



## Board Report

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### FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 15, 2023

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2023 SECOND QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the Management Audit Services FY 2023 second-quarter report.

#### **ISSUE**

Management Audit Services (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 are 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 2023 second-quarter report covers the period of October 1, 2022, through December 31, 2022.

#### **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' 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 are responsible for administration, financial management, including audit support, audit follow-up, and resolution tracking.

The following summarizes MAS activity for FY 2023 second quarter:

Performance Audits: Two (2) audit projects were completed; six (6) were in progress.

Contract, Financial and Compliance Audits: Six (6) audits with a total value of \$35 million were completed; 58 were in progress.

Financial and Compliance Audits of Metro: Eight (8) audits were issued by external Certified Public Accounting (CPA) firms.

Audit Follow-up and Resolution: Six (6) recommendations were closed during the quarter; one (1) recommendation for the Office of the Inspector General (OIG) was closed. Note: MAS performs audit follow-up for the OIG.

The FY 2023 Second Quarter Report is included as Attachment A.

## **EQUITY PLATFORM**

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

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Management Audit Services FY 2023 Second Quarter Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

## **NEXT STEPS**

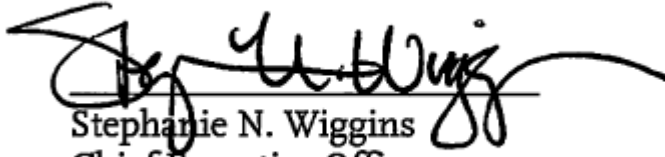
Management Audit Services will continue reporting audit activity throughout the fiscal year.

## **ATTACHMENT**

Attachment A - FY 2023 Second Quarter Report

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Stephanie N. Wiggins  
Chief Executive Officer

# Quarterly Report to Metro Board of Directors

FY 2023 Second Quarter



**Metro**

**MANAGEMENT  
AUDIT SERVICES**

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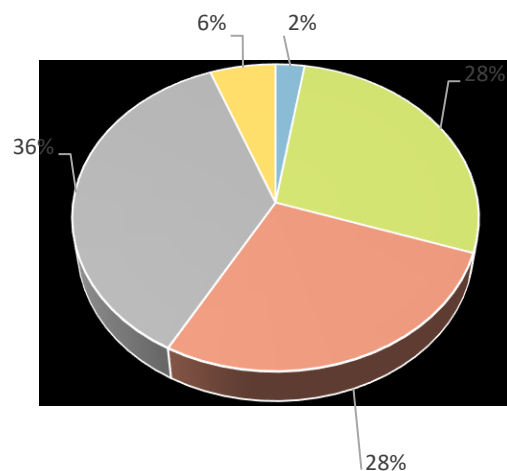
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# Executive Summary

In Progress Audits  
as of December 31, 2022



Summary of Audit Activity by Department  
Reporting Period  
October 1, 2022 – December 31, 2022



- Chief People Office
- Operations
- Planning and Development
- Program Management
- Strategic Financial Planning

## Summary of In Progress Audit Activity

Management Audit Services (MAS) has 64 in progress projects as of December 31, 2022, which include 6 performance audits and 58 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 44 open MAS audit recommendations; and 10 open Office of Inspector General (OIG) audit recommendations.

## Summary of Third Quarter Completed Audit Activity

MAS completed 16 audit projects and closed 7 open audit recommendations. The projects are comprised of 2 performance audits, 6 contract, financial and compliance audits and 8 financial and compliance audits of Metro.

The completed performance audits are highlighted on page 4. The completed contract, financial and compliance audits are highlighted on page 5. The financial and compliance audits of Metro issued by the external Certified Public Accounting (CPA) firms are highlighted on page 6.

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

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# 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.

## ***Special Review of Central Maintenance Shops (CMS) Manufacturing Process***

The objectives of the audit were to determine whether the CMS manufacturing request process is reasonable, efficient (time and cost), complete and whether safety considerations are considered.

MAS found that the CMS manufacturing / Work Request process was substantially documented, with all steps in the manufacturing process performed in a logical order, focused on customer needs and in compliance with applicable laws, regulations and policies. The longest phase in the process was related to determining customer needs, design and any required reviews. The use of modern design tools and manufacturing equipment has generally enabled efficiency in the production process. However, two opportunities to improve design cycle times were noted:

1. Provide complete, detailed instructions to customers for Work Requests.
2. Request budget to create a permanent full-time drafting technician position.

