY-A05D - Closeout	City of Inglewood	11/2021
21	Program Management	19-CON-A05 - Agreed-Upon Procedures	BA Inc.	9/2021
22	Planning & Development	19-PLN-A18 - Closeout	City of Pasadena	9/2021

Appendix C

		Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2022		
No.	**Area**	**Audit Number & Type**	**Auditee**	**Date Completed**
23	Planning & Development	19-PLN-A11 - Closeout	City of Manhattan Beach	9/2021
24	Planning & Development	20-PLN-A18 - Agreed-Upon Procedures	McMillan Jacobs Associates, Inc.	9/2021
25	Program Management	19-CON-A26 - Agreed-Upon Procedures	LTK Engineering Services	8/2021
26	Planning & Development	20-PLN-A14 - Agreed-Upon Procedures	Epic Land Solutions, Inc.	8/2021
27	Planning & Development	20-PLN-A13 - Agreed-Upon Procedures	AECOM Technical Services, Inc.	8/2021

Appendix D

No.	Firm	Approval Date
Transitional Indirect Cost Rate – Approved Firms as of June 30, 2022		
1	Summit Consulting & Engineering, Inc.	7/30/2019
2	Conaway	8/18/2020
3	OhanaVet	8/18/2020
4	Sunenram	8/18/2020
5	Vicus	8/18/2020
6	EcoTeal, Inc.	4/22/2021
7	Redwood Resources	4/22/2021
8	3P Premier Program Partners	4/22/2021
9	Akima Consulting, LLC	4/22/2021
10	Loop Environmental	4/22/2021
11	Schweitzer	4/22/2021
12	Polytechnique	4/22/2021
13	Tim Reeve Consulting, Inc.	4/22/2021
14	Impact Sciences	4/22/2021

Appendix D

Transitional Indirect Cost Rate – Approved Firms as of June 30, 2022		
No.	**Firm**	**Approval Date**
15	All About Waste	4/22/2021
16	Letini Design & Marketing	4/22/2021
17	Chateau Vallon	7/13/2021
18	OFRS, Inc.	7/13/2021

Appendix E

				Open Audit Recommendations as of June 30, 2022		
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
1	Chief of Staff	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 continues to negotiate Essential Use designation with SCE, DWP & CPUC as a basis for utility emergency service agreements.**	3/31/2020	6/30/2022
2	Operations	19-OPS-P02 - Performance Audit of the Rail Communications Systems	3 Total	The recommendations included in this report address findings in Metro's Operational System. **Update: As of June 2022, 9 of 12 recommendations were closed.**	On-going	
3	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 June 2022, 6 of 13 recommendations were closed.**	On-going	
4	Chief Safety Office	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
5	Chief Safety Office	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	
6	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	
7	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	8/30/2022

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

				Open Audit Recommendations as of June 30, 2022		
No.	**Area**	**Audit Number & Title**	**Rec. No.**	**Recommendation**	**Original Completion Date**	**Extended Completion Date**
8	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	1	Bus and Rail Transportation management should implement periodic training or retraining for all Transit Operations Supervisors (TOS), Rail Transit Operations Supervisors (RTOS) and first line transportation management concerning the calculation of overtime eligible hours and the proper use of payroll codes. **Update: Training content is nearing completion; work on delivery media is in progress.**	12/31/2021	12/31/2022
9	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	3	Bus Transportation management should provide training to Bus Transportation managers, scheduling staff and TOS on these exceptions to enable proper scheduling and approvals of actual time incurred. **Update: Training will be provided in the month following issuance of the new policy.**	12/31/2021	12/31/2022
10	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	4	Bus and Rail Transportation management should enforce retention of required overtime (OT) related documents for all instances of OT worked, including partial and split shifts. **Update: An on-line overtime request tool to replace paper request forms is now under development, which will permit storage, retention, retrieval and reporting of all overtime requests across the system at any time.**	9/30/2021	7/31/2022
11	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	5	Bus and Rail Transportation management should train and periodically remind all line management, TOS and RTOS of overtime documentation and retention requirements. **Update: The on-line request tool for Recommendation 4 above will resolve this issue.**	9/30/2021	7/31/2022
12	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	6	Bus and Rail Transportation management should require employees to file copies of system overtime request forms for other divisions at their home division. **Update: The on-line request tool for Recommendation 4 above will resolve this issue.**	9/30/2021	7/31/2022
13	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	7	Bus and Rail Transportation management should require employees to bring supporting paperwork back to their home division each time they work at another division. **Update: The on-line request tool for Recommendation 4 above will resolve this issue.**	9/30/2021	7/31/2022

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 June 30, 2022**
14	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	8	Bus and Rail Transportation management should ensure copies of documentation supporting overtime are retained as required at both divisions when employees transfer permanently from one division to another. **Update: The on-line request tool for Recommendation 4 above will resolve this issue.**	9/30/2021	7/31/2022
15	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	1	Metro management should re-evaluate any need for 24-hour non-revenue passenger vehicles (NRVs) and establish a formal requirement for written approval prior to assignment of NRVs to Metro employees.	2/28/2022	
16	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	2	Metro should lease required project vehicles directly through Metro's procurement processes, and only include NRVs in professional services and/or consulting contracts upon conducting a needs assessment and cost-benefit analysis.	2/28/2022	
17	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	3	If Metro continues to allow employees to operate contractor owned/leased vehicles, Metro policies and procedures should be developed to guide usage by employees.	2/28/2022	
18	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	4	Metro management should provide relevant staff with compliance training for the Contract and related policies.	2/28/2022	
19	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5a	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Assess whether 24-hour use of an NRV is necessary, document the justification and obtain approval for use in writing.	2/28/2022	
20	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5b	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Determine how best to resolve and enforce the commuter mileage (fringe benefit tax) issue retroactively and ensure the required forms are completed and filed, including applicable penalties and interest for Metro and its employees to be in compliance. Any required forms that have not been submitted should be submitted, including 24-Hour Assigned Vehicle & Overnight Use Commuter Mileage Forms, if necessary and amended W-2s.	2/28/2022	
21	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5c	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Determine whether the monthly parking, that should have been paid by the six (6) Metro employees, that was paid through the Contract should be repaid by the employees to Metro.	2/28/2022	

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 June 30, 2022**						
22	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5d	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Ensure Metro staff involved and injured in the vehicle incident as well as the Program Management Department complete all required forms to properly report the accident to the appropriate Metro department(s).	12/31/2021	
23	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	1	We recommend the Deputy Chief Information Technology Officer require that Information Security management specify the reminder notification requirements (e.g., due date, timing, and frequency of training reminders) via the Metro LMS, when Talent Development management enables the automated notification feature, and establish a formal guideline to escalate reporting for non-compliance with training requirements.	8/30/2022	
24	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	2	We recommend the Deputy Chief Information Technology Officer require Information Security management to: a) Determine whether there is a need for information security awareness training to cover necessary policy requirements related to information security; and b) Incorporate any near-term policy updates related to information security in the information security awareness training material.	12/31/2023	
25	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	3	We recommend the Deputy Chief Information Technology Officer require acknowledgement from system users of having received IT policies and standards that are critical to information security and/or evidence of completion of training(s) prior to granting access to Metro's network and system.	12/31/2022	
26	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	4	We recommend the Deputy Chief Information Technology Officer formally define, document, and communicate the roles and responsibilities related to oversight of mandatory and required trainings, including formalizing the definition of required training.	8/30/2022	
27	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	5	We recommend the Deputy Chief Information Technology Officer establish a timeframe target with the LMS for resolving the current outstanding technical issues.	8/30/2022	
28	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	6	We recommend the Deputy Chief Information Technology Officer establish a timeframe target with Human Capital & Development management to enable the automated notification feature.	8/30/2022	