MAS identified two (2) observations and two (2) recommendations. Management concurred with the recommendations.

## ***Cybersecurity follow-up engagement***

The objective Ascertain the actions taken by ITS to implement the recommendations from a previously completed cybersecurity assessment.

MAS found that Metro ITS began implementing corrective actions in response to the assessment and continues to refine their corrective approach to improve the agency's cybersecurity posture.

## ***Special Review of Metro Center Project (MCP)***

The main objectives of this special review were to determine the factors that contributed to Metro needing to repay back the California State Office of Emergency Services (CalOES) grant funds related to the MCP and confirm that the planned scope for MCP aligns with the scope described in the October 2020 Board Report. In addition, MAS reviewed project management practices, Metro's plan to back fill the funding gap, and internal communication related to timeliness of the MCP grant.

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MAS noted the following observations in relation to the factors that contributed to repayment of the CalOES grant funds:

- Formal project management started three years late and did not appear to follow the critical path until the 4½ year mark. Over two years was lost.
- Preliminary engineering could have started three or more years earlier than in 2016. The project could then have approached substantial completion before the onset of COVID.
- Design/build (D/B) procurement could have saved a year with consultation and improved planning to avoid the first-round procurement failure and numerous amendments.
- After the 3½ year iterative D/B procurement phase, completing the project before Proposition 1B California Transit Security Grant Program funds expired was nearly impossible.
- Quarterly Project Status Reports prior to June 2022 were unreliable.

MAS also noted that distribution of Project Status Reports and oral communications to relevant stakeholders were not consistent. However, favorable conditions noted included written communications were adequately documented by Grants Management, local funding was correctly determined to be the only feasible source to fill the funding gap. and no substantial issues were noted with the planned project scope, change orders or appropriate use of grant program funds.

There were 14 recommendations included in the review that address the observations noted above. Management concurred with most of the recommendations. MAS will follow up to ensure implementation of the recommendations.



# Contract, Financial & Compliance Audits

MAS staff completed 6 independent auditor's report on agreed-upon procedures for the following projects:

Project	Reviewed Amount	Questioned and/or Reprogrammed Amount
City of Glendale – Sonora Avenue At-Grade Rail Crossing Safety Upgrade Project	\$2,665,759	\$270,891
Global ASR Consulting - Sustainability Engineering for Water Resources Conservation and Compliance Project	N/A	\$0
City of Arcadia – Baldwin Ave and Duarte Rd. Intersection Capacity Improvement Project	\$505,374	\$486,018
Cogstone Resource Management Inc. – Westside Subway Extension Project Construction Management Support Services	N/A	\$0
City of Los Angeles - I-110 / SR-47 and John S. Gibson / NB I-110 Ramp Access Project	\$31,838,750	\$0
City of Baldwin Park – Metrolink Parking Resource Management Demonstration Project	\$436,119	\$0
<b>Total Amount</b>	<b>\$35,446,002</b>	<b>\$756,909</b>

Details on contract, financial and compliance audits completed during FY 2023 second quarter are included in Appendix B.

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# Financial and Compliance Audits of Metro

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

## *Financial and Compliance Audits – Issued Various Dates*

MAS contracted with BCA to conduct an audit of the financial statements and Independent Auditor's Report on Schedule of Revenues and Expenditures for the year ended June 30, 2022 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The resulting reports include:

- Gateway Center Financial Statements;
- Los Angeles Union Station Property Financial Statements;
- PTSC-MTA Risk Management Authority (PRMA) Financial Statements;
- ExpressLanes Fund Financial Statements;
- Regional Transit Access Pass (TAP) Service Center TAP Settlement and Clearing Accounts;
- Propositions A & C Schedules of Revenues and Expenditures;
- Measure R Schedule of Revenues and Expenditures; and
- Measure M Schedule of Revenues and Expenditures.

BCA found that above financial statements present fairly, in all material respect, for the fiscal year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America. In addition, BCA found that Regional TAP Services Center complied, in all material respects, with the compliance requirements described in the TAP Financial Position Rules that could have a direct and material effect on the Tap Settlement and Clearing Accounts and Metro complied, in all material respects, with the requirements described in the Ordinances that could have a direct and material effect on the Proposition A Proposition C, Measure R and Measure M Revenues and Expenditures for the fiscal year ended June 30, 2022.