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 June 30, 2022		
29	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	7	We recommend that the Deputy Chief Information Technology Officer require Information Security management to establish a formal guideline that guides decisions on who should receive information security awareness training and the type of such training method. This guideline should consider the access levels of users, the cost-benefit associated with training different groups of users, and the risks associated with not providing training to particular users. Training and its frequency may be customized and tailored to provide the education and information applicable and necessary to the group of participants.	6/30/2023	
30	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	8	We recommend that the Deputy Chief Information Technology Officer require Information Security management to consult with Metro County Counsel to establish a minimum requirement and/or expectation for consultants related to information security; a) Existing consultants, b) Future consultants.	9/30/2022	
31	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	10	We recommend the Talent Development management formally document the roles and responsibilities of i) Talent Development, and of ii) sponsoring departments when a required training course is developed. This includes, for example, identifying who will be taking the training, who will enroll participants, etc.	9/30/2022	
32	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	11	We recommend the Talent Development management work with the LMS provider to support the training needs for consultants as necessary.	9/30/2022	

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
over	**OIG Open Audit Recommendations as of June 30, 2022**					

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	1 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 June 2022, 116 of 117 recommendations were closed.**	Pending	
2	Operations	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	7/1/2023
3	Chief Safety Office	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.	Pending	
4	Chief Safety Office	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.	Pending	
5	Chief Safety Office	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.	Pending	
6	Chief Safety Office	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.	Pending	
7	Chief Safety Office	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.	Pending	

No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
				OIG Open Audit Recommendations as of June 30, 2022		
8	Chief Safety Office	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	3/31/2022
9	Chief Safety Office	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.	Pending	
10	Chief Safety Office	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	1/31/2022
11	Chief Safety Office	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	1/31/2022
12	Chief Safety Office	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.	Pending	
13	Chief Safety Office	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	3/31/2022
14	Chief Safety Office	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	3/31/2022

Management Audit Services

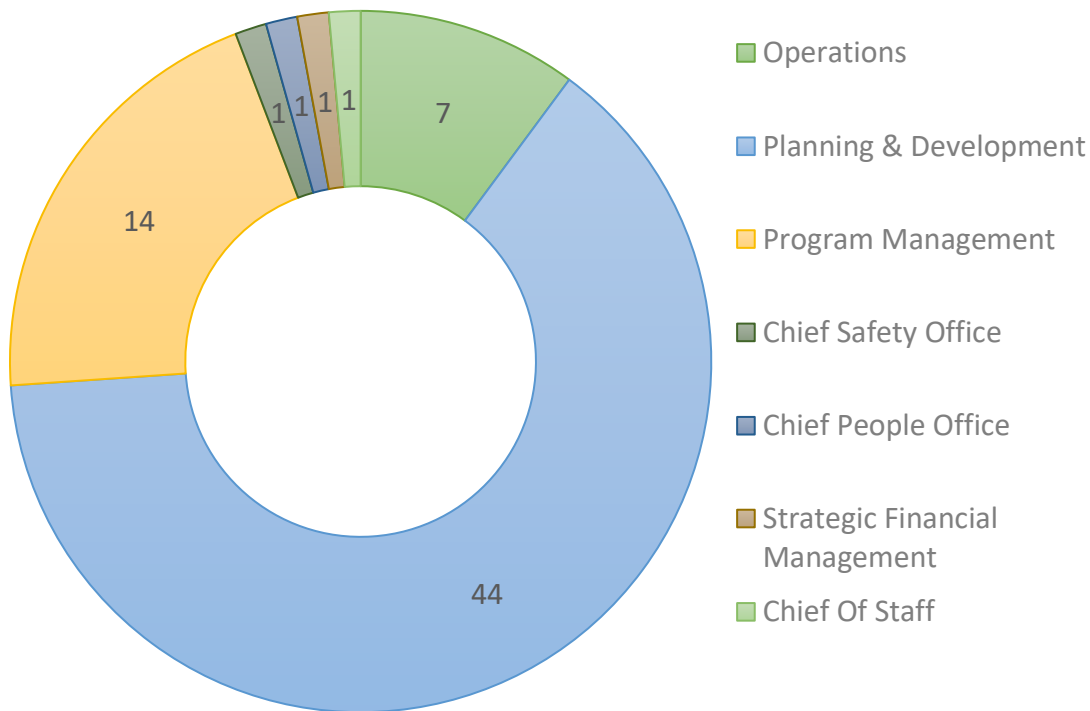# FY 2022 Fourth Quarter and FY 2022 Cumulative Year-end Report