The results of the fund audits will be presented to the respective Independent Taxpayer Oversight Committee.

# Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of December 31, 2022.

<b>MAS and External Audit Recommendations</b>				
<b>Executive Area</b>	<b>Closed</b>	<b>New</b>	<b>Currently Open</b>	<b>Past Due</b>
Operations	1		7	10
Program Management	5		1	2
Chief People Office			17	
Planning & Development			1	
Chief Safety Office			6	
<b>Total</b>	<b>6</b>		<b>32</b>	<b>12</b>

<b>OIG Audit Recommendations</b>				
<b>Executive Area</b>	<b>Closed</b>	<b>New</b>	<b>Currently Open</b>	<b>Past Due</b>
Operations	1		1	
Chief Safety Office			7	2
<b>Total</b>	<b>1</b>		<b>8</b>	<b>2</b>

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

## Appendix A

Performance Audit - In Progress Audits as of December 31, 2022				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Operations	22-OPS-P01 - Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit Program.	1/2023
2	Program Management	23-CON-P01 Metro Center Project Special Review	Examine the factors that contributed to Metro needing to repay back CalOES grant funds related to the Metro Center Project. In addition, review usage of project grant funds, project communication, program management practices, and confirm the planned scope for the Metro Center Project aligns with the scope described in the October 2020 Board Report.	1/2023
3	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
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.	5/2023
5	Operations	21-SEC-P01 - Business Continuity Plan	Evaluate the adequacy of Rail Operations' Continuity of Operations Plan and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies.	5/2023
6	Strategic Financial Management	23-VCM-P01 Performance Audit of Contract Price Structures for Professional Services	Assess the process performed by contract administrators and project managers for firm fixed price professional service contracts, payment structures and performance milestones. The audit will include an assessment of the process used to determine the use of firm fixed price professional services contracts.	6/2023

## Appendix B

<b>Contract, Financial and Compliance Audit - Audits Completed as of December 31, 2022</b>				
<b>No.</b>	<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Auditee</b>	<b>Date Completed</b>
1	Planning & Development	19-HWY-A10 - Agreed-upon Procedures	City of Glendale	11/2022
2	Program Management	22-CON-A01 - Agreed-upon Procedures	Global ASR Consulting, Inc.	11/2022
3	Planning & Development	22-PLN-A03 - Agreed-upon Procedures	City of Arcadia	12/2022
4	Program Management	20-CON-A04 - Agreed-upon Procedures	Cogstone Resource Mangement, Inc.	12/2022
5	Planning & Development	20-PLN-A52 - Agreed-upon Procedures	City of Los Angeles	12/2022
6	Planning & Development	22-PLN-A05 - Agreed-upon Procedures	City of Baldwin Park	12/2022

## Appendix C

Open Audit Recommendations as of December 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	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. <b>Update: Metro continues to negotiate Essential Use designation with SCE, DWP &amp; CPUC as a basis for utility emergency service agreements.</b>	3/31/2020	7/31/2023
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. <b>Update: MAS will validate that the 3 remaining corrective actions were addressed during the audit of Rail COOP, slated for completion in May 2023.</b>	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. <b>Update: MAS will validate that the 7 remaining corrective actions were addressed during the audit of Rail COOP, slated for completion in May 2023.</b>	On-going	
4	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. <b>Update: Training content is nearing completion; work on delivery media is in progress.</b>	12/31/2021	4/30/2023
5	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. <b>Update: Training will be provided in the month following issuance of the new policy.</b>	12/31/2021	4/30/2023
6	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. <b>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.</b>	9/30/2021	4/30/2023
7	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. <b>Update: The on-line request tool for Recommendation 4 above will resolve this issue.</b>	9/30/2021	4/30/2023

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

## Appendix C

Open Audit Recommendations as of December 31, 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)	6	Bus and Rail Transportation management should require employees to file copies of system overtime request forms for other divisions at their home division. <b>Update: The on-line request tool for Recommendation 4 above will resolve this issue.</b>	9/30/2021	4/30/2023
9	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. <b>Update: The on-line request tool for Recommendation 4 above will resolve this issue.</b>	9/30/2021	4/30/2023
10	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. <b>Update: The on-line request tool for Recommendation 4 above will resolve this issue.</b>	9/30/2021	4/30/2023
11	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. <b>Update: Completed as of January 2023.</b>	2/28/2022	
12	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. <b>Update: Completed as of January 2023.</b>	2/28/2022	

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

## Appendix C

Open Audit Recommendations as of December 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
13	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. <b>Update: A draft MOU outlining the roles and responsibilities between the various groups within the CPO office is currently being reviewed and will be completed within the extension time frame. The MOU objective is to define ownership of responsibilities for ranking, communicating, tracking, and reporting of the training course.</b>	8/30/2022	2/28/2023
14	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	
15	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. <b>Update: ITS has identified the required policies and standards that new hires will be required to read. The plan is to communicate this to all new hires upon their orientation meeting. The communication and details of the orientation are being written and will be completed within the extension time frame.</b>	12/31/2022	2/28/2023
16	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	4	We recommend that Talent Development Management 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	3/31/2023
17	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	5	We recommend that Talent Development Management establish a timeframe target with the LMS for resolving the current outstanding technical issues.	8/30/2022	3/31/2023
18	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	6	We recommend that Talent Development Management establish a timeframe target with Human Capital & Development management to enable the automated notification feature.	8/30/2022	3/31/2023

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



## Appendix C

Open Audit Recommendations as of December 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
19	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	
20	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	3/31/2023
21	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	3/31/2023
22	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	3/31/2023
23	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	12	We recommend that Talent Acquisition continue working with hiring departments to update the consultant records in the HR database.	7/31/2022	3/31/2023
24	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	13	We recommend that Talent Acquisition clarify and enforce the roles and responsibilities of hiring departments related to notifying Talent Acquisition of changes in consultant's status (including terminations) in a timely manner.	7/31/2022	3/31/2023
25	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	14	We recommend that Talent Acquisition periodically follow up with hiring departments to confirm the consultants' status and update, as necessary.	7/31/2022	3/31/2023
26	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	15	We recommend that Talent Acquisition continue working with ITS to implement a system-assisted solution to notify or automate the process.	7/31/2022	3/31/2023
27	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	16	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
28	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	17	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to clarify and enforce the roles and responsibilities of system owners and data custodians to review and update the access list periodically.	12/31/2024	

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

## Appendix C

Open Audit Recommendations as of December 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
29	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	18	We recommend the Deputy Chief Information Technology Officer require Information Technology Services team to instruct system owners to review, update and/or deactivate the user access lists immediately.	12/31/2024	
30	Planning & Development	21-PLN-P01 - Performance Audit of Micro Mobility Vehicle Pilot Program	1	Parking Management should establish a flat annual license fee that includes access to all rail stations and abolish all other recurring fees.	10/31/2022	1/31/2023
31	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1a	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. a) Develop a formal process to obtain necessary asset information.	8/31/2023	
32	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1ai	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. i. Identify responsible departments and define and document their roles and responsibilities to support and/or report asset information to ETAM.	11/30/2022	3/31/2023
33	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1aii	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. ii. Propose to Accounting a revised Capital Asset Transfer request form to obtain sufficient asset information when assets are acquired and/or placed in service.	8/31/2023	
34	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	1b	We recommend the Deputy RSAM officer periodically review accounting records for acquisitions (at least annually) to update the TAM database and to help ensure completeness. b) Continue working with the EAMS implementation team to plan, design, develop and implement a system integration/interface to transfer available asset data from the accounting system to the new EAMS.	11/30/2022	12/31/2024
35	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	2	For existing assets, make use of accounting records to identify all missing assets that should be in the TAM database.	11/30/2022	8/31/2023
36	Chief Safety Office	21-RSK-P03 - Performance Audit of Transit Asset Inventory Records	3	Work with the EAMS implementation team and other functional groups (Accounting, ITS, Operations etc.), who maintain an asset list, to consolidate inventory records in the upcoming EAMS.	11/30/2022	12/31/2024

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

## Appendix D

OIG Open Audit Recommendations as of December 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	20-AUD-06 - Review of LA Metro's Freeway Service Patrol (FSP) 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
2	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.	6/30/2023	
3	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.	6/30/2023	
4	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.	6/30/2023	
5	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.	6/30/2023	
6	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	
7	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	

## Appendix D

OIG Open Audit Recommendations as of December 31, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	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
9	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
10	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.	6/30/2023	