Finance, Budget & Audit Committee
August 17, 2022

Metro | MANAGEMENT AUDIT SERVICES

In Progress: MAS Audit Activity

Agency Representation

- Operations
- Planning & Development
- Program Management
- Chief Safety Office
- Chief People Office
- Strategic Financial Management
- Chief Of Staff

o 8 Performance Audits

o 61 Contract, Financial and Compliance Audits

In Progress: Performance Audits

|	Audit Title	Description	Estimated Completion			
			FY23 Q1 Jul - Sept	FY23 Q2 Oct - Dec	FY23 Q3 Jan - Mar	FY23 Q4 Apr - Jun
1	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.	🟢			
2	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.	🟢			
3	Cybersecurity Follow-up	Assess the status of work done by ITS in response to prior audit.	🟢			
4	OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees with applicable requirements, completeness and accuracy.		🟢		
5	Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit program		🟢		

In Progress: Performance Audits

	Audit Title	Description	Estimated Completion			
			FY23 Q1 Jul - Sept	FY23 Q2 Oct - Dec	FY23 Q3 Jan - Mar	FY23 Q4 Apr - Jun
6	CMS Fabrication Process	Review primarily the Central Maintenance Shops manufacturing request process for reasonableness, efficiency (time and cost), completeness and safety considerations.		🟢		
7	Business Continuity Plan - Rail	Evaluate the adequacy of Rail Operations' COOP and SOPs to support Rail Operations' mission essential functions during emergencies.		🟢		
8	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: Contract, Financial & Compliance Audits
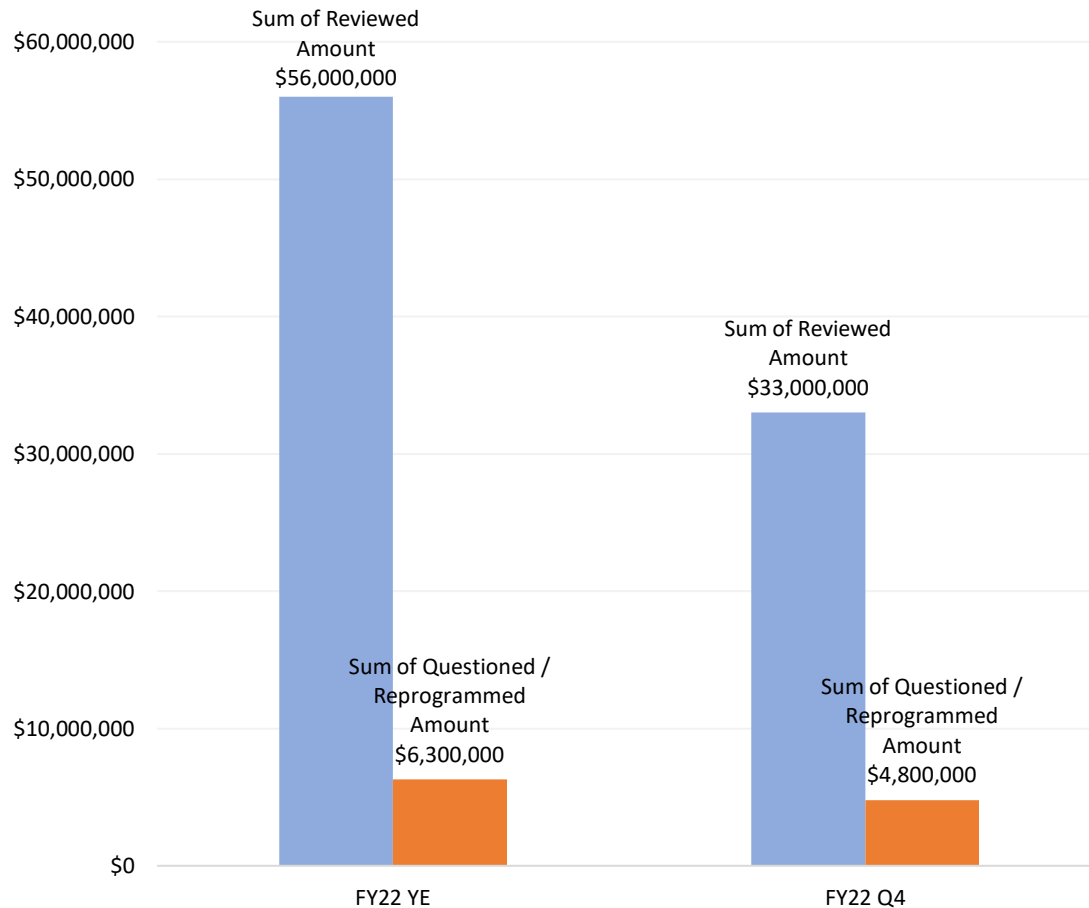
Delivered financial audits that reviewed $56M of funding for FY22 YE and $33M for FY22 Q4; and identified $6.3M and $4.8M, respectively for reprogramming.