Management Audit Services

# FY 2023 Second Quarter Report

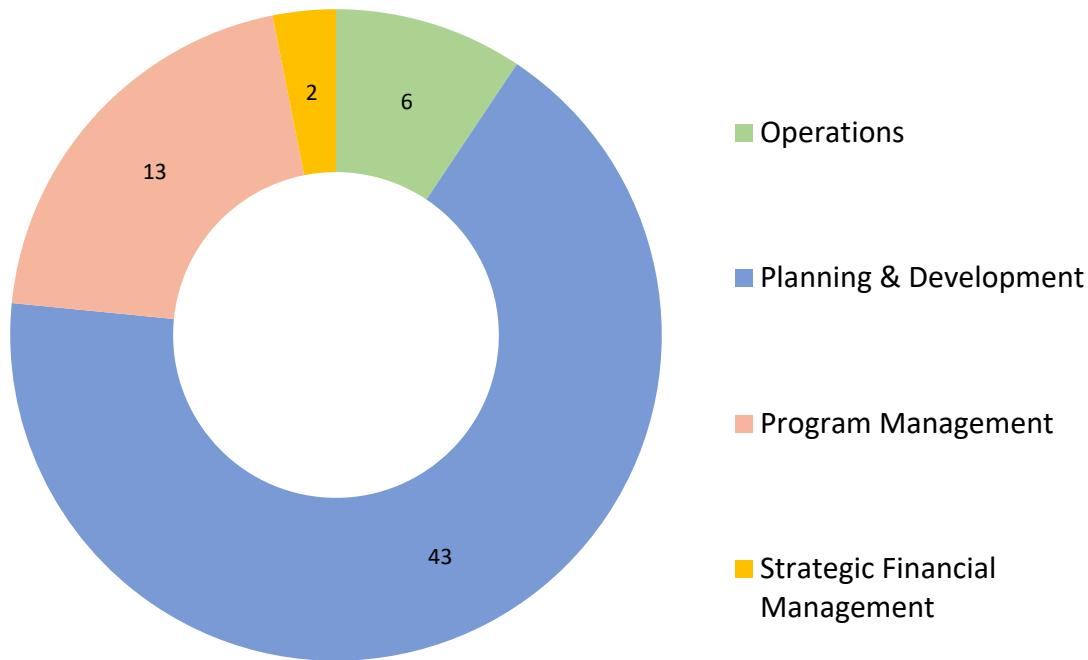
Finance, Budget & Audit Committee  
March 15, 2023



MANAGEMENT  
AUDIT SERVICES







# In Progress: MAS Audit Activity

Agency Representation



- 6 Performance Audits
- 58 Contract, Financial and Compliance Audits

# In Progress: Performance Audits

	Audit Title	Description	Estimated Completion	
			FY23 Q3 Jan - Mar	FY23 Q4 Apr - Jun
1	Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit program		
2	Metro Center Project	Examine the factors that contributed to Metro needing to repay back CalOES grant funds related to the Metro Center Project.		
3	Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new system.		
4	OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees with applicable requirements, completeness and accuracy.		
5	Business Continuity of Operations Plan (COOP)	Evaluate the adequacy of Rail Operations' COOP and Standard Operating Procedures to support Rail Operations' mission essential functions during emergencies.		
6	Contract Price Structures	Assess the process performed for firm fixed price professional service contracts.		

# Completed: Special Review of Central Maintenance Shops (CMS) Manufacturing Process

## Objective

Determine whether the CMS manufacturing request process is reasonable, efficient (time and cost), complete and whether safety considerations are considered.

## Audit Results

MAS found that the CMS manufacturing request process was substantially documented, with all steps in the process performed in a logical order, focused on customer needs and in compliance with applicable laws, regulations and policies.

## Findings / Recommendation Themes

Observation 1: Provide complete, detailed instructions to customers for Work Requests.

- Create and attach detailed specific standard instructions to the Work Request form, e.g., blueprint, sample part, etc.

Observation 2: Request budget to create a permanent full-time drafting technician position.

- Request budget for a permanent full-time drafting technician position, so CMS can hire and retain an experienced employee to do the work.



# Completed: Special Review of Metro Center Project (MCP)

## Objective

The main objectives of this special review were to determine the factors that contributed to Metro needing to repay back the California State Office of Emergency Services (CalOES) grant funds related to the MCP and confirm that the planned scope for MCP aligns with the scope described in the October 2020 Board Report. In addition, MAS reviewed project management practices, Metro's plan to back fill the funding gap, and internal communication related to timeliness of the MCP grant.