Completed: Performance Audits

Agency Representation
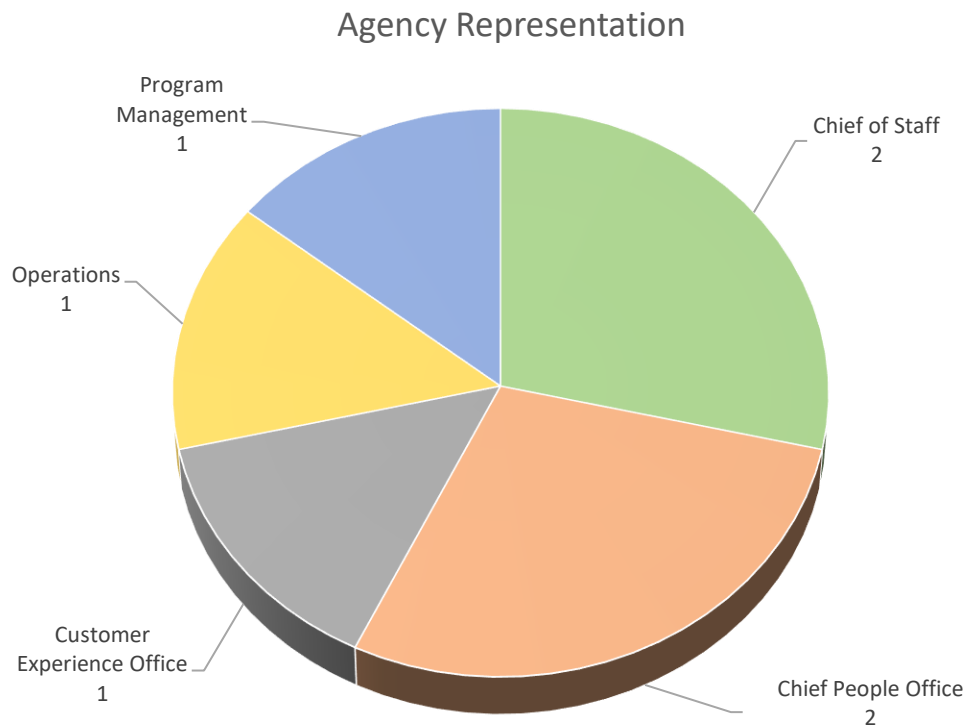
Completed 7 Audits:
- COVID-19 Regulatory Compliance
- Internal Controls Over Overtime Payments – AFSCME
- Expanded Discount Programs
- Program Management Support Services
- Metro-owned Renewable Identification Numbers
- Information Security Awareness
- Business Interruption Fund (BIF) Pilot Program