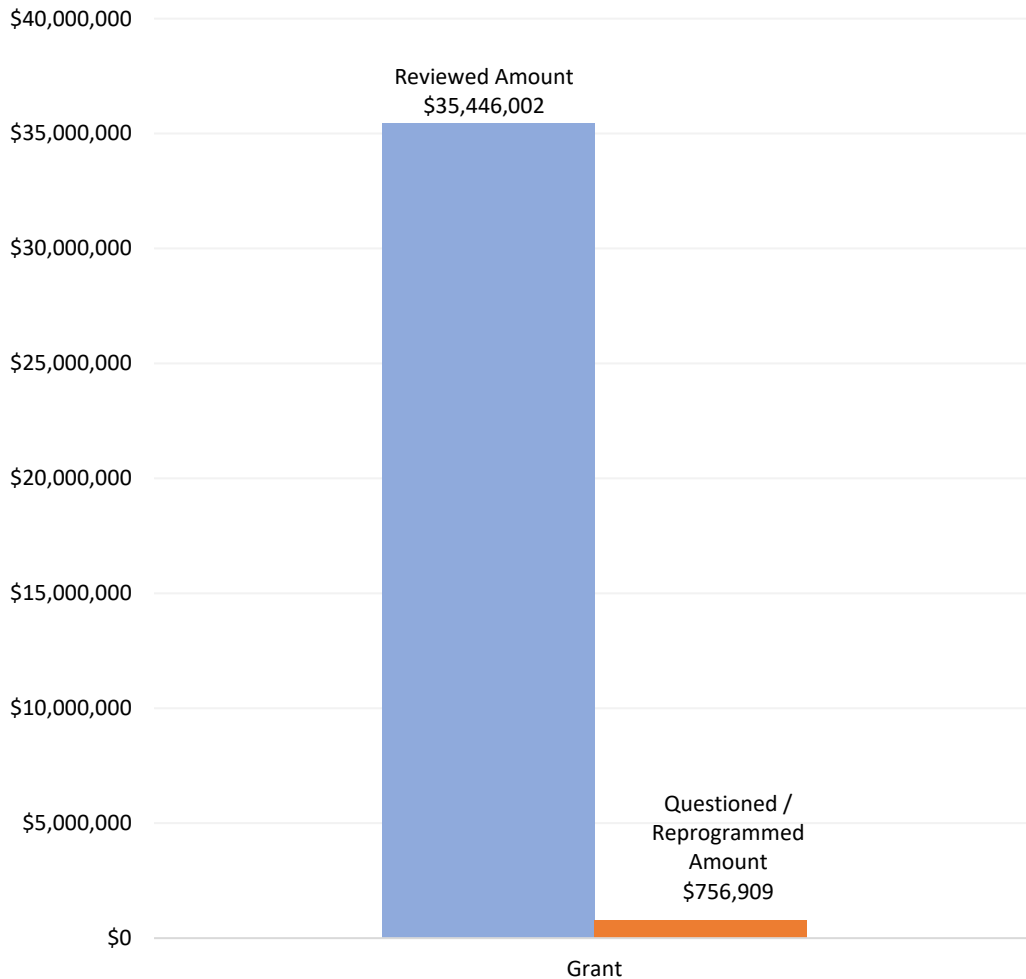
## Audit Results

- Formal project management started 3 years late and did not appear to follow the critical path until the 4½ year mark. Over 2 years was lost.
- Preliminary engineering could have started three or more years earlier than in 2016. The project could then have approached substantial completion before COVID hit.
- Design/build (D/B) procurement could have saved a year with consultation and better planning to avoid the first-round procurement failure and many amendments.
- After the 3½ year iterative D/B procurement phase, completing MCP before grants expired was nearly impossible.
- Quarterly Project Status Reports prior to June 2022 were unreliable.

In addition, distribution of Project Status Reports and oral communications to relevant stakeholders were not consistent. However, written communications were adequately documented, local funding was correctly determined to be the only feasible source to fill the funding gap and no substantial issues were noted with the planned project scope, change orders or appropriate use of grant program funds.

There were 14 recommendations included in the review that address the observations noted above. Management concurred with most of the recommendations. MAS will follow up to ensure implementation of the recommendations.

# Completed: Contract, Financial & Compliance Audits



- Delivered financial audits that reviewed \$35M of funding; and identified \$750K (2%) for reprogramming

Thank you